



# 2018-19

## ANNUAL REPORT



## VISION

Growing a vital, sustainable, and prosperous dairy industry.

## MISSION

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

## HOW WE ARE FUNDED

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

# Table of Contents

|   |    |
|---|----|
| Chairman's Message .....                        | 6  |
| General Manager's Message .....                 | 8  |
| Governance .....                                | 10 |
| Producer Governance Chart .....                 | 11 |
| Delegates by Region .....                       | 12 |
| Committees .....                                | 12 |
| Human Resources .....                           | 13 |
| Milk Production .....                           | 14 |
| Canadian Milk Supply Management Committee ..... | 18 |
| Milk Quality and Measurement .....              | 20 |
| Milk Transportation .....                       | 23 |
| proAction® .....                                | 24 |
| Animal Health .....                             | 26 |
| Research .....                                  | 28 |
| Environment .....                               | 30 |
| Farm Safety .....                               | 31 |
| Producer Engagement .....                       | 32 |
| Young Producer Development .....                | 34 |
| Telling the Dairy Story Online .....            | 36 |
| Telling the Dairy Story at Events .....         | 38 |
| Telling the Dairy Story in Schools .....        | 41 |
| Government Relations .....                      | 43 |
| How are we preparing for the future? .....      | 46 |
| Management Discussions and Analysis .....       | 48 |

# Alberta Dairy Industry's Year at a Glance



that our  
**GENERAL MANAGER**  
has served Alberta's  
dairy farmers before  
his retirement



**509**  
DAIRY  
PRODUCERS

**4**

applications for the  
**NEW  
ENTRANT  
ASSISTANCE  
PROGRAM**



**8.86%**  
of Canadian milk production

**5%**   
**↑ INCREASE**  
in producer quota issuance

**811,634,467**  
**LITRES PRODUCED**  
from August 1, 2018 until July 31, 2019



**103,418**  
NUMBER OF SAMPLES TESTED



**71%**

of producers qualified  
for the monthly  
milk quality bonus



**66** is the average number of  
**MILK TRUCKS**  
on the road each day

**25,847** litres  
was the average volume per milk truck route

260

FARMERS  
attended our  
**proAction®**  
training workshops



7

times is how  
many times our  
**RESEARCH  
CONTRIBUTION**  
is leveraged through  
government and  
industry funding  
agencies

12 FARMS



received provincial government  
grant to assist with the installation  
and operation of **MICRO  
COMBINED HEAT AND POWER**  
technology designed to help reduce  
utility costs and greenhouse gases.

THREE  
\$1,000

**ALBERTA MILK SCHOLARSHIPS**  
were handed out last year.



4,300 PEOPLE

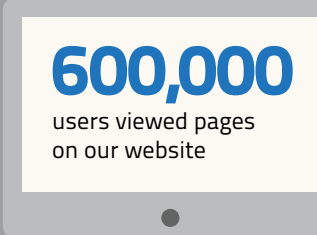
visited our three breakfasts  
in June and July

46%

number of farms that  
attended our producer  
meetings.

600,000

users viewed pages  
on our website

9,552  
PEOPLE

follow us or are fans of our  
pages on social media.

10  
YEARS

is how long our sponsorship  
of the Edmonton Valley Zoo  
is currently for.

\$15,500



is how much we donated to the Calgary Food Bank  
through proceeds generated from our Milk and  
Cookie Shack at the Calgary Stampede.  
(Since 2004, Alberta Milk has helped raise over  
\$206,150 hungry Albertans.)

13 FARMERS

volunteered their time to  
work in the booth at the  
**CALGARY STAMPEDE.**

60,573  
STUDENTS

from 295 schools throughout the  
province registered to enjoy the  
benefits of Club Moo.

# Chairman's Message

TOM KOOTSTRA

As I reflect on 2018-19, I am again astounded at the work that has been done in addressing the vast number of topics we have faced over the past 12 months, the details of which you will find highlighted in this annual report.

Pressure on supply management continued during the negotiations that lead to the new North American Free Trade Agreement (NAFTA), now called the Canada-United States-Mexico Agreement (CUSMA), on September 30 and officially signed on November 30. Under the agreement, the Canadian government has sacrificed a piece of our supply management system. The CUSMA dairy concessions consisted of increased access to US imports, removal of Class 7, US oversight into the administration of our Canadian dairy system, and tight restrictions and a surcharge on Canadian dairy exports. Dairy Farmers of Canada (DFC) estimates that the combined market access granted under the Comprehensive Economic and Trade Agreement (CETA), the Comprehensive and Progressive Agreement for Transportation Pacific Partnership (CPTPP), and CUSMA represent an annual loss equivalent to 18 per cent of milk production.

I was extremely pleased that following the announcement that CUSMA was signed, our industry received unexpected groundswell of support from Canadian consumers across the country. We saw a significant increase in consumers who wanted assurances they are buying Canadian dairy products.

In response to the signing of CUSMA, the federal government established a mitigation working group for the industry to provide input on compensation and mitigation as a result of the impacts of previous trade deals. I was pleased to be part of this working group which presented their findings to the federal government in time for the March 2019 federal budget. As a result, the federal budget contained a funding envelope of a total of \$1.75 billion for dairy.

Our work within the Western Milk Pool continued to address processing challenges. The investments needed in our industry to enhance processing capacity can be done in collaboration with producers across the pool and with processors. The CUSMA negotiations caused some processors to reconsider their planned investments. With the conclusion of the negotiations, they have revised their investment strategies to expand processing capacity in the near future.

I was also pleased to be part of the DFC strategic planning process as they undertook a major review in order to adjust to the changes in the industry and to ensure that they continue to be a strong and efficient national organization. As a strong supporter of DFC, Alberta Milk welcomes the new era DFC 2.0.

This past year also presented local challenges such as the development of municipal development plans that are being introduced in some municipalities. While

"I was extremely pleased that following the announcement that CUSMA was signed, our industry received unexpected groundswell of support from Canadian consumers across the country. We saw a significant increase in consumers who wanted insurances they are buying Canadian dairy products."

Alberta Milk is not directly involved, we provided support to the many producers who stepped forward to address these issues. These proposed plans which create "exclusion zones" for livestock development will impact our farms. Agriculture seems to be losing some of its representation on local county councils and we can no longer assume everyone in the county supports farming as we are losing connection with some of our own neighbors in our communities.

Alberta's new Occupational Health and Safety (OHS) technical rules for farms and ranches came into effect on December 1, 2018. The requirements of the OHS legislation are applicable for farms and ranches with waged, non-family workers. The newly formed AgSafe Alberta Society has tools, resources and services available to help farmers interpret the legislation.

The revised *Canada Food Guide* was released on January 22. The new version lumps dairy into the protein suggestions and eliminates the milk and alternatives category. This change was part of the federal Healthy Eating Strategy. The next phase addresses front-of-pack labelling whereas the government is proposing to put warning signs on food that they classify as unhealthy by looking at the levels of sugar, sodium and saturated fat. Some dairy products, despite the high nutrient density of these foods, will be labelled.

Our involvement with the poultry industry under the supply management (SM5) banner was active as we entered into a provincial election in April that resulted in the United Conservative Party government being elected. We welcome the Honourable Devon Dreesen, a fifth-generation local farm owner, who was named Minister of Agriculture and Forestry.

Each year, I recognize the directors that have stepped down from the Board. This year I am honoured to recognize and thank Lorrie Jespersen who reached the nine-year mandatory step-down provision in November. We thank Lorrie for his contributions to the Board. It is with profound sadness I recognize the loss of fellow director, Pieter Ijff. It was a great shock when on January 3, 2019, we heard of his sudden passing. Pieter has been missed. We miss his integrity, humour and leadership.

I must also acknowledge the pending retirement of our general manager, Mike Southwood who will be leaving us at the end of November. As our first general manager over the past nineteen years, Mike helped lead the transformation of our organization to a marketing board. Working with the Board of Directors, he has brought together the staff of Alberta Milk into a strong dedicated team. I know as he leaves Alberta Milk, he has the respect of the directors, staff and all members. His contributions to the building of the culture at Alberta Milk is recognised and very much appreciated. We wish you well in retirement, Mike!



# General Manager's Message

MIKE SOUTHWOOD

This is the last annual report that I will participate in because in May I provided the Board with notice of my intent to retire at the end of November. I felt it was a good time to leave as I have spent 19 years as the general manager at Alberta Milk. I would not have missed a minute. I have truly developed a passion for the industry and for the producers that work so hard to provide such high-quality milk each and every day. I sincerely thank all the directors for the support they have consistently given to me and the staff. I want to especially acknowledge the pleasure it has been to work with the four chairs that I have had the privilege of serving under: Bill Feenstra, Hennie Bos, Albert Kamps, and Tom Kootstra. Each of them brought special expertise and a strong commitment to lead our organization. My successor will inherit a dedicated team of professionals and a strong group of directors that are poised for continued success.

We have had a very productive year. We have executed a number of projects, implemented provincial, regional and national policy decisions, and tirelessly advocated on behalf of the dairy sector and supply management.

Of most significance was the September 30, 2018 announcement that Canada, the United States and Mexico had reached a new trade agreement. In response, the dairy industry in Canada immediately began to assess the impact and implement processes to adjust to the new trade reality. There was momentous amounts of energy committed by the provincial marketing boards, the federal and provincial governments, processors, and Dairy Farmers of Canada to address the changes needed to comply with the new agreement and assess the impact.

In October, the decision was made to harmonize our producer flexibility limits with the other members of the Western Milk Pool. The upper limit of +10 days was reduced to + seven days in February and then further to + five days in April. The lower limit of -20 days will be changed to -17 days in August 2019 and then further to -15 days in October. The result is a flexibility range of +five to -15 days.

The Canadian Milk Supply Management Committee (CMSMC) adopted a new Canadian Requirements methodology. Effective October 1, total requirements and total quota



**“It has been a privilege to work for the producers of Alberta, with all stakeholders, my colleagues from across Canada, and especially the staff at Alberta Milk - you are simply the best!”**

were calculated on a monthly basis and accountability measured at the P10 level. The upper limit is set at 1.25 per cent and the lower limit is -two per cent. Pool accountability will only apply if the P10 exceeds either the upper or lower limits. CMSMC also made the decision effective September 1 that protein billed to processors will be based on true protein instead of crude protein.

In June, Alberta Milk was able to finalize the launch of our new Milk Management System (MMS) for the new dairy year, which includes a new producer-only website. This new application will replace the old IT system and will provide new features and enhancements while including the same functions as the old one. We invested in the new site as the current site is aging and restrictive for some activities. We are confident that this new MMS will enhance producer interaction with Alberta Milk. While we started the project with eight other provincial marketing boards, we are pleased that British Columbia Milk Marketing Board and Dairy Farmers of Manitoba are still part of the final product.

On the governance front, Alberta Milk reviewed our Plan Regulation and our Marketing Regulation as part of the government of Alberta’s requirement to review all regulations every five years. We made changes to our Plan Regulation to ensure that there was a clear separation of directors and delegates of Alberta and any director, owner or employee of a processing company or cooperative. We also undertook the task of reviewing all 140 directives, policies and procedures to ensure they were relevant and current.

It has been a privilege to work for the producers of Alberta, with all stakeholders, my colleagues from across Canada, and especially the staff at Alberta Milk - you are simply the best!

# 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 this year and are an essential conduit of information to the Alberta Milk Board.

## DELEGATES

Alberta Milk has 30 delegates elected within the regions to represent producers. We welcomed six new delegates this year: Cregg Nicol, Gerald Weiss and Tim Hummel in the South Region; and Joel Prins, Jordan Schuurman and Jason Rietveld in the North 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.

We want to acknowledge and thank outgoing delegates Alfons Ten Brummelhuis, Tim Hofstra, Bill Van Rootselaar, Brian Stoutjesdyk, Wim Ruysch, and Bart Bikker for their contributions and commitment to the industry.

All delegates participated in the annual Delegate Workshop in February. This event provides the opportunity for delegates to learn about and provide feedback on key industry matters. This year's workshop focused on training and attracting young people into the industry, governance, raw milk transportation and processing, and processor expansion within the Western Milk Pool.

## DIRECTORS

Lorrie Jespersen reached his mandatory stepdown provision after nine years on the Board. Heini Hehli returned to the Board after a mandatory one-year stepdown requirement. On January 3, 2019, we were gripped with the sudden passing of director Pieter Ijff. The position was left vacant for the remainder of the year and will be filled during the elections in November 2019.

## REVIEWS AND APPEALS

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

The Board held three review hearings this year. Two were from producers who requested to have Individual Bacteria Cell violations removed from their records. Both requests were denied. The third request was from an industry partner requesting that a process be reviewed. The board approved the request and implemented a policy whereby this industry partner will have greater involvement with our Transportation and Measurement Advisory Committee.



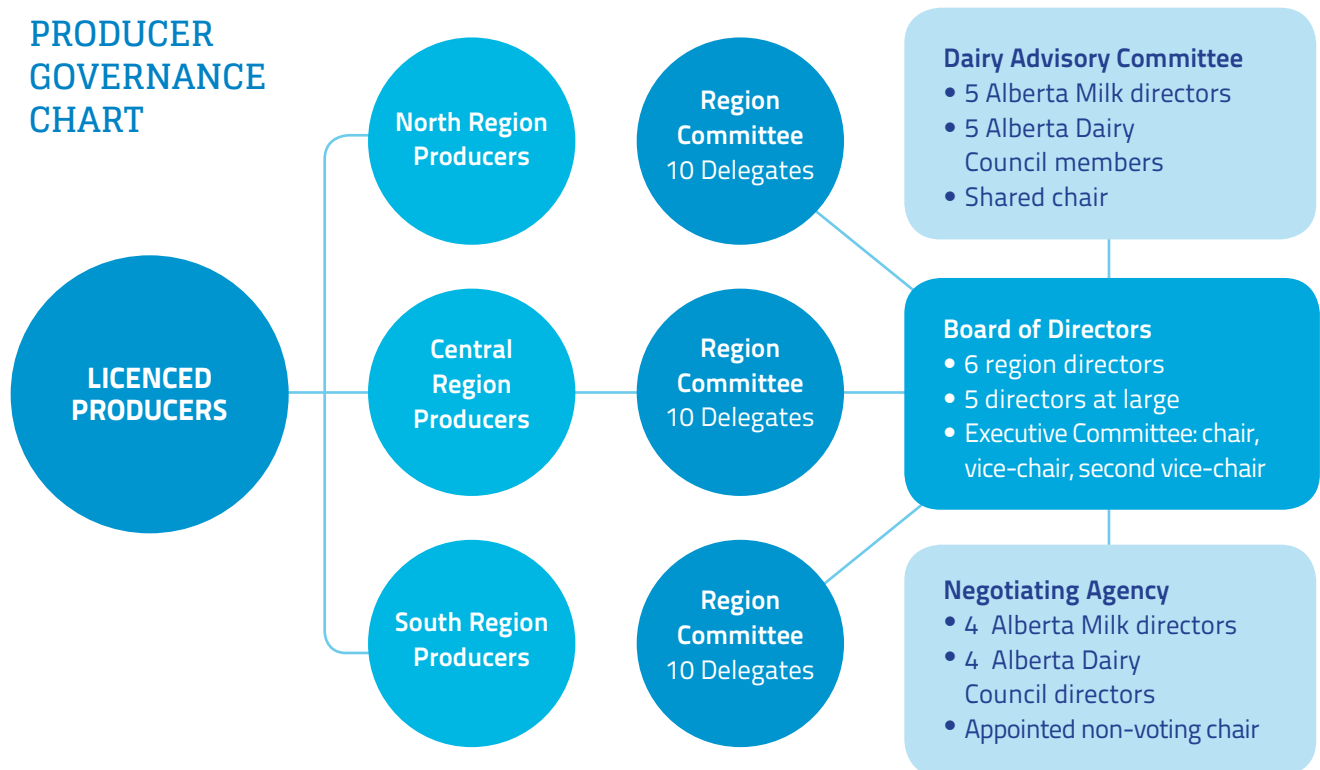
## Board of Directors

(L-R front row) Martin Van Diemen, Conrad Van Hierden, Tom Kootstra, Stuart Boeve, Miranda Verhoef

(L-R back row) Gezinus Martens, Albert Kamps, Gert Schrijver, Greg Debbink, Heini Hehli

Board member Pieter Ijff tragically passed away in January, 2019. He will be remembered fondly by the Board and all who knew him.

### PRODUCER GOVERNANCE CHART



## 2018-19 DELEGATE LIST BY REGION

### CENTRAL REGION

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



### SOUTH REGION

Conrad Van Hierden  
Cregg Nicol  
Gerald Weiss  
Gerrit Haarman  
John Van Driesten  
Klaas Vander Veen  
Martin Van Diemen  
Michael Vanden Dool  
Stuart Boeve  
Tim Hummel



### NORTH REGION

Alain Lavoie  
Gezinus Martens  
Greg Debbink  
Jason Crozier  
Jason Rietveld  
Joel Prins  
John Wurz  
Jordan Schuurman  
Lorrie Jespersen  
Tom Kootstra



## 2018-19 ALBERTA MILK COMMITTEES

|                     |   |  |
|---------------------|---|--|
| BOARD OF DIRECTORS  | Central Region  | Miranda Verhoef, Albert Kamps  |
|                     | North Region  | Tom Kootstra, Gezinus Martens  |
|                     | South Region  | Martin Van Diemen, Stuart Boeve  |
|                     | Directors at large  | Greg Debbink, Heini Hehli, Conrad Van Hierden, Gert Schrijver, Pieter Ijff |
| EXECUTIVE COMMITTEE | Tom Kootstra, chairman<br>Stuart Boeve, vice chair<br>Gert Schrijver, second vice chair |  |

| COMMITTEES                                | DIRECTORS   | DELEGATES   |
|---|---|---|
| Animal Health and Environment Committee   | Miranda Verhoef, Martin Van Diemen, Heini Hehli   | Mike Vanden Dool, Wim Van de Brake, Lorrie Jespersen, Jason Rietveld, Jason Crozier |
| Corporate Affairs Committee               | Albert Kamps, Greg Debbink  | Tietsia Huyzer, Mike Vanden Dool, Jordan Schuurman                                  |
| Dairy Advisory Committee                  | Tom Kootstra, Stuart Boeve, Gert Schrijver, Albert Kamps, Conrad Van Hierden                                  |   |
| Dairy Farmers of Canada                   | Tom Kootstra, Stuart Boeve, Gert Schrijver (DFC Board Member), Conrad Van Hierden, Albert Kamps, Greg Debbink |   |
| Finance Committee                         | Albert Kamps, Conrad Van Hierden  | Alain Lavoie, Tietsia Huyzer, Joel Prins  |
| Market Development Advisory Committee     | Pieter Ijff, Albert Kamps, Miranda Verhoef  | Cornel van't Klooster, Jordan Schuurman, Gerald Weiss                               |
| Research and Extension Advisory Committee | Pieter Ijff, Greg Debbink, Gezinus Martens  | Mike Vanden Dool, Gerrit Haarman, JP Brouwer, Tetsia Huyzer, Cregg Nicol            |
| Transportation Advisory Committee         | Heini Hehli, Gezinus Martens  | Gerrit Haarman, Wim Van de Brake, Willem Vanderlinde, Tim Hummel                    |





## Human Resources

Alberta Milk is guided by four pillars or core values: ethical practice, accountability, effective communication, and creative and proactive approach. Management's goal is to help the staff follow those values, achieve the strategic plan, goals, and key result areas while ensuring employees are motivated to help the Alberta dairy producers succeed. We strive to make Alberta Milk a great place to work by promoting a positive culture among staff.

In the past year, staff celebrated many accomplishments and navigated a variety of changes. The Board recognized three staff on their length of service: Jodi Flaig – five years; Heather Gillis – 20 years; and Shelley Rietveld – 25 years. It is because of dedicated staff like these that Alberta Milk is able to achieve so much.

Our one-day staff retreat focused on change management in preparation for the launch of the new Milk Management System on August 6.

(L-R front row) Kathleen Heath, Charmaine Blatz, Jaime Elias, Helen Gu, Cristin Vollrath, Shelley Rietveld, Audrey Kirtzinger, Jodi Flaig, Heather Gillis, Kim Skolarchuk, Karlee Conway, Linda Likar  
(L-R back row) Bill Beisal, Mike Southwood, Kelly Mauthe, Sheldon Appleyard, Mike Slomp, Paul Gotaas, Jonathan Ntoni, Kelsie Gilks, Morgan Hobin, Daria Taylor

### RETIREMENT ANNOUNCEMENT OF MIKE SOUTHWOOD

After 19 years as general manager of Alberta Milk, Mike Southwood announced he will retire on November 30, 2019. Mike joined Alberta Milk Producers Society in December of 2000 and was given the mandate to bring together three organizations – Alberta Milk Producers Society, Dairy Nutrition Council of Alberta and the Dairy Control Board into a producer led marketing board. Fast forward 19 years later and Alberta Milk is celebrating its 17th anniversary and still has seven staff members from the original three organizations!

Mike's passion for the dairy industry and especially working directly with dairy producers has resonated in all he has done. Mike has led Alberta Milk to be a first-class organization with staff who share his passion for the dairy industry and in serving producers.

The Board, delegates, and staff wish him all the best in retirement!



## Milk Production

The 2018-19 dairy year ended with 509 dairy producers in Alberta with a total milk shipment of 811,634,467 litres, representing 8.86 per cent of Canadian milk production. The average butterfat content of this milk was the highest on record at 4.15 kg/hl, surpassing the previous record-high of 4.09 kg/hl in 2017-18. Due to this record-high butterfat density and strong milk volume, Alberta produced a total of 33,682,673 kg of butterfat in 2018-19. The volume of milk, butterfat density, and total kilograms of butterfat produced in the province last year were, again, the highest in history, making this year another banner year for dairy production in Alberta.

Alberta did not incur any over or under-production penalties. The Eastern Milk Pool (P5) ended the dairy year with a Cumulative Quota Position (CQP) of -0.12 per cent under-production and the Western Milk Pool (WMP), -0.74 per cent under-production compared to our Canadian Dairy Commission (CDC) allotted quota, thereby bringing Canada to a CQP of -0.35 per cent at the end of the dairy year.

Alberta once again achieved production of Solids Non-Fat (SNF) to butterfat (BF) below its provincial SNF/BF ratio limit of 2.41, by achieving a ratio of 2.19. The improvement in Alberta's SNF/BF ratio (-0.91 per cent) over last year's (2.21) was mainly due to higher average butterfat densities shipped this year, relative to last year as a positive response to the Western Milk Pool's (WMP) 85/10/5 producer payment policy. The WMP's 85/10/5 producer payment policy pays

85 per cent of total revenues on kilograms of BF shipped, 10 per cent on protein and five per cent on kilograms of lactose, and other solids shipped. The WMP's collective SNF production this year also resulted in an SNF/BF ratio of 2.19, well below the pool's limit of 2.40.

### TOTAL PRODUCTION QUOTA AND UNDER-PRODUCTION CREDITS

Under the monthly quota system, Alberta's provincial Total Production Quota (TPQ) was 34,112,206 kg of butterfat, an increase of 4.51 per cent from the 2017-18 level of 32,640,264 kg. Alberta issued a total of five per cent increase in producer quota issuance last year. There were two quota issuance adjustments for producers, a one per cent increase on September 1 and a four per cent decrease on February 1. The quota increases were issued in response to growth in total market requirements and anticipated growth in processing in the WMP.

To ensure timelier production to fulfill market requirements, the Alberta Milk Board approved a reduction of the producer upper production flexibility limit from +10 days to +seven days effective February and further from + seven days to + five days effective in April. Thus, Alberta producers' production flexibility limits at the end of the 2018-19 dairy year was at + five/-20 days, bringing Alberta closer to the other members of the WMP whose limits of + five/-15 days.



The total amount of continuous daily quota (CDQ) transferred via the quota exchange in 2018-19 was 1,228.92 kg and an amount of 207.07 kg was also transferred via private transfers resulting in 10.36 kg of that CDQ being surrendered to Alberta Milk. There was also 1,083,843.67 kg of under-production credits transferred between producers.

### INCENTIVE DAYS

A total of eight incentive days were issued in 2018-19. One incentive day each for the months of August and December 2018 with utilization of 43.5 and 55.3 percent respectively; and two days each for September, October and November 2018 with utilization of 40.1, 46.2, and 48.4 percent respectively. The Alberta Milk Board also issued 15 incentive days per month to organic milk producers from August 2018 to February 2019 and then seven incentive days per month from March 2019 to July 2019 in accordance with organic milk demand and projected growth of the organic market.

### PRODUCER PAYMENT

| Year                               | 2017-18            | 2018-19            |
|------------------------------------|--------------------|--------------------|
| Provincial Butterfat (kg/hl)       | 4.0992             | 4.1500             |
| Provincial Protein (kg/hl)         | 3.3248             | 3.2062             |
| Provincial OS (kg/hl)              | 5.7376             | 5.8847             |
| Pool Deductions (\$/kg)            | (0.0043)           | 0.0054             |
| Producer BF price (\$/kg)          | 15.35              | 16.66              |
| Producer PR price (\$/kg)          | 2.44               | 2.54               |
| Producer LOS price (\$/kg)         | 1.08               | 0.69               |
| Average Milk Price (\$/hl)         | 77.22              | 81.34              |
| Total Milk Revenue (\$)            | 635,702,515        | 680,572,758        |
| Milk Quality Bonus (\$)            | 1,353,845          | 1,284,327          |
| Environment Funding (\$)           | 1,111,438          | 1,055,891          |
| <b>Total Producer Revenue (\$)</b> | <b>624,767,996</b> | <b>658,938,902</b> |





### NEW ENTRANT ASSISTANCE PROGRAM

Alberta Milk once again coordinated the New Entrant's Assistance Program (NEAP) to assist in alleviating costs in entering the industry. Alberta Milk received four applications and the Selection Committee met and interviewed all applicants.

The five-member Selection Committee was made up of three new members: Mark Dueck of Farm Credit Canada, Aaron Ens of Scotia Bank, Pete Houweling of Houweling Farms Ltd.; and two returning members, Lenard Crozier of Cheslen Dairies Ltd. and Dr. Gordon Atkins from University of Calgary Veterinary Medicine. Jonathan Ntoni, Alberta Milk's policy analyst, chaired and acted as a facilitator for the discussions.

We are pleased to welcome Bartels Dairy, Jarnick and Lotte Bartels of Red Deer County to the Alberta dairy farming community as the successful 2019 new entrants. They presented a viable business plan, have strong mentoring and significant hands-on dairy experience, making them likely to be successful long-term participants in the dairy industry.

We wish them the best as they start up their dairy farm in the next few months. We would also like to thank the Committee members for their work in reviewing the applications.

### ORGANIC ENTRANT ASSISTANCE PROGRAM

Alberta Milk launched an Organic Entrant Assistance Program (OEAP) in 2017-18 to attract new organic producers to the industry. To date, the following two producers have been accepted into the OEAP and the program remains open for applications:

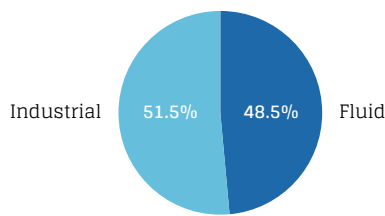
- Mitchell Mans of Picture Butte
- Ryan Tousignant of Nisku

The OEAP follows the same guidelines and requirements as the NEAP with a few modifications including the following:

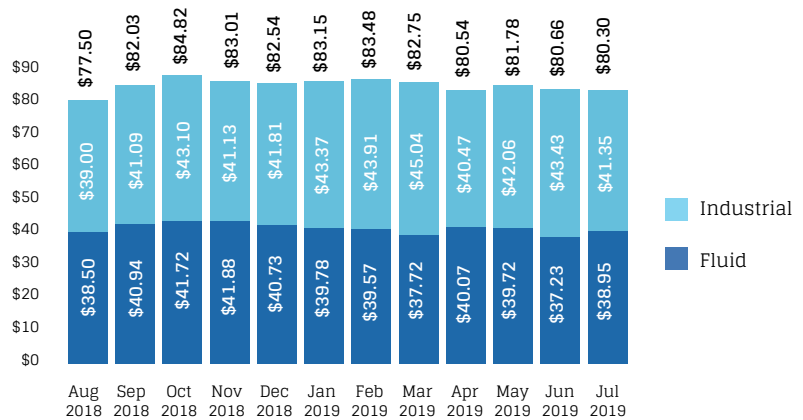
- A 3:1 ratio of loaned to owned quota will be provided to each successful applicant up to a maximum of 25 kg of loaned quota.
- OEAP participants will have up to three years to attain organic certification.
- While transitioning to become organic producers, OEAP participants will receive a premium of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



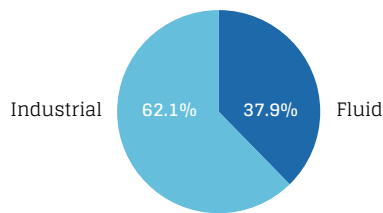
### WMP PROCESSOR PURCHASES OF MILK COMPONENTS (12-MONTH %)



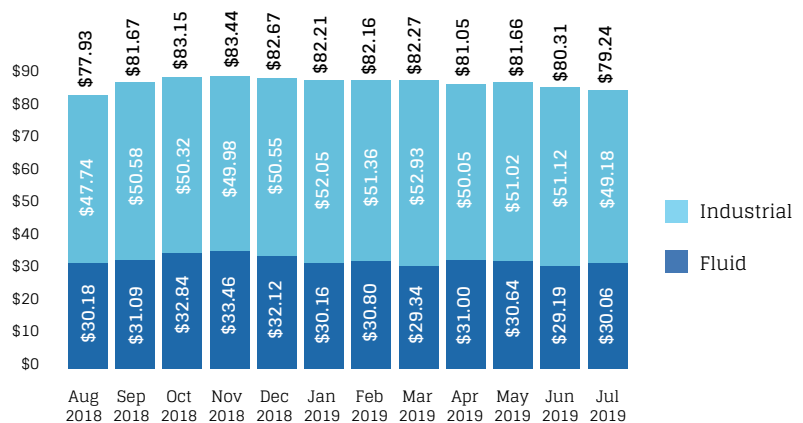
### WMP PROCESSOR PURCHASES OF MILK COMPONENTS (\$/HL)



### 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 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.

## HIGHLIGHTS OF THE COMMITTEE

The CMSMC approved the CDC's refund of \$10.9 million for the 2018-19 dairy year, of which Alberta producers received \$834,514.

The CMSMC approved a new monthly total requirements (MTR) and monthly total quota (MTQ) model. The new model was implemented effective October 1, 2018 and applied retroactively from August 1, 2018. The new MTR-MTQ model measures Canadian market demand on a monthly basis and provides monthly quota adjustments for the pools. It is considered more reactive to changes in Canadian requirements and as a result the two per cent permanent growth allowance was eliminated. The MTR-MTQ system has lower and upper limits measured nationally, rather than at the pool level. However there remains pool accountability. The lower and upper limits are at the national (P10) level and are -two per cent and

+1.25 per cent respectively. Under the new system, stock reconciliation will take place in July each year starting in 2020 in order to ensure that CDC-allotted quota to the pools are in line with established target stocks.

The CMSMC approved the creation of a National Committee on Classification and Billing Harmonization to inquire into milk billing and classification issues. Fluid billing ratios were approved and implemented effective January 1, 2019. Several milk classification and milk pricing changes were made during the year to complete the implementation of the national ingredient strategy. In response to the requirement set forth in the Canada-United States-Mexico Agreement, a producer- processor working group was established. The working group is seeking solutions to the changes needed in dairy policy in order for the Canadian industry to comply with the agreement once it is duly ratified.

A revised skim-off calculation was approved to reflect raw milk required to serve fluid markets and MSQ calculations were also updated. A working group on pooling in the new environment was created to review producer revenue sharing mechanisms. This working group has short, medium and long-term objectives with target dates of October 2019, October 2020 and October 2021.

The CMSMC implemented the measurement of milk proteins based on true protein instead of crude protein effective September 1, 2018.



## 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. Some of the key decisions approved by the WMPCC in the 2018-19 dairy year are outlined below.

The WMP Members Committee agreed to moving more towards managing quota as a pool while incentive days can be used to manage provincial production issues. In that same light of managing quota as a pool, the committee approved the WMP Supply Commitment Policy - which sets out guidelines of our collective commitment to supply processors through WMP milk allocations. The committee also agreed to share penalties (over quota and lost opportunity) collectively based on each province's share of butterfat sales effective August 1, 2019.

The WMP adopted fluid and industrial component price adjustments in September 2018 and January 2019. A revised WMP 1c/4c program guidelines was presented to WMP and Western Dairy Council for review. The revised skimming agreement was extended to April 2020. The WMPCC also created a working group in support of the project on enhanced transportation efficiencies.





## 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 producer payment, milk quality bonus programs, awards and penalties. Producers rely on several industry partners including the milk transportation companies, dairy processors, couriers and the Central Milk Testing lab to collect and deliver samples for testing in a timely and controlled manner.

### SAMPLE SUITABILITY AND TESTING

|                                  |         |
|----------------------------------|---------|
| # of milk samples from shipments | 103,933 |
| # of samples tested              | 103,418 |
| % of milk shipments tested       | 99.5%   |

Raw milk is tested for four criteria on a regular basis to measure milk quality. These criteria are bacteria, somatic cell count, freezing point and inhibitors. The percentage of producer samples that met the regulatory limit was again very high and the sample results this year continue the trend from the past five years of very good quality milk.



## RAW MILK QUALITY TESTING

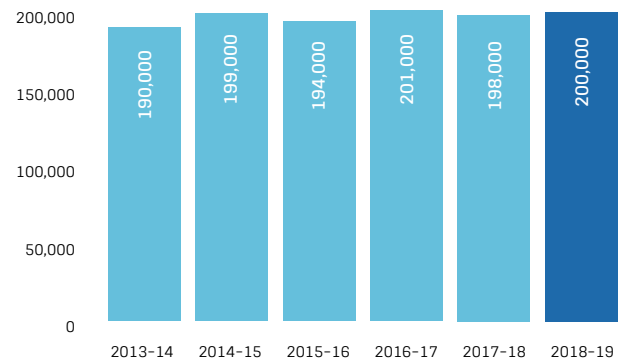
|   | Bacteria | Somatic Cell Count | Freezing Point |
|---|----------|--------------------|----------------|
| # of samples                            | 61,495   | 103,315            | 103,315        |
| # of samples below the regulatory limit | 60,479   | 100,462            | 103,276        |
| % of samples below the regulatory limit | 98.35%   | 97.24%             | 99.96%         |
| Penalties Applied                       | 84       | 63                 | 4              |

The number of inhibitor penalties decreased from 33 to 22 which is the second consecutive year with a decrease.

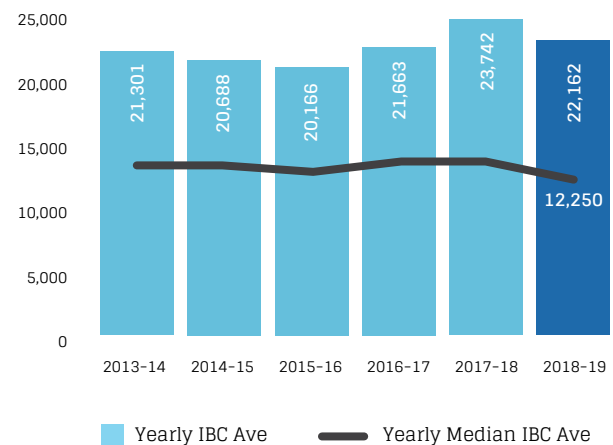
Occasionally, the quality of a producer's milk shipment drops below the provincial standards. When this happens, the producer incurs financial penalties. This past year, a total of 173 penalties were applied to 97 different producers which is a decrease from the previous year and the second straight year with a decrease.

Somatic cell count (SCC) is used as an indicator of milk quality and correlates well to higher quality dairy products. The 2018-19 provincial average of 200,000 cells/ml is consistent with the excellent quality milk produced the past few years.

## ALBERTA PROVINCIAL SCC AVE BY DAIRY YEAR



## ALBERTA PROVINCIAL IBC AVE BY DAIRY YEAR



## CELEBRATING EXCELLENCE IN MILK QUALITY

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

| Milk Quality Parameter     | Monthly Milk Quality Bonus  | Milk Quality Award  |
|----------------------------|---|---|
| <b>Bacteria</b>            | An average of 30,000 cells/ml or less                                       | An average of 15,000 cells/ml or less   |
| <b>Somatic Cell Count</b>  | An average of 250,000 cells/ml or less                                      | An average of 200,000 cells/ml or less  |
| <b>Freezing Point</b>      | At or under -0.525H   | At or under -0.530H   |
| <b>Inhibitors</b>          | No positive inhibitors  | No positive inhibitors  |
| <b>Results<br/>2018-19</b> | An average of 71% of producers qualified for the monthly milk quality bonus | Of the producers who shipped all 12 months, 159 producers (32%) qualified for the annual quality award. |

Congratulations to the Hutterian Brethren Church of Cayley for winning the provincial milk quality award for the fifth time in the past twelve years!

## TOP TEN FARMS FOR MILK QUALITY IN ALBERTA

|    |  |         |
|----|--|---------|
| 1  | HUTTERIAN BRETHREN CHURCH OF CAYLEY    | South   |
| 2  | HUTTERIAN BRETHREN CHURCH OF THOMPSON  | South   |
| 3  | HUTTERIAN BRETHREN CHURCH OF HILLRIDGE | South   |
| 4  | GDL FARMS LTD.                         | South   |
| 5  | EARNEWALD HOLSTEINS LTD.               | Central |
| 6  | H & J LEUSINK DAIRY LTD.               | South   |
| 7  | MOO-LAIT FARMS LTD.                    | North   |
| 8  | RIVER ROAD HUTTERIAN BRETHREN          | South   |
| 9  | NEUDORF HUTTERIAN BRETHREN             | Central |
| 10 | SELK DAIRY FARMS (2003) LTD.           | South   |

## MILK MEASUREMENT

Alberta Milk contracts with International Dairy Calibrations Alberta Ltd to calibrate all new tanks and re-calibrate existing tanks every five years. This year we calibrated 41 new tanks and 63 existing tanks for a total of 104.

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.





# Transportation

Milk production has continued to increase steadily over the past year in response to the increases in quota and incentive days. These increases in milk production created challenges to maintain efficiencies within the transportation system.

Alberta Milk staff interact daily with the provincial milk transportation companies, dairy processors and our Western Milk Pool (WMP) partners to ensure the most cost-effective transportation of milk supply within the province and across western Canada. The WMP continued to collaborate on milk movement between provinces. For the 2018-19 dairy year, Alberta shipped an average of 1.5 million litres of milk per month to British Columbia and an average of 1.7 million litres per month to Manitoba.

## STATISTICAL HIGHLIGHTS

- The average number of milk trucks on the road each day increased to 66 from 65.
- The average number of routes that pick-up and deliver milk every two days increased to 172 from 168.
- The average volume per route was 25,847 litres. Based on a legal volume capacity of 28,500 litres, trailers operated at an average of 90.7 per cent efficiency.

## TRANSPORTATION AND MEASUREMENT ADVISORY COMMITTEE

The Transportation and Measurement Advisory Committee (TMAC) and staff worked on several policies and topics affecting the transportation of raw milk including:

- A review of the rates for determining payment to the milk transportation companies for the period of August 1, 2019 to July 31, 2020. The committee reviewed the rates and forwarded recommendations to the Alberta Milk Board for consideration.
- As part of the process for reviewing the transportation rates, TMAC engaged the Alberta Milk Hauler's Association through joint meetings.

# proAction®



## TELLING OUR STORY

Dairy farmers across Canada have implemented proAction on their farms and are eager to share stories about their commitment to milk quality, food safety and animal care with consumers. Furthermore, Dairy Farmers of Canada (DFC) launched three national, promotion initiatives to showcase to consumers dairy farmers' hard work and commitment through proAction.



Firstly, DFC published the dairy industry's first *proAction Documenting Progress Report*. It featured proAction's design, intent and process, and highlighted key findings from the first round of animal care audits. Going forward, DFC will measure the efforts of, and report on, the continuous work of Canadian dairy farmers in adopting the most

efficient and sustainable practices, and producing the highest quality milk with healthy, well-cared for cows.

Secondly, a television commercial titled *Dairy Farming Forward* highlighted the dairy industry's commitment to innovation, the environment, sustainability of farm practices and animal care, all while producing high-quality milk. While it didn't mention proAction by name, the TV commercial highlighted the same key principles and outcomes of proAction. Consumers were reminded and

reassured of the attributes of Canadian milk through proAction as represented by the DFC quality milk logo.

Finally, DFC published an article in the *Financial Post* that featured farmers' proAction approach and support for research and development, leading to implementation of innovation on-farm best practices and knowledge.

## BIOSECURITY IMPLEMENTATION

Biosecurity is the fifth of proAction's six modules. As part of dairy farmers commitment to produce safe and high-quality products, they are continually identifying and managing biosecurity risks to their farm. The biosecurity module includes requirements in three categories:

1. Cattle Health Management
2. Cattle Additions and Movement
3. Personnel, Visitors, Vehicles and Equipment

In preparation for the biosecurity module being included in the validation process as of September 1, 2019, several training opportunities were provided across the province including.

1. Three veterinarian workshops were delivered across the province with about 30 provincial dairy veterinarians participating. The workshops were led by Dr. Dennis Klugkist from Gull Lake Veterinary Services who also serves as the representative from the Alberta Veterinary Medical Association's to the Dairy Research and Extension Consortium of Alberta.



2. Five producer on-farm training workshops were delivered to approximately 260 producers with help from the host farm's herd veterinarian. Producers received details of the module requirements and participated in an in-depth discussion about the biosecurity risk assessment questionnaire.
3. Dairy industry service provider updates were also scheduled. These one-on-one updates will continue into next year for the purposes of training our dairy industry partners on the biosecurity module and providing updates on how their role supports proAction implementation on-farm.

Alberta Milk obtained funding through the Canadian Agricultural Partnership under the theme of public trust. This will go to assisting and enhancing proAction program consistency and delivery initiatives to Alberta producers and dairy industry service providers over two years. In addition, these funds were used to develop and distribute several resources for producers. These included:

1. Biosecurity signs
2. Biosecurity farm kits
3. proAction registration farm signs
4. Binders for record management
5. Reimbursement for the completion of their biosecurity risk assessment, which will be used for provincial benchmarking purposes

## PROGRAM CONSISTENCY

Program delivery and audit consistency of proAction is integral to maintain credibility and rigour. Therefore, as part of our provincial requirement, Alberta Milk is expected to provide consistency training to its validators on a regular basis.

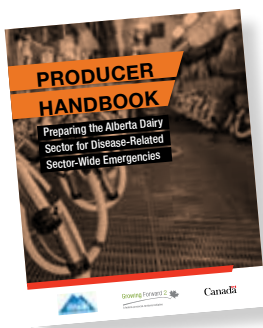
Alberta Milk hosted 16 participants at our annual proAction validator consistency session. Validators and provincial coordinators from Manitoba, Saskatchewan and British Columbia participated in the session along with the group of seven from Alberta. The group conducted a proAction validation on a local farm and discussed and reviewed observations following the visit. Representatives from DairyComp, CanWest DHI, Agrai-Dairy Mart, and Penner Farm Services demonstrated the use of their software and how proAction-compliant reports are generated. Holstein Canada field staff also explained the animal assessment scoring process that is part of the proAction Animal Care module and reviewed the National Livestock Identification tag options, as well as the ordering process and producer traceability services that they offer.



## Animal Health

Alberta Milk engages regularly with the provincial government and other farm organizations to ensure the voice of Alberta's dairy producers is heard on issues such as animal health and welfare.

This year, Animal Health and Environment Advisory Committee (AHEAC) focussed its work on an animal health emergency disease project, an industry roundtable regarding the transportation of cull cattle, and several other initiatives.



### ANIMAL HEALTH AND EMERGENCY MANAGEMENT – PHASE 2 (AHEM 2)

The AHEM 2 project began in early 2019 led by a national working group. In Alberta, this project saw the collaboration of Alberta Beef Producers, Alberta Pork and Alberta Milk. The project working group assisted the

provincial livestock groups to create a plan to deliver training and support to producer organizations to enhance our capability to lead in times of crisis. The

project will also help to raise individual producer awareness so that all farmers can learn about and prepare for a disease emergency on their farm.

### CATTLE TRANSPORTATION ROUNDTABLE

Alberta Milk, along with Alberta Agriculture and Forestry, Alberta Beef Producers, Alberta Auction Markets Association, Alberta Abattoirs, and Canada Food Inspection Agency participated in the Cattle Transportation Roundtable led by Alberta Farm Animal Care (AFAC). The roundtable was a follow up to the Cattle Benchmarking Project completed in the previous year. The roundtable provided the opportunity for participants to review challenges and discuss best practices regarding cull cattle transportation and access to the appropriate final destination. Alberta Milk published and distributed several resources to support Alberta dairy producers in making shipping decisions. These resources covered the following topics: lameness, body condition score and lactation, fitness-for-shipping decision tree, shipping options, an auction market list, and the provincial abattoir list.





### ALBERTA FARM ANIMAL CARE (AFAC) LIVESTOCK CARE CONFERENCE

Alberta Milk once again sponsored students to attend the annual AFAC Livestock Care Conference. The conference provided a great opportunity for AHEAC members and students to learn about upcoming animal welfare challenges, perspectives and solutions. A mini-workshop on Technical Larger Animal Emergency Rescue was one of the event highlights.

### PACIFIC NORTHWEST ECONOMIC REGION (PNWER) SUMMIT

The PNWER Summit provided a great opportunity for members of AHEAC to hear updates and participate in discussion on trade (CUSMA), and cross-border livestock health (regular border crossing import/export issues, invasive species, emergency disease preparedness). Committee members also visited Ag in Motion (upcoming ag technologies), Veterinary Infectious Diseases Organization (vaccine development) and the Livestock and Forage Center of Excellence.

### DAIRY HERD HEALTH AND MANAGEMENT AND VIGIL-VET

Alberta Milk piloted and funded one-year access to Vigil-Vet, a new biosecurity software for all Alberta dairy producers. This investment was intended to support Alberta dairy producers working together with their herd veterinarian on the proAction® biosecurity module as well as dairy herd health management initiatives such as Alberta Johne's Disease, lameness reduction and a future Bovine Leukosis.

# Research

Dairy producers in Alberta value research and make financial commitments to support investment in individual scientists and innovative research projects. Dairy producer research assessment contributions of \$400,000 annually are leveraged nearly seven times through government and industry funding agencies to generate a substantial return on investment.

This past year, the Research and Extension Advisory Committee (REAC) also worked closely with our western provincial and national partners to maximize the value of producer investment in research across Canada. We do this through our interaction in the Dairy Research and Extension Consortium of Alberta (DRECA), the Western Dairy Research and Extension Council (WDREC), the Canadian Dairy Research Council (CDRC), the provincial government, and producer organizations with common interests.

## RESEARCHERS

We proudly invest in individual researchers including the Natural Sciences and Engineering Research Council (NSERC) Industrial Research Chair positions at the universities of Alberta, Calgary, Guelph and British Columbia and an NSERC Collaborative Research and Development grant. We believe this support enables researchers to develop long-term research programs and facilitate the development of highly qualified personnel.

## RESEARCH PROJECTS

Alberta Milk has again had the success of reviewing several dairy related research projects through the provincial Agriculture Funding Consortium. The projects of interest are related to: animal health, animal welfare, nutrition, forage production and sustainability.

Our research priorities mirror the Dairy Farmers of Canada (DFC) national dairy research strategy and include the broad categories of:

- Dairy Farm Efficiency and Sustainability,
- Milk Composition, Quality and Safety, and
- Animal Health and Welfare.

## DAIRY RESEARCH AND EXTENSION CONSORTIUM OF ALBERTA (DRECA)

Alberta Milk and its partners recognize the importance of effective extension and education for dairy producers. The major portion of our extension effort is coordinated through the DRECA partnership, with funding provided by Alberta Milk.



#### DRECA ACTIVITIES INCLUDE:

- Alberta Agriculture and Forestry hosted the 2018 DRECA Forum bringing together members of all six partners (Alberta Agriculture and Forestry, Alberta Milk, Alberta Veterinary Medical Association, Lakeland College, University of Alberta, and University of Calgary). The Forum focused on developing the extension opportunities and methods required from researchers, industry service providers and producer organizations to ensure that knowledge and skills reach Alberta dairy producers.
- The Economics of Production workshops hosted over 300 attendees at four locations.
- Seven Knowledge Summaries were distributed on the following topics: palm oil, ano-genital distance, fertility and parity, *mycoplasma bovis*, BLV, lameness and body condition scoring.

We believe effective extension is best accomplished through a network of stakeholders, knowledge translation and transfer, and communications. The network includes dairy industry organizations, associated industry partners and other livestock and crop commodity groups. This network has been developed through AHEAC, REAC, DRECA, WDREC, and CDRC.

#### WESTERN DAIRY RESEARCH AND EXTENSION COUNCIL (WDREC)

The collaboration of the members of WDREC (Alberta Milk, BC Dairy Association, Dairy Farmers of Manitoba and SaskMilk) continues to grow and flourish with the common review of shared interest in reviewing research projects, funding for researchers and dairy research facilities and building extension opportunities and networks.



# Environment



Monitoring, protecting and improving our impact on the environment continues to be a priority for Alberta's dairy farmers. This year was another progressive year that we continued to see our industry doing more to illustrate our environmental stewardship.

## NATURAL RESOURCES CONSERVATION BOARD

Alberta Milk participated in an update session with the Natural Resources Conservation Board (NRCB) through its Policy Advisory Group which includes representation from the livestock and poultry groups, environmental non-government organizations, and the provincial government through the departments of agriculture and forestry and environment and parks. These sessions allow for direct communication between industry and government about the day to day administration of the *Agricultural Operations Practices Act*.

## INTENSIVE LIVESTOCK WORKING GROUP

The Intensive Livestock Working Group (ILWG) and the Agri-Environmental Partnership of Alberta continue to serve the agriculture industry well through their collaborative approach to addressing environmental

priorities. This marked the first year of the industry covering the full cost of the staff person of ILWG, which facilitates a strong network among the livestock and poultry groups. One of our ongoing issues is the increasing pressures against intensive livestock facility expansion or development in specific counties across Alberta.

## OTHER PROJECTS

The Agricultural Plastics Recycling Group received significant provincial government funding to develop a three-year program to begin to address the recycling of grain bags and twine and conduct an initial assessment of alternatives for recycling silage bags and bale net wrap.

Alberta Milk received a provincial government grant to assist a dozen of dairy farmers with the installation and operation of micro Combined Heat and Power technology designed to help reduce utility costs and greenhouse gases.

# Farm Safety

Farmers and ranchers in Alberta have always taken safety on their farms seriously, for their families and their employees.

## AGSAFE ALBERTA SOCIETY



One of the ways they have demonstrated that commitment to farm safety is through the creation and funding of the AgSafe Alberta Society (ASAS), whose operation is solely funded by the crop and livestock commodity groups (including Alberta Milk) in Alberta.

The ASAS provides excellent training and resources regarding farm safety for individual farms including interactive e-courses, videos, quick start guides and

forms and templates. ASAS also monitors provincial government legislation on employment standards, occupational health and safety as well as health benefits insurance as part of its commitment to provide the most up-to-date information to the farm and ranch community.

One of the priorities of the newly-elected United Conservative Party's (UCP) government is its proposed *Farm Freedom and Safety Act* which will include revisions to current legislation. The UCP government committed to consulting with farmers and ranchers to receive feedback on its proposed revisions. We look forward to understanding any revisions to the current legislation and conveying the reactions of our farms.



# Producer Engagement

As a grassroots organization, the fundamentals of who we are is direction from producers. Alberta Milk hosts many opportunities for producers to have their say about the direction of their organization throughout the year. We communicate with farmers through a print and online edition of *MilkingTimes*, our newsletter. We also have a password protected Members' Only website for farmers to get more information.

## ANNUAL GENERAL MEETING AND DAIRY CONFERENCE

The 2018 Alberta Milk Annual General Meeting and Dairy Conference was held November 20-22 in Calgary where over 280 participants attended.

We were very fortunate to have had both the president and the CEO of Dairy Farmers of Canada (DFC) join us to provide an update and overview of the future of DFC. 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 they are addressing in their province.

## SPEAKERS

**David Hudson, IMI International.** David provided insight into how DFC's 2017-18 marketing campaigns performed. In 2017, DFC was ranked in the top five most recognizable brands, beating Apple and Pepsi. IMI's research concluded that Canadians find real value in using the Canadian milk quality logo to identify Canadian dairy products.

**Yves Leduc, Director, Policy and International Trade, DFC.** Yves walked the participants through the details of the new Canadian-United States-Mexico Agreement (CUSMA) agreement and illustrated the real impact for the dairy industry.

**Timothy Caulfield, professor, researcher, author.** Timothy busted pop culture myths about wellness and health that are promoted by celebrities and that have no scientific merit.

**Chef Michael Allemeier, Certified Master Chef.** Chef Allemeier brought us on his journey to becoming one of the few Certified Master Chef's in Canada. He then shared mouth-watering tips to cooking with dairy and how he passes on positive dairy messaging to his students at the Southern Alberta Institute of Technology (SAIT).



Chairman Tom Kootstra presents the Dairy Industry Achievement Award to the East of Olds Dairy Farmer Club.

### DAIRY INDUSTRY ACHIEVEMENT AWARD

The 2018 recipient of the Dairy Industry Achievement Award was the East of Olds Dairy Club.

The East Olds Dairy Farmers Club started in 2003 when a few dairy farmers from the east of Olds area started a study group based on a similar model they experienced in Holland. They organized regular guest speakers from veterinarians to estate and finance planning experts to bring everyone together to learn more.

This group is also responsible for the phenomenon of Breakfast on the Dairy Farm. Keeping with the idea of wanting to do more, they challenged the norm by inviting consumers to experience dairy farming for themselves. With about 300 people coming to enjoy a hot breakfast and see the sights of the dairy farm, the group soon inspired other farmers to do more too.

Fast forward six years later and there are now three breakfast events spanning the entire province that reached nearly 20 times the amount of people compared to their inaugural event. By allowing people to see the passion they all share for dairy farming, they gain consumer trust from everything from animal care, milk quality, and what it really means to be a dairy farmer.

### PRODUCER MEETINGS

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

Last year's Fall Producer Meetings were well attended with approximately 514 participants (53 per cent of our farms represented). There was good discussion and clarity sought on the topics of: trade, especially as it relates to the adjustments the industry must make as a result of the CUSMA; and the impacts of the need to transport milk within the Western Milk Pool (WMP).

We saw approximately 325 participants (38 per cent of our farms) were represented at the Spring Producer Meetings. Topics included federal programs as a result of the recently signed trade agreements, processing capacity and state of production within Alberta, and the WMP, and on the new Milk Management System.

# Young Producer Development

Alberta Milk is focused on sustaining our industry. One way we accomplish that goal is through working with young farmers to help foster growth, education and commitment to the industry.

## FUTURE LEADERS DEVELOPMENT CONFERENCE

The Future Leaders Development Conference (FLDC) was created to provide dairy producers with the opportunity to learn more about the roles and responsibilities of being a director on a board prior to seeking election or appointment to a dairy industry board. This conference is also an excellent opportunity for future leaders in our industry to network with other future leaders across Canada. Alberta Milk in conjunction with the BC Dairy Association, Alberta Milk, SaskMilk, Dairy Farmers of Manitoba, Dairy Farmers of Ontario, CanWest DHI, WestGen, EastGen, Agrifoods, Valacta, and Gay Lea Foods hosted this annual event that brings up to 22 dairy producers together to learn about industry governance.



Attendees at the Future Leaders Development Conference hosted in Abbotsford.

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

This year was extra special as for the first time an alumnus of the program, Sarah Sache (FLDC 2016), returned to speak on her experiences as a new board member of British Columbia Dairy Association. Alberta was fortunate to have five producers attend.





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

Alberta Milk was pleased to be able to offer three \$1,000 Alberta Milk Scholarships. The recipients of the 2018-19 scholarships are Lars Iversen, Michael Haeni and David Verhoef.

### SPONSORSHIPS

Alberta Milk wants to see local dairy farm programs, events, and groups thrive. We 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 over \$17,000 towards 4-H clubs, the Western Canadian Classic, the Calgary Stampede Dairy Show and many more.



## Telling the Dairy Story Online

More than ever, the online sphere is shaping the way Canadians feel about various issues. Alberta Milk has committed to focusing on how to strategically communicate on various online platforms.

### SOCIAL MEDIA

From Facebook to Instagram, social media is a staple in people's lives that helps shape their perspective on different issues. Alberta Milk strives to participate, and form conversations related to dairy farming and ensure consumers understand the benefits of dairy in their diet.

We executed many campaigns on Facebook such as giveaways and contests to raise awareness with our target audience of moms with kids in the home. Facebook continues to be our big social media tool, but since launching Instagram in August 2018, both platforms provide us with the opportunity to reach different audiences. Twitter still remains more of a political arm in rallying support for supply management and clarifying misinformation. All three social media platforms were very successful this year due to the creative and consistent sharing of information between networks.

We also worked with social media influencers like, High Heals and Canola Fields, Get Joyful and Raising Edmonton, to help share our message to a wider audience.

### BY THE NUMBERS

**Facebook reach: 1,456,472**  
(28 per cent increase from last year)

**Facebook followers: 4,965**  
(15 per cent increase from last year)

**Twitter impressions: 903,965**  
(8 per cent increase from last year)

**Twitter fans: 3,594**  
(8 per cent increase over last year)

**Instagram engagements: 4,040**  
(new as of August 2018)

**Instagram followers: 993**  
(new as of August 2018)

### WEBSITE

Albertamilk.com is an easy way for consumers to learn more about what we do. This year, there was almost 500,000 unique visitors to our site. These users viewed pages on our website over 600,000 times.





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. The intent of this is to build our social licence and trust with consumers by providing honest and transparent answers. The most visited question on our Ask a Dairy Farmer page this past year was “What is the difference between Canadian and American Milk?” which saw an increase of almost three times the normal traffic in the month of October, following the announcement of the Canada-United States-Mexico Agreement (CUSMA).

We answered 33 unique questions last year from “How can I identify Canadian milk” to “Are USA dairy cattle treated differently than Canadian dairy cattle?”. This feature was the most visited portion of our website that equates to about 65 per cent of our website traffic.

### DAIRY NEWS

Monthly, Alberta Milk sends out an electronic newsletter called Dairy News to consumers who have registered. Dairy News contains information such as upcoming events we will be attending, what’s happening in their community (such as Breakfast on the Dairy Farm or Open Farm Days), or changes that impact them, such as CUSMA which happened in the fall. We had 772 subscribers for Dairy News which was an increase of six per cent over the previous year.

### IN THE MEDIA

The media is an excellent opportunity to reach a large audience with positive dairy messaging. This year, media stories about Alberta’s dairy farmers reached just shy of 90 million people! Much of the conversation was about the impact of trade on our farms but was still neutral or positive in sentiment.

One main way we execute this is by distributing press releases. This year, we sent out a release about our Fall Producer Meetings, New Entrants Assistance Program, Breakfast on the Dairy Farm, CUSMA, and the recipients of the Dairy Industry Achievement Award.

We also work with the media by completing media interviews. From TV to newspapers to radio, our spokespeople worked with our communications staff to ensure that dairy’s voice was heard. Several highlights were Chairman Tom Kootstra’s defence of supply management in *The Western Producer* and Miranda Verhoef’s feature in *The Milk Producer* regarding women leading the industry.

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

While we have a smaller influence on direct milk sales, we do have an enormous opportunity to connect with the community to strengthen the trust of dairy farmers. This in turn improves the image of milk and encourage current and future consumption of milk products by adults and youth.

## SPONSORSHIPS

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

Our messaging this year has been to align with DFC and promote the recognition of the Canadian Quality Milk Logo to ensure they are consuming Canadian dairy. With this messaging, we actively support community sporting events throughout the province by advertising on rink boards, providing milk at local events, providing hockey tape for tournaments, and having our promotional team at larger events to create an interactive and memorable presence.

## BY THE NUMBERS

23 producer requests for milk donations and promotional items.

18 events for sponsorship of milk that ranged from Go Girl events throughout the province to art camp for kids.

43 rink boards promoted dairy throughout the province.

20 sponsorships and promotional events that our promotional booth engaged over 29,000 people.

23,000 consumers sampled milk at our booths

## TASTE ALBERTA

Celebrating local foods and opening the barn doors to Alberta's agriculture industries is what Taste Alberta is passionate 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, and foodie tours. A highlight was 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. Ensuring that Albertans know that their milk is produced locally, and sustainability is our goal.

New last year, Taste Alberta initiated a new program called Be Assured. This program was developed to assure Alberta millennials on the safety and reliability of their food.

## CONSUMER EVENTS

Alberta Milk participated 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 13,000 visiting our educational booth this year. We were very fortunate to have 13 farmers volunteer their time to work in the booth. Alberta Milk continued to work with the Calgary Stampede at our Milk and Cookie Shack, with cookies donated by Dare Foods. The proceeds of the sales of a single serving milk and a wagon wheel were donated to the Calgary Food Bank.



This year, the Milk and Cookie Shack generated proceeds of \$15,500. Since 2004, Alberta Milk has helped raise over \$206,150 for the Calgary Food Bank.

Annually, we 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 about where their food comes from- it doesn't only 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 farm and learn about where their food comes from. Four farms opened their gates during the weekend of August 17-18, 2018 with a cumulative attendance of roughly 500 people. We were once again fortunate for one of our farms south of Leduc to host a fully catered dairy-themed meal and farm tour which sold out.



### BREAKFAST ON THE DAIRY FARM

This year was another record-breaking year for Breakfast on the Dairy Farm. Over 4,300 people visited our three breakfasts in June and July. Families were

able to enjoy a hot breakfast, tours of the farms, and the opportunity to meet farmers and learn more about the industry.

Kings Lake Colony was our gracious southern host on June 8 where over 600 people came out to learn not only about dairy farming, but about Hutterite Colonies. Van den Broek Dairy in the central region was host to over 1,200 people on June 22, while New Mars Dairy in the North broke records with over 2,500 visitors attending their breakfast on July 6. Thank you so much to all of the volunteers, host farms, families, and sponsors that make these events possible and so successful.

## MILK MOOBILE

The mobile trailer is a great way of providing consumers with a better understanding of where their milk comes from, the technologies and advancements that are used in dairy farming, and provides producers with the opportunity to share this information at their smaller, on-farm events. The trailer includes a model size cow in the back that can be pulled out and hooked up to a working milking machine.

The Milk MOObile Trailer was busy again this year, attending 10 events throughout the province, including Breakfast on the Dairy Farm.

## EDMONTON VALLEY ZOO

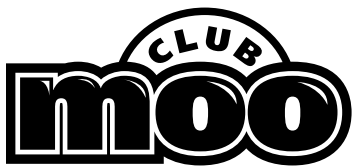
The Edmonton Valley Zoo built an open and airy modern-day farm, called the Urban Farm, that showcases experiential learning for visitors. The Urban Farm was built to help consumers and visitors understand where their food comes from. Alberta Milk has partnered with the Edmonton Valley Zoo to sponsor a space within the Urban Farm, which has been developed to be an interactive and educational modern dairy barn. Alberta Milk's 10-year sponsorship of the Edmonton Valley Zoo also includes the food choice challenge and the dairy bar, Moo at the Zoo.



The Alberta Milk Board of Directors celebrate the opening of the Dairy Exhibit



# Telling the Dairy Story in Schools



## SCHOOL MILK

Club Moo is our free elementary school milk program that provides resources and incentives to schools, parents, and

students, as a reminder to include dairy as a part of their healthy diets. Schools make milk available to their students, so they don't have to pack it from home. Alberta Milk staff work hard to find new, fun, useful, and creative items that schools and students will enjoy. All of these items are provided to schools for free, and are intended to be distributed to all students, to encourage them to consume milk and dairy daily or as often as possible.

We had 60,573 students from 295 schools throughout the province registered to enjoy the benefits of the program. Five per cent of those schools were brand new to the program, and 14 per cent celebrated a milestone anniversary with Club Moo.

Annually we collect feedback from all of the milk managers in our schools (the individuals running the programs). Their feedback is reviewed and taken into consideration for future years. When asked if they use the incentives we

provide and if they have any other suggestions for the program, one of the responses was "I have loved everything that you have offered. I have been able to up my milk drinkers because of the incentives. This is particularly gratifying as some of our families do not necessarily make the best food choices and with the milk I know there is something of value that can be added to their nutritional intake. Once they start in the club they usually stay, so thank you." – Copperfield School, Calgary.

When asked why they participate in Club Moo 86 per cent said they participate because it encourages and fosters healthy eating.



## PROJECT AGRICULTURE

Project AGRICULTURE for division II teachers in elementary schools (Grades 4-6) continued to be downloaded and ordered by new teachers. The program received such positive feedback from

teachers that when a grant through the Canadian Agriculture Partnership became available, the SM5 group (Alberta Chicken, Alberta Hatching Egg, Alberta Turkey, and Egg Farmers of Alberta) decided to expand the original elementary resource into a junior and senior high resource as well.



"I have loved everything that you have offered. I have been able to up my milk drinkers because of the incentives. This is particularly gratifying as some of our families do not necessarily make the best food choices and with the milk I know there is something of value that can be added to their nutritional intake. Once they start in the club they usually stay, so thank you." - *Copperfield School, Calgary.*

Focusing on social studies and science curriculum, Project AGRICULTURE for junior and senior high teachers develops the skills and knowledge of agriculture and dairy farming in Alberta, through project-based learning. There are three project guides; Food Democracy, Sustainability Matters, and Smart Agriculture. Project based learning is when students work on a larger project, rather than small worksheets or assignments. These larger projects allow the students to develop skills such as problem solving and teaches them to ask questions that they then find answers to.

#### 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 2018-19 recipients are Kallista Ashtom from Camrose (attending the University of Alberta, Augustana Campus) and Ethan Vetsch from Thorhild (also attending the University of Alberta). We received 18 male applications and 20 female applications. We will recognize both recipients at our luncheon on the Wednesday of our 2019 AGM in November.

#### CLASSROOM AGRICULTURE PROGRAM (CAP)

Alberta Milk is a member of the Classroom Agriculture Program (CAP). CAP was created to enhance students' understanding of agriculture and where their food comes from through quality and comprehensive learning experiences. Aligning this messaging with the Alberta Program of Studies also helps foster a greater respect for the agriculture community and the individuals who are responsible for our locally produced food. In 2018-19 there were 942 classes in Alberta that received agriculture presentations, equating to 21,745 students. There were seven volunteers who registered as being associated with dairy, and most of those volunteers presented to more than one classroom. Alberta Milk provides dairy volunteers with a presentation tool kit, including a template Power Point presentation.

# Telling our Story to the Government



Government relations continued to be high priority for Alberta's dairy farmers last year on both a federal and provincial level. Educating elected officials is vital to our role of representing Alberta's dairy farmers.

## FEDERAL GOVERNMENT

The new NAFTA negotiations was the predominate issue that our industry came together for. Throughout the negotiations, we worked closely with Dairy Farmers of Canada (DFC) to protect our farmers. Here is a highlight of activities Alberta Milk executed to stand up for our farms:

- Rally at Justin Trudeau's Office  
(Greg Debbink, Brittney Derksen)
- Editorials in the largest newspapers in Alberta
- Letters to the editor in small towns across the province
- National press conference
- Push people to MyCanadianMilk.ca.  
(About 25,000 letters sent)
- Media (over 10 interviews including radio, TV and newspaper)
- Paid advertising

Despite these efforts, nearly four per cent of our market was opened for foreign access with the promise our farms would receive compensation for this impact in the agreement now called Canada-United States-Mexico Agreement (CUSMA). Following this announcement, a national strategy was developed to bring awareness of the Canadian Quality Milk logo. DFC opened a store to sell branded attire. A national advertising campaign was also executed including billboards across the province. Full page ads ran in the *Edmonton Journal* and the *Calgary Herald*. There is also an advertising campaign on social media pushing people to look for Canadian dairy products.

We look forward to a formal announcement about the mitigation program and rolling it out to our farmers.

## Revised Canada's Food Guide

In January, Health Canada launched its revised *Canada's Food Guide*. It eliminated the Milk and Alternatives category and lumped dairy into proteins. DFC and Alberta Milk have worked jointly to advocate for the industry through meetings with Health Canada, in the press and through influencers. Alberta Milk representatives participated in interviews with local weekly newspapers, Call of the Land, and Alberta PrimeTime (TV) on the topic.



### Lobby Day



Vice Chairman Stuart Boeve (left) stands with MP John Barlow (centre) and director Conrad Van Hierden during our federal lobby day in February. This year, we met with 16 Alberta MPs to discuss Healthy Eating Strategy, international trade and sustainably.

### PROVINCIAL GOVERNMENT

Alberta Milk strives to ensure that our provincial elected officials are well aware of the significant impacts our industry contributes to our province.

There was a provincial election in spring 2018 and we worked closely with our supply managed partners to ensure that our voice was heard. A website was created, [farmingforAlbertasfuture.com](http://farmingforAlbertasfuture.com), to automatically send an email to candidates in your riding encouraging them to

support supply management. An updated SM5 infographic was developed as an additional way farmers could inform their candidates.

We met with Jason Kenney prior to the election to ensure he understood the dynamics of our industry.

Following the election, we participated in several receptions hosted by Alberta Counsel, the government relations firm that we use to help us build strong relationships with officials. We continued our annual sponsorship of the Premier's Breakfasts in Edmonton and Calgary whereby we donated the dairy products (and poultry in conjunction with the rest of SM5). We met with the leader of the Alberta Party, Stephen Mandel, prior to the election to ensure he understood the dynamics of our industry.



Alberta Supply Management met with new agriculture minister Devin Dreesen (UCP).



#### Alberta Local Food Week Kick Off

Former agriculture minister Oniel Carlier (NDP) visited Huntcliff Dairy near Olds to kick off this inaugural celebration.

#### Standing Committee on Alberta's Economic Future

Chairman Tom Kootstra presented to the Standing Committee on Alberta's Economic Future about the impact of CUSMA on our farms. This presentation was made in conjunction to a report explaining all the short- and long-term negative impacts on our farms. This panel also hosted other SM5 members.



#### Schuurman Dairy Visit

The former agriculture minister visited Schuurman Dairy near Edmonton to discuss the farm's solar panels and the impacts of the new NAFTA on their farm.

#### Battling Nay-sayers

It's clear that not everyone understands supply management, so we do our best to educate and explain it to those that may not fully understand. As part of that mission, we met with the Alberta Cattle Feeders Association and Martha Hall Findlay to debunk some myths they had about supply management.

# How are we preparing for the future?

In accordance with the *Alberta Milk Operational Guidelines and Governance*, the Alberta Milk Board of Directors annually reviews and develops a strategic plan that sets the key 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 ensure a growing, sustainable and market focused industry based on an effective supply management system.

Alberta Milk is committed to working with all industry partners and stakeholders to develop strategies aimed at reaching our vision and living our mission that focuses on a sustainable, growing dairy industry.

**Improving Sustainability** – pursuing a sustainable future and includes economic, social and environmental.

**Fostering Growth** – preserving the market for Canadian dairy products and finding new opportunities to increase the consumption and use of dairy products and ingredients by processors/further processors and consumers.

## 2019-20 STRATEGIC PRIORITIES

For 2019-20 Alberta Milk has developed the following four strategic priorities.

1. We will effectively advocate for the dairy industry.
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 detail 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 and Governance risk – failure to implement or develop strategy
2. Financial risk – liquidity, investment, theft
3. Compliance risk – Regulatory compliance and legal risks
4. Operational risk – capacity constraints, quality, membership satisfaction
5. External risk – economic, social, technological, disasters, government support/change

# Management Discussion and Analysis

Alberta Milk's management team is responsible for our financial statements and all information in this annual report. The statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These statements have been audited using generally accepted auditing standards. Schedules I and II, which provide reporting of our statement of operations in accordance with our business plan and budget, are considered unaudited as our financial statement auditors were not engaged to conduct an audit of our budget figures, or our expenses classified by Alberta Milk's business plan's goals and key result areas. Financial information presented elsewhere in this report is consistent with the statements provided.

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

Accountability systems are adopted and approved as a key component of Alberta Milk's business plan. The Board receives a report on the operations of the organization at each Board meeting, a comprehensive review of operations at mid-year and a summary of operations at year-end. 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 statement audit and the development of the budget, prior to the



presentation of these items to the Board. Alberta Milk's financial statement auditors have free access to the Finance Committee to discuss the results of their work and to express their concerns and opinions.

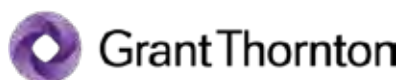
The following discussion and analysis of the operating results and financial position of Alberta Milk, for the year ending July 31, 2019, should be read in conjunction with the financial statements.

Actual revenues, excluding quota exchange revenues, exceeded budgeted revenues by \$48,790,240. The operation of various producer payment pools accounted for \$43,384,689 of this variance. Restricted equalization revenues and expenses offset one another in the statement of operations, and these items reflect the disbursement of funds that are held in trust on behalf of producers. Contributing to this variance was an increase in both milk volumes and average actual prices as compared to the budget. Higher than anticipated milk volumes also resulted in higher administrative, marketing, nutrition, and education, and research Board assessment fees of \$221,752. Hauling fee revenues and expenses both exceeded the budget by \$4,619,658 due to the costs of interprovincial milk movement. Alberta Milk entered into

several grant agreements during the year, which resulted in grant revenues exceeding the budget by \$535,539.

Actual expenses, excluding quota exchange expenses, exceeded budgeted expenses by \$44,926,187. As referred to in the discussion of revenues, restricted equalization expenses accounted for \$43,384,689 of this variance, and transportation costs were \$4,619,658 above budget. A significant under-budget variance was experienced in national promotional activities, which resulted from a change to the Dairy Farmers of Canada's funding structure, which took effect January 1, 2019. As a result of this change, marketing, nutrition, and education activities were under-spent by \$2,758,359.

Alberta Milk capitalized \$728,912 of costs incurred during the year for the development of the new Milk Management System, which went live in the summer of 2019. These costs are reflected in the capital assets line on the statement of financial position.



## Independent Auditor's Report

**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

### Opinion

We have audited the accompanying financial statements of Alberta Milk, which comprise the statement of financial position as at July 31, 2019, and the statement of operations, statement of changes in net assets and statement of cash flows for the year ended July 31, 2019, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Milk as at July 31, 2019, and the results of its operations and its cash flows for the year ended July 31, 2019 in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises:

- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Organization's financial reporting process.

#### **Auditor's responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Canada

October 16, 2019

Chartered Professional Accountants



**ALBERTA MILK**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED JULY 31, 2019**

|  | Quota<br>Exchange | MNE               | Scholarship  | Research         | Other              | 2019<br>Total      | 2018<br>Total      |
|--|-------------------|-------------------|--------------|------------------|--------------------|--------------------|--------------------|
| <b>REVENUES:</b>   |                   |                   |              |                  |                    |                    |                    |
| Assessments (Note 7):  |                   |                   |              |                  |                    |                    |                    |
| Administrative   | \$ -              | \$ -              | \$ -         | \$ -             | \$ 4,058,232       | \$ 4,058,232       | \$ 4,035,088       |
| Class 1 Market Recovery                                      | -                 | -                 | -            | -                | 1,599,260          | 1,599,260          | 1,675,555          |
| Marketing, Nutrition, Education (MNE)                        | -                 | 12,174,667        | -            | -                | -                  | 12,174,667         | 12,105,232         |
| Research   | -                 | -                 | -            | 405,823          | -                  | 405,823            | 403,509            |
| Restricted Revenue - Equalization (Note 5)                   | -                 | -                 | -            | -                | 676,038,677        | 676,038,677        | 639,758,059        |
| Hauling Fees (Note 9)  | -                 | -                 | -            | -                | 36,064,386         | 36,064,386         | 32,302,176         |
| Investment Income (Note 3)                                   | -                 | -                 | 6,306        | -                | 230,820            | 237,126            | 149,428            |
| Grant Revenue (Note 6)                                       | -                 | 107,713           | -            | 38,184           | 397,572            | 543,469            | 592,340            |
| Processor Audit Recovery                                     | -                 | -                 | -            | -                | 129,321            | 129,321            | 125,460            |
| Quota Lease  | -                 | -                 | -            | 594,042          | -                  | 594,042            | 624,549            |
| Quota Exchange Sales (Note 11)                               | 48,874,907        | -                 | -            | -                | -                  | 48,874,907         | 49,365,421         |
| Other Income   | -                 | 75,626            | -            | -                | 500,490            | 576,116            | 430,287            |
| <b>Total Revenues</b>  | <b>48,874,907</b> | <b>12,358,006</b> | <b>6,306</b> | <b>1,038,049</b> | <b>719,018,758</b> | <b>781,296,026</b> | <b>741,567,104</b> |
| <b>EXPENSES:</b>   |                   |                   |              |                  |                    |                    |                    |
| Salaries and Contract Services                               | -                 | 360,326           | -            | 41,710           | 2,926,986          | 3,329,022          | 3,248,728          |
| Director and Delegate per diems                              | -                 | 7,225             | -            | 28,919           | 362,140            | 398,284            | 392,802            |
| Travel   | -                 | 21,935            | -            | 23,417           | 470,948            | 516,300            | 558,238            |
| Office   | -                 | 325,244           | -            | 219              | 1,070,931          | 1,396,394          | 1,202,526          |
| Data Processing  | -                 | -                 | -            | -                | 856,850            | 856,850            | 677,753            |
| Meeting Costs  | -                 | 6,506             | -            | 6,976            | 226,377            | 239,859            | 260,983            |
| Professional Fees  | -                 | 538               | -            | -                | 181,163            | 181,701            | 196,603            |
| Communications   | -                 | -                 | -            | -                | 17,824             | 17,824             | 1,295              |
| Advertising  | -                 | 8,017,599         | -            | -                | 31,420             | 8,049,019          | 11,260,951         |
| Project Costs  | -                 | 7,000             | -            | 900              | -                  | 7,900              | 1,000              |
| Hauling Fees (Note 9)  | -                 | -                 | -            | -                | 36,064,386         | 36,064,386         | 32,302,176         |
| Research   | -                 | -                 | -            | 163,084          | -                  | 163,084            | 206,872            |
| Sponsorships   | -                 | 816,244           | 3,000        | -                | 49,178             | 868,422            | 463,745            |
| Grants   | -                 | 18,525            | -            | 603,209          | 282,012            | 903,746            | 1,063,974          |
| Quota Exchange Purchases (Note 11)                           | 48,874,907        | -                 | -            | -                | -                  | 48,874,907         | 49,365,421         |
| Restricted Expenses - Equalization (Note 5)                  | -                 | -                 | -            | -                | 676,038,677        | 676,038,677        | 639,758,059        |
| Amortization/Write-Offs                                      | -                 | 17,009            | -            | -                | 267,017            | 284,026            | 263,656            |
| <b>Total Expenses</b>  | <b>48,874,907</b> | <b>9,598,151</b>  | <b>3,000</b> | <b>868,434</b>   | <b>718,845,909</b> | <b>778,190,401</b> | <b>741,224,782</b> |
| <b>EXCESS OF REVENUES<br/>OVER EXPENSES<br/>FOR THE YEAR</b> |                   |                   |              |                  |                    |                    |                    |
|  | \$ -              | \$ 2,759,855      | \$ 3,306     | \$ 169,615       | \$ 172,849         | \$ 3,105,625       | \$ 342,322         |

See accompanying notes and schedules to the financial statements.

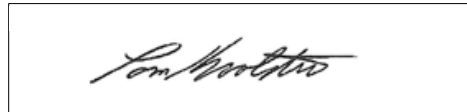
**ALBERTA MILK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JULY 31, 2019**

|   | 2019                 | 2018                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>                             |                      |                      |
| <b>CURRENT ASSETS:</b>                    |                      |                      |
| Cash and investments (Note 3)             | \$ 15,228,619        | \$ 13,329,137        |
| Due from processors, producers and others | 30,898,756           | 30,089,546           |
| Accounts receivable                       | 1,112,378            | 1,268,270            |
| Inventories                               | 126,585              | 112,989              |
| Prepaid expenses                          | 220,541              | 128,662              |
| Total current assets                      | 47,586,879           | 44,928,604           |
| <b>CAPITAL ASSETS</b> (Note 4)            | 3,011,195            | 2,507,817            |
| <b>TOTAL</b>                              | <b>\$ 50,598,074</b> | <b>\$ 47,436,421</b> |
| <b>LIABILITIES AND NET ASSETS</b>         |                      |                      |
| <b>CURRENT LIABILITIES:</b>               |                      |                      |
| Accounts payable and accrued liabilities  | \$ 2,020,042         | \$ 3,475,917         |
| Deferred contributions (Note 5)           | 33,363,385           | 32,150,505           |
| Deferred grants (Note 6)                  | 564,746              | 49,723               |
| Total current liabilities                 | 35,948,173           | 35,676,145           |
| <b>NET ASSETS:</b>                        |                      |                      |
| Invested in capital assets                | 3,011,195            | 2,507,819            |
| Internally restricted:                    |                      |                      |
| Marketing                                 | 5,632,610            | 2,872,755            |
| Research                                  | 847,788              | 595,207              |
| Scholarship                               | 130,802              | 127,496              |
| Quota exchange (Note 11)                  | 997,721              | 997,721              |
| Unrestricted                              | 4,029,785            | 4,659,278            |
| Total net assets                          | 14,649,901           | 11,760,276           |
| <b>TOTAL</b>                              | <b>\$ 50,598,074</b> | <b>\$ 47,436,421</b> |

Commitments (Note 8)

Contingent Loss (Note 13)

**APPROVED ON BEHALF OF THE BOARD:**



Tom Kootstra  
 Alberta Milk Board Chairman



Albert Kamps  
 Alberta Milk Finance Committee Representative

See accompanying notes and schedules to the financial statements.

**ALBERTA MILK**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2019**

|   | Internally Restricted |              |             |            |              | Unrestricted | Invested in<br>Capital Assets | 2019<br>Total | 2018<br>Total |
|---|-----------------------|--------------|-------------|------------|--------------|--------------|-------------------------------|---------------|---------------|
|   | Quota<br>Exchange     | Marketing    | Scholarship | Research   |              |              |                               |               |               |
| BALANCE AT BEGINNING<br>OF THE YEAR                 | \$ 997,721            | \$ 2,872,755 | \$ 127,496  | \$ 595,207 | \$ 4,659,278 | \$ 2,507,819 | \$ 11,760,276                 | \$ 11,237,954 |               |
| EXCESS OF REVENUES<br>OVER EXPENSES<br>FOR THE YEAR | -                     | 2,759,855    | 3,306       | 169,615    | 172,849      | -            | 3,105,625                     | 342,322       |               |
| ADMINISTRATION COSTS<br>TRANSFERRED (Note 12)       | -                     | -            | -           | 82,966     | (82,966)     | -            | -                             | -             |               |
| PURCHASE OF CAPITAL<br>ASSETS                       | -                     | -            | -           | -          | (784,709)    | 784,709      | -                             | -             |               |
| DISPOSAL OF CAPITAL<br>ASSETS                       | -                     | -            | -           | -          | 93           | (93)         | -                             | -             |               |
| AMORTIZATION OF CAPITAL<br>ASSETS                   | -                     | -            | -           | -          | 281,240      | (281,240)    | -                             | -             |               |
| PENSION REMEASUREMENTS<br>AND OTHER ITEMS (Note 10) | -                     | -            | -           | -          | (216,000)    | -            | (216,000)                     | 180,000       |               |
| BALANCE AT END OF THE YEAR                          | \$ 997,721            | \$ 5,632,610 | \$ 130,802  | \$ 847,788 | \$ 4,029,785 | \$ 3,011,195 | \$ 14,649,901                 | \$ 11,760,276 |               |

See accompanying notes and schedules to the financial statements.

**ALBERTA MILK**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JULY 31, 2019**

|   | 2019                 | 2018                 |
|---|----------------------|----------------------|
| <b>CASH PROVIDED BY (USED FOR):</b>                       |                      |                      |
| <b>OPERATING ACTIVITIES:</b>                              |                      |                      |
| Excess of revenues over expenses for the year             | \$ 3,105,625         | \$ 342,322           |
| Items not affecting cash flow:                            |                      |                      |
| Amortization and write-offs of capital assets             | 281,333              | 263,656              |
| Pension remeasurements and other items (Note 10)          | (216,000)            | 180,000              |
| Non-cash investment income                                | (46,719)             | (19,505)             |
|   | 3,124,239            | 766,473              |
| Changes in non-cash working capital items:                |                      |                      |
| Due from processors, producers and others                 | (809,210)            | (3,840,040)          |
| Accounts receivable                                       | 155,892              | 2,217,244            |
| Prepaid expenses  | (91,879)             | 44,202               |
| Inventories   | (13,596)             | 120,294              |
| Accounts payable and accrued liabilities                  | (1,455,875)          | (1,203,674)          |
| Deferred contributions (Note 5)                           | 1,212,880            | 3,400,617            |
| Deferred grants (Note 6)                                  | 515,023              | (336,514)            |
| Net cash from operating activities                        | 2,637,474            | 1,168,602            |
| <b>FINANCING ACTIVITIES:</b>                              |                      |                      |
| Net cash from financing activities                        | -                    | -                    |
| <b>INVESTING ACTIVITIES:</b>                              |                      |                      |
| Purchases of capital assets                               | (784,709)            | (416,638)            |
| Proceeds on sale of capital assets                        | -                    | 3,660                |
| Purchases of investments                                  | (149,602)            | (247,547)            |
| Proceeds from sales and redemptions of investments        | 63,925               | 1,199,073            |
| Net cash (to) from investing activities                   | (870,386)            | 538,548              |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b> | <b>1,767,088</b>     | <b>1,707,150</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b> | <b>11,000,740</b>    | <b>9,293,591</b>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>       | <b>\$ 12,767,828</b> | <b>\$ 11,000,740</b> |

See accompanying notes and schedules to the financial statements.

## ALBERTA MILK

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

#### 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 are recognized as revenue when performance is achieved, consideration is measurable, and ultimate collection is reasonably assured. Investment income is recognized as revenue when earned.

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash balances with banks and other institutions.

##### 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, 2019**

---

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

Capital Assets

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

|                                |     |
|--------------------------------|-----|
| 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, and plan assets are measured at fair value.

The Board recognizes the plan's defined benefit asset on the statement of financial position. The defined benefit asset consists of the funded surplus, which is the net amount of the defined benefit obligation and the fair value of plan assets, adjusted as required for any portion of the funded surplus that is not expected to be recoverable.

The defined benefit cost is recognized in the statement of operations. Remeasurements and other items are recognized directly in the statement of changes 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, 2019

**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 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 amortized cost, 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, guaranteed investment certificates, due from processors, producers and others, accounts receivable, accounts payable and accrued liabilities, and deferred contributions.

For financial assets measured at 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 the statement of 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, 2019

**3. CASH AND INVESTMENTS:**

|   | 2019                 | 2018                 |
|---|----------------------|----------------------|
| Cash and cash equivalents               | \$ 12,767,828        | \$ 11,000,740        |
| Fixed income                            | 1,050,325            | 1,034,414            |
| Equities quoted in an active market     | 1,129,886            | 1,166,489            |
| Mutual funds quoted in an active market | 280,580              | 127,494              |
|   | <b>\$ 15,228,619</b> | <b>\$ 13,329,137</b> |

Investment income includes the following:

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| Net increase in fair value of investments                | \$ 38,736         | \$ 13,957         |
| Interest and dividends earned on corporate funds         | 208,247           | 149,574           |
| Interest and dividends earned on scholarship investments | 4,951             | 4,198             |
| Investment management fees                               | (14,808)          | (18,301)          |
| Interest earned on pooling funds                         | 244,210           | 153,776           |
| Interest rebated to producers                            | (244,210)         | (153,776)         |
|  | <b>\$ 237,126</b> | <b>\$ 149,428</b> |

**4. CAPITAL ASSETS:**

|                                   | 2019         |                             |                   | 2018              |
|-----------------------------------|--------------|-----------------------------|-------------------|-------------------|
|                                   | Cost         | Accumulated<br>Amortization | Net Book<br>Value | Net Book<br>Value |
| Building                          | \$ 2,189,592 | \$ 1,085,585                | \$ 1,104,007      | \$ 1,163,080      |
| Computer hardware                 | 1,325,433    | 1,101,087                   | 224,346           | 264,157           |
| Computer software                 | 2,361,493    | 1,157,730                   | 1,203,763         | 572,090           |
| Consumer displays                 | 235,159      | 201,652                     | 33,507            | 47,867            |
| Display booth and tent            | 91,404       | 82,349                      | 9,055             | 11,319            |
| Land                              | 385,175      | -                           | 385,175           | 385,175           |
| Office furniture and<br>equipment | 374,589      | 324,855                     | 49,734            | 61,832            |
| Vehicles                          | 39,070       | 37,462                      | 1,608             | 2,297             |
| Total                             | \$ 7,001,915 | \$ 3,990,720                | \$ 3,011,195      | \$ 2,507,817      |

## ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

**5. DEFERRED CONTRIBUTIONS:**

Deferred contributions represent unspent resources externally restricted for price equalization.

|   | 2019           | 2018           |
|---|----------------|----------------|
| Contributions received                      | \$ 677,251,557 | \$ 643,158,676 |
| Transferred to revenue                      | (676,038,677)  | (639,758,059)  |
| Increase during the year                    | 1,212,880      | 3,400,617      |
| Deferred contributions at beginning of year | 32,150,505     | 28,749,888     |
| Deferred contributions at end of year       | \$ 33,363,385  | \$ 32,150,505  |

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:

|   | 2019         | 2018       |
|---|--------------|------------|
| Contributions received                      | \$ 1,058,492 | \$ 255,826 |
| Recognized as revenue                       | (543,469)    | (592,340)  |
| Increase (decrease) during the year         | 515,023      | (336,514)  |
| Deferred contributions at beginning of year | 49,723       | 386,237    |
| Deferred contributions at end of year       | \$ 564,746   | \$ 49,723  |

**ALBERTA MILK****NOTES TO THE FINANCIAL STATEMENTS****JULY 31, 2019****7. ASSESSMENT REVENUE:**

The Board collected the following producer assessments during the year:

|                                 | <b>2019</b>      | <b>2018</b> |
|---------------------------------|------------------|-------------|
| 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>\$3.15/hl</b> | \$3.09/hl   |
| Hauling yard charge per pickup  | <b>\$22.25</b>   | \$21.82     |

**8. COMMITMENTS:**

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

|      |           |
|------|-----------|
| 2020 | \$ 14,306 |
|------|-----------|

The Board has a budgeted commitment of \$7,238,657 to the Dairy Farmers of Canada for the upcoming year. This amount includes Alberta Milk's membership fee, funding for core and strategic objectives, and funding for service agreements.

The Board has a funding commitment to several universities for academic advisor positions in the amount of \$1,550,000 to be disbursed over the course of the next five years.



## ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

**9. HAULING FEES :**

|                                      | 2019          | 2018          |
|--------------------------------------|---------------|---------------|
| Paid by producers                    | \$ 30,521,992 | \$ 28,478,729 |
| Recovered from processors            | 330,006       | 188,222       |
| Recovered from the Western Milk Pool | 5,212,388     | 3,635,225     |
| Total hauling expenses for the year  | \$ 36,064,386 | \$ 32,302,176 |
| Cost per hectolitre                  | \$ 4.44       | \$ 4.00       |

Hauling fees paid by producers include volume fees of \$25,502,490 (2018 - \$24,872,173), yard stop fees of \$2,426,182 (2018 - \$2,442,052), interprovincial hauling fees of \$2,383,634 (2018 - \$nil), and a reduction in the transportation surplus of \$209,686 (2018 - \$1,164,504). The remaining surplus of \$261,325 (2018 - \$471,011) will be used to offset next year's hauling expenses.

**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, 2018 and has been updated for current assumptions in the actuarial report dated September 18, 2019.

## ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

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

|   | 2019           | 2018           |
|---|----------------|----------------|
| <b>Defined benefit obligation</b>           |                |                |
| Defined benefit obligation - opening        | \$ 4,120,000   | \$ 3,717,000   |
| Current service cost - employer             | 166,000        | 156,000        |
| Employee contributions                      | 109,000        | 107,000        |
| Benefits paid                               | (124,000)      | (67,000)       |
| Interest on defined benefit obligation      | 227,000        | 207,000        |
| Actuarial gain                              | (9,000)        | -              |
| Defined benefit obligation - closing        | \$ 4,489,000   | \$ 4,120,000   |
| <b>Fair value of plan assets</b>            |                |                |
| Fair value of plan assets - opening         | \$ 5,180,000   | \$ 4,576,000   |
| Employer contributions                      | 192,000        | 139,000        |
| Employee contributions                      | 109,000        | 107,000        |
| Benefits paid                               | (124,000)      | (67,000)       |
| Return on plan assets                       | 52,000         | 425,000        |
| Fair value of plan assets - closing         | \$ 5,409,000   | \$ 5,180,000   |
| <b>Defined benefit asset</b>                |                |                |
| Defined benefit obligation                  | \$ (4,489,000) | \$ (4,120,000) |
| Fair value of plan assets                   | 5,409,000      | 5,180,000      |
| Funded surplus                              | \$ 920,000     | \$ 1,060,000   |
| Valuation allowance                         | -              | -              |
| Defined benefit asset                       | \$ 920,000     | \$ 1,060,000   |
| <b>Defined benefit cost</b>                 |                |                |
| Employer current service cost               | \$ 166,000     | \$ 156,000     |
| Interest cost on defined benefit obligation | 227,000        | 207,000        |
| Expected interest on plan assets            | (277,000)      | (245,000)      |
| Defined benefit cost                        | \$ 116,000     | \$ 118,000     |
| <b>Remeasurements and other items</b>       |                |                |
| Interest less net return on plan assets     | \$ 225,000     | \$ (180,000)   |
| Actuarial gains                             | (9,000)        | -              |
| Total remeasurements and other items        | \$ 216,000     | \$ (180,000)   |

## ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

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

|                                 | 2019  | 2018  |
|---------------------------------|-------|-------|
| <b>Actuarial assumptions</b>    |       |       |
| Annual discount rate            | 5.25% | 5.25% |
| Annual rate of return on assets | 5.25% | 5.25% |
| Annual rate of salary increase  | 3.75% | 3.75% |
| Annual inflation rate           | 2.25% | 2.25% |
| Termination table               | Nil   | Nil   |

The mortality table used was CPM2014Priv with projection scale MI-2017 as at July 31, 2019 (2018 - CPM2014Priv with projection scale CPM-B as at July 31, 2018).

The retirement rate used was 100% at age 62 (2018 - 100% at age 62).

**Distribution of the total market value of the plan assets by major asset category**

|                        |       |       |
|------------------------|-------|-------|
| Canadian equities      | 27.8% | 29.6% |
| International equities | 14.2% | 1.7%  |
| U.S. equities          | 14.5% | 16.5% |
| Debt securities        | 34.5% | 34.2% |
| Cash and other         | 9.0%  | 18.0% |

|              |               |                |
|--------------|---------------|----------------|
| <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 2019, the Board transferred \$82,966 (2018 - \$126,279) from the Unrestricted net assets into the Research net assets to cover administration costs.

## ALBERTA MILK

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

#### 13. CONTINGENT LOSS:

During the prior 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, therefore, is exposed to liquidity risk with respect to its accounts payable and accrued liabilities, and deferred contributions. 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 2019 financial statements.

Schedule I

**ALBERTA MILK**  
**SCHEDULE OF REVENUE AND EXPENSES BY GOAL**  
**FOR THE YEAR ENDED JULY 31, 2019**

|   | 2019<br>(unaudited) | Budget<br>(unaudited) | 2018<br>(unaudited) |
|---|---------------------|-----------------------|---------------------|
| <b>REVENUES:</b>  |                     |                       |                     |
| Assessments (Note 7):   |                     |                       |                     |
| Administrative  | \$ 4,058,232        | \$ 4,004,139          | \$ 4,035,088        |
| Class 1 Market Recovery   | 1,599,260           | 1,695,262             | 1,675,555           |
| Marketing, Nutrition, Education (MNE)                                     | 12,174,667          | 12,012,417            | 12,105,232          |
| Research  | 405,823             | 400,414               | 403,509             |
| Restricted Revenue - Equalization (Note 5)                                | 676,038,677         | 632,653,988           | 639,758,059         |
| Hauling Fees (Notes 7 and 9)  | 36,064,386          | 31,444,728            | 32,302,176          |
| Investment Income (Note 3)  | 237,126             | 126,667               | 149,428             |
| Grant Revenue (Note 6)  | 543,469             | 7,930                 | 592,340             |
| Processor Audit Recovery  | 129,321             | 126,445               | 125,460             |
| Quota Lease   | 594,042             | 610,000               | 624,549             |
| Other Income  | 576,116             | 548,889               | 430,287             |
| <b>TOTAL REVENUES</b>   | <b>732,421,119</b>  | <b>683,630,879</b>    | <b>692,201,683</b>  |
| <b>EXPENSES BY GOAL &amp; KRA (Schedule II)</b>                           | <b>729,315,494</b>  | <b>684,389,307</b>    | <b>691,859,361</b>  |
| <b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE QUOTA EXCHANGE</b> | <b>3,105,625</b>    | <b>(758,428)</b>      | <b>342,322</b>      |
| <b>QUOTA EXCHANGE:</b>  |                     |                       |                     |
| Sales of quota (Note 11)  | 48,874,907          | 65,500,000            | 49,365,421          |
| Purchases of quota (Note 11)  | 48,874,907          | 65,500,000            | 49,365,421          |
| Net quota exchange  | -                   | -                     | -                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR</b>         | <b>\$ 3,105,625</b> | <b>\$ (758,428)</b>   | <b>\$ 342,322</b>   |



## Schedule II

**ALBERTA MILK**  
**SCHEDULE OF EXPENSES BY GOAL**  
**FOR THE YEAR ENDED JULY 31, 2019**

|  | 2019<br>(unaudited)   | Budget<br>(unaudited) | 2018<br>(unaudited)   |
|--|-----------------------|-----------------------|-----------------------|
| <b>EXPENSES BY GOAL &amp; KRA:</b>                                   |                       |                       |                       |
| <b><i>Adequate supply of raw milk:</i></b>                           |                       |                       |                       |
| Production and marketing of raw milk                                 | \$ 247,786            | \$ 250,349            | \$ 333,526            |
| Manage an effective quota system                                     | 36,498,720            | 31,891,156            | 32,725,785            |
| <b><i>Policy development:</i></b>                                    |                       |                       |                       |
| Work with stakeholders   | 798,914               | 786,678               | 759,093               |
| Welfare and health of dairy cattle                                   | 93,396                | 95,693                | 88,173                |
| Sustainable environmental practices                                  | 269,259               | 24,120                | 347,877               |
| Milk quality   | 228,181               | 253,578               | 249,197               |
| proAction  | 318,614               | 357,942               | 249,435               |
| <b><i>Encourage dairy product consumption:</i></b>                   |                       |                       |                       |
| National activities  | 7,821,957             | 10,891,259            | 10,976,393            |
| Provincial activities  | 995,488               | 909,034               | 1,000,309             |
| <b><i>Promote dairy production research:</i></b>                     |                       |                       |                       |
| Beneficial dairy research  | 868,434               | 1,184,150             | 1,057,636             |
| <b><i>Governance and management of resources:</i></b>                |                       |                       |                       |
| Administer regulations   | 20,977                | 40,770                | 48,778                |
| Optimal management of resources                                      | 3,379,886             | 3,328,649             | 2,940,181             |
| Accurate producer payment  | 676,428,299           | 632,942,369           | 640,078,564           |
| <b><i>Communicate with members, stakeholders and the public:</i></b> |                       |                       |                       |
| Dairy industry and dairy farming messages                            | 396,220               | 392,440               | 343,647               |
| Awareness of Alberta Milk  | 684,648               | 566,660               | 267,214               |
| Communication, education and extension                               | 264,715               | 474,460               | 393,553               |
| <b>Total Expenses</b>  | <b>\$ 729,315,494</b> | <b>\$ 684,389,307</b> | <b>\$ 691,859,361</b> |



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

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

