



2021-22
ANNUAL
REPORT



VISION

Strategic partner in
Canada's dairy industry.

MISSION

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



OUR VALUES

The actions and decision-making
conducted by Alberta Milk are
guided by these values:

- Collaboration
- Excellence
- Knowledge
- Customer Service



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20 YEARS IN REVIEW

2002

2022

MILK QUALITY

In 2002, producers received

4

**lab test results
per month**



In 2022, producers receive

15

**lab test results
per month**

RESEARCH

Contribution of

\$0.01

**per hectolitre
on all milk shipped**



Contribution of

\$0.05

**per hectolitre
on all milk shipped**

MILK PRODUCTION

The 2021-22
dairy year ended with

488

**dairy producers
in Alberta**

A total of

833,828,723

litres of milk was shipped,
representing **8.84 per cent** of
Canadian milk production.



2002

2022

PRICING & PRODUCTION

\$/hl

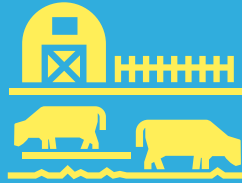
65.71

\$/hl

87.64

of producers

817



of producers

488

Average farm size

86

COWS

Average farm size

163

COWS

TRANSPORTATION

2002

25
milk hauling
companies



134
routes



54
trucks on the
road every day



2022

14
hauling
companies

174
routes

63
trucks on the
road daily

CHAIR'S MESSAGE

What has changed in the last 20 years of Alberta Milk? A lot! Alberta Milk was formed by grassroots producers, for grassroots producers. From over 800 producers in 2002 to 488 producers today, we have always maintained our grassroots representation on our board and the initial intention hasn't changed. The industry we operate in has evolved in the last 20 years, so the business and organizational model has had to evolve with it. Our processors, producers, and business have all changed so we have had change the model to respond to these changes.

Technology is perhaps the biggest change we have seen over the years, in all aspects of our lives. It has evolved the way we farm, the way we communicate and definitely the way we do business. Years ago, my dad used to wait for his component test in the mail every month and today we have access to all of our data instantaneously and from our phones, allowing us to make decisions quickly and based on real time data. This adoption of technology has not only made Alberta Milk more efficient but helped us at the farm gate as well. All of this efficiency and improvement can be seen in the numbers. Back in 2002, we delivered over 600 million litres of milk. This year, we delivered almost 850 million litres, all while continually improving our milk quality.

Every year, I keep hoping to write updates without using the C word. But again this year, despite it's challenges, COVID-19 had some lessons and (dare I say?) even some positives for us here at Alberta Milk. We have learned what's really important and become more efficient in our meeting agendas and selective in our travel, seeing both cost and time savings

from these changes. As much as we all got tired of Zoom, moving online has improved how we provide information to our producers by removing geography as a barrier to attendance and more producers are now able attend our meetings and AGM when we have a virtual option.

Similarly, our Board has been able to attend even more meetings and events with our processors and national partners virtually as we don't always have to travel significant distances. Our Advocacy Days saw us meet more MPs and Senators online than we would have been able to in person, getting our messages to the right people in those times when agriculture and our supply chain needed attention.

Looking forward, we will continue to improve and progress as producers and as an organization. As we move into the Western Milk Pool (WMP) transformation process, we are already seeing the benefits of progress and I can't wait to see what's to come. Thank you to my fellow board members for providing their expertise and guidance to make Alberta Milk all it is, and to Freda and the dedicated staff who are working hard through all of the change and seeing the bigger picture at the end.

I look forward to seeing where the next 20 years takes us!



Stuart Boeve
Alberta Milk



GENERAL MANAGER'S MESSAGE

They say that hindsight is 20/20 and, for the most part, that is true. Looking back provides the opportunity to understand all the pieces of the puzzle, how they came together, and see the bigger strategy that has been accomplished. It really does take great foresight and vision to achieve the great view in the rearview mirror.

Prior to 2002, several leaders in the dairy industry had a vision and the required foresight to imagine something different for the industry. They recognized that having multiple organizations - each with a unique and well-defined mandate - worked but there could be a better way. Merging these organizations into one and forming as a marketing board under the *Marketing of Agricultural Products Act* was a bold step forward to enhancing collaboration and becoming a more influential organization provincially, regionally, and nationally.

Since then, Alberta Milk has been a key player in helping to shape the Canadian dairy industry. Guided by its vision, Alberta Milk has truly become a strategic leader in Canada's dairy industry. Over the past 20 years, Alberta has often been at the forefront of change and has helped producers adapt to new requirements and initiatives. Moving to a single quota system, implementing cumulative quota position, CQM and proAction, and a tight focus on ensuring the best quality milk are just some of the progressions that have occurred and have moved the dairy industry forward.

As I look back over the past year, I see an industry that keeps moving forward with a focus toward continuous improvement. Some of the initiatives on the horizon include the implementation of a progressive penalty program that maintains exceptional milk quality where every load of milk matters, making concrete steps toward achieving the Dairy Farmers of Canada net zero by 2050 goal, and intentionally working as a pool of producers in Western Canada. Working together as a Western Milk Pool (WMP) will position our industry well for the future. I look forward to continuing to help transform the WMP, being part of the future, and I sincerely appreciate the collaborative working relationship that we have among the five general managers in the WMP.

I want to acknowledge and thank the staff for all their excellent work this past year. We have successfully transitioned through the many interruptions and changes caused by COVID-19 but together we are more resilient and open to new ways of doing things. I continue to be inspired by the strategic leadership and guidance that the Alberta Milk Board of Directors provides to the organization and to the industry as a whole. I am grateful for their focus and their vision for the future. And to all of our producers and industry stakeholders, thank you for all that you do to keep our industry moving forward.



Freda Molenkamp-Oudman



BOARD OF DIRECTORS

Central Region	Miranda Verhoef, JP Brouwer
North Region	Greg Debbink, Gezinus Martens
South Region	Mike Vanden Dool, Stuart Boeve
Directors at large	Wim van de Brake, Gert Schrijver, Gerrit Haarman
Dairy Farmers of Canada	Stuart Boeve, Gert Schrijver, Gerrit Haarman, Greg Debbink, Mike Vanden Dool, Conrad Van Hierden, Miranda Verhoef

STANDING BOARD COMMITTEES DIRECTORS

Audit and Risk Committee	Gezinus Martens; Miranda Verhoef; Mike Vanden Dool; Wim van de Brake
Governance Committee	Gerrit Haarman; Wim van de Brake; Stuart Boeve
National & Interprovincial Committee	Stuart Boeve; Gert Schrijver; Gerrit Haarman

ADVISORY COMMITTEE

DIRECTORS

DELEGATES

Research & Extension Advisory Committee	Greg Debbink; Gezinus Martens; Mike Vanden Dool; JP Brouwer	Tietsia Huyzer; Cregg Nicol
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2021-22 DELEGATE BY REGION



CENTRAL

- Tietsia Huyzer
- Willem Vanderlinde
- Jason Prinse
- Miranda Verhoef
- Heini Ehli
- Gert Schrijver
- Wim van de Brake
- Cornel van't Klooster
- Ben Kuipers
- JP Brouwer



NORTH

- Greg Debbink
- Joel Prins
- Jason Rietveld
- Michael Roth
- Lorrie Jespersen
- Gezinus Martens
- Alain Lavoie
- David Morey
- Jason Crozier



SOUTH

- Martin Van Diemen Jr
- Stuart Boeve
- Conrad Van Hierden
- Tim Hummel
- Eric Vander Veen
- Dustin Grisnich
- Gerrit Haarman
- Michael Vanden Dool
- Cregg Nicol
- Alan Oudshoorn

GOVERNANCE

Alberta Milk is governed by a board of directors (board) elected from a delegate body to represent the interests of all licensed dairy producers in Alberta. 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 delegates support grassroots communication with producers and provide advice to the board on issues of importance to the industry. The board sets policy and outlines the strategic direction of the organization through the strategic plan. The board also works collaboratively with our regional and national partners to build a thriving dairy industry within Canada's supply managed system.

DELEGATES

There are 30 delegates, ten within each region, that are elected to represent producers for a 3-year term. In 2021-22 we welcomed Jason Prinse and we said goodbye to Devon Simmelink.

DIRECTORS

In alignment with governance best practices, the decision was made to reduce the size of the board from 11 to nine directors. The regulatory amendment was filed in March 2022 and Heini Hehli and Conrad Van Hierden both stepped down as directors. Alberta Milk would like to acknowledge and thank these outgoing directors for their passion and dedication to the industry.

GOVERNANCE CHANGES IN 2021-22

- Committee changes:
 - Disbanded the Executive Committee, Transportation and Measurement Advisory Committee, Market Development Advisory

Committee and the Animal Health and Environment Advisory Committees.

- Formed the National and Interprovincial Committee
- Reviewed and amended the governing policies.
- Completed performance assessments for the board as a whole and the General Manager.
- Held three delegate workshops where we discussed strategic issues facing the Canadian dairy industry.

REGULATIONS AND BYLAWS

- Alberta Milk continued its work on moving governance-related provisions from our Plan Regulation into bylaws. Following delegate approval, the bylaws were approved by the government in Spring 2022. The expectation is that these bylaws will be further examined by Alberta Milk in the next year to continue to adapt them to our specific requirements.
- We also worked with Marketing Council to begin the process of approving an over-production levy. We anticipate government approval in early 2023.



MILK PRODUCTION



The 2021-22
dairy year ended with
488
dairy producers
in Alberta

A total of
833,828,723
litres of milk was shipped,
representing **8.84 per cent** of
Canadian milk production.

MILK PRODUCTION

The 2021-22 dairy year ended with 488 dairy producers in Alberta. A total of 833,828,723 litres of milk was shipped, representing 8.84 per cent of Canadian milk production. The average butterfat content in Alberta was 4.18 kg/hl, a 0.62% decline from last year's 4.21. Consequently, Alberta shipped a total of 34,857,691 kg of butterfat in 2021-22.

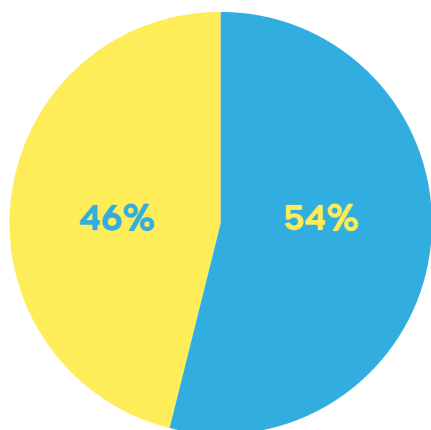
The whole nation (P10) incurred a one-time underproduction penalty of 1,042,668 kg in November 2021. The Eastern Milk Pool's (P5) share of the penalty was 636,805 kg while the Western Milk Pool's (WMP) share was 268,561 kg. The WMP ended the dairy year with a cumulative quota position (CQP) of -1.75 per cent underproduction relative to

the pool's allotted Canadian Dairy Commission (CDC) quota. The P5's CQP was -0.36 per cent, bringing Canada to a CQP of -1.05 per cent underproduction at the end of the dairy year.

Alberta produced a solids-non-fat (SNF) to butterfat (BF) ratio of 2.19 in the dairy year, which was as usual well below the provincial SNF/BF ratio limit of 2.42. The year's ratio was a slight increase (+1.16 per cent) from the 2.17 ratio for last year. The WMP's collective SNF and BF production resulted in an SNF/BF ratio of 2.18, which was also well below the pool's limit of 2.40 and it represents a 0.15 per cent increase from last year's ratio of 2.18.

Milk Class	Volume (L)	Butterfat (Kg)	Protein (kg)	Other Solids (kg)	Total Revenue (\$)
Class 1	835,075,237	36,268,543.00	27,304,163.00	49,251,000.00	\$ 958,479,298.95
Fluid	835,075,237	36,268,543.00	27,304,163.00	49,251,000.00	\$ 958,479,298.95
Class 2	64,974,529	7,089,117.00	1,946,741.00	3,552,040.00	\$ 101,890,158.41
Class 3	766,009,534	27,436,449.00	25,193,221.00	45,528,590.00	\$ 646,408,692.36
Class 4	514,769,211	21,592,601.00	16,789,383.00	30,363,077.00	\$ 389,121,740.13
Industrial	1,345,753,274	56,118,167.00	43,929,345.00	79,443,707.00	\$ 1,137,420,590.90
Class 5	56,852,166	5,104,929.00	1,759,666.00	3,183,068.00	\$ 51,929,843.85
WMP	2,237,680,677	97,491,639.00	72,993,174.00	131,877,775.00	\$ 2,147,829,733.70

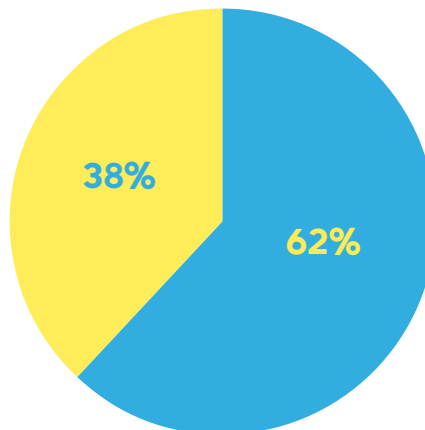
WMP MILK REVENUE (\$)



● Fluid

● Industrial

WMP MILK VOLUME (L)



● Fluid

● Industrial

QUOTA AND UNDERPRODUCTION CREDITS

Alberta's provincial Total Production Quota (TPQ) in 2021-22 was 35,184,184 kg of butterfat, a decrease of 1.34 per cent from the 2020-21 level of 35,663,345 kg. Alberta Milk issued no adjustments to producer quota in 2021-22.

The total amount of continuous daily quota (CDQ) transferred via the quota exchange in 2021-22 was 1,343.88 kg. In addition, Alberta producers transferred a total of 597,591.83 kg of underproduction credits among themselves in the dairy year.



INCENTIVE DAYS AND CREDIT-USE RESTRICTIONS

No incentive days were issued in the 2021-22 dairy year for conventional milk producers. However, the board issued 18 incentive days per month to organic milk producers from August to December 2021. Furthermore, 20 organic incentive days per month were issued from January to July 2022, in accordance with organic milk demand and projected growth of the organic market.

A credit-use restrictions (CDR) policy limits the extent to which a producer can ship above their monthly quota eligibility. Alberta issued the following CDR in 2021-22 to balance the supply of conventional milk with demand: 2 CDR each for December 2021, January, and February 2022, zero CDR each for March, April and May 2022 and another 2 CDR each for June and July 2022.

PRODUCER PAYMENT		
Year	2020-21	2021-22
Provincial Butterfat (kg/hl)	4.2061	4.1804
Provincial Protein (kg/hl)	3.2192	3.2621
Provincial OS (kg/hl)	5.9014	5.9084
Pool Deductions (\$/kg)	0.03	0.04
Producer BF price (\$/kg)	16.64	17.82
Producer PR price (\$/kg)	2.56	2.69
Producer LOS price (\$/kg)	0.70	0.74
Average Milk Price (\$/hl)	82.38	87.64
Total Producer Revenue (\$)	689,156,255	730,803,287

NEW ENTRANT ASSISTANCE PROGRAM

During the 2021-22 dairy year, Alberta Milk conducted a fulsome review of the supports that it provides to new producers, including the New Entrant Assistance Program (NEAP). Thus, the NEAP was closed during the review process and no applications were received this dairy year. In addition, the planned claw back of loaned quota to existing NEAP producers was paused.

The review was finalized on June 9, 2022, and Alberta Milk made the following changes to the program effective August 1, 2022;

- Increase the amount of the non-saleable quota loan from 25 kg to 30 kg.
- Increase the farm size limit to 75 kg/day of purchased quota for the first 5 years and 120 kg/day of purchased quota after 5 years in the program.
- The term of the quota loan is non-saleable for life.
- The length of entry period upon approval is extended to two years.
- Producers may sell underproduction credits (subject to the same limitations as all producers).
- The program will be open to all individuals who meet the program criteria. Applicants who are part of family transfers are eligible to apply.
- The applicant is deemed to be an applicant farm rather than an applicant individual.
- Applicants with a maximum of three million dollars in equity are eligible to apply.
- There will be two intakes for applications per year. The program will open again on August 1, 2022.
- The application process will include a two-step process (initial screening and full application).
- All successful applicants will be required to attend an in-depth orientation session.
- The name of the program will be changed to New Producer Program which has two components:
 - New Producer Assistance Program (conventional and organic); and,
 - Mentorship and Training Support Program.
- In support of the Mentorship and Training Support Program, Alberta Milk will host annual training and support workshops that will be available to all producers.

Hence the New Producer Assistance Program (NPAP) for conventional milk producers is open and more information on the requirements and how to apply is available on Alberta Milk's website.

MILK QUALITY

The milk quality story in Alberta over the past 20 years has been one of continual improvement. Producers have consistently demonstrated year after year their commitment to excellent quality milk. Improved on-farm practices, advances in lab testing technology and an increased frequency of testing have been important tools to help improve milk quality.

In 2002, producers received weekly somatic cell count (SCC) and component tests, a monthly freezing point (FP) test, and only one monthly bacteria test. Today, producers receive components/SCC/MUN (Milk Urea Nitrogen)/FP on every sample and 8 acteria tests per month. Further increases in frequency for bacteria testing are coming in 2022-23.

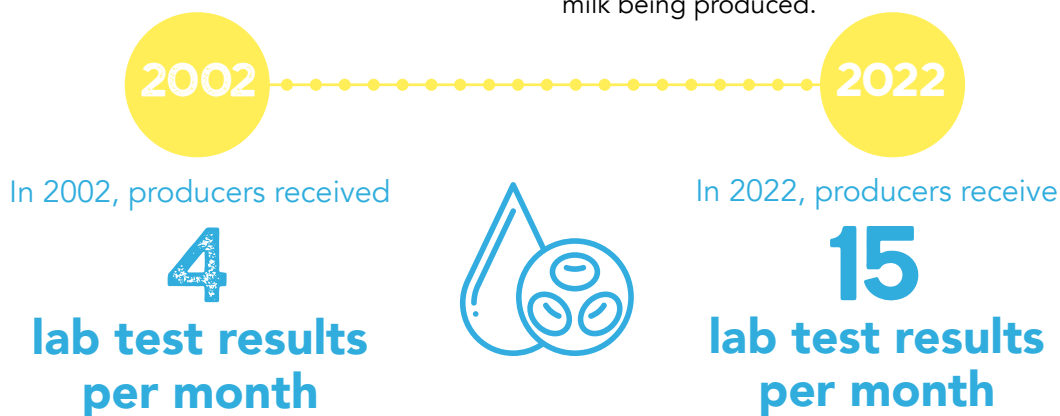
Sampling:

In the past 2 decades, the number of bulk tank samples tested has declined along with the decrease in producer numbers. There are fewer shipments because there are fewer producers in 2022 compared to 2012 or 2002. Today, every shipment from a producer generates a sample to be tested. This started in 2008. So instead of about 4 per month or one a week in 2002, the average producer who ships every 2 days gets 15 results a month. This year, 98.59 percent of samples were transported to the lab in the required condition to be tested.

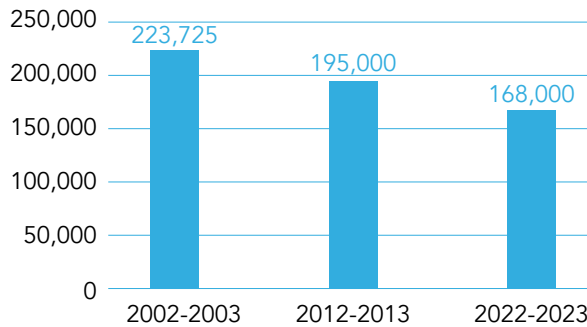
SAMPLE SUITABILITY & TESTING	2002	2012	2021-22
# of milk samples from shipments	151,700	110,777	98,285
# of valid samples tested		109,920	96,900
% of milk shipments tested		99.23%	98.59%

Producer adoption of advances in milk testing over the past 20 years has paid off with markedly better milk quality and more component data. In 2002, producers received weekly SCC and component tests, a monthly freezing point test, and only a monthly bacteria test. Today, producers receive components/SCC/MUN/FP on every sample and 8 monthly bacteria tests. Further increases in frequency for bacteria testing are coming in 2022-23.

Somatic cell count (SCC) is used as an indicator of milk quality and correlates well to higher quality dairy products. SCC average values have continually improved in the past 20 years. A noticeable part of producer commitment to lower SCCs was accomplished in 2012 with the lowering of the regulatory limit for SCCs from 500,000 to 400,000. The 2021-22 annual average of 168,000 cells/ml is the lowest provincial average since Alberta SCC records began in 1998 and indicates the excellent quality of milk being produced.

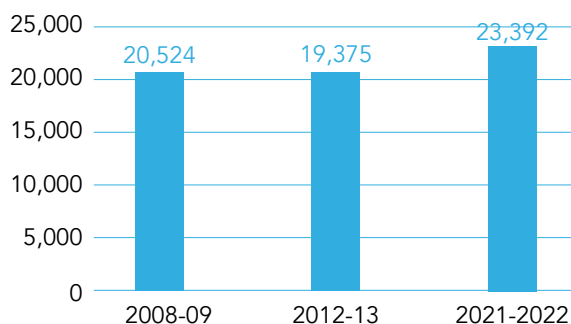


ALBERTA DAIRY YEAR SCC AVERAGE



Advances in bacteria testing were adopted in 2008 with the advent of the Bactoscan. This allowed the lab to test for bacteria in 10 minutes instead of the former, labour intensive 2-day incubation method. As a result, producers were able to utilize this new technology to increase the frequency of testing for bacteria from one sample per month to eight samples per month. The additional data resulted in a dramatic improvement in bacteria test results from 2002 to 2008. Since 2008, the average individual bacteria count (IBC) average has been stable at around 21,000 cells/mL. This year's IBC average shows a slight increase in bacteria counts.

ALBERTA DAIRY YEAR BACTERIA AVERAGE



Improvements in inhibitor testing have allowed for more drugs to be tested over the years using faster tests. In the past two decades, the industry has been more proactive than ever regarding this important food safety measure. In 2021-22, there were a record low number of positive inhibitor penalties applied in Alberta. Over 99.99% of producer shipments were compliant for inhibitors. On the rare occasion that inhibitors are detected, impacted milk is completely discarded to ensure it does not enter the marketplace.

Freezing point (FP) compliance remains very high with on average about 1 penalty per month in the province. In the past 20 years, FP data has become more readily available. While producers used to receive one FP per month, today every sample is tested which allows for more herd data and quicker fixes.

Producer penalties in 2021-22 were 149 total. Bacteria penalties increased and SCC penalties were down compared to last year. Over the past 20 years, the number of penalties has declined from over 600 in 2004, to 159 in 2012, and down to 149 in 2022. Part of the decrease in penalties is due to the way penalties have been calculated over the years. The Milk Grade and Price program has been continually improved with edits in 2005, 2008, and 2019 which all helped to make milk quality a priority.

RAW MILK QUALITY PENALTIES APPLIED

Milk Quality Measure	Bacteria	Somatic Cell Count	Freezing Point	Inhibitors	Total
Penalties Applied	98	33	9	9	149

Lactanet CMT Lab:

Alberta producers have enjoyed a long successful partnership with the Central Milk Testing (CMT) lab. During 2021-22, we experienced a big change with the CMT lab moving from its previous location in a government building where it had been at since the early 1980s, to the newly renovated space beside the Alberta Milk office.

The lab relocation was completed in September 2021 and while there were some transition challenges, the lab has now settled into a modern, complete, more reliable site that will suit their needs and provide the necessary flexibility to add testing services for producers and the dairy industry for years to come. The lab also invested in new testing instruments over the past year.

Milk Measurement:

Providing producers and processors with accurate milk measurement is one of our priorities. Back in 2005, Alberta Milk contracted with International Dairy Calibrations Alberta Ltd to calibrate all new bulk milk tanks and re-calibrate existing tanks every five years. This year we calibrated 17 new tanks and 101 existing tanks for a total of 118.

Celebrating Excellent Milk Quality - Awards

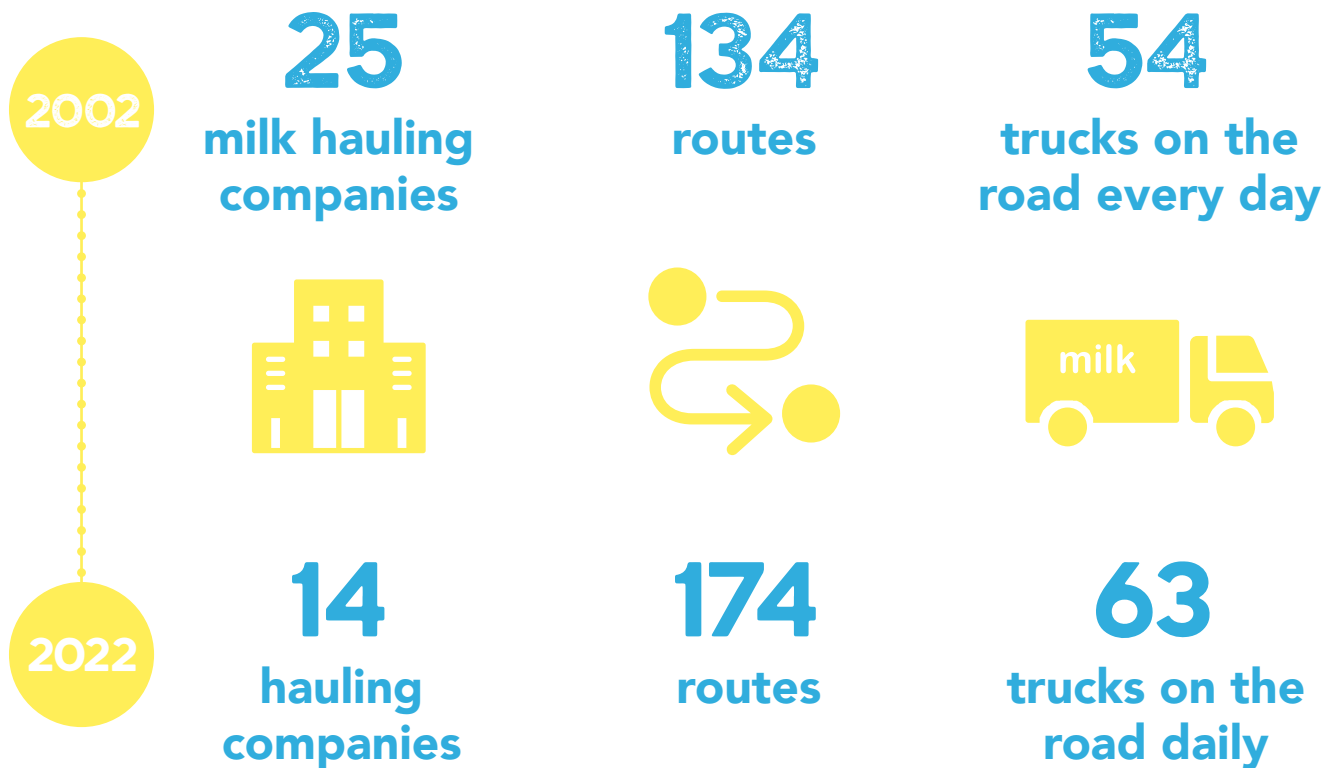
Milk Quality Awards have been part of Alberta Milk since the very beginning and the criteria has remained essentially the same since 2002. Alberta Milk proudly recognizes producers' accomplishments and each year, the best of the best are celebrated with a certificate and acknowledgment at producer meetings. The provincial winner receives the highly coveted provincial winner sign to display on their farm.

Congratulations to H&J Leusink Dairy Ltd. for winning the provincial milk quality award in 2021-22!

MILK QUALITY AWARD SUMMARY

Year	Winner	Region
2021-2022	H&J Leusink Dairy Ltd	South
2020-2021	Neudorf HB	Central
2019-2020	Neudorf HB	Central
2018-2019	Cayley HBC	South
2017-2018	Sylvanside Dairy Ltd	Central
2016-2017	Thompson HBC	South
2015-2016	Sylvanside Dairy Ltd	Central
2014-2015	Sylvanside Dairy Ltd	Central
2013-2014	Cayley HBC	South
2012-2013	Cayley HBC	South
2011-2012	Roseglen HB	South
2010-2011	Cayley HBC	South
2009-2010	HBC of Alix	Central
2008-2009	Prairiehome HB	South
2007-2008	Cayley HBC	South
2006-2007	Whitefish Dairy Ltd	Central
2005-2006	Whitefish Dairy Ltd	Central
2004-2005	Houwelling Farms Ltd	South
2003-2004	ALIEDA FARMS LTD.	North
2002-2003	De Bruyn Cattle Co.	Central

TRANSPORTATION



It's been a long haul! In 2002, there were 25 milk hauling companies, 134 routes and 54 trucks on the road every day. Over the next two decades, we experienced a lot of changes in milk hauling driven by the changes in the provincial dairy industry. This included the consolidation of the hauling companies down to 14 today, a considerable increase in the number of routes to 174 and a big jump in the number of trucks on the road everyday to 63!

In 2003, we launched the first handheld device to electronically record milk pick up and delivery data. Over the years, advancements in technology saw features such as GPS tracking, geofencing and

barcode scanning added to improve hauling services for producers. Speeding forward to January 2022, in collaboration with BC and Manitoba, we drove the development and delivery of the most advanced iteration of the handheld, with 200 devices now in use across the three provinces.

Throughout the last twenty years, interprovincial milk movement has geared up steadily to flow east to west, west to east and at times it has even gone in both directions within the same year. Western Milk Pool (WMP) transportation staff interact daily and have continuously collaborated to ensure the most cost-effective transportation of milk.

ANIMAL CARE



2002

The Canadian industry was only just beginning to think about a **national standard for the care of dairy animals.**

2009



The first ***Code of Practice for the Care and Handling of Dairy Cattle*** was published.

Dairy farmers are passionate about caring for their animals, and their commitment to do so has not changed over the last twenty years. In fact, the importance of demonstrating that commitment has grown over time.

Twenty years ago, the Canadian industry was only just beginning to think about a national standard for the care of dairy animals. With considerable industry consultation and input from animal welfare scientists and other interested parties, the first *Code of Practice for the Care and Handling of Dairy Cattle* was published in 2009. The code represented a national understanding of animal care requirements and recommended industry management practices. The 2009 animal care code served a particularly important role as the foundation for the proAction

Animal Care module, and it continues to guide the industry today. In the last few years, dairy farmers worked with other industry partners to lead the process of reviewing the code. Dairy farmers, consumers, and animal welfare advocates from across the country contributed to the code review process as part of the effort to demonstrate continuous improvement in the care and handling of dairy animals. This new code will eventually update the proAction Animal Care module.

Consumer expectations about the care of dairy animals have increased in profile over the last decade for sure. And dairy farmers have worked diligently over that time to showcase their animal care efforts through the industry standards of proAction.



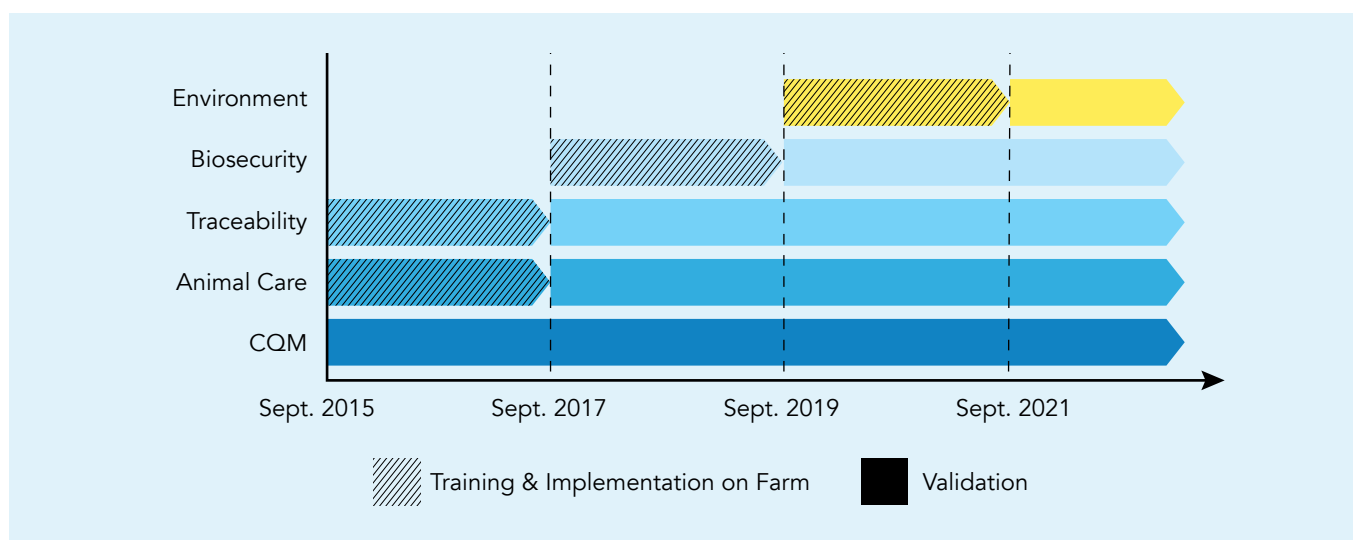


When Alberta Milk was established in 2002, dairy consumers were only beginning to express their expectations about how milk was produced. They wanted specific assurances about milk quality, food safety, animal care and environmental stewardship on Canadian dairy farms.

In response to the growing consumer expectations, the Canadian dairy industry committed to improving the somatic cell count (SCC) standard for milk quality by reducing the SCC limit to 400,000 in 2002. Shortly thereafter, the industry developed its first ever national food safety program called the Canadian Quality Milk (CQM) program and began its implementation across the country in 2003. Alberta Milk adopted CQM in 2009.

Soon after that, dairy farmers from across Canada began working together to design a more comprehensive assurance program which, in addition to the milk quality and food safety modules, would demonstrate their commitment to animal care and the environment. Under the leadership of Dairy Farmers of Canada, dairy farmers designed and developed additional modules for animal care, traceability, biosecurity, and environment, all of which led to the creation of the name proAction®.

Recognizing the need to stage the implementation of the new modules, the industry launched the new modules into the validation process every two years.



proAction®



Currently, dairy farmers are validated on 82 requirements during a comprehensive on-farm validation completed every two years.

The proAction initiative proudly represents Canadian dairy farmers' assurance to consumers through the implementation of high dairy industry standards. This commitment and transparency to consumers is showcased through the blue cow logo, now identified on thousands of Canadian dairy products.

ENVIRONMENT

EF what? Twenty years ago the farming community in Alberta had no idea of an Environmental Farm Plan (EFP) and the value of this tool in managing the farm's interaction with environment. Today, the EFP is one of the critical components of the proAction Environment module which is our national consumer assurance initiative.

About the same time that EFP entered the agriculture vocabulary in Alberta, several other acronyms also surfaced. They included AOPA (*Agricultural Operations Practices Act*), NRCB (Natural Resources Conservation Board) and ILWG (the Intensive Livestock Working Group), which serves to this day as the collective voice of the eight livestock groups across the province. A few years later the AEPA

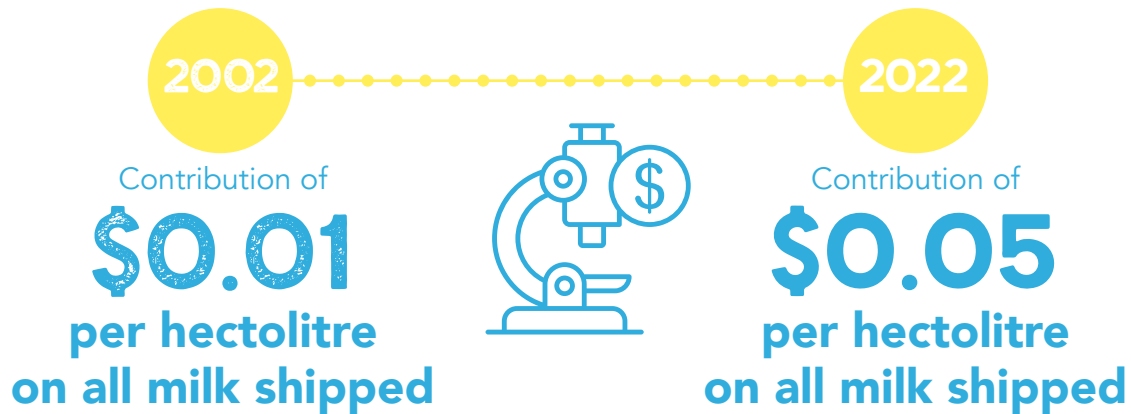
(Agri -Environmental Partnership of Alberta) arrived on the provincial scene designed to act as a focal point for the crop and livestock commodity groups, the municipal, provincial and federal governments and environmental NGOs (non-government organizations) such as Ducks Unlimited. Each of these agencies remains in place today continuing to provide an effective service for Alberta's agriculture and the environment.

In more recent years, there has been considerable conversation about CFO exclusion zones within certain municipalities, climate change, carbon sequestration and greenhouse gas. The challenges, and hopefully the opportunities, will continue for agriculture as it continually strives to adapt to a changing environment.



RESEARCH

[Click to view website](#)



What began as an idea and a nominal contribution of \$0.01 per hectolitre on all milk shipped at least 20 years ago, has grown to the significant investment of \$0.05 per hectolitre today. Investment in research is an important decision for all sectors of agriculture and has risen steadily in priority for the dairy farmers in Alberta.

Over the last two decades, dairy farmer funding has been instrumental in supporting hundreds of scientific projects on production issues such as reproduction, nutrition, lameness, mastitis, calf management, forages, and animal welfare. For each dairy farmer dollar invested in research, an additional \$6.53 was leveraged from our funding partners, such as the provincial and federal governments. In addition, dairy farmers have leased or gifted the use of quota to the University of Alberta and Lakeland College as a further noteworthy contribution to research.

Extension and education of research projects (also referred to as Knowledge Translation and Transfer – KTT) has also been a valuable investment. Making certain that new information and technology generated from research is shared with dairy farmers for adoption on their farms is the critical final step in realizing the value in research funding. Alberta Milk has been a leader in developing educational resources for dairy farmers, including on-farm demos, local workshops, regional/provincial seminars and written reference material for distribution directly to dairy farmers.

PRODUCER ENGAGEMENT

PRODUCER MEETINGS

The 2021 Spring and Fall Producer meetings remained virtual due to COVID-19 restrictions. The Board presented updates on topics like CUSMA, milk quality, and changes to dairy consumption given COVID-19 related economic factors.

ANNUAL GENERAL MEETING

The AGM also remained virtual in 2021, and was divided into two parts, the first being held in November and the second in January due to a controverted election in the central region. .

PRODUCER PORTAL

We continue to strive to ensure our producers are well informed of all issues and information pertinent to their farms and businesses and the Portal is a significant factor in this being successful. The Portal offers 24/7 access to up to the minute information and also includes historical news and resources from our email communications like eblast and priority updates.

DIGITAL UPDATES

We send 2 types of valuable email updates:

- 1) BiWeekly eblast to producers, industry, and stakeholders including news, industry information, events, and more.



- 2) Priority Updates sent as needed to inform our producers and stakeholders of breaking news or important announcements.



Sign up for our biweekly e-news
right to your inbox here.



MARKETING

SMASH THE GLASS

This year, Alberta Milk started working with marketing agency Venture Play to develop large-scale marketing campaigns targeting young millennial/Gen Z women. The Smash the Glass campaign was developed through research into milk drinking habits in Alberta and what type of campaign will make an impact on the target consumers. This campaign made a big splash in Alberta with the campaign running online through social media channels such as YouTube, Tik Tok, Facebook and Instagram. It could also be seen on digital billboards around Alberta and in malls throughout Edmonton and Calgary. The initial campaign performed incredibly well, with 44% of our target market recalling seeing the campaign. Research found that exposure to the Smash the Glass campaign was associated with a +22% increase in dairy consumption. Using regression modelling, research also found that exposure to the Smash Milk campaign was associated with a +31% increase in dairy beverage consumption among all audiences, and a +40% increase among the Young Female 16-34 target audience.

Our summer campaign called Smash In Case of Summer had dairy as a hero solving summer situations, such as the refreshing effect of ice cream on a hot day. Similar to the Smash the Glass campaign, these ads were displayed online, as well as digital platforms including transit stations and malls across Alberta. We also rode ice cream bikes around Sylvan Lake, Pigeon Lake, Canmore and Banff, handing out ice cream samples, and partnered with local ice cream shops to source these samples of delicious Canadian dairy products.

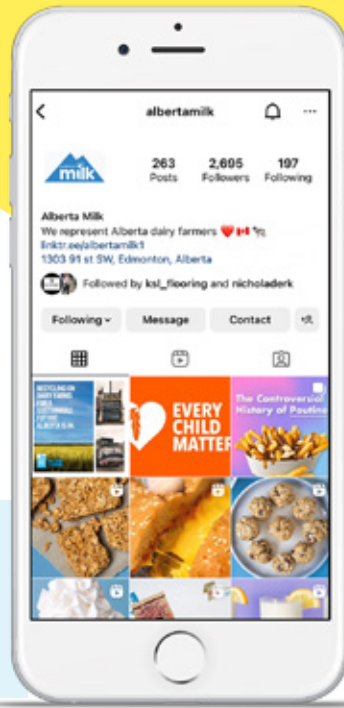
[Click icons to view videos](#)



CALGARY STAMPEDE

This year the Calgary Stampede returned with no restrictions. Alberta Milk updated the Journey of Milk Booth to include more technology, like a fun dairy quiz, as well as adding accessibility to the booth by making it more self-led. The Milk and Cookie Shack had an amazing year. With the donated cookies from Dare, we were able to donate \$15,000 to the local foodbank.





SOCIAL MEDIA

SOCIAL MEDIA BY THE NUMBERS:



Facebook

- Impressions: 34,641,403
(1,208% increase compared to 2021)
- Follower increase: 7,287
(5.8% increase compared to 2021)



Instagram

- Impressions: 20,955,433
(1,629.9% increase compared to 2021)
- Followers 2,643
(12% increase compared to 2021)



Twitter

- Impressions : 62,349
(no growth)
- Follower increase: 3,940
(1.9% increase compared to 2021)

HANNA HOLSTEIN

Alberta Milk focused on improving how we engage with Gen Z and young Millennials online to increase awareness of Alberta Milk and dairy in a unique and fun way. Hanna Holstein, an online influencer who is a cow, helped us interact with this audience in a subtle and fun way in a digital space where they're already spending time. Hanna's content is a mix of educational and inspirational.

HANNA BY THE NUMBERS:

- 4 social media channels – twitter, Facebook, Instagram and now TikTok
- 46 million impressions across platforms
- 5848 followers (41% more than last year)

Click icons to view videos



DAIRY NEWS

Alberta Milk sends out a monthly electronic newsletter to consumers called Dairy News sharing information such as upcoming events, things happening in the community, or highlighting any Dairy Farmers of Canada or Alberta Milk marketing activities. This year, we saw immense growth in the number of subscribers for Dairy News. We finished the year with a 65 per cent increase over the previous year.



ALBERTA MILK AND ALBERTA SCHOOLS' ATHLETIC ASSOCIATION SCHOLARSHIP

Alberta Milk and the Alberta Schools' Athletic Association (ASAA) have been partnered together for over 20 years to offer one male and one female athlete each a scholarship to promote milk's support of nutrition and an active lifestyle for youth. This year we re-imagined our scholarship by adding in a creative Tik Tok element asking students to make a video showing how milk mooves them.

Congratulations to this year's recipients: Ashton Dzeryk from Bow Valley High School and Quynn Le Kuzyk from Cochrane High School.

TASTE ALBERTA

Taste Alberta represents a variety of organizations within the Alberta food and agriculture industry that have come together to encourage loyalty to locally produced foods, including Alberta Milk.

Taste Alberta provides a leadership role in sharing information, building awareness of the agriculture industry, and engaging with our audiences. Despite COVID restrictions and event modifications, we still had a successful year. Feast in the Field had about 50 guests attended and enjoyed many locally produced foods including a creative ice cream dessert served in a trough. About 150 guests attended a special culinary event in November at the Jasper Park Lodge featuring a wine and cheese tasting highlighting six Canadian cheeses.

SPONSORSHIPS

Alberta Milk was also the presenting sponsor of Expedition Dinosaur with the Edmonton Telus World of Science to reach parents with children in the home. During the summer, we sponsored Liquid Nitrogen ice cream demonstrations at the Telus World of Science in Edmonton.

On Canada Day we participated in celebrations at Fort Calgary where we reached over 2,000 Calgarians with our Moovoo machine where Albertans get mooving by pushing a cow on a sled down a 20 foot track to earn milk samples.

We sponsored 58 other small community events throughout the year.

Farm level sponsorships were back this year with our farmers inviting consumers back to their farms. Alberta Milk supported them by sponsoring 3 breakfast on the dairy farms, 5 open farm days tours and 12 other on farm events.





WINTER MARKETING CAMPAIGNS

Alberta Milk travelled to various skating trails in Edmonton and Calgary during the month of December, with a relaxing and inclusive marketing campaign. The team served hot chocolate milk samples and offered branded toques to those who posted a photo on social media.

AMBASSADOR PROGRAM

The Alberta Milk Ambassador Program was designed to help interested producers become better advocates for the dairy industry. The producers who are part of the program enjoyed the benefits of webinars about how to advocate at a government level, and effective communication. This year we held our first in person ambassador conference where our ambassadors learned about effective communication and got to know each other as a team. The Ambassadors also had opportunities to be featured in Alberta Milk and Dairy Farmers of Canada marketing campaigns throughout the year.

PROJECT AGRICULTURE

project AGRICULTURE provides opportunities to explore agricultural themes, topics, issues and challenges in local and global contexts and encourages students to interact with each other, their school community, farmers and content experts. The program provides a unique resource for teachers and students, as it represents a collaborative effort now between nine different producer groups in Alberta. The wide range of evidence-based information, examples and perspectives increases awareness and understanding of agriculture and issues associated with the food system. The inclusion of authentic photos, videos, stories and articles focused on Alberta agriculture continues to be a strong feature of the program.

The 2021-22 school year was the second full implementation year for project AGRICULTURE and included the expansion of the project with three new crop-focused topics and the addition of Alberta Canola, Pulse Growers of Alberta and Alberta Wheat and Barley to the program.

As with the previous school year, the ongoing situation with COVID-19 and its impact on teachers influenced program uptake and, more specifically, the submission of projects. Despite this, the project AGRICULTURE program continues to grow each school year, with increased website visits, resource downloads, subscribers, and increasing user rates.



NUTRITION

OVER 40 YEARS OF ALBERTA NUTRITION INITIATIVES ON BEHALF OF ALBERTA DAIRY FARMERS

The Alberta Nutrition team has been providing nutrition education for Albertans on behalf of Alberta dairy farmers for over 40 years! Formalised in 1988 under the Dairy Nutrition Council and later joining Alberta Milk, the Alberta Nutrition team has become an Alberta institution. Over the past 20 years, we have navigated three Canada Food Guides. Through this time, the programming has evolved, adapted, pivoted, and reinvented how we bring comprehensive food and nutrition education to our audiences. Always through best practice, evidence based resource development, giving them the confidence and knowledge of why, and more importantly, how milk products play such an important role in the diet.

2021-2022 ALBERTA NUTRITION TEAM AND WESTERN STRATEGY

Since the 2019 Canada Food Guide release, the priority has been to rebuild the nutrition education offerings for all grades as all previous resources were retired. 2021/2022 saw the Alberta Nutrition team fulfilling this goal with resources available for all grades, and Early Learning Centers. All programs and resources developed by the team aim to normalize milk and dairy products in the context of age-appropriate lesson plans and resources. 2021 also saw the Alberta Nutrition team joining forces with Manitoba's Nutrition team as they joined DFC Nutrition programs. Additionally, 2021/2022 was the pilot of the Alberta managed SaskMilk DFC nutrition pilot. As such, we will also be working with SaskMilk as they join the DFC nutrition program.

2022 DFC WESTERN REGIONAL NUTRITION TEAMS' GOAL AND OBJECTIVES

Goal:

To be a trusted source of nutrition information (including dairy) and have a strong reputation with our stakeholders.

Objectives:

- Improve educators (early childhood, schools, and post-secondary) dairy related knowledge, attitudes, and professional practice skills.
- Demonstrate the connection between improving eating competence and improved sentiment towards dairy products.

IMPRESSIONS AND ATTITUDES

2021-22 surveys show that on average, 75% of participants had a more positive perception of dairy products and dairy farming after participating in our workshops or using our programs in their classrooms.

COMMUNITY PRESENCE

In addition to our resource offerings, we have been proactive in engaging our community, stakeholders, and partners by attending virtual teachers' conventions, developing partnerships, and growing our digital presence.

Ongoing partnerships in 2021/2022 include:

- Agriculture in the Classroom
- Ag for Life
- Ever Active Schools
- ATCO Blue Flame Kitchen
- Ellen Satter Institute

Through these efforts, we are well-poised for continued growth and momentum for the 2022/2023 year.



Supporting Young Eaters has trained over

590

Early Childhood educators (ECE).

This translates to

>5900

additional children being exposed
to the DFC ECE programming



2021-2022 ALBERTA NUTRITION HIGHLIGHTS

Early Childhood programming: ECE Module one, Nourishing Beginnings: Supporting Young Eaters has trained over 590 Early Childhood educators. 100% of educators feel the program provided enough information and support to start practicing employing these program's learnings in their practice. This translates to 590 educators = ~>5900 additional children being exposed to the DFC ECE programming.

Schools resources:

Garnering over 20,000 visitors per quarter, TeachNutrition.ca is seeing remarkable uptake of content and downloads.

Articles continue to capture the interest of the educator/teacher community with over 2,000 articles being opened and read, with *Is Milk Still in Canada's Food Guide* constantly being #1 averaging over 1,000 reads per quarter.



GOVERNMENT RELATIONS AND PUBLIC AFFAIRS

Provincially, we work closely with the Alberta Agricultural Products Marketing Council (Marketing Council) as well as engage with the relevant Ministers' Offices dependant on the issue affecting Alberta milk producers. In 2021-22, the majority of our government relations work was federal with the most significant issues being trade and regulatory related.

The highlights: INTERNATIONAL TRADE

CUSMA Compensation

- In spring 2022, DFC secured a commitment from the government towards announcing the details of full and fair compensation for the market access concessions granted in CUSMA in the 2022 Fall Economic Statement.

Canada-UK Free Trade Agreement

- DFC continues to follow the negotiations for a Canada-UK free trade agreement very closely.
- DFC has worked to keep government well-informed on the perspectives of dairy farmers throughout the negotiations, particularly when it comes to ensuring that the government meets its public commitment that there will be no more dairy market access concessions granted in this – or any other free trade agreement.

REGULATORY AFFAIRS

Veterinary Medicinal Products/Access to Alternatives

- Over the summer, the European Union sought to restrict the use of certain antimicrobials for human use only for any animal products exported to the EU.
- While the list of restricted antimicrobials ultimately did not include products commonly used on dairy farms, DFC took the opportunity to highlight to key officials the urgent need to facilitate access to new veterinary medicinal products and alternatives to the Canadian market – many of which are already approved in the EU.
- DFC continues to work in partnership with several animal agriculture organizations on this issue, and is seeking the creation of a pan-industry forum to discuss both the barriers preventing novel veterinary medicinal products and alternatives from entering the Canadian market – and what solutions could be put in place to encourage more companies to bring their products to market in Canada.

Misleading Packaging for Simulated/Plant-Based products:

- DFC worked with several animal agriculture associations to conduct joint research on misleading packaging for simulated and plant-based products which clearly shows significant consumer confusion when common animal words/images are used on the packaging and labels of simulated or plant-based products.
- In several follow up meetings with CFIA, officials indicated their agreement that many of the examples provided could indeed be confusing to consumers.
- CFIA is now working on identifying where the “red line” is in terms of what is misleading and what is not.

SUSTAINABILITY

Climate Change Consultations

- Over the summer, DFC responded to three different consultations on climate change. DFC approached each consultation as an opportunity to share the various aspects of dairy farmers' commitment to net-zero emissions, while highlighting where and how the federal government can best support their efforts.
- As leaders within the agricultural sector on this file, DFC is closely engaged with both the Minister of Environment and Minister of Agriculture, and is seeking to ensure that dairy farmers' perspectives and needs are taken into account in the development of any government programs supporting our road to net-zero.

GOVERNMENT RELATIONS

Front of Package Labelling

- In 2018, Health Canada proposed regulations in Canada Gazette I that would require that a warning label be placed on the front of any food product containing more than 15% of the recommended daily value (DV) for sodium, sugar, or saturated fat.
- Since 2018, DFC has submitted more than 120 sources of peer-reviewed evidence supporting the role of nutritious dairy products in a healthy, balanced diet.
- In July 2022, Health Canada published the new front-of-package labelling regulations in Canada Gazette 2, which included significant evidence-based exemptions for nutritious dairy products.

Foot and Mouth Disease Vaccine Bank

- DFC and several other livestock-based associations sent a joint letter to key Ministers to request the urgent establishment of a Canadian foot-and-mouth vaccine bank.
- It is estimated that in the absence of a Canadian vaccine bank, the combined impacts of a significant FMD outbreak could cost up to \$65 billion.
- Government has indicated its agreement that there is a need for a Canadian vaccine bank for FMD; however, discussions are still ongoing.

Grocery Code of Conduct

- In July 2021, Federal, Provincial, and Territorial Ministers of Agriculture agreed to work towards a Grocery Code of Conduct to govern the relationship between retailers and processors.
- DFC has been an active participant in several government-industry working groups on this file, and will continue supporting this work until a Code of Conduct is put in place.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC PRIORITIES

In spring 2020, the Alberta Milk board participated in a strategic planning session to consider the risks and opportunities facing the organization and chart a clear path forward for the next three years. They considered alignment with the Western Milk Pool and Dairy Farmers of Canada's strategic plans and, through this work, seven strategic goals were identified:

1. Ensure high-quality milk is consistently produced to meet processor and consumer demands for dairy products.
2. Advocate for supply management.
3. Work together across the value chain for the industry's success.
4. Lead and influence alongside provincial, regional, and national organizations.
5. Alberta's marketing and promotion work is conducted within a national framework.
6. Develop innovative solutions to increase efficiencies and effectiveness in the industry.
7. Model good governance and efficient resource management.

Each year since, the Board has engaged in a review of the strategic plan and the work of the Western Milk Pool and Dairy Farmers of Canada to affirm its direction, and continues to move forward in achieving the goals and strategies identified.

The General Manager Freda Molenkamp-Oudman, through the work of Alberta Milk staff, is responsible for operationalizing and delivering on each of the goals. The board is kept apprised of this progress through regular updates and key performance indicator reporting. The key performance indicators are informed by performance measures that are

reported to the board in accordance with the board-approved reporting schedule. The key performance indicators for 2021-22 include:

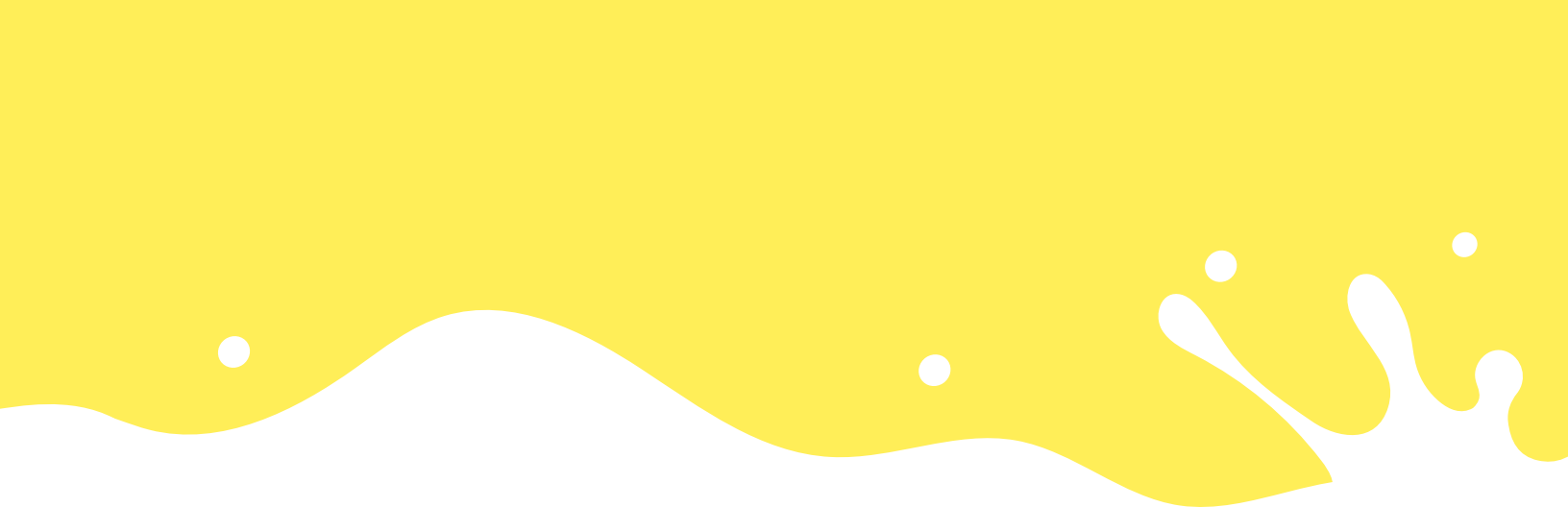
- Sustainable Growth Metrics
- Herd Health and Management
- Regulatory Metrics
- Strategic Alignment
- Consumer Confidence
- Stakeholder Satisfaction
- Board Effectiveness
- Financial Metrics

LOOKING FORWARD

Alberta Milk continues to work collaboratively with our Western Milk Pool partners to find efficiencies and increase value for our producers, including harmonizing policies, sharing resources, and working together on key files. Collaboration at the interprovincial and national level is crucial as industry issues increasingly impact all dairy producers, regardless of where they farm. Alberta Milk will also continue to build strong relationships with the dairy processing industry and work together on issues and opportunities of shared interest.

FINANCIAL REPORTING

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



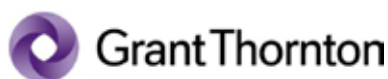
goals and strategies. Financial information presented elsewhere in this report is consistent with the statements provided.

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 and governing policies. The board receives regular reporting on progress made toward the organization's goals as outlined in the strategic plan, including a key performance indicator dashboard provided at each board meeting. The dashboard provides quantitative and qualitative reporting that describes how operational work is delivering strategic outcomes. The Audit and Risk 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 Audit and Risk 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, 2022, should be read in conjunction with the financial statements. Actual revenues, excluding quota exchange revenues, exceeded budgeted revenues by \$41,334,593. The operation of various producer payment pools accounted for \$37,683,800 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 led to the increase in restricted equalization revenues and expenses. The lower-than-budgeted annual milk volumes resulted in assessment revenues of \$688,264 below budget. Hauling fee revenues and expenses were both \$4,188,047 above budget, resulting primarily from higher fuel prices and higher interprovincial transportation costs.

Actual expenses, excluding quota exchange expenses, exceeded budgeted expenses by \$42,821,206. As referred to in the discussion of revenues, restricted equalization expenses were \$37,683,800 higher-than-budgeted, and transportation costs were \$4,188,047 higher-than-budgeted. Marketing and promotion expenses were \$1,068,441 higher-than-budgeted, as there was a focused use of available marketing reserve funds on provincial advertising activities to engage with consumers.



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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, 2022, 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, 2022, 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 12, 2022


Chartered Professional Accountants

ALBERTA MILK
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2022

	Quota Exchange	MNE	Scholarship	Research	Other	2022 Total	2021 Total
REVENUES:							
Assessments (Note 8):							
Administrative	\$ -	\$ -	\$ -	\$ -	\$ 4,335,909	\$ 4,335,909	\$ 4,194,132
Class 1 Market Recovery	-	-	-	-	1,324,357	1,324,357	1,553,963
Marketing, Nutrition, Education (MNE)	-	12,507,446	-	-	-	12,507,446	12,582,366
Research	-	-	-	416,916	-	416,916	419,413
Restricted Revenue - Equalization (Note 5)	-	-	-	-	763,893,278	763,893,278	724,977,183
Hauling Fees (Notes 8 and 10)	-	-	-	-	40,853,419	40,853,419	39,869,718
Investment (Loss) Income (Note 3)	-	-	(6,599)	-	2,770	(3,829)	249,148
Grant Revenue (Note 6)	-	97,282	-	73,153	2,125	172,560	201,153
Processor Audit Recovery	-	-	-	-	139,815	139,815	145,000
Quota Lease	-	-	-	637,811	-	637,811	588,729
Quota Exchange Sales (Note 12)	70,594,747	-	-	-	-	70,594,747	43,021,659
Other Income	-	20,725	-	-	504,133	524,858	425,000
Total Revenues	70,594,747	12,625,453	(6,599)	1,127,880	811,055,806	895,397,287	828,227,464
EXPENSES:							
Salaries and Contract Services	-	1,686,699	-	102,730	2,793,746	4,583,175	3,446,184
Director and Delegate Per Diems	-	3,340	-	19,955	297,869	321,164	353,124
Travel	-	12,953	-	3,775	148,483	165,211	76,882
Office	-	232,048	-	1,417	1,013,019	1,246,484	1,031,235
Data Processing	-	-	-	-	1,155,057	1,155,057	838,357
Meeting Costs	-	1,753	-	1,411	146,779	149,943	56,709
Professional Fees	-	-	-	471	550,340	550,811	675,845
Advertising	-	11,644,331	-	-	1,254	11,645,585	9,787,887
Project Costs	-	-	-	-	-	-	7,962
Hauling Fees (Note 10)	-	-	-	-	40,853,419	40,853,419	39,869,718
Research	-	1,428	-	208,123	-	209,551	406,545
Sponsorships	-	489,749	2,000	-	1,163	492,912	311,779
Grants	-	-	-	944,493	19,900	964,393	674,157
Quota Exchange Purchases (Note 12)	70,594,747	-	-	-	-	70,594,747	43,021,659
Restricted Expenses - Equalization (Note 5)	-	-	-	-	763,893,278	763,893,278	724,977,183
Amortization/Write-Offs	-	13,569	-	-	717,164	730,733	618,735
Total Expenses	70,594,747	14,085,870	2,000	1,282,375	811,591,471	897,556,463	826,153,961
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES							
FOR THE YEAR	\$ -	\$ (1,460,417)	\$ (8,599)	\$ (154,495)	\$ (535,665)	\$ (2,159,176)	\$ 2,073,503

See accompanying notes and schedules to the financial statements.

ALBERTA MILK
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2022

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and investments (Note 3)	\$ 24,601,686	\$ 23,094,047
Due from processors, producers and others	36,636,758	31,927,316
Accounts receivable	984,537	1,950,000
Grants receivable (Note 6)	182,527	82,222
Inventories	21,255	41,476
Prepaid expenses and deposits	71,922	61,184
Total current assets	62,498,685	57,156,245
CAPITAL ASSETS (Note 4)	4,375,607	3,854,704
TOTAL	\$ 66,874,292	\$ 61,010,949
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 6,864,783	\$ 5,998,757
Deferred contributions (Note 5)	44,496,019	36,939,060
Current portion of long term debt (Note 7)	41,943	-
Total current liabilities	51,402,745	42,937,817
LONG TERM DEBT (Note 7)	676,591	-
NET ASSETS:		
Invested in capital assets	4,375,607	3,854,704
Internally restricted:		
Marketing, nutrition, education	7,890,928	9,351,345
Research	528,658	624,918
Scholarship	133,903	142,502
Quota exchange (Note 12)	1,064,084	1,064,084
Unrestricted	801,776	3,035,579
Total net assets	14,794,956	18,073,132
TOTAL	\$ 66,874,292	\$ 61,010,949

Commitments (Note 9)

Contingent Loss (Note 14)

APPROVED ON BEHALF OF THE BOARD:



Stuart Boeve



Gezinus Martens

See accompanying notes and schedules to the financial statements.

ALBERTA MILK

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JULY 31, 2022

	<i>Internally Restricted</i>				Unrestricted	Invested in Capital Assets	2022 Total	2021 Total
	Quota Exchange	MNE	Scholarship	Research				
BALANCE AT BEGINNING OF THE YEAR	\$ 1,064,084	\$ 9,351,345	\$ 142,502	\$ 624,918	\$ 3,035,579	\$ 3,854,704	\$ 18,073,132	\$ 15,088,629
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	-	(1,460,417)	(8,599)	(154,495)	(535,665)	-	(2,159,176)	2,073,503
ADMINISTRATION COSTS TRANSFERRED (Note 13)	-	-	-	58,235	(58,235)	-	-	-
PURCHASE OF CAPITAL ASSETS	-	-	-	-	(1,250,182)	1,250,182	-	-
DISPOSAL OF CAPITAL ASSETS	-	-	-	-	51,163	(51,163)	-	-
AMORTIZATION OF CAPITAL ASSETS	-	-	-	-	678,116	(678,116)	-	-
PENSION REMEASUREMENTS AND OTHER ITEMS (Note 11)	-	-	-	-	(1,119,000)	-	(1,119,000)	911,000
BALANCE AT END OF THE YEAR	\$ 1,064,084	\$ 7,890,928	\$ 133,903	\$ 528,658	\$ 801,776	\$ 4,375,607	\$ 14,794,956	\$ 18,073,132

See accompanying notes and schedules to the financial statements.

ALBERTA MILK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2022

	2022	2021
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
(Deficiency) excess of revenues over expenses for the year	\$ (2,159,176)	\$ 2,073,503
Items not affecting cash flow:		
Amortization and losses on capital asset disposals	729,278	614,720
Pension remeasurements and other items (Note 11)	(1,119,000)	911,000
Net decrease (increase) in fair value of investments (Note 3)	146,112	(177,557)
Investment income and receivables reinvested directly	(6,308)	(7,635)
	(2,409,094)	3,414,031
Changes in non-cash working capital items:		
Due from processors, producers and others	(4,709,442)	(1,887,323)
Accounts receivable	965,463	(506,339)
Grants receivable (Note 6)	(100,305)	(82,222)
Prepaid expenses and deposits	(10,738)	106,754
Inventories	20,221	50,234
Accounts payable and accrued liabilities	866,026	4,696,630
Deferred contributions (Note 5)	7,556,959	6,373,473
Deferred grants (Note 6)	-	(90,114)
Net cash from operating activities	2,179,090	12,075,124
FINANCING ACTIVITIES:		
Long term debt acquired (Note 7)	750,000	-
Long term debt repaid (Note 7)	(31,466)	-
Net cash from financing activities	718,534	-
INVESTING ACTIVITIES:		
Purchases of capital assets	(1,250,182)	(1,894,563)
Proceeds on sale of capital assets	-	24,500
Purchases of investments	(278,508)	(637,136)
Proceeds from sales and redemptions of investments	234,000	601,010
Net cash to investing activities	(1,294,690)	(1,906,189)
INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	1,602,934	10,168,935
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	20,360,401	10,191,466
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 21,963,335	\$ 20,360,401

See accompanying notes and schedules to the financial statements.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

1. AUTHORITY AND PURPOSE OF THE BOARD:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

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

Revenue Recognition

Alberta Milk follows the deferral method of accounting for contributions.

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

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.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Capital Assets

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

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

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, 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Financial Instruments

Initial measurement

The Board's financial instruments are measured at fair value when issued or acquired except for certain non-arm's length transactions, if any, which are measured at cost or fair value depending on the nature of the transaction. 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 obtained in arm's length transactions 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, deferred contributions, and long term debt.

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 allowances for uncollectible receivables, amortization of capital assets, valuation of employee future benefits, and valuation of contingencies.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

3. CASH AND INVESTMENTS:

	2022	2021
Cash and cash equivalents	\$ 21,963,335	\$ 20,360,401
Fixed income	1,050,418	1,286,441
Equities quoted in an active market	1,239,468	1,304,707
Mutual funds quoted in an active market	348,465	142,498
	\$ 24,601,686	\$ 23,094,047

Investment (loss) income includes the following:

	2022	2021
Net (decrease) increase in fair value of investments	\$ (146,112)	\$ 177,557
Interest and dividends earned on corporate funds	151,079	79,657
Interest and dividends earned on scholarship investments	5,212	4,848
Investment management fees	(14,008)	(12,914)
Interest earned on pooling funds	138,184	28,383
Interest rebated to producers	(138,184)	(28,383)
	\$ (3,829)	\$ 249,148

4. CAPITAL ASSETS:

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 4,112,367	\$ 1,404,437	\$ 2,707,930	\$ 2,295,166
Computer hardware	888,028	660,748	227,280	154,805
Computer software	3,028,259	2,083,384	944,875	877,932
Consumer displays	293,961	262,299	31,662	45,231
Display booth and tent	91,404	86,768	4,636	5,796
Land	385,175	-	385,175	385,175
Office furniture and equipment	445,363	371,314	74,049	90,599
Total	\$ 9,244,557	\$ 4,868,950	\$ 4,375,607	\$ 3,854,704

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

5. DEFERRED CONTRIBUTIONS:

Deferred contributions represent unspent resources externally restricted for price equalization.

	2022	2021
Deferred contributions at beginning of year	36,939,060	30,565,587
Contributions received	\$ 771,450,237	\$ 731,350,656
Transferred to revenue	(763,893,278)	(724,977,183)
Deferred contributions at end of year	\$ 44,496,019	\$ 36,939,060

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.

Effective March 1, 1997, four provinces (Alberta, British Columbia, Saskatchewan, and Manitoba) and the Canadian Dairy Commission (CDC) 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.

Effective June 1, 2020, the Western Milk Pool entered into a P10 revenue sharing agreement with Newfoundland and Labrador 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, 2022

6. GRANTS RECEIVABLE / DEFERRED GRANTS:

Grants receivable represent grant funding that has been earned according to grant agreements but has not yet been received. Deferred grants represent grant funding that has not yet been earned according to grant agreements but has already been received. Grants receivable and deferred grants have changed as follows:

	2022	2021
Grants receivable (Deferred grants) at beginning of year	\$ 82,222	\$ (90,114)
Grant revenue earned	172,560	201,153
Grant funds received	(72,255)	(28,817)
Grants receivable at end of year	\$ 182,527	\$ 82,222

7. LONG TERM DEBT:

	2022	2021
Mortgage payable - bearing interest at 2.713%, repayable in monthly blended principal and interest payments of \$5,076, maturing October 2036. Secured by the land and building with a net carrying amount of \$3,093,105.	\$ 718,534	\$ -
Less portion due within one year	41,943	-
Total long term debt	\$ 676,591	\$ -

Principal repayments due in each of the next five years are as follows:

2023	\$ 41,943
2024	43,095
2025	44,279
2026	45,495
2027	46,745
Thereafter	496,977
Total repayments	\$ 718,534

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

8. ASSESSMENT REVENUE:

The Board collected the following producer assessments during the year:

	2022	2021
Administrative	\$0.52/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

9. COMMITMENTS:

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

2022-23	\$ 17,824
2023-24	17,824
2024-25	13,588
2025-26	2,132

The Board has a budgeted commitment of \$9,578,680 to Dairy Farmers of Canada for the upcoming year. This amount includes Alberta Milk's membership fee, funding for strategic industry objectives, and funding for service agreements.

The Board has a funding commitment to several universities for academic advisor positions in the amount of \$372,083 to be disbursed over the course of the next two years.

10. HAULING FEES :

	2022	2021
Paid by producers	\$ 32,892,814	\$ 32,041,016
Recovered from processors	68,040	203,772
Recovered from the Western Milk Pool	7,892,565	7,624,930
Total hauling expenses for the year	\$ 40,853,419	\$ 39,869,718
Producer cost per hectolitre	\$ 3.94	\$ 3.82

Hauling fees paid by producers include volume fees of \$26,198,627 (2021 - \$26,353,345), yard stop fees of \$2,174,579 (2021 - \$2,236,722), interprovincial hauling fees of \$3,055,232 (2021 - \$3,331,351), the elimination of the \$456,441 transportation surplus from the prior year, and the generation of a \$1,007,935 transportation deficit by the end of the year. In the prior year, the opening transportation surplus of \$576,039 decreased by \$119,598 over the course of the year.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

11. PENSIONS:

Effective January 1, 2007 the Alberta Milk Employees' Pension Plan ("the Plan") was established on behalf of employees of Alberta Milk. Prior to January 1, 2007 certain members had accumulated retirement benefits under the Western Canadian Dairy Herd Improvement Services Association Employees Pension Plan ("the Predecessor Plan"). As of January 1, 2007 the Predecessor Plan benefits for such members, and the liability thereof, have been transferred to the Plan and shall be paid in accordance with the terms of the Plan. The Plan is a defined benefit plan and specifies the amount of the retirement benefit to be received based on the length of service and final average earnings. The most recent funding recommendation for the Plan was completed as at December 31, 2021 and has been updated for current assumptions in the actuarial report dated September 7, 2022.

	2022	2021
Defined benefit obligation		
Defined benefit obligation - opening	\$ 4,721,000	\$ 4,832,000
Current service cost - employer	133,000	124,000
Employee contributions	109,000	109,000
Benefits paid	(654,000)	(595,000)
Interest on defined benefit obligation	243,000	251,000
Actuarial loss	680,000	-
Defined benefit obligation - closing	\$ 5,232,000	\$ 4,721,000
Fair value of plan assets		
Fair value of plan assets - opening	\$ 6,347,000	\$ 5,525,000
Employer contributions	117,000	117,000
Employee contributions	109,000	109,000
Benefits paid	(654,000)	(595,000)
Return on plan assets	(117,000)	1,191,000
Fair value of plan assets - closing	\$ 5,802,000	\$ 6,347,000
Defined benefit asset		
Defined benefit obligation	\$ (5,232,000)	\$ (4,721,000)
Fair value of plan assets	5,802,000	6,347,000
Funded surplus	\$ 570,000	\$ 1,626,000
Valuation allowance	-	-
Defined benefit asset	\$ 570,000	\$ 1,626,000
Defined benefit cost		
Employer current service cost	\$ 133,000	\$ 124,000
Interest cost on defined benefit obligation	243,000	251,000
Expected interest on plan assets	(322,000)	(280,000)
Defined benefit cost	\$ 54,000	\$ 95,000
Remeasurements and other items		
Interest less net return on plan assets	\$ 439,000	\$ (911,000)
Actuarial loss	680,000	-
Total remeasurements and other items	\$ 1,119,000	\$ (911,000)

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

11. PENSIONS (continued):

	2022	2021
Actuarial assumptions		
Annual discount rate	4.50%	5.25%
Annual rate of return on assets	4.50%	5.25%
Annual rate of salary increase	3.75%	3.75%
Annual inflation rate	2.25%	2.25%
Termination table	Nil	Nil

The mortality table used was CPM2014Priv with projection scale MI-2017 as at July 31, 2022 (2021 - CPM2014Priv with projection scale MI-2017 as at July 31, 2021).

The retirement rate used was 100% at age 62 (2021 - 100% at age 62).

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

Canadian equities	29.9%	29.9%
International equities	10.7%	10.9%
U.S. equities	16.2%	15.3%
Debt securities	-%	32.5%
Cash and other	43.2%	11.4%
Total	100.0%	100.0%

12. 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. Quota exchange sales and quota exchange purchases are recognized on the gross basis as the Board both facilitates the sale of quota between producers and buys quota on its own account.

13. 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 2022, the Board transferred \$58,235 (2021 - \$55,657) from the Unrestricted net assets into the Research net assets to cover administration costs.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

14. CONTINGENT LOSS:

The Board was served with a statement of claim in a prior year 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.

15. 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 Board holds economic interest in DIW to the extent that resources are transferred to DIW by means of member assessment fees, which are collected by DIW to achieve its stated purpose. 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. The Board's recorded transactions with DIW during the year consist of \$87,987 (2021 - \$1,224,704) of member assessment fees, which are included in office expenses (2021 - hauling fees expenses) on the Statement of Operations. A Board staff member serves as Treasurer for DIW and the Board performs bookkeeping and administrative functions on behalf of DIW.

16. SUBSEQUENT EVENTS:

Subsequent to year-end, the Board entered into a non-binding letter of intent with Farm Credit Canada ("FCC") for a construction loan to support the construction of a milk concentration plant to be owned by a related party, DIW Buildings and Land Corporation ("Landco"). Landco was incorporated on August 22, 2022 and is owned by the Board, Dairy Investment Development Council, Sask Milk and Dairy Farmers of Manitoba, who are also principals in Dairy Innovation West Inc. ("DIW"), a not-for-profit entity formed to operate the milk concentration plant. The non-binding letter of intent anticipates a total construction loan of approximately \$61,000,000, with the Board's portion being approximately \$9,700,000. The terms of the loan per the letter of intent are a term of five years with a fifteen year amortization period, bearing interest at prime minus 0.35%, with interest only payments during construction, and monthly blended payments subsequent to construction. Security includes a full guarantee of Landco, and a first mortgage registered against land held by Landco, and a General Security Agreement over the assets of the Board. As of the date of the financial statements, the land related to this project is held by DIW, and will be transferred to Landco prior to the commencement of construction. The Board anticipates that the current structure of the arrangement will result in the Board receiving preferred shares in Landco in exchange for the contributions of the loan funds towards construction expenses, and that Landco will redeem those shares in amounts equal to the repayment of the construction loan by the Board to FCC.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

17. FINANCIAL INSTRUMENT RISKS:

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

Credit risk

The Board has determined the financial assets with credit risk exposure are due from processors, producers and others, and accounts receivable, as failure of any 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 its cash balances, fixed income investments, and long term debt. The only significant change in exposure from the prior year was the acquisition of long term debt during the current year.

Other price risk

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

Liquidity risk

The Board's liquidity risk represents the risk that the Board could encounter difficulty in meeting obligations associated with its financial liabilities. The Board is 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.

18. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the fiscal 2022 financial statements.

ALBERTA MILK
SCHEDULE OF REVENUE AND EXPENSES BY GOAL
FOR THE YEAR ENDED JULY 31, 2022

	2022 (unaudited)	Budget (unaudited)	2021 (unaudited)
REVENUES:			
Assessments (Note 8):			
Administrative	\$ 4,335,909	\$ 4,442,693	\$ 4,194,132
Class 1 Market Recovery	1,324,357	1,587,556	1,553,963
Marketing, Nutrition, Education (MNE)	12,507,446	12,815,461	12,582,366
Research	416,916	427,182	419,413
Restricted Revenue - Equalization (Note 5)	763,893,278	726,209,478	724,977,183
Hauling Fees (Notes 8 and 10)	40,853,419	36,665,372	39,869,718
Investment (Loss) Income (Note 3)	(3,829)	85,000	249,148
Grant Revenue (Note 6)	172,560	65,090	201,153
Processor Audit Recovery	139,815	147,175	145,000
Quota Lease	637,811	600,000	588,729
Other Income	524,858	422,940	425,000
TOTAL REVENUES	824,802,540	783,467,947	785,205,805
EXPENSES BY GOAL & STRATEGY (Schedule II)	826,961,716	784,140,510	783,132,302
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES BEFORE QUOTA EXCHANGE	(2,159,176)	(672,563)	2,073,503
QUOTA EXCHANGE:			
Sales of Quota (Note 12)	70,594,747	43,500,000	43,021,659
Purchases of Quota (Note 12)	70,594,747	43,500,000	43,021,659
Net Quota Exchange	-	-	-
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	\$ (2,159,176)	\$ (672,563)	\$ 2,073,503

ALBERTA MILK
SCHEDULE OF EXPENSES BY GOAL
FOR THE YEAR ENDED JULY 31, 2022

	2022 (unaudited)	Budget (unaudited)	2021 (unaudited)
EXPENSES BY GOAL & STRATEGY:			
High-quality milk is consistently produced to meet demand:			
Quota, processor allocation, and transportation systems	\$ 144,896	\$ 115,500	\$ 121,022
Efficient transportation of raw milk	41,133,650	37,053,884	40,181,787
Provide the best quality milk for consumers	728,672	831,048	773,724
Advocate for supply management:			
Advocate the value of dairy and supply management	6,295	35,000	19,718
Work together across the value-chain for the industry's success:			
Facilitate processor investment in Western Canada	117,119	-	20,769
Develop a retailer code of conduct	1,406	2,425	-
Engage the processing sector in policy development	4,300	3,815	434
Lead and influence alongside partners:			
Strengthen relationships with industry partners	327,339	399,581	296,175
Be a strategic partner in the Western Milk Pool	254,150	73,041	88,774
Represent Alberta in national policy development	54,592	84,140	33,454
Marketing and promotion work:			
Align with national marketing initiatives and messaging	7,952,137	9,449,511	9,295,920
Connect with Gen Zs and Millennials	913,933	1,489,650	960,854
Target school-aged children and their families	267,116	420,218	388,867
Elevate local dairy products and Alberta dairy farmers	4,952,684	1,658,050	309,140
Increase efficiencies and effectiveness in the industry:			
Support dairy production research	1,282,375	1,425,305	1,029,679
Model good governance and efficient resource management:			
Administer and enforce regulations, directives, and policies	108,226	134,716	226,706
Communication with farmers, stakeholders, and the public	247,824	274,105	246,230
Optimal, effective, and efficient resource management	768,465,002	730,690,521	729,139,049
Total Expenses	\$ 826,961,716	\$ 784,140,510	\$ 783,132,302





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