



Alberta Milk
2019-20
Annual Report



Mission:

Collaborating to build a thriving industry that produces high-quality milk and dairy products within Canada's supply managed system.

Our Vision:

Strategic partner in Canada's dairy industry.

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2019-20 Snapshot



CUSMA

CANADA-UNITED STATES-MEXICO AGREEMENT was ratified & implemented

July 2020



POPULARITY FOR

Canadian Quality Milk logo

Mike

retired,
we welcomed

Freda

as GM

Somatic cell count of
195,000 cells/mL

=

LOWEST IN YEARS

=

EXCELLENT
QUALITY OF
MILK

HIGHEST BUTTERFAT
CONTENT ON RECORD
(4.2124 kg/hL)

=

34,470,109 kg of
butterfat produced

=

A RECORD

30 events



sponsored with MILK
for participants



handed out **27,000 samples** at various events



502
PRODUCERS



150
producers
qualified for
annual Milk
Quality Award

DONATED
\$1 MILLION +



to food banks across
the country, to help
those affected by the
pandemic



**NEUDORF
HB**

received
Provincial Milk
Quality Award

818,304,043 L

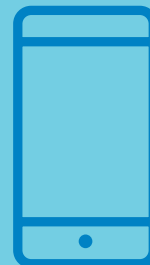


MILK
produced



**HALF A
MILLION +**

unique visits
to our
WEBSITE



reached
1.4 million
people on FACEBOOK

94.9% growth
in INSTAGRAM followers



Chair's Message

Tom Kootstra

I feel privileged to reflect on this past year, in what will be my last report from the board, as I conclude my tenure as chair of the Alberta Milk Board of Directors. What a year it has been. It has challenged our board, our staff, our farmers, our supply chains, and our consumers, all while forcing us to adapt and be pushed out of our comfort zones. These challenges have been difficult, but I feel they have helped our industry grow and show that we can work together to survive any storm we may face in the future.

It seems like it was only months ago when US President Donald Trump was elected and he vowed to open NAFTA. With the world watching intently, he focused his sights on dairy. There was a sense of frustration as the agreement was ratified in March and another 3.9% was sliced out of our market in what is now called the Canada-United States-Mexico Agreement, or CUSMA. Even the rigorous efforts from every province and led by Dairy Farmers of Canada couldn't stop that train.

Although compensation for CUSMA has been promised, we await any formal announcement. The Trudeau government has allocated \$1.75 billion for Canada's dairy farmers to mitigate the impact of Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) on our farms. This direct payment program was appreciated, but a far cry from our original ask of no more concessions.

After all the current trade agreements are fully implemented, nearly 20 per cent of our market will be swallowed by foreign dairy. However, there was intrepid growth and popularity of the Canadian Quality Milk logo coming from this negotiation and great strides were made in the growing awareness of supporting local dairy.

Spring brought with it something none of us could have predicted: a global pandemic. Both provincially and nationally, the dairy industry worked collaboratively to try and navigate the unknowns. The immediate impact on the food service industry was unprecedented and resulted in the need to reduce on-farm milk production. We were also challenged by trying to assist in supply chain disruptions as milk was sometimes void from retailers' shelves.

I'm reminded of a quote from Premier Jason Kenney while he addressed Albertans during the pandemic. I feel that it is very relevant for our industry when facing adversity:

"In a fierce prairie storm, cattle often get spooked, turn tail, and try to run from it, getting separated and lost. But the buffalo, which Indigenous people have always revered as a symbol of life on the prairies, herd closely together and face the storm head on, coming out of it strong and united." That captures who we are, and how we're going to get through this.

“If I could leave you with a few thoughts for the future, it would be to accept that everyone will march to the beat of their own drum and although the rhythm may vary, the direction of that march needs to be universal. Supply management has taught us the power of working together and we must never lose sight of that.”

Just as the buffalo adapt in the storms, we did too. Our industry saw processors update their strategies to reflect this changing market, our marketing efforts evolved in order to reach our audiences in new ways, farmers were helping each other, and we developed a stronger relationship with key stakeholders. I'm also encouraged by the continued progression in our work as a P10 pool. This collaboration and unity has helped our industry face the storm together. Not only were farmers helping other farmers, but we were also able to help others outside of our industry: dairy farmers across the country donated over \$1 million to food banks to help those most affected during this pandemic. That's something we can all be very proud of.

Just before the end of 2019, we welcomed Freda Molenkamp-Oudman as the new general manager. She replaced Mike Southwood after he served our industry for nearly two decades. Her skills in governance and leadership have proven to be very valuable while adapting and navigating a new team and supporting the board, especially during a pandemic. We look forward to her continued dedication to the industry in this next chapter of Alberta Milk's history.

I would like to express my most sincere appreciation for each board member, for their continued dedication to the industry, their friendships and their commitment to striving to do better. Each person brings such a unique perspective and the entire industry benefits from it. I would also like to recognize Martin Van Diemen for all his contributions to the board over the years. Martin stepped down in the spring of 2020 and left behind a legacy. His eight years on the board were impactful through his committee work, as well as being a fierce advocate for supply management and the dairy industry. Thank you Martin for your expertise in helping lead the industry forward.

If I could leave you with a few thoughts for the future, it would be to accept that everyone will march to the beat of their own drum and although the rhythm may vary, the direction of that march needs to be universal. Supply management has taught us the power of working together and we must never lose sight of that.

Sincerely,





General Manager's Message

Freda Molenkamp-Oudman


As I reflect on the past year, I am reminded of the saying, “we cannot direct the wind, but we can adjust our sails.” There have been many unexpected, cold, fierce and unrelenting winds during this past dairy year, and I believe that our industry has been successful in adjusting to global situations, national challenges, and provincial changes.

When we first heard about a flu that had surfaced in China on December 31, 2019, few could imagine the global devastation it would cause. Sadly, thousands of people have died, millions have become infected, and the global economy has seen unprecedented losses as a result of COVID-19. The dairy industry has also been significantly impacted, especially as a result of the food service industry largely being shut down, or reduced, due to the closure of dine-in restaurants. The industry has continued to make necessary adjustments and has worked together to understand the new reality which includes face masks, social distancing, and extra sanitary measures in all aspects of life - this includes on the farm and in the milk house.

Alberta Milk was not immune to the impact of COVID-19. On March 17, 2020 we had to close the office to the public and send all staff to work from home. The staff adjusted

well to the working from home environment and Microsoft Teams and Zoom meetings have become part of our daily routines. When any gatherings of 10 or more people were cancelled, including events like the Calgary Stampede and Aggie days, Alberta Milk staff got creative and adjusted. We could no longer physically connect with the public, so we needed to develop a strong virtual presence. Alberta Milk now has a successful digital strategy, a sharper focus on our target audiences, and we have forged new partnerships which have opened new opportunities. We have also continued to successfully work with Dairy Farmers of Canada and are pleased to see that more and more consumers are looking for the Canadian Quality Milk logo!

The impacts of COVID-19 continue to be felt and it requires that we constantly adjust. It is hard to know what things will look like this time next year, let alone in three months time, but one thing is certain, working together is the only way through this challenge. I have witnessed the spirit of collaboration and have been proud to be part of an industry that is committed to helping each other and doing what is best for the industry as a whole.



“As I look ahead to the coming year, I know that there will continue to be many challenging winds that we cannot direct, but it gives me confidence knowing that our industry has many excellent sailors.”

When I reflect on the 2019 dairy year from a national perspective, the Canada - United States - Mexico Agreement (CUSMA) has been a dominant focus. The early implementation of CUSMA was a significant disappointment and forced all stakeholders in the industry to make some rapid adjustments. Over the coming months, we will have the opportunity to better understand the true impacts that will result from this trade agreement. We will need to continue to work collectively to determine how best to respond to our new reality in the CUSMA environment.

The cooperation and willingness to work together among the four western provinces is a strength for Alberta, the West, and for all of Canada. This is especially true as we move forward in the new pooling environment where revenues are pooled nationally. Our strong working relationship with the Western Milk Pool has resulted in better collaboration and I am confident that the commitment to enhanced milk quality and harmonize key policies and functions will further improve our industry and create greater efficiencies.

After 19 years of service, Alberta Milk’s general manager retired on November 30, 2019. I want to personally thank Mike Southwood for his leadership to both Alberta Milk and the dairy industry. The changing of a general manager after 19 years is no doubt a significant transition and I believe the organization has thrived during this adjustment. I extend my sincere thanks to the staff of Alberta Milk for their tireless service to the industry and their ever-present encouragement and assistance as I scaled a steep learning curve. The board has also been generous not only with this adjustment, but with the ongoing changes resulting in the pandemic, and I wish to express my appreciation to each member. Serving as a board member requires courage and leadership at the best of times but doing so through a global pandemic deserves special recognition.

As I look ahead to the coming year, I know that there will continue to be many challenging winds that we cannot direct, but it gives me confidence knowing that our industry has many excellent sailors.

Sincerely,





Governance

Alberta Milk is a producer-led organization, that is overseen by a board of directors, whom are all licensed dairy farmers. The board is comprised of 11 elected producers from across the province.

The province is divided into three regions: north, central and south. Each region is represented by an elected delegate body that forms the region's committee. The region committees provide feedback to the board on key issues and opportunities in the industry. Region committees meet about three times a year and are an essential conduit of information to the Alberta Milk Board of Directors.

Delegates

There are 30 delegates elected within the three regions to represent producers. We welcomed three new delegates this year: Eric Vander Veen in the South Region, Michael Roth in the North Region, and Devon Simmelink in the Central Region. New delegates were invited to participate in the new delegate orientation session which was held shortly after their election.

Alberta Milk would like to acknowledge and thank outgoing delegates John Wurz and Klaas Vander Veen for their contributions and commitment to the industry. On February 22, 2020, we were grieved with the sudden passing of delegate Gerald Weiss. Gerald served as a delegate for many years and had previously also served on the board. His position was left vacant for the remainder of the year and will be filled during the elections in October 2020.

All delegates participated in the annual Delegate Workshop in February. This event provided the opportunity for delegates to learn about and provide feedback on key industry matters. Delegates also participated in a strategic planning session.

Directors

We welcomed Gerrit Haarman as director at large in November 2019.

Martin Van Diemen resigned from his position as a director on the Alberta Milk Board in May 2020. Martin was an active member of the board, was on various committees throughout his tenure, and was an avid advocate for supply management. We thank Martin for his years of service.

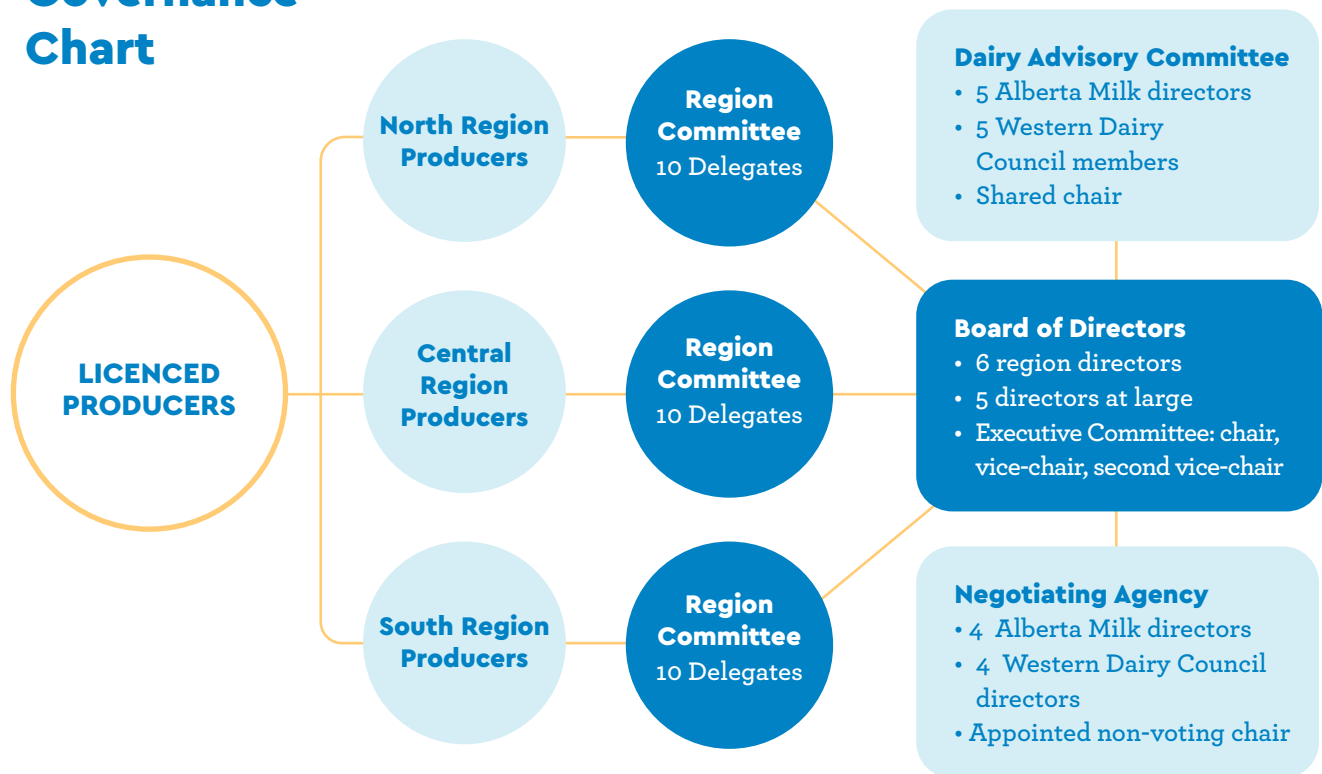
Reviews and Appeals

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

The board held six review hearings this year. Five applicants were producers and one was an industry partner.



Producer Governance Chart



Alberta Milk Board of Directors

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, Gerrit Haarman

Executive

Tom Kootstra, chair; Stuart Boeve, vice chair; Gert Schrijver, second vice chair



Tom Kootstra
Chair



Stuart Boeve
Vice Chair



Gert Schrijver
Second Vice Chair



Greg Debbink



Gerrit Haarman



Heini Hehli



Albert Kamps



Gezinus Martens



Martin Van Diemen



Conrad Van Hierden



Miranda Verhoef

2019-20 Delegate List by Region



Central

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



North

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



South

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

2019-20 Committee Members

Committees	Directors	Delegates
Animal Health & Environment Committee	Miranda Verhoef, Martin Van Diemen, Heini Hehli	Lorrie Jespersen, Jason Rietveld, Jason Crozier, Mike Vanden Dool, Wim Vande Brake
Corporate Affairs Committee	Albert Kamps, Conrad Van Hierden	Cornel van't Klooster, Lorrie Jespersen, Jordan Schuurman
Dairy Advisory Committee	Tom Kootstra, Stuart Boeve, Gert Schrijver, Albert Kamps, Conrad Van Hierden	n/a
Dairy Farmers of Canada	Tom Kootstra, Stuart Boeve, Gert Schrijver (DFC Board Member), Conrad Van Hierden, Martin Van Diemen, Greg Debbink	n/a
Finance Committee	Albert Kamps, Gezinus Martens	Alain Lavoie, Tietsia Huyzer, Joel Prins
Market Development Advisory Committee	Conrad Van Hierden, Miranda Verhoef	Jordan Schuurman, Eric Vander Veen, Gerald Weiss
Research & Extension Advisory Committee	Greg Debbink, Gezinus Martens	JP Brouwer, Tietsia Huyzer, Cregg Nicol, Mike Vanden Dool, Devon Simmelink
Transportation & Measurement Advisory Committee	Heini Hehli, Gerrit Haarman	Willem Vanderlinde, Tim Hummel, Wim Vande Brake, John Van Driesten

Human Resources

Staff celebrated many accomplishments this past year, including adapting to new and changing environments as a result of the COVID-19 pandemic. Two staff members were presented with length of service awards: Kim Skolarchuk, 10 years; and Mike Slomp, 10 years. Thanks to dedicated staff like these, Alberta Milk is able to uphold its high standards of support for dairy farmers in our province.

One of the structural changes made at Alberta Milk this year was the amalgamation of our marketing and communications groups under the leadership of Karlee Conway. This change has helped Alberta Milk better connect with consumers,

align our marketing activities more closely with Dairy Farmers of Canada, and clearly articulate our messages to farmers and industry stakeholders.

Another change that occurred was after 19 years as general manager of Alberta Milk, Mike Southwood retired and we welcomed Freda Molenkamp-Oudman as our new general manager. Freda brings with her over 20 years of progressive experience and agriculture knowledge. She was previously the assistant deputy minister- strategy, planning, and governance for Alberta Agriculture and Forestry.

Corporate



Freda Molenkamp-Oudman
General Manager



Shelley Rietveld
*Corporate Services
Coordinator*



Kim Skolarchuk
*Corporate
Administrative Assistant*



Linda Likar
Receptionist

Marketing and Communications



Karlee Conway
*Marketing and
Communications Manager*



Kelsie Gilks
*Marketing and
Communications Specialist*



Jaime Elias
Marketing Coordinator

Finance and Policy



Denise Brattinga
Finance and Policy Manager



Paul Gotaas
Senior Accountant



Helen Gu
Financial Analyst - AP and HR



Kathleen Heath
Financial Analyst - AR



Jonathan Ntoni
Policy Analyst



Cristin Vollrath
Quota Coordinator



Sheldon Appleyard
IT Support Specialist

Producer Services



Mike Slomp
Producer Services Manager



Kelly Mauthe
Member Services Specialist



Audrey Kirtzinger
Member Services Coordinator



Bill Beisal
Transportation Coordinator



Morgan Hobin
proAction® Coordinator



Heather Gillis
Transportation Administrative Assistant



Milk Production

The 2019-20 dairy year ended with 502 dairy producers in Alberta and a total milk shipment of 818,304,043 litres, representing 8.84 per cent of Canadian milk production. The average butterfat content in Alberta was the highest on record at 4.2124 kg/hl, surpassing the previous record-high of 4.1500 kg/hl in 2018-19. Due to this record-high butterfat density and strong milk volume, Alberta produced a total of 34,470,109 kg of butterfat in 2019-20. The volume of milk, butterfat density, and total kilograms of butterfat produced in the province in 2019-20 were again, the highest in history, making this another banner year for dairy production in Alberta.

The Western Milk Pool (WMP) incurred 1,185,159 kg of under-production penalties (2,445,006 kg for the P5) of which Alberta's share was 397,355 kg. The Eastern Milk Pool (P5) ended the year with a Cumulative Quota Position (CQP) of -0.77 per cent under-production and the WMP was -0.73 per cent under-production compared to our Canadian Dairy Commission (CDC)-allotted quota. This brought Canada (P10) to a CQP of -0.91 per cent at the end of the dairy year.

Alberta once again achieved a production ratio of Solids Non-Fat (SNF) to butterfat (BF) well below its provincial SNF/BF ratio limit of 2.4167 by producing 2.1632. The

improvement in Alberta's SNF/BF ratio over last year was mainly due to higher average butterfat densities shipped this year as a positive response to the WMP's 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 resulted in a SNF/BF ratio of 2.1901, well below the pool's limit of 2.4030.

Total Production Quota and Underproduction Credits

Under the monthly quota system, Alberta's provincial Total Production Quota (TPQ) in 2019-20 was 34,947,644 kg of butterfat, an increase of 2.45 per cent from the 2018-19 level of 34,112,206 kg. Alberta issued a net of one per cent increase in producer quota issuance in 2019-20. There were two quota issuance adjustments for producers: a four per cent increase on February 1, 2020 and a three per cent decrease on April 1, 2020. The quota increase was issued in response to real and anticipated growth in total market requirements before the COVID-19 pandemic, while the three per cent decrease was in response to the negative effects of the pandemic on dairy product demand.



To ensure timelier production to fulfill market requirements, the Alberta Milk Board approved a reduction of the producer lower production flexibility limit from -20 days to -17 days effective August 2019 and further from -17 days to -15 days effective October 2019. As a result, Alberta producers' production flexibility limits at the end of the 2019-20 dairy year was at +5/-15 days, bringing Alberta in line with the other members of the WMP.

The total amount of continuous daily quota (CDQ) transferred via the quota exchange in 2019-20 was 474.90 kg and 892.17 kg was transferred via private transfers, resulting in 44.61 kg of that CDQ being surrendered to Alberta Milk. There was also 1,191,469.27 kg of underproduction credits transferred between producers.

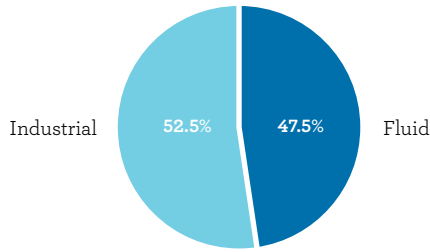
Incentive Days

A total of 14 flexible incentive days were issued in 2019-20. The 14 flexible incentive days were issued from August to November 2019 with a utilization limit of four days per month. The Alberta Milk Board also issued seven incentive days per month to organic milk producers from August to December 2019 and then 10 incentive days per month from January to July 2020 in accordance with organic milk demand and projected growth of the organic market.

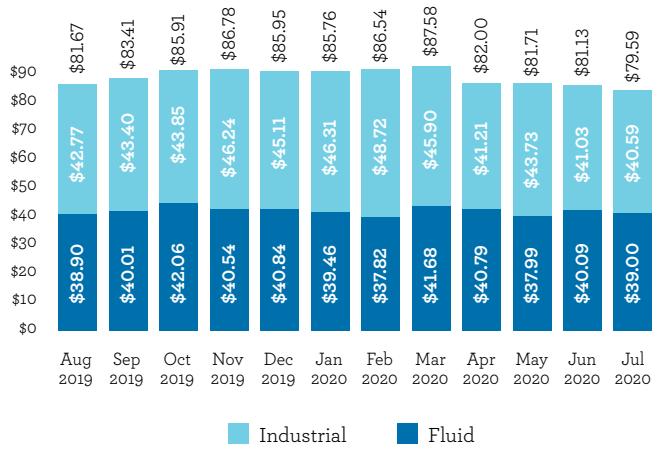
Producer Payment

Year	2018-19	2019-20
Provincial Butterfat (kg/hl)	4.1500	4.2124
Provincial Protein (kg/hl)	3.2062	3.2193
Provincial OS (kg/hl)	5.8847	5.8928
Pool Deductions (\$/kg)	0.0055	0.0111
Producer BF price (\$/kg)	16.66	16.82
Producer PR price (\$/kg)	2.54	2.59
Producer LOS price (\$/kg)	0.69	0.71
Average Milk Price (\$/hl)	81.37	83.38
Total Milk Revenue (\$)	680,572,758	700,854,938
Milk Quality Bonus (\$)	1,284,327	1,258,830
Environment Funding (\$)	1,055,891	1,062,688
Total Producer Revenue (\$)	658,938,902	680,498,039

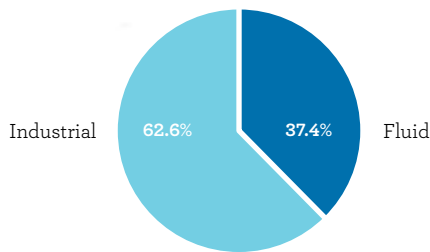
WMP Processor Purchases Of Milk Components (12-Month %)



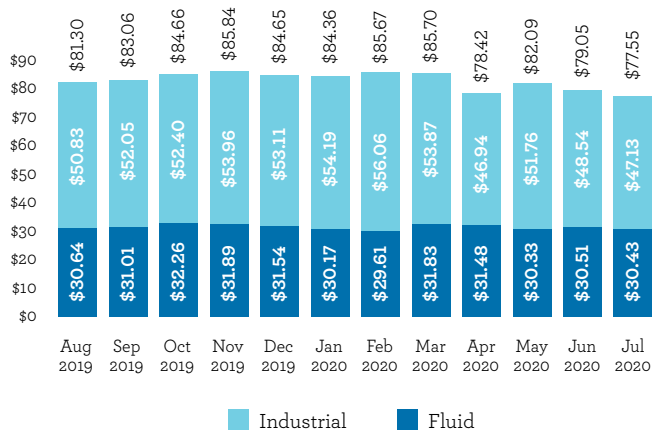
WMP Revenues per HL (\$/HL)



P10 Processor Purchases of Milk Components (12-Month %)



P10 Revenues per HL





The 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. A technical secretariat made up of member organizations from across Canada supports the CMSMC and the CDC in policy development and economic analysis.

The CDC approved a refund of \$575 million for the 2019-20 dairy year, of which Alberta producers received \$445,778.

The dairy industry struggled with the impact of COVID-19 due to the uncertainty regarding consumer demands for dairy products. In the spring, production controls were implemented across the country to better align the supply and demand of dairy products. The CMSMC approved several storage assistance programs to help manage dairy

product supply during these trying times. The storage assistance programs supported additional butter and cheese storage and introduced an animal feed program. These programs expired on July 31, 2020.

Another initiative undertaken by the CMSMC was the adoption of new pricing and milk classification changes required as a result of the CUSMA agreement. These changes included the elimination Class 7, reclassifying Class 7 products according to their end use, and pricing Class 4a following the US price formula. These changes were adopted to ensure compliance with the CUSMA implementation date of July 1, 2020.

A new pricing formula was adopted which provides three months notice for all pricing changes. This change required an update in the period used for indexing prior year cost of production study results. For example, announcements will be made in November for a February price change.

The CMSMC also adopted a revised and updated National Milk Utilization Audit Standards manual.

Western Milk Pool

The Western Milk Pool (WMP) undertook a variety of activities this year. A key initiative undertaken by the WMP was the announcement of Dairy Innovation West in November 2019. This state-of-the-art facility will act as a transfer station where in-transit milk will be concentrated before being transported to its final destination. The facility will be owned by the four WMP provinces and operated by a third-party contractor. The cost of the facility will be financed through transportation savings.

The WMP also adopted a revised Harmonized Milk Classification System and revised their milk class prices. These updated documents reflect the changes required to ensure compliance with the CUSMA. These changes included the elimination of Class 7, reclassifying Class 7 products according to their end use, and pricing Class 4a following the US price formula.



COVID-19 posed significant challenges for the WMP. In April, all WMP provinces implemented production controls. British Columbia, Saskatchewan and Manitoba implemented a zero-credit day restriction policy, and Alberta implemented a two-credit day restriction policy and a three per cent reduction in quota. These restrictions were successful in eliminating surplus milk production. As the markets normalized, some production controls were slowly relaxed.

The Western Milk Pool (WMP) approved a price increase of \$1.41/hl effective February 1, 2020.

The WMP also entered into a revenue and cost sharing agreement with Newfoundland and the P5 provinces (Ontario, Quebec, Prince Edward Island, Nova Scotia and New Brunswick), effective June 1, 2020. The purpose of this agreement is to extend the pooling arrangements within each pool so that all milk revenue is pooled among the ten provinces.

In consultation with the Western Dairy Council, the WMP adopted the Western Milk Pool Commitment of Supply policy. This policy addresses the annual volume of industrial milk in litres directed to a processing facility in the WMP, by the WMP. This is a collective WMP commitment to supply a processing facility with its annual milk requirements and it can be supplied by one or more provinces at the discretion of the WMP. A harmonized milk tanker sealing program was also approved.

Additionally, on June 1, 2020, Alberta Milk, in partnership with the Western Milk Pool, bound a Product Recall Insurance Policy. This policy is designed to provide coverage to producers and the board in the event that raw milk is alleged to be tainted or unfit for human consumption.



Milk Quality

Alberta dairy producers are committed to being a trusted source of quality milk. Their commitment is reinforced through the provincial milk sample testing program which ensures that producers have the data they need to manage their farms appropriately. Provincial compliance numbers demonstrate that producers are consistently achieving very high milk quality. These high standards assure consumers that Canadian milk is some of the highest in the world.

Milk Sampling

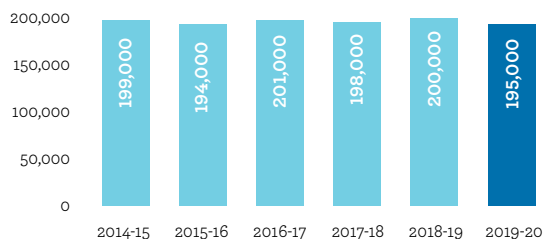
Milk sample test results are the basis for producer payment, milk quality bonus programs, awards and penalties. Producers rely on several industry partners including the milk transportation companies, dairy processors, couriers, and the Central Milk Testing Lab to collect and deliver samples for testing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

Sample Suitability & Testing	
# of milk samples from shipments	102,052
# of samples tested	101,031
% of milk shipments tested	99.0%

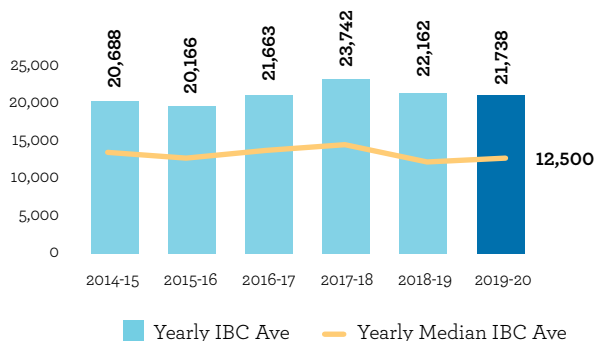
Milk Quality

Somatic cell count (SCC) is used as an indicator of milk quality and low SCC correlates well to higher quality dairy products. The 2019-20 provincial average of 195,000 cells/mL is one of the lowest in the past few years and indicates that excellent quality milk is produced in Alberta.

Alberta Provincial SCC Average by Dairy Year



Alberta Yearly Bacteria Averages



Bacteria counts (IBC) in raw milk are also used as an indicator for the quality of raw milk. This year illustrates that producers have improved in the last two years.

The overall quality of raw milk is typically assessed by the IBC, SCC, and freezing point. Again this year, a very high percentage of producer sample results were below the regulatory maximum limit, continuing the trend of high quality milk.

Raw Milk Quality Test Compliance

	Bacteria	Somatic Cell Count	Freezing Point
# of samples	61,960	101,031	101,031
# of samples below the regulatory limit	60,947	98,662	100,979
% of samples below the regulatory limit	98.36%	97.66%	99.95%
Penalties Applied	79	48	11

The number of inhibitor penalties was 31 which is a slight increase from the five-year average of 29.

Occasionally, the quality of a producer's raw milk drops below the regulatory maximum limit. When this happens, the producer incurs financial penalties. This past year, a total of 169 penalties were applied to 128 different producers which is the fourth straight year with a decrease.

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.

Receiving a milk quality award is among the highest honours in the Alberta dairy industry. It's a clear indicator of the farm's commitment to maintaining exceptional milk quality standards year-round. In turn, this helps promote strong consumer confidence and maintains our reputation of having world-class standards. The Provincial Milk Quality Award goes to the farm with the highest quality milk in Alberta.

Milk Quality Parameter	Monthly Milk Quality Bonus	Milk Quality Award
proAction®	Registered on and deemed compliant with proAction®	
Bacteria	An average of 30,000 cells/ml or less	An average of 15,000 cells/ml or less
Somatic Cell Count	An average of 250,000 cells/ml or less	An average of 200,000 cells/ml or less
Freezing Point	At or under -0.525H	At or under -0.530H
Inhibitors	No positive inhibitors	No positive inhibitors
Results 2019-20	An average of 72% of producers qualified for the monthly Milk Quality Bonus	Of the producers who shipped all 12 months, 150 producers (30%) qualified for the annual Milk Quality Award.

Provincial Milk Quality Award

Congratulations to the Neudorf Hutterian Brethren for winning the Provincial Milk Quality Award for the first time!

Peter and Paul manage the dairy at Neudorf Hutterian Brethren. The dairy was started in 1991 with an 80 stall freestall barn and in 2012, there were 20 freestalls added to allow for more cows. The double six herringbone parlour they milk on is the original equipment installed in 1991. Peter and Paul attribute the success with their milk quality to the backwash system that their parlour has, as well the milking procedures that are in place on their farm.

In addition to the dairy, they also have beef, pigs, chicken, barley, wheat, canola, and peas.

Alberta's Top Ten Dairy Farms for Milk Quality

1	NEUDORF HB	CEN
2	SYLVANSIDE DAIRY LTD.	CEN
3	HOLT HBC	NOR
4	H & J LEUSINK DAIRY LTD.	SOU
5	THOMPSON HBC	SOU
6	GDL FARMS LTD.	SOU
7	MOO-LAIT FARMS LTD.	NOR
8	BRANT HB	SOU
9	STANDARD HB	SOU
10	TEN BRUMMELHUIS DAIRY LTD.	CEN

Milk Measurement

Providing producers and processors with the most accurate milk volume is a priority. Alberta Milk contracts with International Dairy Calibrations Alberta Ltd. to calibrate all new bulk milk tanks and re-calibrate existing tanks every five years. This year, there were 22 new tanks and 84 existing tanks calibrated, for a total of 106.

Alberta Milk staff routinely monitor the two processing plants that are part of the Western Milk Pool Metering and Proportional Sampling program. The meters at both locations are also checked for accuracy and compliance three times a year by representatives of Weights and Measures Canada.



Transportation

Alberta Milk staff strive to ensure the most cost-effective transportation of milk within the province and across western Canada, in partnership with the transportation companies, dairy processors, and our Western Milk Pool (WMP) partners.

The amount of milk transported between provinces was comparable with the amounts in 2018-19. Some key provincial transportation averages for 2019-20 (2018-19 in brackets) include:

- The number of milk trucks on the road each day decreased to 65 (66).
- The number of routes for every-other-day pick-up increased to 173 (172).
- The volume per route was 25,775 litres (25,847). Based on a legal volume capacity of 28,500 litres, trailers operated at a of 90.4 percent efficiency (90.7).

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 the review of the Rejected Load Policy. This review confirmed that transporters must now supply additional load information for rejected loads. The Committee also worked on a review of hauler contracts as well as rates. TMAC continues to engage the Alberta Milk Haulers Association through joint meetings.

proAction®

Dairy Farmers of Canada (DFC) and each of the provincial member associations are dedicated to delivering proAction across the country. proAction is a dynamic national program that supports our ever-changing, ever-improving dairy industry. The feedback that Alberta producers share with the provincial coordinator and/or producer representatives contributes to meaningful discussions and collaboration with other producers at the national level and ensures that on-farm expectations remain practical and consistent with the goals of proAction.

National Scene

The Alberta proAction team continues to support the national proAction Committee in discussions about continuous improvement including updates and/or changes to the requirements of individual modules. In September, we added several revisions to module requirements and introduced the fifth module, Biosecurity, as part of the validation process. Alberta Milk communicates these updates to producers using articles and inserts in the *Milking Times*, regional proAction workshops, one-on-one conversations, and at provincial producer meetings.

Environment Module

Producers will take the final step in proAction by adopting the Environment module, effective September 2021. The Environment module has been extensively discussed and revised over the last few years by DFC's Environment Module Working Group, which includes Alberta producer representative Heini Hehli and Alberta Milk staff Mike Slomp.

Alberta Milk also participated in the proAction Environment module pilot project to field-test the proposed requirements and gather feedback from producers, validators and provincial coordinators.

COVID-19

On-farm proAction activities were suspended during the initial COVID-19 provincial-wide shut-down. During that period, Alberta Milk staff continued to engage with producers, collaborate with national proAction colleagues, and worked to enhance several Alberta Milk proAction resources.

Upon the completion of Alberta Milk's detailed return-to-farm plan, all on-farm full validations, Corrective Action Request (CAR) follow-ups, self-declaration audits, and registration workshop activities resumed June 1. This plan included added health and wellness measures designed to protect validators, staff, and producers.

DairyTrace

DairyTrace is the new national dairy traceability platform and will be launched fall of 2020. DairyTrace will be the single, common framework for dairy farmers to track animal identity and movements across the country.

This platform will take advantage of existing structures, systems and solutions within the Canadian dairy cattle sector, which has the benefits of efficiency, cost effectiveness and implementation towards the targeted timeline as defined within proAction.

Alberta Milk Board Member Gert Schrijver serves as chair of Lactanet's DairyTrace advisory committee which has been working diligently to provide a platform that will be a "pivotal milestone for [Canadian] dairy producers."





Research

Research and Extension Advisory Committee

The members of the Research and Extension Advisory Committee (REAC), including staff, worked hard to deliver on its mandate of directing production research activities in Alberta. The research efforts are primarily focused on board-approved priorities including dairy farm efficiency and sustainability, animal health and welfare, milk composition, quality, and safety.

REAC continued its oversight of the University of Alberta/ Alberta Milk Endowment Fund (EF) which now totals nearly \$3.8 million. The EF annual earnings are designated for short-term calf research, student projects, and extension/ technology transfer activities affiliated with the university.

Results Driven Agriculture Research

The past year also welcomed the creation of the Results Driven Agriculture Research (RDAR) organization by the provincial Minister of Agriculture. It will become the new mechanism through which the provincial government will deliver its annual funding for agriculture research projects. It now, to the advantage of the agriculture industry, includes the crop sectors as well.

RDAR will become an important player in the funding of research projects prioritized by Alberta Milk through the Agriculture Funding Consortium, an informal network designed to line up funders, scientists, and producer organizations.

Dairy Research and Extension Consortium of Alberta

Alberta Milk maintained its full support of the Dairy Research and Extension Consortium of Alberta (DRECA) which encourages research project collaboration and streamlining of producer extension and technology transfer. DRECA work included producer workshops, monthly knowledge summaries (highlights of current research findings), and a new webpage on albertamilk.com.

Work with DRECA included participation in the annual “get reacquainted” event, which is held during the Western Canadian Dairy Seminar. Once again, producers, researchers, and graduate students from across western Canada enjoyed the opportunity to connect with colleagues and to meet new people working in various capacities in dairy research, extension, and education. These opportunities help to build collaboration among the many people engaged in dairy production research and extension.

Alberta Milk also created a newsletter for the DRECA Partnership to ensure all five partners were aware of DRECA activities across the province.

Alberta Milk also continued with efforts to work more closely with the dairy producer organizations in other provinces to leverage dairy producer investment in research and extension.



Animal Health and Welfare

Alberta Milk's commitment to following high standards for dairy animal health and welfare is led by the Animal Health and Environment Advisory Committee (AHEAC). AHEAC's mandate includes addressing policies, issues and legislation relating to animal health, disease and welfare, environmental issues, and proAction (including milk quality as it relates to the Milk Grade and Price Program).

This mandate means AHEAC and Alberta Milk staff are included in discussions throughout the year about many varied topics, such as animal health and welfare issues that may be impacted by federal and provincial regulations. For example, the committee addressed the new federal regulations concerning the transport of animals.



In addition, Alberta Milk continues to work closely with Alberta Farm Animal Care (AFAC). AFAC serves as one of the livestock industry's longstanding voices regarding animal welfare.

Alberta Milk continued its work with the provincial government, the Alberta College of Pharmacy, and other livestock and poultry groups, in a consultative process to consider expanding the ability of our producers to access veterinary drugs (with a valid veterinary prescription) at veterinary pharmacies in the future.

We also directly engaged with the dairy veterinarians across the province to better understand how Alberta Milk can support them in their critical work with dairy producers. For example, Alberta Milk has purchased subscriptions to Vigil-Vet, a herd health monitoring software to assist in recording risks assessments. We are working towards how we can further assist producers in their recording and tracking of all risk assessments for proAction biosecurity, Johne's, BLV, etc.

Animal health and welfare concerns are also handled through Alberta Milk's work with the Dairy Research and Extension Consortium of Alberta (DRECA). Producer workshops on cull cattle transport and on-farm euthanasia were planned, but unfortunately, were postponed due to the COVID-19 pandemic.

AHEAC regularly monitored proAction implementation across Alberta and ensured producer and staff communication with the Dairy Farmers of Canada's proAction Committee as required. The proAction Animal Care module serves as a highly visible, transparent, and effective tool to demonstrate the Canadian dairy producers' daily commitment towards animal welfare.



Environment

Alberta Milk, along with the other livestock and poultry groups, have a long, productive history of working together through the Intensive Livestock Working Group (ILWG) to address primarily environmental issues. These issues have included:

- the *Agricultural Operations Practices Act*, as administered by the Natural Resources Conservation Board;
- gaining a better understanding of changes in our climate relevant to agricultural production;
- launching a public trust pilot project to identify those critical issues that negatively impact the relationship between confined feeding operations (CFOs)/our rural neighbors/ municipal government and to develop a strategic template that builds public trust; and
- soil phosphorus management.

Together with the crop sector, the livestock groups also participated in the Agri-Environmental Partnership of Alberta to address agriculture-wide environmental matters with the three levels of government and environmental non-government organizations such as Ducks Unlimited.

Courtesy of a provincial government grant received in the previous fiscal year, Alberta Milk coordinated the installation of energy-saving and greenhouse gas reducing technology on 12 dairy farms across the province. The technology featured two Micro Combined Heat and Power units which are powered by natural gas to produce electricity, with a significant amount of the heat generated being used for operations (ie: supplemental water heating).

Farm Safety



The provincial agriculture industry proudly supports the AgSafe Alberta Society (ASAS), whose mission is to support a culture of safety on farms and ranches in Alberta through information, education, and training. ASAS is able to deliver substantial farm safety resources and programming through its contractors across the province with the assistance of provincial government grants.

Alberta Milk is a founding member of ASAS, contributes financially to its operations and is represented on its board of directors by Miranda Verhoef.





Producer Engagement

The Alberta Milk Board hosts opportunities for producers throughout the year to provide input on key issues facing the Alberta and Canadian dairy industry, in addition to our continual communication tools used throughout the year.

Annual General Meeting and Dairy Conference

The 2019 Alberta Milk Annual General Meeting and Dairy Conference was held November 19-21 in Edmonton and over 270 participants attended.

There were also a number of our affiliate provincial marketing board members who shared their perspectives on the Canadian dairy industry. They highlighted some of the key issues and opportunities that their provinces were addressing.

Speakers

Darby Allen. *Former fire chief for the 2016 Fort McMurray fire.*

Adelle Stewart. *Farmer and executive director of the Do More Ag Foundation.*

Louis-Charles Roy and Jacques Lefebvre, *Dairy Farmers of Canada.*

Terry O'Reilly. *If you don't have a story, you don't have a brand.*

\$13,000 Raised in Memory of Pieter Ijff

At the banquet of the 2019 dairy conference, Alberta Milk hosted a charity auction in memory of former board member Pieter Ijff. Pieter tragically passed away from a heart attack in January 2019. Farmers came together and raised over \$13,000 for the Heart and Stroke Foundation.



\$13,000 was donated to the Heart and Stroke Foundation

2019 Recognition of Service Award Recipient

The Recognition of Service Award is presented to those individuals that have supported Alberta Milk in achieving our mandate and served producers or the Alberta dairy industry with a high level of passion and conviction which in so doing helped support the organization, producers and/or the dairy industry to succeed.



Chair Tom Kootstra awards the Recognition of Service Award to Ewald's family

This year's recipient was Ewald Scheetz. Over the years, Ewald has worked in various roles in the dairy industry - mainly for dairy processors and with dairy farmers. He began his career with Silverwood Dairies in Edmonton and eventually became the manager. After the plant closed, he became a federal dairy inspector and also worked as a milk hauler. He eventually became a plant supervisor at Palm Dairies. When NADP bought Palm Dairies and became Dairyland, he became a field man. When he left Dairyland, he became a full-time milk hauler and eventually decided to truck for other companies such as gravel and pipe hauling until he retired.

Ewald also volunteered for the Western Canadian Dairy Congress from 2006 to 2017 - you could find him there hosting the volunteer lounge. Ewald's contributions and service to the dairy industry can be easily measured by the number of people he encouraged, taught and worked beside.

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 other updates on key topics the organization is addressing.

Last year's Fall Producer Meetings were well attended with approximately 470 participants or 54 per cent of our farms. There was good discussion, and clarity was sought on the topics of: trade, especially as it related to the adjustments the industry needed to make as a result of the CUSMA; Dairy Innovation West; the expanded use of market development funds; and the development of an electronic quota credit exchange.

The April 2020 Spring Producer Meetings were cancelled due to the COVID-19 pandemic.

Continuous Communication

It's a priority for Alberta Milk to develop a culture where the organization listens to farmers and keeps our producer body up to date about issues that may impact them. Staff work to accomplish that by using a series of tools like our *Milking Times* newsletter and secure Members' Only page. Near the end of this past year, we also introduced an electronic update. This bi-weekly email is sent to all farmers, highlighting key topics, events, or opportunities. Priority updates are disseminated as needed for time sensitive information.

Service Provider Outreach

Alberta Milk is committed to working with our dairy industry service providers to ensure the success of our producers. This year, we focused on this commitment and hosted many face-to-face meetings, phone calls and virtual sessions with provincial dairy veterinarians, nutrition companies and equipment dealers with the intent of strengthening communication networks and obtaining feedback on how Alberta Milk can support them in their industry roles.

Future Leaders Development Conference

Alberta Milk sent two people to participate in the Future Leaders Development Conference in Quebec. This conference focused on building a foundation of knowledge to help our young farmers succeed as leaders in coming years. Highlights of the conference included governance training, mock board meetings and a tour of the Lactanet lab. Thank you to all participants and supporting industry partners for making this another successful year.

Connecting with Consumers

The 2019-20 year was particularly significant in managing the adaptability of our marketing programs and activities. COVID-19 occurred as we were entering our busiest time for marketing and promotion events and our team needed to pivot our strategies to remain connected with consumers. This resulted in the redevelopment of our digital strategy.

This last year also served as a benchmark year as consumer research was conducted to better understand our audiences, their challenges to consuming dairy, and their sentiments towards various dairy products. This information refocused our strategies and ensured we were maximizing our effectiveness in reaching our target audiences.

Digital Marketing

Social media is now, more than ever, ingrained into people's lives. So, it is a priority for Alberta Milk to participate where Albertans are located and form conversations related to dairy farming, to ensure consumers understand the benefits of dairy in their diet.

We launched many campaigns on Facebook including giveaways and contests to raise awareness amongst our target audience of moms with kids in the home. Facebook continues to be our most influential social media tool for connecting with our main target audience. Instagram has allowed us to reach millennials in a fresh new way using photos, hashtags and campaigns. Twitter 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 continued to refine our website and update our Ask a Dairy Farmer feature.



DIGITAL BY THE NUMBERS

- Reached **1.4 million people on Facebook**
- **22.7% increase in the number of followers on our Facebook compared to 2019**
- **Over 374,000 impressions on Twitter**
- **4.7% increase in Twitter followers compared to 2019**
- **94.9% increase in the number of Instagram followers compared to 2019**
- **333,253 impressions on Instagram**

WEBSITE NUMBERS

- **513,475 unique visitors to the website**
- **681,846 page views**
- **Top page: ask-dairy-farmer/why-does-milk-contain-sugar**

We also launched a series of videos that highlight some of our Alberta farmers, addressing topics that mean the most to our target audiences. The first profiled Brittany Derksen and how she has found her passion for dairy and what milk quality means to her. On the Family Day weekend, we released our second video showcasing Karen Pierik where she shared about her family and farm values. There were three other videos that had to be put on hold due to COVID-19 but are set to be released in late 2020.

Dairy News

Every month 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 the community, as well as highlighting any Dairy Farmers of Canada (DFC) or Alberta Milk marketing activities. This year, we refreshed Dairy News with new headings. We had 836 subscribers for Dairy News which was an increase of eight per cent over the previous year.

Taste Alberta

Taste Alberta takes a leadership role in sharing information, building awareness of the agriculture industry, and engaging with our audiences. They communicated through digital and social media with ongoing and continuous stories and posts, organized Prairie on a Plate dinners to better connect to urban consumers, and showcased local food. They also participated in food festivals including Christmas in November to highlight Alberta's high quality and sustainably produced food.

In 2020, Taste Alberta had to change gears with in-person events being put on hold due to COVID-19. In response, they hosted six online cooking classes featuring local ingredients, one focused on dairy. Alberta Milk also collaborated with Taste Alberta by participating in the AMA Backyard BBQ and hosted dairy Ask me Anything event.

Throughout the 2019-2020 dairy year, Alberta Milk launched three unique experiential marketing programs touring rural communities' events, family-friendly festivals, and WHL hockey games. At each event, consumers had the opportunity to sample 100% Canadian milk, engage with a team of brand ambassadors to learn more about Alberta Milk and take home exclusive branded merchandise.



Alberta Milk attended 10 rural community events with a unique art installation featuring over 280 cowbells assembled in the shape of a maple leaf. The art installation represents Canadian pride and support for local dairy farmers.



We attended eight larger scale events including marathons and family-friendly festivals using a variety of branded activation assets. Athletic events featured a 'High Five Finish Line' to congratulate consumers on their athletic achievement and recover with a nutritious sample of cold chocolate milk. Family-friendly festivals featured branded dairy games such as a milk carton costume, and classic tic-tac-toe game featuring Alberta Milk dairy icons. Winter activations featured a hot chocolate milk bar in addition to the dairy games.



SPONSORSHIPS

- We sponsored 30 different events by providing milk to their participants;
- There were 34 rink boards set up throughout the province;
- T1, our marketing and activation company, attended 21 different events;
- We handed out 27,000 samples at various events.



We also participated in Edmonton Oil Kings home games to engage with consumers on the concourse prior to the start of the first period and during the second intermission.

We continued to align our sponsorship messaging with DFC and the Canadian Quality Milk logo and

consuming Canadian milk which could be seen on 34 rink boards in community arenas around Alberta, providing milk at local events, as well as hockey tape for tournaments.

Agriculture Events

Alberta Milk is committed to participate and engage with consumers at a variety of consumer events throughout the year. The goal of these events is to create conversations with consumers around their questions or misconceptions about dairy in Canada, and specifically, Alberta. We welcome farmers to join us at these events, which helps build trust with our consumers, as they get to meet some of our local farmers.

We participated in the Camrose Bull Congress educational days in early January where we connected with over 500 elementary students. Unfortunately, due to the world-wide COVID-19 pandemic, we were unable to attend any other events in 2020.

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. Five dairy farms welcomed over 500 Albertan's during the August 17-18, 2019 weekend. Thank you to all of the farms that participated.

Milk MOObile Trailer

The Milk MOObile trailer is a great way of engaging consumers and showing them in an interactive way where their milk comes from. The trailer provides producers with the opportunity to share this information in their community, at smaller on-farm or community events. Components of the trailer include a model size cow that can be hooked up to a working milking machine. The trailer can also be fitted to be pulled in small community parades.

The trailer attended three events in the fall of 2019, but due to COVID-19 and gatherings larger than 10 people being canceled, the trailer was unable to attend more events.

Edmonton Valley Zoo

Alberta Milk continued their relationship with the Edmonton Valley Zoo. *Moo at the Zoo*, which serves Chapman's brand ice cream and other dairy treats featuring the blue cow logo, opened in fall 2019. Attendance to the *Urban Barn* inside the Edmonton Valley Zoo continues to increase as Alberta Milk staff work with the Zoo to establish ways of adapting our display to respond to the restrictions in place to help prevent the spread of COVID-19 in public spaces.

School Milk

Club Moo is the free elementary school milk program offered by Alberta Milk where we encourage elementary schools across the province to make milk available to their students. Through registering with the program, schools are able to order resources and promotional items to share with their students and parents as a way to remind them about the importance of consuming dairy and including it as a part of their healthy diets. All items are provided to schools for free and are made available to all students.



Alberta Milk staff celebrate with Bonanza School with a milk and cookie day to honor their 35 years with Club Moo.

We were happy to have 55,803 students in 273 schools participate in the program. We were also very excited to celebrate anniversary milestones with five of our schools. Club Moo started in 1985, and these five schools have been with Club Moo ever since- 35 years! Barrhead Elementary, Bonanza School, Ecole Rocky Elementary, Lochearn School, and Two Hills School. To celebrate these milestone anniversaries, we visited the five schools with Moonique, our mascot, and provided the school with a milk and cookie day and new milk fridge to recognize the special achievement.



project AGRICULTURE

At the end of November 2019 projectagriculture.ca was launched, along with our three newest resources for social studies and science teachers in junior and senior high schools. Food Democracy, Sustainability Matters, and Smart Agriculture all launched with very positive feedback. Since launching, the website has had 60 downloads of the free resources, with over 3,300 page views and over 100 returning users.

The use of these resources will not only help youth understand the dairy industry and agriculture as a whole, but it also helps develop trust in the producers that consumers rely on for their products. project AGRICULTURE plans to continue to grow and expand, with additional working groups developing more resources to be present on the website in coming years.

ASAA Partnership

Alberta Milk continues to be the main sponsor of Alberta Schools Athletic Association (ASAA) as the official beverage of provincial high school athletics. You could find Alberta Milk signage prominently placed at all provincial championships that happened this year with our logo on the online score board, signs in the game court, and mentioned in the award ceremonies.

As well, Alberta Milk works with the ASAA annually to select one male and one female athlete to receive the ASAA Alberta Milk Scholarship. Each recipient receives \$1,000 toward their post secondary education. The 2019-20 recipients were William Baird from Eagle Butte High School and Adrianna Domingo from Our Lady of the Snows Catholic Academy. We wish the best of luck to our winners in their future endeavors.

Classroom Agriculture Program (CAP)

Alberta Milk is a member of the Classroom Agriculture Program (CAP). CAP was created in 1985 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 great respect for the agriculture community and the individuals who are responsible for our locally produced food. Unfortunately, due to COVID-19 and the closure of all schools on March 18, 2020, there were no presentations provided as a part of CAP. The CAP board continues to work together and with partners to assess and address the impacts of COVID-19 and what changes will be required in order to continue for future years.



Impact of COVID-19

As with so many other things, the impacts of COVID-19 were felt by many of the teams at Alberta Milk. The world-wide pandemic resulted in provincial health orders being put in place to limit gatherings to less than 10 people, resulting in the majority of consumer and sponsorship events being canceled. Calgary Stampede, Aggie Days, and Breakfast on the Dairy Farm were among the long list of events that we were unable to participate in.

While many other events didn't happen, we wanted to continue to connect with our consumers and audience in the only way we could- virtually. Taste Alberta introduced online cooking classes which featured their partners. We partnered with the Edmonton Journal to write a feature on a local dairy farmer, Jason Crozier. Participation and readership of both activities were very positive. To engage

our followers while kids were at home and no one was able to go anywhere, we introduced our “At Home Activity Guide” which included a variety of age appropriate activities, games, colouring pages, and educational resources that could be downloaded and used from the comfort of their own home. Finally, we were very excited to develop and launch our Virtual Pen Pal program, where consumers could reach out and we’d put them in touch, virtually of course, with a local dairy farmer to spark that conversation and allow them to ask questions and get to know someone behind their dairy.

Virtual Milk and Cookie Shack

The Calgary Stampede is our biggest event of the year, where we not only have our consumer education booth, but we also run the Milk and Cookie Shack, in partnership with Dare Foods. For over 20 years, the two partners have been able to raise more than \$200,000 for the Calgary Food Bank by selling a milk and cookie for \$2 during the 10-day event. COVID-19 forced the partners to get creative, and creative they got. In order to keep the spirit of the Calgary Stampede alive, and continue to support the Calgary Food Bank, they brought the Milk and Cookie Shack online! Thanks to all of our followers, partners, and government officials, we were able to donate \$7,000 and \$7,000 worth of cookies to the Calgary Food Bank to continue feeding hungry Calgarians.



Ambassador Program

Alberta Milk Launched the Ambassador Program this year which is a program intended to help our dairy farmers become better advocates for the dairy industry. The producers who are part of the Ambassador Program enjoyed the benefits of three webinars about how to be an effective speaker and a how-to social media. For next year, the program will continue to expand by the establishment of a secure members-only website, as well as an in-person event.



Government Relations Update

Connecting with government decision makers can help shape our industry. On a provincial and federal level, Alberta Milk, in partnership with the Dairy Farmers of Canada, strives to create and strengthen relationships with key departments and individuals that will help move the industry forward.

Provincial

The 2019-20 year began with the United Conservative Party (UCP) fresh off a successful election, winning a majority government in Alberta. We were pleased to meet with the Honorable Devin Dreeshen shortly after his appointment as agriculture and forestry minister. Our conversations circled around trade and industry development.

We also focused our effort on helping the government through consultations and the development of the *Farm Freedom and Safety Act* and their *Red Tape Reduction Act*.



Board member Gert Schrijver attends a reception promoting local food hosted by Premier Jason Kenney December 2019

Our work continued with Alberta Supply Management (SM5) to further educate Alberta's political sphere about the benefits of supply management. Unfortunately, our annual reception was cancelled due to COVID-19, but we continued to find other methods of connecting with elected officials.

Federal

Trade was once again a focal piece of our national advocacy efforts this year. The industry welcomed the announcement of \$1.75 billion as compensation for the negative impacts of Comprehensive and Progressive Trans-Pacific Partnership and Comprehensive Economic and Trade Agreement. Alberta Milk helped facilitate the Direct Payment Program with producers and the Trudeau government.

The Canada-United States-Mexico Agreement was the most recent trade agreement that sacrificed another 3.9 per cent of our market to foreign dairy. From coast to coast our industry advocated to protect dairy, but the agreement was signed, and the industry worked together to understand what our new normal would look like. It was also frustrating to see it ratified early (July). Jake Vermeer, a dairy farmer in northern Alberta, addressed the International Trade committee of the House of Commons by explaining the negative impacts of this agreement on his farm, and all farms across Canada.

Advocacy Day is an annual activity where the dairy industry connects with members of parliament. Last year we participated in another successful event where we met with nearly 30 MPs to help reinforce our position regarding mitigation payments, trade access, as well as border control. We also had representatives join for a meeting with leaders of the Conservative Party of Canada and the NDP party.



Board member Greg Debbink (far left) smiles for a photo with federal Agriculture Minister Bibeau and other young farmers during Advocacy Day in February in Ottawa

In partnership with the leadership of Dairy Farmers of Canada, Alberta Milk supported many other initiatives such as federal budget submissions and Canadian Dairy Commission borrowing limit increase during COVID-19.



Management Discussion and Analysis

Alberta Milk's management team is responsible for the financial statements and all information in this annual report. These 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 the statement of operations in accordance with our strategic plan and budget, are considered unaudited as our financial statement auditors were not engaged to conduct an audit of the budget figures, or the expenses classified by Alberta Milk's strategic 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 strategic 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 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, 2020, should be read in conjunction with the financial statements.



Actual revenues, excluding quota exchange revenues, exceeded budgeted revenues by \$26,745,638. The operation of various producer payment pools accounted for \$30,282,115 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. Annual milk volumes were lower-than-budgeted, however, a higher-than-budgeted average actual price outweighed this and led to the increase in restricted equalization revenues and expenses. The lower annual milk volumes, as well as the administrative and Class 1 market recovery assessment holidays in April 2020, resulted in assessment revenues of \$766,993 below budget. Hauling fee revenues and expenses were both \$2,528,296 below budget, primarily resulting from lower inter provincial transportation costs.

Actual expenses, excluding quota exchange expenses, exceeded budgeted expenses by \$30,086,559. As referred to in the discussion of revenues, restricted equalization expenses were \$30,282,115 higher than budgeted, and transportation costs were \$2,528,296 lower than budgeted. National promotional activities were \$1,818,720 higher than budgeted as a result of entering into various service agreements with Dairy Farmers of Canada. As a result of the COVID-19 pandemic, many meetings and events were either postponed, cancelled, or provided in an alternative format, which resulted in reduced expenditures in certain areas. In some cases, this was accompanied by a reduction in program and sponsorship expenses. The new Milk Management System went live for the fiscal year-ending July 31, 2020. IT-related costs were higher than budgeted while the new system was rolled-out and integrated with Alberta Milk's processes and operations.

Independent Auditor's Report

To the Members of Alberta Milk

Opinion

We have audited the financial statements of Alberta Milk ("the Board"), which comprise the statement of financial position as at July 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alberta Milk as at July 31, 2020, and its results of operations and its cash flows for the year then ended 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 Board 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 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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 skepticism 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 Board'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 Board'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 Board 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.

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 14, 2020



Chartered Professional Accountants

ALBERTA MILK
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2020

	Quota Exchange	MNE	Scholarship	Research	Other	2020 Total	2019 Total
REVENUES:							
Assessments (Note 7):							
Administrative	\$ -	\$ -	\$ -	\$ -	\$ 3,764,356	\$ 3,764,356	\$ 4,058,232
Class 1 Market Recovery	-	-	-	-	1,472,866	1,472,866	1,599,260
Marketing, Nutrition, Education (MNE)	-	12,274,576	-	-	-	12,274,576	12,174,667
Research	-	-	-	409,154	-	409,154	405,823
Restricted Revenue - Equalization (Note 5)	-	-	-	-	696,403,888	696,403,888	676,038,677
Hauling Fees (Note 9)	-	-	-	-	34,963,053	34,963,053	36,064,386
Investment Income (Note 3)	-	-	4,994	-	185,994	190,988	237,126
Grant Revenue (Note 6)	-	28,877	-	347,248	327,407	703,532	543,469
Processor Audit Recovery	-	-	-	-	127,021	127,021	129,321
Quota Lease	-	-	-	526,368	-	526,368	594,042
Quota Exchange Sales (Note 11)	20,362,306	-	-	-	-	20,362,306	48,874,907
Other Income	-	29,807	-	-	407,935	437,742	576,116
Total Revenues	20,362,306	12,333,260	4,994	1,282,770	737,652,520	771,635,850	781,296,026
EXPENSES:							
Salaries and Contract Services	-	466,010	-	45,378	3,183,200	3,694,588	3,329,022
Director and Delegate Per Diems	-	3,478	-	23,950	318,521	345,949	398,284
Travel	-	14,302	-	28,748	358,100	401,150	516,300
Office	-	175,304	-	245	940,939	1,116,488	1,396,394
Data Processing	-	374	-	-	1,043,512	1,043,886	856,850
Meeting Costs	-	29,856	-	2,518	213,886	246,260	239,859
Professional Fees	-	18,100	-	-	312,583	330,683	181,701
Communications	-	-	-	-	3,201	3,201	17,824
Advertising	-	8,880,196	-	-	20,625	8,900,821	8,049,019
Project Costs	-	-	-	-	1,000	1,000	7,900
Hauling Fees (Note 9)	-	-	-	-	34,963,053	34,963,053	36,064,386
Research	-	52,380	-	1,036,831	-	1,089,211	163,084
Sponsorships	-	517,248	-	-	19,165	536,413	868,422
Grants	-	9,836	-	665,844	256,186	931,866	903,746
Quota Exchange Purchases (Note 11)	20,295,943	-	-	-	-	20,295,943	48,874,907
Restricted Expenses - Equalization (Note 5)	-	-	-	-	696,403,888	696,403,888	676,038,677
Amortization/Write-Offs	-	103,216	-	-	518,506	621,722	284,026
Total Expenses	20,295,943	10,270,300	-	1,803,514	738,556,365	770,926,122	778,190,401
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR							
	\$ 66,363	\$ 2,062,960	\$ 4,994	\$ (520,744)	\$ (903,845)	\$ 709,728	\$ 3,105,625

See accompanying notes and schedules to the financial statements.

ALBERTA MILK
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and investments (Note 3)	\$ 12,703,794	\$ 15,228,619
Due from processors, producers and others	30,039,993	30,898,756
Accounts receivable	1,443,661	1,112,378
Inventories	91,710	126,585
Prepaid expenses and deposits	167,938	220,541
Total current assets	44,447,096	47,586,879
CAPITAL ASSETS (Note 4)	2,599,361	3,011,195
TOTAL	\$ 47,046,457	\$ 50,598,074
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,302,127	\$ 2,020,042
Deferred contributions (Note 5)	30,565,587	33,363,385
Deferred grants (Note 6)	90,114	564,746
Total current liabilities	31,957,828	35,948,173
NET ASSETS:		
Invested in capital assets	2,599,361	3,011,195
Internally restricted:		
<i>Marketing, nutrition, education</i>	7,695,570	5,632,610
<i>Research</i>	427,883	847,788
<i>Scholarship</i>	135,796	130,802
<i>Quota exchange (Note 11)</i>	1,064,084	997,721
Unrestricted	3,165,935	4,029,785
Total net assets	15,088,629	14,649,901
TOTAL	\$ 47,046,457	\$ 50,598,074

Commitments (Note 8)

Contingent Losses (Note 13)

APPROVED ON BEHALF OF THE BOARD:




See accompanying notes and schedules to the financial statements.

ALBERTA MILK
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2020

	<i>Internally Restricted</i>				Unrestricted	Invested in Capital Assets	2020 Total	2019 Total
	Quota Exchange	MNE	Scholarship	Research				
BALANCE AT BEGINNING OF THE YEAR	\$ 997,721	\$ 5,632,610	\$ 130,802	\$ 847,788	\$ 4,029,785	\$ 3,011,195	\$ 14,649,901	\$ 11,760,276
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	66,363	2,062,960	4,994	(520,744)	(903,845)	-	709,728	3,105,625
ADMINISTRATION COSTS TRANSFERRED (Note 13)	-	-	-	100,839	(100,839)	-	-	-
PURCHASE OF CAPITAL ASSETS	-	-	-	-	(139,821)	139,821	-	-
DISPOSAL OF CAPITAL ASSETS	-	-	-	-	7,879	(7,879)	-	-
AMORTIZATION OF CAPITAL ASSETS	-	-	-	-	543,776	(543,776)	-	-
PENSION REMEASUREMENTS AND OTHER ITEMS (Note 10)	-	-	-	-	(271,000)	-	(271,000)	(216,000)
BALANCE AT END OF THE YEAR	\$ 1,064,084	\$ 7,695,570	\$ 135,796	\$ 427,883	\$ 3,165,935	\$ 2,599,361	\$ 15,088,629	\$ 14,649,901

See accompanying notes and schedules to the financial statements.

ALBERTA MILK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2020

	2020	2019
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Excess of revenues over expenses for the year	\$ 709,728	\$ 3,105,625
Items not affecting cash flow:		
Amortization and capital asset disposals	551,655	281,333
Pension remeasurements and other items (Note 10)	(271,000)	(216,000)
Net decrease (increase) in fair value of investments	6,198	(38,736)
Investment income and receivables reinvested directly	(10,096)	(7,983)
	986,485	3,124,239
Changes in non-cash working capital items:		
Due from processors, producers and others	858,763	(809,210)
Accounts receivable	(331,283)	155,892
Prepaid expenses and deposits	52,603	(91,879)
Inventories	34,875	(13,596)
Accounts payable and accrued liabilities	(717,915)	(1,455,875)
Deferred contributions (Note 5)	(2,797,798)	1,212,880
Deferred grants (Note 6)	(474,632)	515,023
Net cash (to) from operating activities	(2,388,902)	2,637,474
INVESTING ACTIVITIES:		
Purchases of capital assets	(139,821)	(784,709)
Purchases of investments	(231,639)	(149,602)
Proceeds from sales and redemptions of investments	184,000	63,925
Net cash to investing activities	(187,460)	(870,386)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(2,576,362)	1,767,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	12,767,828	11,000,740
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 10,191,466	\$ 12,767,828

See accompanying notes and schedules to the financial statements.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2020

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.

Since July 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to operations worldwide, resulting in an economic slowdown. Global investment markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, continue to remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Alberta Milk for future periods.

As a result of the COVID-19 pandemic, certain planned activities were cancelled, postponed, or conducted in alternative formats. These activities included out-of-province travel, spring producer meetings, and various marketing events. The Board's employees have transitioned to working primarily remotely throughout the pandemic. All in-person activities have been conducted in accordance with recommendations and orders from Alberta's Chief Medical Officer of Health. The Board applied for and received funding from the Government of Canada under the temporary wage subsidy program. The Board administered an assessment holiday with respect to the administrative and class 1 market recovery assessments for the month of April 2020.

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 is earned.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Cash and cash equivalents

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

Inventories

Inventories are measured at the lower of cost and net realizable value, or at the lower of cost and current replacement cost when they are held for distribution at no charge or for a nominal charge. Inventory costs are determined using the first-in, first-out method.

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, 2020

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, 2020

3. CASH AND INVESTMENTS:

	2020	2019
Cash and cash equivalents	\$ 10,191,466	\$ 12,767,828
Fixed income	877,898	1,050,325
Equities quoted in an active market	1,113,635	1,129,886
Mutual funds quoted in an active market	520,795	280,580
	\$ 12,703,794	\$ 15,228,619

Investment income includes the following:

	2020	2019
Net increase (decrease) in fair value of investments	\$ (6,198)	\$ 38,736
Interest and dividends earned on corporate funds	203,912	208,247
Interest and dividends earned on scholarship investments	5,002	4,951
Investment management fees	(11,728)	(14,808)
Interest earned on pooling funds	200,585	244,210
Interest rebated to producers	(200,585)	(244,210)
	\$ 190,988	\$ 237,126

4. CAPITAL ASSETS:

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 2,196,222	\$ 1,141,117	\$ 1,055,105	\$ 1,104,007
Computer hardware	1,316,996	1,142,304	174,692	224,346
Computer software	2,361,493	1,518,859	842,634	1,203,763
Consumer displays	293,961	229,345	64,616	33,507
Display booth and tent	91,404	84,160	7,244	9,055
Land	385,175	-	385,175	385,175
Office furniture and equipment	375,339	334,952	40,387	49,734
Vehicles	42,155	12,647	29,508	1,608
Total	\$ 7,062,745	\$ 4,463,384	\$ 2,599,361	\$ 3,011,195

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2020

5. DEFERRED CONTRIBUTIONS:

Deferred contributions represent unspent resources externally restricted for price equalization.

	2020	2019
Contributions received	\$ 693,606,090	\$ 677,251,557
Transferred to revenue	(696,403,888)	(676,038,677)
(Decrease) increase during the year	(2,797,798)	1,212,880
Deferred contributions at beginning of year	33,363,385	32,150,505
Deferred contributions at end of year	\$ 30,565,587	\$ 33,363,385

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 either distributed revenue or required a contribution to the national revenue pool. This pooling arrangement ended May 31, 2020.

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 funds from or required a contribution to the Western Milk Pool.

The Western Milk Pool entered into a revenue and cost sharing agreement effective June 1, 2020 with Newfoundland and the P5 pool (consisting of the provinces of New Brunswick, Nova Scotia, Prince Edward Island, Quebec and Ontario). The purpose of this agreement was to extend the pooling arrangements within each pool so that all milk revenue is pooled among the ten provinces, as if the ten provinces constituted a single market. Based on each pool's monthly sales, the CDC either distributed funds to or required a contribution from the Western Milk Pool.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2020

6. DEFERRED GRANTS:

Deferred grants represent unspent resources consisting of the following:

	2020	2019
Grant funds received	\$ 778,900	\$ 1,058,492
Recognized as revenue	(703,532)	(543,469)
Recognized as a reduction to expenses	(550,000)	-
(Decrease) increase during the year	(474,632)	515,023
Deferred grants at beginning of year	564,746	49,723
Deferred grants at end of year	\$ 90,114	\$ 564,746

7. ASSESSMENT REVENUE:

The Board collected the following producer assessments during the year:

	2020	2019
Administrative	\$0.50/hl	\$0.50/hl
Marketing, Nutrition, Education	\$1.50/hl	\$1.50/hl
Research	\$0.05/hl	\$0.05/hl
Hauling	\$3.15/hl	\$3.15/hl
Hauling yard charge per pickup	\$22.25	\$22.25

8. COMMITMENTS:

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

2021	\$ 18,801
2022	12,708
2023	12,708
2024	12,708
2025	8,472

The Board has a budgeted commitment of \$9,780,922 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 \$754,584 to be disbursed over the course of the next four years.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2020

9. HAULING FEES :

	2020	2019
Paid by producers	\$ 30,155,993	\$ 30,521,992
Recovered from processors	409,646	330,006
Recovered from the Western Milk Pool	4,397,414	5,212,388
Total hauling expenses for the year	\$ 34,963,053	\$ 36,064,386
Cost per hectolitre	\$ 4.27	\$ 4.44

Hauling fees paid by producers include volume fees of \$25,708,645 (2019 - \$25,502,490), yard stop fees of \$2,271,686 (2019 - \$2,426,182), and interprovincial hauling fees of \$2,490,376 (2019 - \$2,383,634), resulting in an increase to the transportation surplus of \$314,714 (2019 - decrease of \$209,686). The remaining surplus of \$576,039 (2019 - \$261,325) 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 2, 2020.

ALBERTA MILK
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020

10. PENSIONS *(continued)*:

	2020	2019
Defined benefit obligation		
Defined benefit obligation - opening	\$ 4,489,000	\$ 4,120,000
Current service cost - employer	116,000	166,000
Employee contributions	109,000	109,000
Benefits paid	(126,000)	(124,000)
Interest on defined benefit obligation	244,000	227,000
Actuarial gain	-	(9,000)
Defined benefit obligation - closing	\$ 4,832,000	\$ 4,489,000
Fair value of plan assets		
Fair value of plan assets - opening	\$ 5,409,000	\$ 5,180,000
Employer contributions	117,000	192,000
Employee contributions	109,000	109,000
Benefits paid	(126,000)	(124,000)
Return on plan assets	16,000	52,000
Fair value of plan assets - closing	\$ 5,525,000	\$ 5,409,000
Defined benefit asset		
Defined benefit obligation	\$ (4,832,000)	\$ (4,489,000)
Fair value of plan assets	5,525,000	5,409,000
Funded surplus	\$ 693,000	\$ 920,000
Valuation allowance	-	-
Defined benefit asset	\$ 693,000	\$ 920,000
Defined benefit cost		
Employer current service cost	\$ 116,000	\$ 166,000
Interest cost on defined benefit obligation	244,000	227,000
Expected interest on plan assets	(287,000)	(277,000)
Defined benefit cost	\$ 73,000	\$ 116,000
Remeasurements and other items		
Interest less net return on plan assets	\$ 271,000	\$ 225,000
Actuarial gains	-	(9,000)
Total remeasurements and other items	\$ 271,000	\$ 216,000

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2020

10. PENSIONS (continued):

	2020	2019
Actuarial assumptions		
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
<p>The mortality table used was CPM2014Priv with projection scale MI-2017 as at July 31, 2020 (2019 - CPM2014Priv with projection scale MI-2017 as at July 31, 2019).</p> <p>The retirement rate used was 100% at age 62 (2019 - 100% at age 62).</p>		
Distribution of the total market value of the plan assets by major asset category		
Canadian equities	30.1%	27.8%
International equities	13.2%	14.2%
U.S. equities	15.1%	14.5%
Debt securities	28.2%	34.5%
Cash and other	13.4%	9.0%
Total	100.0%	100.0%

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 market clearing price, which is the average between the last successful buyer's price and the last successful seller's price. During the current year, the Board sold quota from the quota reserve in order to clear the May 2020 exchange. This resulted in an excess of revenues over expenses for the year in the quota exchange fund of \$66,363.

12. INTERFUND TRANSFERS:

The research and marketing, nutrition, education (MNE) 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 research and marketing, nutrition, education (MNE) activities. The Board has also set aside internally restricted net assets for the operation of the quota exchange. These net assets result from 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 2020, the Board transferred \$100,839 (2019 - \$82,966) from the Unrestricted net assets into the Research net assets to cover administration costs.

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NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2020

13. CONTINGENT LOSSES:

During a 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. The Board is defending itself against this claim, and as the final outcome of these matters is not determinable at this time, no amount has been accrued in the financial statements.

During the year, the Board was served with a statement of claim from a producer regarding the Board's April 7, 2020 decision to impose production controls. The Board is defending itself against this claim, and as the final outcome of these matters is not determinable at this time, no amount has been accrued in the financial statements. An estimate of the amount of the contingent loss cannot be made at this time.

14. SIGNIFICANTLY INFLUENCED NOT-FOR-PROFIT ORGANIZATION:

The Board exercises significant influence over Dairy Innovation West Inc. (DIW). As a member of DIW, the Board is entitled to name a nominee for appointment to DIW's Board of Directors, and the Board's support is required in the process of electing the Chair of DIW's Board of Directors. DIW's purpose is to promote and facilitate the efficient transportation of milk and milk components by producers to the processors in western Canada. The Alberta Agricultural Products Marketing Council has provided their support for the DIW project concept. DIW is incorporated under the Canada Not-for-profit Corporations Act and is exempt from income tax.

15. 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 primarily with respect to fixed income investments. 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.

16. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the fiscal 2020 financial statements.

ALBERTA MILK

SCHEDULE OF REVENUE AND EXPENSES BY GOAL

FOR THE YEAR ENDED JULY 31, 2020

	2020 (unaudited)	Budget (unaudited)	2019 (unaudited)
REVENUES:			
Assessments (Note 7):			
Administrative	\$ 3,764,356	\$ 4,163,261	\$ 4,058,232
Class 1 Market Recovery	1,472,866	1,618,575	1,599,260
Marketing, Nutrition, Education (MNE)	12,274,576	12,489,783	12,174,667
Research	409,154	416,326	405,823
Restricted Revenue - Equalization (Note 5)	696,403,888	666,121,773	676,038,677
Hauling Fees (Notes 7 and 9)	34,963,053	37,491,349	36,064,386
Investment Income (Note 3)	190,988	168,349	237,126
Grant Revenue (Note 6)	703,532	785,670	543,469
Processor Audit Recovery	127,021	124,955	129,321
Quota Lease	526,368	611,362	594,042
Other Income	437,742	536,503	576,116
TOTAL REVENUES	751,273,544	724,527,906	732,421,119
EXPENSES BY GOAL & KRA (Schedule II)	750,630,179	720,543,620	729,315,494
EXCESS OF REVENUES OVER EXPENSES BEFORE QUOTA EXCHANGE	643,365	3,984,286	3,105,625
QUOTA EXCHANGE:			
Sales of Quota (Note 11)	20,362,306	53,500,000	48,874,907
Purchases of Quota (Note 11)	20,295,943	53,500,000	48,874,907
Net Quota Exchange	66,363	-	-
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	\$ 709,728	\$ 3,984,286	\$ 3,105,625

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SCHEDULE OF EXPENSES BY GOAL
FOR THE YEAR ENDED JULY 31, 2020

	2020 (unaudited)	Budget (unaudited)	2019 (unaudited)
EXPENSES BY GOAL & KRA:			
<i>Adequate Supply of Raw Milk:</i>			
Production and Marketing of Raw Milk	\$ 284,138	\$ 304,761	\$ 247,786
Manage an Effective Quota System	35,445,186	37,765,655	36,498,720
<i>Policy Development:</i>			
Work with Stakeholders	558,976	774,167	798,914
Welfare and Health of Dairy Cattle	83,414	99,500	93,396
Sustainable Environmental Practices	227,778	334,120	269,259
Milk Quality	220,715	219,641	228,181
proAction	261,106	377,586	318,614
<i>Encourage Dairy Product Consumption:</i>			
National Activities	8,741,027	6,922,307	7,821,957
Provincial Activities	1,036,401	1,240,890	995,488
<i>Promote Dairy Production Research:</i>			
Beneficial Dairy Research	1,803,513	1,504,579	868,434
<i>Governance and Management of Resources:</i>			
Administer Regulations	147,205	56,000	20,977
Optimal Management of Resources	4,120,168	3,315,844	3,379,886
Accurate Producer Payment	696,791,525	666,387,422	676,428,299
<i>Communicate with Members, Stakeholders and the Public:</i>			
Earn Consumer Trust in the Dairy Sector	241,329	392,550	684,648
Communicate with Farmers and Stakeholders	667,698	848,598	660,935
Total Expenses	\$ 750,630,179	\$ 720,543,620	\$ 729,315,494







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