

# 2017-2018 Annual Report

Sask **mil**k





## Our Mission

To lead and grow the dairy industry through innovation,  
advocacy, and quality

## Our Vision

A healthy sustainable dairy industry

# Board of Directors 2017-2018



Melvin Foth,  
Chair  
Box 497  
Hague, SK  
S0K 1X0



Denise Coghill  
Box 50  
McLean, SK  
S0G 3E0



Brian  
Lindenbach  
(to Sept. 2017)  
Box 192  
Balgonie, SK  
S0G 0E0



Brad Kornelius,  
Vice-Chair  
Box 509  
Osler, SK  
S0K 3A0



Ryan Enns  
(to Nov. 2017)  
Box 463  
Osler, SK  
S0K 3A0



Tom  
Mackenzie  
R.R. #1  
Zehner, SK  
S0G 5K0



Albert  
Leyenhorst  
(from Dec. 2017)  
Alternate  
Vice-Chair  
Box 327  
Dalmeny, SK  
S0K 1E0



Jack Ford  
Box 250  
Wishart, SK  
S0A 4R0



Blaine McLeod  
Box 383  
Caronport, SK  
S0H 0S0



John Hylkema  
(from Dec. 2017)  
Box 330  
Hague, SK  
S0K 1X0



Leonard Wipf  
Box 130  
Kenaston, SK  
S0G 2N0

## Staff

Peter Brown  
General Manager

Jenn Buehler  
Administrative Assistant

Dianne Cardinal  
HR Coordinator/  
Producer Payment  
Officer

Julie Crossman  
Communications  
Coordinator

Bev Eckert  
Promotions Assistant

Deb Hauptstein  
Dairy Specialist

Anita Medl  
Marketing Manager

Doug Miller  
Manager Finance & IT  
Services

Joy Smith  
Manager Policy &  
Communications

Bev Solie  
Quota Management  
Officer

Darlene Weighill  
Financial Officer

A close-up photograph of a white milk carton, tilted diagonally from the top left towards the bottom right. A splash of white milk is captured in mid-air on the right side of the frame, with a single droplet suspended above the main splash. The background is a solid, vibrant blue. The text '2017/2018 Saskatchewan Dairy Industry' is overlaid in white, sans-serif font on the right side of the image.

# 2017/2018 Saskatchewan Dairy Industry

**165**

Dairy Farms

**3**

Processors

**26**

Dairy farms started through the Dairy Entrant Assistance Program

**4,800**

Saskatchewan jobs

**\$413 million**

to Saskatchewan's GDP

**\$638,000**

Invested into research

**\$588,000**

for sponsorship of the School Milk Program, SHSAA & others

**44,000 L**

of milk donated to Regina & Saskatoon Food Banks

# Chair Report


As I look back at this past year, I am thankful for the Board members, General Manager and staff that have all contributed to the success of SaskMilk. We have worked diligently to manage our industry provincially, within the west, and nationally. We continue to follow our Strategic Plan, with its focus to the future and realizing our Vision and Mission while staying true to our Values.

This past year has seen changes in our industry that precipitated a shift from very rapid to more moderate growth. Several situations have forced us to adjust from aggressively issuing quota to maintaining our current level of production. These circumstances include anticipated future imports due to access to our market given in trade deals by the Canadian government, a lack of processing capacity in the west, and significant overproduction within the P5 that pushed butter stocks to record levels. Due to these conditions, the Board re-evaluated the previously announced 2018 increases and, after giving one percent increases in the months of October, December, and March, suspended the additional future increases. Although we, too, were disappointed to have to reduce the issuances for the year, we are responsible for maintaining our production at appropriate levels for our market and sometimes have to make those difficult decisions.

The Dairy Entrant Assistance Program continues to be successful, with 8 new entrants approved based on quota previously committed to the program. This means that we have a total of 22 new producers approved for Saskatchewan, and it is helping to maintain our farm numbers provincially. While we celebrate the success of the program, we recognize that we will not be allocating any further quota to the DEAP program until we can again issue quota and take advantage of market growth.

With the ingredients strategy in place, efforts were made nationally over the past year to finalize the audit requirements for Class 7, as well as find solutions for outstanding Class 7 ratios for fluid milk. Significant effort has been given by both producers and processors to achieve an agreement that will support a vibrant and thriving dairy sector for many years to come. This is now being threatened by trade deals such as CETA, CPTPP, and the renegotiation of NAFTA. To mitigate some of the impact on the dairy industry, SaskMilk continues to work with our WMP partners in finding opportunities, synergies, and harmonization. The four western provinces work together on milk allocation, transportation, and harmonized policies with the goal of securing adequate processing in the west. Working together is the most effective method for finding a home for all the milk every day of the year, which can be a challenge with the processing capacity of today. To encourage normalized butterfat content, and to harmonize with the WMP, the SaskMilk Board approved a price change that sees the focus shift from protein to butterfat. Pricing is now based 85% on Butterfat, 10% on Protein, and 5% on other solids.

SaskMilk remains committed to proAction® and continues to move forward with the different elements. All producers have been audited on Animal Care, with the second round to begin soon. Traceability has been implemented, Biosecurity will be following right away, and all farms are working toward getting their Environmental Farm Plans completed as phase one of the Environment component. As dairy producers, we are committed to assuring consumers that Canadian milk is high quality and that farmers are responsible stewards of our animals and land. We continue to review and improve our policies regularly, and this coming year will see a transportation review focused on the cost and efficiencies of hauling milk.

A photograph of a glass of milk and a pitcher of milk. The glass is in the foreground, filled with milk, and the pitcher is behind it, also filled with milk. The background is a soft, out-of-focus blue and white. The lighting is bright, creating a clean and fresh atmosphere.

The Board decided to opt out of the NITA project that had been underway for several years with several provinces. Cost overruns and delays caused us to determine the result would not be satisfactory. Instead, we shifted our focus and resources to modifying our existing MMS system and making innovative, web-based system designs. The Producer Portal went live in May, and has been very well-received, with even more options and tools planned.

SaskMilk continues to send DFC the largest share of our promotion dollars, but retains a strong focus on provincial activities and community involvement. Recently, SaskMilk approved a 5-year commitment to Evraz Place to sponsor the International Trade Centre. One of the centre's main halls will be named "SaskMilk Hall" and will have signage for promotion of dairy in a very large and public way.

As of the end of this dairy year, we are very close to signing a significant agreement to bring on more processing. However, the renegotiation of NAFTA has brought uncertainty to this deal. Regardless of the challenges, the SaskMilk Board remains committed to serving and working with Saskatchewan's dairy producers and ensuring a strong future for the dairy industry in Saskatchewan.

I would like to thank you all for allowing me to represent you.

Melvin Foth

# General Manager's Report

The 2017-2018 dairy year has brought advances and new challenges to our industry. In order to effectively approach these changes, SaskMilk continues to be guided by its strategic plan, components of which are reviewed periodically to keep it current and appropriate. One of the main highlights of the past year has been the launch of our Producer Portal. The portal provides producers with a variety of information ranging from quota management to milk statements and allows up to date information gathering of on-farm processes. We are pleased with the activity that the portal has seen and look forward to the benefits it will provide.

We have seen a slow-down in the growth of milk requirements compared to previous years. Growth has moved back into a more usual pace of 2-3% annually. International trade issues have been a concern of the industry with the completion of the CPTPP, which gave the signatories 3.25 % access to the Canadian market in a variety of product areas. Discussions are underway with the federal government on compensation for this access, as well as the completion of the compensation for the CETA access. The re-negotiation of NAFTA has also been an area of focus for the dairy industry. Activity on trade and related consumer interest in the dairy industry has kept our communications staff particularly busy this year.

We continue to increase our involvement with the Western Milk Pool as we look for further ways to harmonize policies and processes and to grow our region. The WMP has been particularly active in discussion with processors to bring further processing investment to the west. These discussions have gone well and various possibilities are on the table, but trade issues have slowed down completion of any new arrangements.

This year saw two staff changes within SaskMilk. Dianne Cardinal, SaskMilk's HR Coordinator/Producer Payment Office, retired after many years with the industry. Dianne's retirement led to some reorganization and changes in staff duties, and a new position of Communications Coordinator was developed to handle the increasing workload in that area and to take over as Recording Secretary for monthly Board meetings. We were pleased to have Julie Crossman join our staff in this new role.

SaskMilk has an increasing focus on connecting with consumers in a variety of ways. We have increased our presence on social media, with accounts going live on Facebook and Instagram. We have already seen excellent feedback on these new mediums and are looking forward to the new opportunities that they provide. Additionally, our website is currently undergoing a redesign. The new website will offer consumer friendly information that focuses on dairy products as well as Saskatchewan's dairy industry. We are very excited about one of the main components on the website, "Meet Saskatchewan's Dairy Farmers", that will showcase our farming families.

This year has asked a lot of you, Saskatchewan's dairy farmers. We thank you for your confidence in our industry and your commitment to producing a high-quality product for consumers. Public trust in dairy farmers is something that will carry our industry through the days ahead. Through your donations to those in need and involvement in the community, you have directly helped to bridge the gap between farmer and consumer. We know that with your dedication and consumer's positive perception of Canada's dairy farmers, the Canadian dairy industry has a viable and thriving future.

Peter Brown



# Dairy Farmers of Canada Report

It has been a great honor and pleasure to continue to serve on the board of Dairy Farmers of Canada and to represent the interests of Saskatchewan in the national conversation. The end of this reporting period marks the first anniversary of the election of our new president, Pierre Lampron. Pierre has worked tirelessly on our behalf and he has brought a welcome approach to the work of DFC. Our new Executive Director, Jacques Lefebvre, joined our team in January of 2018 and his leadership has helped to bring a spirit of renewal to the organization. There is much work to be done in the task of reorganization but it is evident to me that we have an individual who is capable and committed to that task.

Our industry continues to be under attack by many detractors and those who would like to make political gain by tearing down the work of generations of dairy farmers. We must continue to bring a unified approach to the people of Canada and our governments in order to ensure that our industry remains vibrant, strong and financially stable. The entire team at DFC is committed to this task and I want to take the opportunity to thank our staff for all their excellent work on behalf of all dairy farmers in Canada. I am pleased to submit the report of activities that is prepared by our office staff.

In January 2018, DFC started a transition to 'DFC 2.0' with the hiring of a new CEO in the person of Jacques Lefebvre. As this shift in DFC structure and service to members happens, the national organization will improve the cohesion and collaboration on strategies, messages and actions with member organizations and industry partners.

The Board of Directors of DFC continues to advance the national policy, lobbying and marketing priorities as identified by members. We continue to work proactively with our industry partners to manage the sector, promote milk and dairy products and maintain an effective and efficient system.

## **Communications and Government Relations**

In early February, DFC held Ottawa's first Lobby Day and reception of the year. Farmer delegates from all provinces met with over 160 MPs and senators to discuss concerns related to trade and the Healthy Eating Strategy. The reception welcomed close to 400 guests attended including 55 MPs, Minister of Agriculture Laurence MacAulay, Canada's lead negotiator Frédéric Seppey, and Standing Committee on Health Chair Bill Casey.

During the annual Policy Conference in February, DFC presented a new communications tool, the DairyExpress+ app destined to all dairy farmers across Canada. The app provides regular news from your national organization, as well as offering you a comprehensive FAQ on a variety of topics.

To increase outreach throughout the year, the Board of Directors decided to dedicate half a day at each of their board meetings in Ottawa to lobby key Ministers, MPs and Senators. In March, the board members had 15 meetings with senior staff and advisors at the Ministerial level and met 17 MPs and Senators in June.

DFC also appeared four times before House and Senate committees between July 2017 and July 2018 on a variety of topics, including: the carbon tax and other changes to taxation; research initiatives under the next Growing Forward; and trade agreements.

## **Policy and International Trade**

### **Comprehensive and Progressive Agreement for TransPacific Partnership**

The CPTPP was signed by the 11 transpacific trading partners on March 8, 2018. DFC expressed its disappointment that the CPTPP agreement maintained the concessions agreed to in the original Trans-Pacific Partnership Agreement, which then included the US. Market access concessions agreed to as part of the CPTPP represent a loss of 3.1% in terms of milk production in Canada.

Following the announcement of the CPTPP, representatives from DFC met with Ministers Champagne and MacAulay, who committed to implementing measures to help the sector cope with the increased imports and sustain investments in the industry.

### **North America Free Trade Agreement**

The renegotiation of NAFTA officially started in August 2017 when the US hosted the first negotiating round in Washington, D.C. To verify the Canadian pulse, DFC commissioned Ipsos to do a survey of consumer attitudes towards the dairy sector, supply management and NAFTA. The results showed 75% of Canadians believe that the Canadian dairy sector should be defended, and that the federal government should make more efforts to do so in the NAFTA renegotiations. Additionally, eight Canadians out of 10 share Canadian dairy farmers' concerns with regard to the NAFTA renegotiation and the potential concessions that could result from this renegotiation.

### **proAction®**

The work on proAction® has continued according to the plan and meeting the milestones in a timely manner. The validation phase of the Animal Care and Traceability modules of proAction® began in 2017. In July 2018, DFC chose Holstein Canada again as the provider of choice for cattle assessment services, following the general satisfaction of their performance in addressing arising issues during the first two years. DFC and the Canadian Dairy Network (CDN) have set up a national traceability system for dairy cattle called DairyTrace, which should be ready for use in 2019. Training material for biosecurity and completing a life-cycle assessment of milk production were also part of the activities in 2017 and 2018.

In November 2017, DFC hosted a symposium entitled “Building a Sustainable Dairy Industry” which over 200 food industry stakeholders attended. The symposium allowed for valuable networking among all members of the food supply chain, with the objective to foster work and collaboration to continue to improve the sustainability of the industry.

### **Food Guide and Front-of-package labelling**

In July 2017, DFC encouraged farmers to participate in Health Canada's public consultation on the Food Guide. DFC also provided input on the Marketing to Children regulations and on front-of-package (FOP) warning labeling. In the end, more than 7,600 individual submissions were sent, exceeding DFC's goal of 5,000. As a direct result of DFC's ongoing advocacy on this file, Health Canada announced an exemption for whole milk from Front-of-Package labelling in February 2018. DFC continues to seek exemptions for all nutritious milk products.

## **Business Stakeholder Relations**

Chapman's, Dairy Queen, Tim Horton's were among the stakeholders leveraging the logo in their marketing activities as they see value in promoting that they use 100% Canadian Milk in the products they serve. In 2018, DFC partnered with MissFresh, and on-line meal kit supplier to promote menu choices that use exclusively 100% Canadian Dairy.

## **Marketing**

The DFC marketing department successfully ran the following campaigns through 2017 and 2018: *If it's made with Canadian milk, it's worth crying over*, *Pour a tall cold one*, *Holiday milk campaign*, and *Canadian cheese. Crafted with creativity*.

Additionally, DFC representatives hosted marketing events or booths at 39 festivals/ events/locations.

Following DFC's new logo launch in 2017, DFC focused on educating Canadian consumers to ensure a successful logo transition on the market to better identify products made from high quality milk and milk ingredients. The "Buy with pride, Buy Canadian" campaign was launched during many in-store Canada 150 celebrations. The campaign generated over 300 million impressions through in-store, online and flyers.

## **Nutrition**

The campaign "Strong people get more out of life campaign" aimed to motivate consumers to increase their consumption of milk, yogurt and cheese by showing the valuable role the products can play in a healthy lifestyle in keeping them strong. This campaign with its strong nutrition message was on TV again during summer 2018.

## **Health Professionals**

Close to 1,600 dietitians and other health professionals participated in the 17th annual Nutrition and Health symposium. In 2017, the event focused on women's health. DFC also offered three webinars to 4,416 health professionals. In addition, from August 2017 to July 2018, DFC representatives visited 9,303 physicians for face-to-face discussions and were present during several conferences across Canada (16,781 visits in total).

## **Research**

In 2017-2018, DFC invested \$1.7 million in dairy research. Dairy industry partners, Agriculture and Agri-Food Canada and the Natural Sciences and Engineering Research Council of Canada, also invest in research, which means a total investment of \$7.8 million, funding 45 research projects related to dairy cattle health, care and welfare, sustainable milk production, dairy genetics and genomics, and human nutrition and health.

The Research Symposium in February 2018 served to present key results from Dairy Research Cluster 2 to over 110 dairy producers, stakeholders, processors, sector partners, dairy professionals and researchers.

Blaine McLeod

# Research Report

SaskMilk enjoyed another successful year with regards to research. We have many projects on the go involving the colleges of Agriculture (Animal and Poultry Science and Crop Science), Western College of Veterinary Medicine, Engineering, Pharmacy, and Chemistry. Many of the projects that we are a part of are either 'basic' or 'very basic' and are therefore very long term; the goal is to better the future in a variety of ways.

The ongoing project from Pharmacy is a good example of looking forward for the public good. The research intends to utilize plant-based derivatives to enhance the performance of antibiotics in livestock, thereby reducing antibiotic use. Another long-term project, conducted by the WCVM, is the fight against digital dermatitis. This project has made great strides in achieving our goals of finding better treatment protocol or finding a vaccine for BDD. The greatest roadblock to this project is financing, despite SaskMilk's approval financial commitments. We have not yet seen an understanding by the Government of Saskatchewan's Agriculture Development Fund (ADF) of the importance of this project and how devastating this disease is to the dairy and other industries worldwide.

The researchers in Animal and Poultry Science are making great strides in the field of nutrition, which is contributing to healthier cows with longer lifespans, helping to produce more healthy milk!

We are very happy to be a small part of the research at the new LFCE. The environmental research by the College of Engineering will either validate how intensive livestock is going about business or offer solutions for environmentally friendly practices.

SaskMilk is currently involved with several partners from a variety of provinces in long term NSERC projects covering off research in animal nutrition, animal health and care, and environmental impact.

It needs to be pointed out that with 165 farms, our annual cash research budget amounts to an annual contribution of \$364 per farm (for a total of \$60,000). In comparison, SaskCanola, who does a great job with research, have 28,000 farm contributors with a research budget of \$1,800,000 or \$64 per farm.

SaskMilk and the University of Saskatchewan have an 'evergreen' contract regarding the Rayner Centre, and as part of that agreement the University was expected to fund an extension position. Unfortunately, due to government financial cutbacks, this never happened – however, I am pleased to report that SaskMilk has decided to fund the extension position. This new employee will soon be joining the team after an extensive search process is completed.

Virtually every project undertaken by SaskMilk benefits not only the dairy industry, but also other livestock commodities and plant-based industries such as grains, oilseeds, and pulse crops.

Jack Ford

# Marketing, Nutrition, & Education Report

## Marketing

SaskMilk had a very active year promoting positive messages about the dairy industry and connecting with consumers. The past year introduced new and innovative digital activations that were used to expand our advertising on a variety of platforms.

The first highlight of the past year is the 'SaskMilk Foodie Family Contest'. To enter the contest, entrants had to post a unique and original photo of a family sharing a meal together on Twitter, Facebook or Instagram using the hashtag #SaskMilkFoodieFamily. With over 400 entries, the contest was a success, and the lucky winner enjoyed a one week all expense paid family vacation to Disney World.

Geo-fencing was another very successful initiative. From Nov 10th -26th, leading up to Grey Cup, any person carrying a smart phone would have a reminder to pour themselves a 'Tall Cold One'. This advertisement would appear prior to entering liquor stores or provincial off-sale locations where the consumer was given the option to click on a link that would direct them to the Dairy Farmers of Canada website. The results of the activation were very successful with 149,997 impressions and 197 click-through, totaling a 0.13 % return. In similar instances, the industry average is 0.06%.

Additionally, SaskMilk took the lead in a new opportunity in the Junior Hockey League as the Communications Partner at the 1st SJHL MJHL Showcase, held in Regina. The event was very well attended and over the four-month period of September 2017 – January 2018, the social media platforms, Facebook, Twitter and Instagram saw 2,657,801 Impressions, 184,978 Engagements and 11,476 messages relating to the event.

Looking to the future, SaskMilk has agreed to support a national strategy for the promotion of white and chocolate milk, to be led by the Dairy Farmers of Canada, and locally maintain a provincial presence with provincial initiatives and sponsorships.

### **2017 – 2018 Charitable Activities and Donations:**

- Diabetes Canada
- Osteoporosis Canada
- Dental Health
- Saskatchewan Deaf & Hard of Hearing
- Saskatchewan Down Syndrome
- Saskatchewan Federation of Police Officers
- Schizophrenia Society
- Jim Pattison Children's Hospital Foundation
- Lawson Heights Mall – Santa's Milk Drive

### **2017 – 2018 Sponsorships:**

- Regina Red Sox
- Saskatchewan High School Athletics Association - 321 Registered High Schools
- Saskatchewan High School Rodeo
- Saskatoon Public Schools Foundation
- Saskatchewan Heritage
- Saskatchewan Junior Hockey League – 12 teams in Saskatchewan
- Special Olympics
- Western Hockey League – 4 teams in Saskatchewan
- U of Regina
- U of Saskatchewan
- Farm and Food Care
- Culinary Arts Program at Saskatchewan Polytechnic Institute
- Saskatchewan Winter Games
- 2,000 athletes, coaches and officials and 1,500 volunteers
- Regina Queen City Exhibition
- Saskatoon Exhibition
- An additional 142 rural and urban organizations received support!

### **2017 – 2018 Media:**

- Bell Media - TV
- Big Dog - Radio
- GX 94 - Radio
- Harvard
- CKRM Radio
- Rawlco Radio
- Billboards (4 Provincial locations)
- Rink Boards (12 Provincial locations)
- Print media
- Trade Shows (8 shows)
- Activations and Experiential
- Milk Moooves You – 92,968 Saskatchewan Entries
- Milk Rewards contest - 7,267 Saskatchewan Entries
- 15,000 Milk Calendars were distributed

### **Nutrition**

Farm and Food Care Saskatchewan, Dairy Farmers of Canada, and SaskMilk provided the University of Saskatchewan Dieticians the opportunity to tour a dairy farm. Over 65 student dieticians toured Elkrest Dairy Farm, exploring the care and attention that goes into producing milk!

For **Nutrition Month** SaskMilk distributed 1600 bilingual Nutrition Month posters and 400 English posters.

### **Sport Nutrition**

SaskMilk provides the province's high schools and sport teams free Sport Nutrition Workshops. The main objective of the Sports Nutrition Education Program is to provide young athletes and active youth across Saskatchewan with an understanding of the basics in sports nutrition, healthy eating, and its impact on health and optimal athletic performance.

### **School Milk Program**

The School Milk Program supports schools in ordering milk from the dairy processor or retail outlet of their choice. Registered schools receive prizes to support physical activity or learning and have the opportunity to participate in contests - all to make participation in the SaskMilk School Milk program more fun.

The School Milk Program had 336 schools registered in 2017 – 2018 out of the 610 elementary schools in the province. A challenge schools continue to experience is the lack of delivery options. In order to overcome this, SaskMilk now provides dishwasher-safe, reusable cups to the schools to enable 4 litre jugs of milk to be used!

### **Education**

#### **Agriculture Education**

- Ag in the Classroom - Ag in the City
- Yorkton Exhibition
- Agribition
- Lloydminster Ag Education Showcase - 60 teachers and 1400 students participated
- Farm to Fork School Tours - 15 Rural locations and 2757 students participated
- Agriculture Experience for Teachers



# Production Report

As of July 2018, Saskatchewan had 165 dairy operations in the province.

The total milk shipped this dairy year was 282,772,130 litres. This is an increase of 21,820,581 litres (8.36%) from the previous year. Butterfat production for the dairy year was 11,452,356 kilograms, an increase from the previous year of 980,775 kilograms (9.37%).

In the Western Milk Pool, Saskatchewan's Class 1 fluid sales accounted for 6.69% of WMP fluid sales. Total Class 1 fluid sales in the WMP were 877,718,674 litres, a decrease of 4,406,178 litres (-0.49%).

## The average milk composition was:

|              |         |
|--------------|---------|
| Butterfat    | 4.0500% |
| Protein      | 3.3557% |
| Other Solids | 5.7293% |

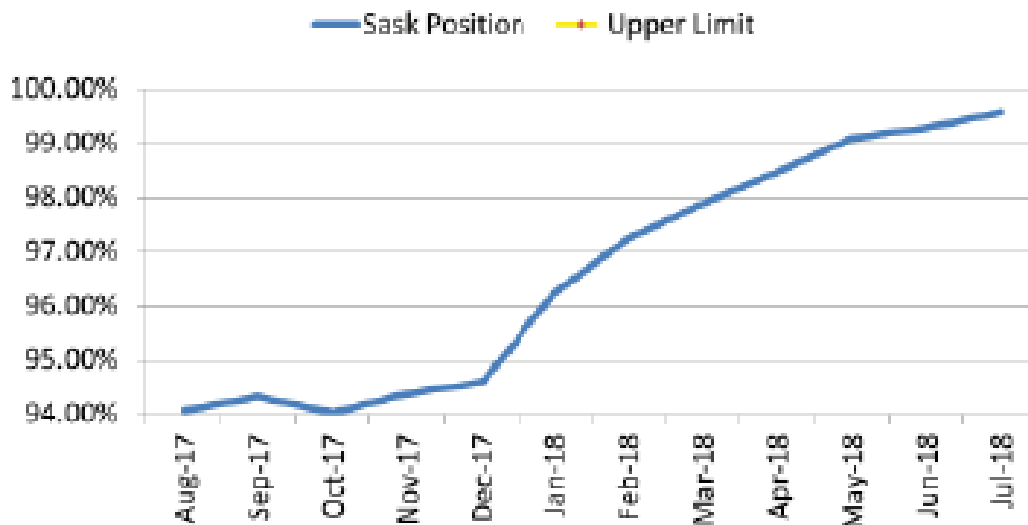
## Average blend price:

|           |            |
|-----------|------------|
| All Milk  | \$77.27/hl |
| Butterfat | \$19.05/kg |

## Average Component Prices

|           |             |
|-----------|-------------|
| Butterfat | \$16.216867 |
| Protein   | \$ 2.302594 |
| Solids    | \$ 0.674302 |

## SK Milk Production





# proAction<sup>®</sup> Report

“Through proAction, Canadian dairy farmers collectively demonstrate responsible stewardship of their animals and the environment, sustainably producing high quality, safe and nutritious food for consumers.”

proAction continues to develop and the modules for Animal Care and Traceability were added to the validations in September 2017.

As a part of the Animal Care module, on-farm animal assessments are underway and are being done by Holstein Canada or provincially-trained assessors. A national benchmark has been developed and producers will use these benchmarks to compare their parameters to the national parameters for lameness, body condition, and hock, neck and knee injuries. This will allow them to determine where they rank for each of the five parameters and monitor their farm improvement going forward.

Traceability was added to the validations in September 2017. Traceability can help reduce the impact of an emergency situations (i.e. disease outbreak) by reducing the response times and limiting the economic, environmental, and social impacts. All producers are required to have a valid Premise Identification Number (P.I.D.), dual tag all heifer calves with NLID tags, record cattle births, move-ins, imports, deaths, and cross reference tags where necessary. Currently, on-farm records must be kept but off-farm reporting is not mandatory. However, producers are encouraged to use the CLTS program and report all animal information.

Changes are still coming as the program develops; for example, the Canadian Dairy Network (CDN) has been approved by CFIA as the National Responsible Administrator for dairy cattle traceability. This means that once the Dairy Trace program is completed and ready for use, reporting will become a requirement of the traceability module.

Biosecurity will be the next module to roll out. Producers will be required to complete a Biosecurity Risk Assessment and Management Plan with their veterinarians, which will require records to be kept on certain disease events and development of some additional standard operating procedures. Workshops will be conducted in Spring of 2019 and Biosecurity will be added to the validations starting September 2019.

The Environment module will be added to validations starting September 2021. Currently in Phase 1, Environmental Farm Plans are the only mandatory requirement. EFP workshops were run in the spring of 2018 and more will be run in the fall of 2018. The goal is for all farms to have a current EFP in place by early 2019.





## **Financial Statements**

Saskatchewan Milk Marketing Board

*For the year ended July 31, 2018*

## **Management's Responsibility for the Financial Statements**

To the Board of Directors:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are composed entirely of Directors who are neither management nor employees of Saskatchewan Milk Marketing Board ("SaskMilk"). The Board of Directors are responsible for overseeing management in the performance of its financial reporting responsibilities, and for recommending approval of the financial statements to the Board. The Board of Directors has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the SaskMilk's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 31, 2018

  
General Manager

## Independent Auditors' Report

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To the Board of Directors:

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

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

Regina, Saskatchewan

October 31, 2018

  
Chartered Professional Accountants

# Saskatchewan Milk Marketing Board

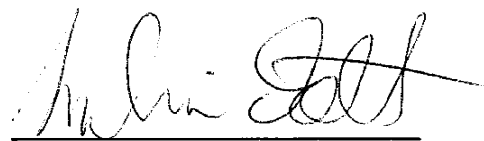
## Statement of Financial Position

As of July 31, 2018


|   | 2018                | 2017                |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| <b>Current</b>  |                     |                     |
| Cash  | \$880,731           | \$1,294,515         |
| Accounts receivable   | 11,318,616          | 10,733,378          |
| GST receivable  | 12,284              | 19,008              |
| Prepaid expenses  | 234,763             | 250,169             |
|   | <b>12,446,394</b>   | <b>12,297,070</b>   |
| <b>Investments (Note 3)</b>                                   | 1,348,968           | 1,292,168           |
| <b>Capital Assets (Note 4)</b>                                | 370,052             | 185,337             |
|   | <b>\$14,165,414</b> | <b>\$13,774,575</b> |
| <b>Liabilities</b>  |                     |                     |
| <b>Current</b>  |                     |                     |
| Accounts payable and accrued liabilities                      | \$11,198,035        | \$11,028,203        |
|   | <b>11,198,035</b>   | <b>11,028,203</b>   |
| Internally Restricted Fund - Industry Development<br>(Note 9) | 537,904             | 615,813             |
| General Fund  | 2,429,475           | 2,130,559           |
| <b>Net Assets</b>   | <b>2,967,379</b>    | <b>2,746,372</b>    |
|   | <b>\$14,165,414</b> | <b>\$13,774,575</b> |

### Commitments (Note 6)

Approved by the Board of Directors



Director



Director

See accompanying notes to the financial statements

# Saskatchewan Milk Marketing Board

## Statement of Operations

For the 12 months ended July 31, 2018

|   | BUDGET<br>(Note 10)<br>(Unaudited) | 2018                 | 2017                 |
|---|------------------------------------|----------------------|----------------------|
| <b>Revenue</b>  |                                    |                      |                      |
| Milk sold to processors   | \$198,000,000                      | \$199,558,110        | \$194,583,783        |
| Milk pools (Note 5)   | 15,600,000                         | 19,585,375           | 16,715,809           |
| Milk pool administration and assessment fees (Note 11)                  | 3,930,880                          | 3,975,161            | 2,287,116            |
| Interest  | 30,000                             | 51,793               | 30,540               |
| Investments   | 53,340                             | 31,648               | 39,671               |
| Milk quality penalties  | 175,000                            | 276,065              | 210,507              |
| Licence fees and miscellaneous  | 801,367                            | 723,088              | 646,573              |
| Promotion Levy  | 4,080,000                          | 4,245,053            | 3,914,278            |
| Grants  | -                                  | 67,771               | -                    |
|   | <b>\$222,670,587</b>               | <b>\$228,514,064</b> | <b>\$218,428,277</b> |
| <b>Expenses</b>   |                                    |                      |                      |
| Milk purchased from producers   | \$214,377,089                      | \$219,876,129        | \$210,549,864        |
| Administrative expense  | 2,515,681                          | 2,759,915            | 2,507,452            |
| DFC industrial levy and membership                                      | 2,746,210                          | 2,810,452            | 2,264,716            |
| Western promotion   | 206,750                            | 120,853              | 538,942              |
| Salaries  | 1,023,200                          | 991,615              | 988,396              |
| Marketing, nutrition and education activities                           | 662,000                            | 861,993              | 537,468              |
| Travel, sustenance and vehicle expense                                  | 296,444                            | 225,170              | 207,528              |
| School milk program   | 131,500                            | 138,518              | 131,608              |
| Employee benefits   | 233,000                            | 170,361              | 163,015              |
| Rent  | 158,447                            | 162,172              | 159,210              |
| Honoraria   | 135,850                            | 112,970              | 122,300              |
| Amortization  | 127,000                            | 59,435               | 59,942               |
| Disposal of assets (MMS)  | -                                  | -                    | 439,980              |
| Food bank program   | -                                  | 38,321               | -                    |
| Legal   | 10,000                             | 11,928               | 14,205               |
| Cost of production study  | 18,000                             | (5,115)              | 16,662               |
|   | <b>\$222,641,171</b>               | <b>228,334,717</b>   | <b>218,737,810</b>   |
| <b>Excess (deficiency) of revenues over expenses before other items</b> | <b>29,416</b>                      | <b>173,347</b>       | <b>(309,533)</b>     |
| <b>Other Items</b>  |                                    |                      |                      |
| Gain on sale of investments   | -                                  | 36,104               | 2,960                |
| Foreign exchange gain (loss)  | -                                  | 3,098                | (4,990)              |
| Unrealized gain (loss) on market value of investments                   | -                                  | 2,458                | (11,391)             |
| <b>Excess (deficiency) of revenues over expenses</b>                    | <b>\$29,416</b>                    | <b>\$221,007</b>     | <b>\$(322,954)</b>   |

See accompanying notes to the financial statements

## Saskatchewan Milk Marketing Board

### Statement of Changes in Net Assets

For the 12 months ended July 31, 2018

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|                               | General<br>Fund | Internally<br>Restricted for<br>Industry<br>Development | 2018        | 2017        |
|-------------------------------|-----------------|---|-------------|-------------|
| Net assets, beginning of year | \$2,130,559     | \$615,813   | \$2,746,372 | \$3,007,265 |
| Excess of revenue (expenses)  | 221,007         | -   | 221,007     | (322,954)   |
| Net assets transferred in     | -               | -   | -           | -           |
| Interfund transfers (Note 8)  | 77,909          | (77,909)  | -           | -           |
| Net assets, end of year       | \$2,429,475     | \$537,904   | \$2,967,379 | \$2,746,372 |

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See accompanying notes to the financial statements

## Saskatchewan Milk Marketing Board

### Statement of Cash Flows

For the 12 months ended July 31, 2018

|  | 2018          | 2017          |
|--|---------------|---------------|
| <b>Cash Flows from Operating Activities:</b> |               |               |
| Cash receipts from processors and fees       | 227,852,110   | 218,743,895   |
| Interest received                            | 83,441        | 70,211        |
| Cash paid to producers                       | (221,082,499) | (210,369,595) |
| Cash paid to other suppliers                 | (5,851,555)   | (7,578,977)   |
| Cash paid to employees and board members     | (1,161,976)   | (1,151,411)   |
| Cash flows from operating activities         | (160,479)     | (285,877)     |
| <b>Cash Flow from Investing Activities</b>   |               |               |
| Purchase of tangible capital assets          | (231,736)     | (297,325)     |
| Purchase of investments                      | (989,113)     | (539,765)     |
| Proceeds on disposal of investments          | 967,544       | 517,018       |
| Cash flows from investing activities         | (253,305)     | (320,072)     |
| Net increase in cash during the year         | (413,784)     | (605,949)     |
| Cash position, beginning of year             | 1,294,515     | 1,900,464     |
| Cash position, end of year                   | 880,731       | 1,294,515     |

See accompanying notes to the financial statements.



### 1. Incorporation

The Saskatchewan Milk Marketing Board (SaskMilk) is a producer marketing board established under the Agri Food Act effective October 1, 2010. The Board's general role and responsibility is to design and implement dairy policies and programs for the benefit of producers and other industry stakeholders.

In particular, the Board is responsible for:

- collection and purchase of producer milk;
- transport and sale of milk to distributors and processors; and
- compensate producers through a multiple component pricing system and manage production levels in conjunction with the National and Regional Marketing Agreements; and
- collect and administer fees or levies required to operate the provincial milk pool, and to fund Board program activities (promotion and nutrition) of benefit to the industry.

The Board provides leadership to the Saskatchewan dairy industry in addressing provincial, regional, national and international issues. It also promotes the interests of Saskatchewan producers at Western Milk Pool and Canadian Milk Supply Management Committee meetings.

Industry stakeholders' participation in policy and program consultations is facilitated primarily through semi-annual and annual producer meetings.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook – Accounting, as issued by the accounting Standards Board in Canada and include the following significant accounting policies:

#### a) Revenue Recognition

Revenue from the milk sold to the processors is recognized when the milk is delivered to the processor.

#### b) Cash

Cash is comprised of monies on deposit with the bank.

**2. Significant accounting policies (continued)**

**c) Capital Assets**

Capital assets are recorded at cost and are amortized over their estimated useful lives. Amortization expense is calculated using the straight line amortization at the following annual rates:

|                                |            |
|--------------------------------|------------|
| Leasehold Improvements         | 10 years   |
| Milk Payment System            | 10 years   |
| Office furniture and equipment | 3-20 years |
| Handhelds                      | 5 years    |

Assets are amortized once they are in use. The handhelds have been purchased but not put into use and as such no amortization has been taken.

**d) Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

**e) Income taxes**

SaskMilk is incorporated as a not-for-profit organization and is exempt from income taxes.

**f) Financial Instruments**

SaskMilk recognizes its financial instruments when they become party to contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value. SaskMilk financial instruments consist of cash, accounts receivable, investments and accounts payable. SaskMilk has elected to record investments at fair value. All other financial instruments are subsequently measured at amortized cost.

## Saskatchewan Milk Marketing Board

### Financial Statement Notes

*For the period ended July 31, 2018*

### 3. Investments

|                           | 2018             | 2017               |
|---------------------------|------------------|--------------------|
| <b>Market Value</b>       |                  |                    |
| Fixed income              | 597,431          | 573,125            |
| Equities                  | 260,166          | 516,655            |
| Mutual Funds              | 383,218          | 111,090            |
| Cash and cash equivalents | 108,153          | 91,298             |
|                           | <b>1,348,968</b> | <b>\$1,292,168</b> |

### 4. Capital assets

|                                | Cost             | Accumulated<br>Amortization | 2018 Net<br>Book Value | 2017 Net<br>Book Value |
|--------------------------------|------------------|-----------------------------|------------------------|------------------------|
| Milk Payment System            | \$635,995        | \$384,572                   | 251,423                | 73,242                 |
| Leasehold Improvements         | 92,932           | 61,183                      | 31,749                 | 25,640                 |
| Office furniture and equipment | 138,075          | 112,680                     | 25,395                 | 25,100                 |
| Handhelds                      | 61,485           | 0                           | 61,485                 | 61,355                 |
|                                | <b>\$928,487</b> | <b>\$558,436</b>            | <b>\$370,052</b>       | <b>\$185,337</b>       |

Over the last two years, SaskMilk has purchased handheld devices that have not been put in use in the current year.

### 5. Milk pools

Effective August 1, 1991 (and continued August 1, 2003), the previous Saskatchewan Milk Control Board entered into an arrangement with its counterparts in Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Alberta, British Columbia and the Canadian Dairy Commission (CDC). As of September 2006, Newfoundland and Labrador have signed on. This arrangement provides for pooling of revenues from sales of milk components in industrial and special classes of milk sold in domestic and external markets. CDC administers the Industrial and Special Class Pool.

Effective March 1, 1997, the previous Saskatchewan Milk Control Board entered into an arrangement with its counterparts in British Columbia, Alberta and Manitoba and CDC. This arrangement provides for pooling of all revenues from sales of Fluid Milk and Industrial Milk, including special classes, by producers to processors in the four western provinces. The purpose of the arrangement is to pool producer returns as if the western provinces constituted a single market. CDC administers the Western Milk Pool.

**5. Milk pools (continued)**

The Saskatchewan Milk Marketing Board has replaced the former Saskatchewan Milk Control Board in all previous agreements.

Based on each province's monthly utilization, CDC will either distribute a portion of, or require a contribution to the Industrial and Special Class Pool and Western Milk Pool. Saskatchewan received contributions of \$19,585,375 (2017 - \$16,715,509) from the milk pools.

**6. Commitments**

SaskMilk has entered into a lease for office space. The future minimum lease payments are as follows:

|      |           |
|------|-----------|
| 2019 | \$106,955 |
| 2020 | \$112,307 |
| 2021 | \$117,891 |

**7. Pension plan**

SaskMilk participates in the Public Employees' Pension Plan, a defined contribution plan. SaskMilk obligations to the Plan are limited to 7.60% of earnings for all employees for current services. During the year, SaskMilk contributed \$70,205 (2017 - \$70,273) to the plan, which is recorded as an expense.

**8. Financial instruments**

SaskMilk, as part of its operations, carries a number of financial instruments. It is management's opinion that SaskMilk is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

**a) Fair value**

SaskMilk financial instruments consist of cash, investments, accounts receivable, and accounts payable. The carrying amount of the Organization's financial instruments approximates their fair value, due to their relatively short-term maturities. Investments are recorded at fair value based on prices quoted in an active market.

**b) Credit risk**

SaskMilk is subject to credit risk as all of the Board's milk sales are to one processor.

**8. Financial instruments (continued)**

SaskMilk is also exposed to credit risk in accounts receivable in the event that a customer fails to honour its obligations. Credit risk is managed with regular credit assessments and active collection activity. In the event that an account is deemed uncollectible, the account will be written off as a bad debt.

**c) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. SaskMilk is exposed to interest rate risk primarily relating to its investments.

**d) Foreign currency risk**

Foreign currency risk arises from SaskMilk holding investments denominated in US currency. Fluctuations in the relative value of the Canadian dollar against the US currency can result in a positive or negative effect on the value of the investments. SaskMilk manages its foreign currency risk by limiting the investments in US funds.

**9. Internally restricted fund**

A portion of the Industry Development Fund (IDF) on Class 1 milk is designated for Internally Restricted Operations – Industry Development. The IDF is being pooled in the WMP for the following: Quality Bonus, Inhibitor Testing Reagent, Environmental Compliance, Milk Quality Testing, Milk Metering, and Administration. SaskMilk receives revenue for Milk Quality Testing, Milk Metering and Administration from the WMP and, for the present, is paying into the WMP for Quality Bonus, Inhibitor Testing Reagent and Environmental Compliance.

IDF Funds were used for the following programs in 2017-2018: Inhibitor Testing Reagent – paid to the Processor, Quality Milk Bonus – paid to the Producers, Environmental Compliance – portion used to reduce haulage charges to Producers, Milk Quality Testing – payment for portion of component testing and testing supplies (i.e. sample bags, sample vials, and truck seals), CQM Program, and proaction.

**10. Budget**

The budgeted figures provided in the statement of operations and changes in net assets are presented for information purposes only and are unaudited. The 2017 – 2018 Budget was approved by the Board of Directors on June 30, 2017.

# Saskatchewan Milk Marketing Board

## Financial Statement Notes

For the period ended July 31, 2018

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11. Included in the Milk pool administration and assessment fees is the following:

|                    | 2018               | 2017               |
|--------------------|--------------------|--------------------|
| IDF revenue        | \$1,709,206        | \$1,654,600        |
| SMMB assessment    | 1,839,522          | 1,696,186          |
| CDC surplus refund | 208,600            | 149,277            |
| Fluid shrink       | 301,956            | 282,730            |
| Component testing  | 21,527             | 21,175             |
| Adjustments        | (105,650)          | (1,516,852)        |
|                    | <b>\$3,975,161</b> | <b>\$2,287,116</b> |





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