

# 2018-2019 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 2018-2019



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



Don Feitsma  
Alternate  
Vice-Chair  
(from Dec. 2018)  
Box 1790  
Warman, SK  
S0K 4S0



Matthew  
Flaman  
(from Dec. 2018)  
Box 40  
Vibank, SK  
S0G 4Y0



Brad Kornelius,  
Vice-Chair  
(to Dec. 2018)  
Box 509  
Osler, SK  
S0K 3A0



Denise Coghill  
Box 50  
McLean, SK  
S0G 3E0



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



Albert  
Leyenhorst  
Vice-Chair  
(from Dec. 2018)  
Box 327  
Dalmeny, SK  
S0K 1E0



Jack Ford  
(to Dec. 2018)  
Box 250  
Wishart, SK  
S0A 4R0



Blaine McLeod  
Box 383  
Caronport, SK  
S0H 0S0



John Hylkema  
Box 330  
Hague, SK  
S0K 1X0



Leonard Wipf  
Box 130  
Kenaston, SK  
S0G 2N0

## Staff

Peter Brown  
General Manager

Jenn Buehler  
Administrative Assistant

Julie Ell  
Communications  
Coordinator

Bev Eckert  
Promotions Assistant

Deb Hauptstein  
Dairy Specialist

Anita Medl  
Marketing Manager

Doug Miller  
Manager Finance & IT  
Services

Emily Morabito  
Extension Services  
Coordinator

Joy Smith  
Manager Policy &  
Communications

Bev Solie  
Quota Management  
Officer

Darlene Weighill  
Financial Officer

# Chair Report

It is the time of year again when we summarize the work of the SaskMilk Board for the 2018-2019 dairy year. Most notably in the past year, the negotiation of CUSMA was a challenge for the Canadian dairy industry and will continue as ratification and implementation of the agreement unfolds. Significant work has gone into dealing with the elimination of Class 7. The result of the years of work done to negotiate between producers and processors will need to be revisited once again to satisfy the trade agreement. This work will continue into 2020 and will test the Western Milk Pool (WMP) as we work to reach an agreement.

Within the province, the SaskMilk Board implemented the Spring Credit Restriction Policy to encourage consistent production throughout the year and to ensure that milk was supplied to processors when required by the market. The SaskMilk Board suspended implementation of this policy as demand for milk increased in the spring of 2019. The SaskMilk Board also made changes to the underproduction penalty under the Quota Policy that restricts transferring in credits by reducing the restricted period to 3 months for first offence in a rolling 12-month period and 6 months for a second offence in a rolling 12-month period.

The SaskMilk Board increased the TA for Saputo for an increase in milk volume to reflect the investment in the expanded and new cheese plant.

SaskMilk has been involved with the Livestock Development Steering Committee, a committee supported by the Minister of Agriculture and all livestock groups, who are working to deal with challenges faced by the livestock industries in relations with rural municipalities. SaskMilk is involved and committed to support producers who are facing challenges from RMs regarding the 'Discretionary Use Permit' process.

SaskMilk continues to encourage and support the Dairy Entrant Assistance Program (DEAP) and has allocated 100 kgs of quota toward new entrants for next year. SaskMilk is also working with the University of Saskatchewan as we review our agreement on the Rayner Dairy Research Centre. We continue to push the University through the College of Agriculture to live up to our joint agreement and this effort will continue.

In the past year, the SaskMilk Board began work on a transportation review with a goal of identifying transportation efficiencies and achieving cost savings for producers. A study was completed by Serecon, a consulting firm, to give SaskMilk information on the current milk hauling agreement with AgriFoods. Further work and analysis continues by both Board and staff. As a result of the ongoing work, the Board implemented both a minimum transportation charge equivalent to 30 kg of quota holding for farms entering the industry (existing producers under 30 kg are exempt), and a policy to ensure train accessibility on all farms in the future.

The SaskMilk Board has reviewed our Strategic Plan and identified some changes to KRA #2. This change provides direction for on-farm inspections to ensure consumer confidence in the milk produced on Saskatchewan dairy farms. The SaskMilk Board has had discussions on intermittent high IBC counts and have committed to continuing work on driver training, consistency of milk sampling, and potential changes to the penalty structure for IBC and SCC.

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 containing milk. The background is a soft, out-of-focus blue and white gradient.

It is also important to highlight changes made regarding promotion. SaskMilk now does more within the province in sponsorship and promotion and working collaboratively. A significant amount of our \$1.50 checkoff still goes to DFC for promotion; however, because of DFC's new structure we have more flexibility to direct funds toward promotion within our province.

SaskMilk continues to be involved at the national level and represents our province and our producers on both the DFC Board and the Canadian Milk Supply Management Committee (CMSMC). We continue to prioritize building and maintaining relationships with our provincial government, the Ministry of Agriculture, Agri-Food Council, and our processors. We value the work we do together with our partners in the WMP and appreciate the progress we have made in working together to give us opportunities in Western Canada to secure a future for producers during challenging times. We continue to uphold the 10/90 formula in place at the national level that results in growth allocation based on population growth and continue to support the pooling of industrial milk prices at the national level.

I value being part of the excellent team that is the Board of Directors of SaskMilk, and I thank them for allowing me to be their Chair and supporting me in that role. I thank our GM, Peter Brown, and the staff of SaskMilk for their work and dedication.

Melvin Foth

# General Manager's Report

The 2018-2019 dairy year again brought challenges and opportunities to the industry particularly relating to trade. International trade issues took centre stage with the effects of CETA and CPTPP beginning to be felt by Canadian producers. CUSMA was approved by all three participating countries late in 2018, and subsequently ratified by Mexico. Ratification by Canada and the US is expected in this current dairy year.

In the fall of 2018, the Federal Minister of Agriculture created two national working groups to assist the dairy industry. One focused on the future of the industry and the other on immediate compensation to producers due to the effects of trade agreements. Saskatchewan had representation on both committees. It is important to note that the committee saw compensation not as a subsidy to augment prices as in other sectors, but as an expropriation of market for an indefinite time period. Compensation payments are on their way to producers in the current dairy year.

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 continued and growing cooperation within the Western Milk Pool (WMP). Not only have the WMP members worked closely on a number of policy related issues, the WMP has demonstrated a united front when dealing with national concerns and opportunities. The WMP members have also embarked on an exciting new project to take a stronger role in defining the industry's future. Details of this project were presented at recent Producer meetings. Much of the work to identify and develop this project happened through the 2018-19 year.

Transportation was a key focus during the past year with considerable background work done to establish whether producers are getting the best return for their transportation dollars. The Board has engaged in discussion on this topic on several occasions in an effort to arrive at the best balance for producers. Some policy decisions in this area were reached while others will come over the next few months.

It has been a year now since SaskMilk increased its presence on social media, with accounts going live on Facebook and Instagram. We believe these social media mediums are serving the organization well to date. We welcome your comments to assist in making them even better. Additionally, SaskMilk's Producer Portal continues to be refined and enhanced.

We thank you for your confidence in your dairy industry and 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 consumers' positive perception of Canada's dairy farmers, the Canadian dairy industry has a viable and thriving future.

Peter Brown

# Dairy Farmers of Canada Report

I am pleased to be able to present the annual report of Dairy Farmers of Canada. The details contained within this report provide a brief summary and insight into the many activities that are undertaken on behalf of dairy producers in Canada. I want to extend my thanks to the staff in the Communications Department for compiling and writing about the activities of the year.

Your DFC Board has been very active this year in working towards revitalizing and positioning our organization towards ensuring a successful future. One of the more significant efforts has been working towards providing DFC with “secure and stable funding” for the future. That was a strategic priority for the Board and we have moved towards a funding model that is predictable and equitable across our great nation. DFC is learning to do “more with less” and I believe the organization has been restructured to reflect that reality.

Governance is another strategic priority and we have seen good growth and improvement in that initiative. Meetings are more focused, efficient, and all participants are engaged in ensuring that we have a functional and professional approach to our duties. As part of our governance efforts there is an ongoing review of our various committees. We expect a full report before the end of 2019, and I look forward to the implementation of the consultant’s recommendations.

I invite you to continue to read the full report provided by our Communications team and if there are any unanswered questions please reach out and connect with me. It continues to be a pleasure to represent our great province and I thank you for your support and encouragement.

Blaine McLeod



# Dairy Farmers of Canada Report (continued)

The past year (2018-19) has been a year of challenges and change. It has been a time in which Dairy Farmers of Canada, with the support of producers across the country, has succeeded in protecting their interests, renewing our goals and achieving new heights of recognition among Canadians of the Blue Cow logo. While it is impossible to summarize all achievements over the past year, here are the highlights.

## **DFC 2.0: The reengineering of DFC**

Under the leadership of its Board of Directors, DFC has worked hard over the last year to re-envision its operations. The result is DFC 2.0, a strategic plan that charts the organization's future and ensures that the supporting governance practices and relationships support and deliver on DFC's vision and mission.

DFC 2.0 takes into consideration internal and external pressures and challenges facing the dairy sector by positioning DFC as the clear national voice for dairy farmers. The plan identifies four objectives:

- **GOVERNANCE:** Ensuring that an effective DFC governance structure and best practices are in place will result in a strong Board and make for a strong DFC.
- **ENGAGING CANADIANS:** Educating Canadians on the value of supply management and enlisting their support and that of key stakeholders.
- **MARKETING TO MILLENNIALS:** Taking a proactive approach to ensure that millennials have the social licence to consume dairy by ensuring their values are reflected in dairy production processes.
- **PARTNERSHIPS:** Developing and leveraging networks of like-minded individuals and organizations to achieve shared goals, by raising awareness, promoting our brand and lending credibility to our initiatives.

## **Advocacy: Working for farmers**

With the help of our provincial members and farmers across Canada, DFC continued to advocate on key issues affecting the sector. Highlights include:

### **Canada-United States-Mexico Agreement (CUSMA):**

Throughout the CUSMA negotiations, DFC implemented its advocacy strategy in order to bring our farmers' concerns to the forefront. These concerns were shared numerous times with Prime Minister Justin Trudeau and Foreign Affairs Minister Chrystia Freeland and on-site with Canada's negotiating team in Washington.

As the national voice of dairy farmers, DFC leveraged several opportunities to have our common messages be heard by the government, media and the public, whether by launching a letter-writing campaign calling on MPs to protect the dairy sector, by bringing representatives from each province in Ottawa for a news conference, or posting a series of videos on social media underlining the dairy industry's importance to the Canadian economy.

True to its objective of having no negative impact for farmers, DFC ensured that, once CUSMA was signed, the government followed through on its commitment of having “full and fair” compensation to farmers. The CUSMA agreement and the impact on dairy farmers was the major topic of discussion during DFC’s annual Lobby Day on Parliament Hill, sharing concerns with 150 Members of Parliament.

On August 16, 2019, DFC welcomed the federal government’s announcement of \$1.75 billion dollars to compensate dairy farmers for the losses incurred by the European and Trans Pacific trade agreements. This announcement was consistent with the recommendations of the working group established following the signing of the agreement.

### **Canada’s Healthy Eating Strategy**

The latest Canada’s Food Guide combined the “dairy and alternatives” and “meat and alternatives” categories into one “protein” category. DFC expressed its concerns with this change in a number of ways; conducting media interviews, running ads, creating resources for physicians and highlighting third-party findings to ensure that the public perception remained rooted in scientific evidence. DFC continues to engage with political parties on this issue.

DFC also continues to liaise with the government on the launch of new front-of-package labelling requirements. If enacted, the labelling could discourage the consumption of dairy products, despite well-established scientific evidence showing their beneficial effects on health, which we consider to be contradictory to the goals of the policy. The launch of the new requirements has been postponed thus far, and DFC will continue to advocate for the industry.

Bill S-228, proposed to restrict the marketing of “unhealthy” foods and beverages to children, died on the order paper with the dissolution of Parliament. DFC and agri-food stakeholders will continue to highlight the potential mischaracterization of many dairy products as “unhealthy” under the expectation that similar legislation may be reintroduced in the future.

### **Life Cycle Analysis: Improved Environmental Performance**

DFC released the latest life-cycle assessment of the industry’s environmental performance, showing that dairy farmers continue to reduce our environmental impact by adopting more sustainable farming practices. The research reveals that the carbon footprint per litre of milk has decreased by 7%, water consumption has decreased by 6% and the land use associated with production per litre of milk has decreased by 11%, all in the last five years. Overall, milk production is responsible for less than 1% of Canada’s total greenhouse gas emissions.

### **Sustainable Production and proAction®**

Dairy farmers continue to demonstrate their commitment to excellence in dairy production through the proAction® program. This year, the first proAction® progress report was released highlighting that the high standards set by and for the Canadian dairy industry are being met. A new version of the Integrated Reference Manual and Workbook was approved along with an update to the 2009 Code of Practice for

the Care and Handling of Dairy. New government grants allowed DFC to continue the implementation of proAction®, pursue stakeholder engagement and initiate a sustainability strategy. Another grant enabled DFC to further implement the Livestock Traceability module and DairyTrace. DFC also completed a benchmarking pilot for cattle assessments with Holstein Canada and began the next round.

Dairy Farmers of Canada was pleased to receive international recognition from Unilever for its commitments towards sustainable milk production practices, something that would not have been possible without the commitment towards a robust, credible and ambitious program like proAction®.

## **Marketing : the Blue Cow effect**

Through its cutting-edge marketing activities and campaigns, DFC is working diligently to ensure that Canadians appreciate the unique qualities of dairy products and our industry's commitment to the highest standards of dairy production. DFC's two marquee ad campaigns, Honest Canadian Dairy and Dairy Farming Forward, addressed some of the myths and misconceptions around dairy production by highlighting our industry's contributions in areas such as animal welfare, on-farm sustainability, quality and innovation. Thanks to these marketing efforts, far more Canadians appreciated the nuances of Canadian dairy farming, namely that our industry is composed of small family-run farms and that Canadian dairy is free from antibiotics and produced without artificial growth hormones. Overall, consumers felt better about dairy farmers and were likely to consume more dairy as a result of our marketing efforts.

Awareness of the Blue Cow Logo has reached an all-time high with four out of five Canadians recognizing the logo. The logo experienced a 300% increase in certification requests in the months immediately following the CUSMA announcement as Canadian consumers clamoured for Canadian dairy products. To that end, a new sub-brand of the logo was introduced bearing the wording 100% Canadian Dairy, making it even easier for consumers to identify products made with our milk.

## **Research initiatives**

DFC's research activities provide the fact-based scientific evidence to support DFC's advocacy efforts and identify best practices in dairy farming. Twenty-two new projects were initiated in the last year, including projects on Johne's disease and mastitis, euthanasia and the handling of non-ambulatory animals, and the effect of dairy on blood glucose control, insulin sensitivity and the risk of type 2 diabetes. DFC maintains a website at [dairyresearch.ca](http://dairyresearch.ca) where farmers can access the latest information that can assist them in their day-to-day work.

## **Nutrition activities**

Following the release of Canada's Food Guide, it is crucial that health professionals be aware of scientific evidence related to the benefits of dairy products. DFC continues to highlight the health benefits of dairy consumption by meeting with doctors and organizing conferences and webinars for health professionals including dietitians. In particular, DFC's annual nutrition symposium positioned dairy favorably in the context of lactose intolerance and gut health.

Blaine McLeod

# Research Report

This year has been one of change as we are missing our long time champion of research, Jack Ford. We are very fortunate to have two very capable staff members, Joy Smith and Emily Morabito working with us. We have also benefitted from the technical knowledge of Dr. Dave Christensen.

Here is a list of the projects that SaskMilk has participated in over the past year:

1. Dr. Michael Steele NSERC IRC – Dairy Nutrition (nutrition, gut physiology, cell biology, microbiology, molecular biology, developmental biology, weaning, metabolism, ruminant management)
2. Dr. Dan Weary and Dr. Nina Von Keyserlingk NSERC IRC – Animal Welfare (Calf and Heifer Rearing, Cow health and lameness, Housing facilities and management)
3. Dr. Herman Barkema NSERC IRC – Infectious Diseases in Dairy Cattle
4. Dr. Jeroen De Buck NSERC IRC – Investigating Solutions for Three Major Production Limiting Infectious Diseases of Dairy Cattle: Mastitis, Digital Dermatitis and Johne's disease
5. Dr. Anne Laarman NSERC IRC – Dairy Nutrition (Nutrition, Molecular biology, Gut physiology, Developmental biology, Cell biology, Ruminant management, Cell biology, Weaning, Metabolism)
6. Dr. Meena Sarkar U of S - Treatment of Mastitis Infections in Dairy Cattle – investigation developing novel phytochemical based hybrid antimicrobial agents that can be safely administered to dairy cattle for treating mastitis
7. Dr. Bill Billitegu U of S – Selection of clonal propagated alfalfa and sainfoin plants under grass or legume competition
8. Dr. Denise Beaulieu U of S - Feed Processing to Reduce Ergot Toxicity
9. Dr. Ahmad Al-Dissi U of S - Should Livestock Diet be Tested for the Levels of the Epimers of Ergot Alkaloids? Are these Epimers Biologically Active?

The research committee is working towards increased cooperation with the other Western Provinces, we are a part of the Western Dairy Research and Extension Committee (WDREC). We have attended several meetings in Alberta with the goal of sharing knowledge and resources.

I am going to finish my report with the closing paragraph from Jack's report that he wrote last year. "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.

Denise Coghill

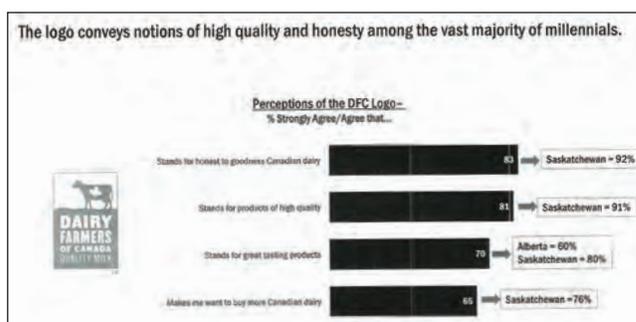
# Marketing, Nutrition, & Education Report

## Sharing the Dairy Story

Now more than ever we need to connect with consumers and communities to strengthen the image and trust of Canadian milk. To maintain and encourage current users and the future consumption of Canadian dairy products by all.

USMCA and the Canada Food Guide has been a challenge in 2018 – 2019, as well as an opportunity. SaskMilk reached out to consumers on all advertising platforms; billboards, digital, radio and television, informing consumers how to find Canadian dairy.

IMI completed a national research on the Perceptions of the DFC Master Brand logo, Saskatchewan came on top of the research!



## Advertising

### Billboards

We have added an additional 15 digital billboards over the existing still billboards in provincial locations such as Moose Jaw, Estevan, Weyburn, Swift Current, North Battleford and Yorkton.

### Radio

All messaging was changed for listeners to understand dairy farmers are in Saskatchewan. Ads also referenced the 'Canadian Quality Blue Cow' to support Canadian Dairy Farmers.

### Television

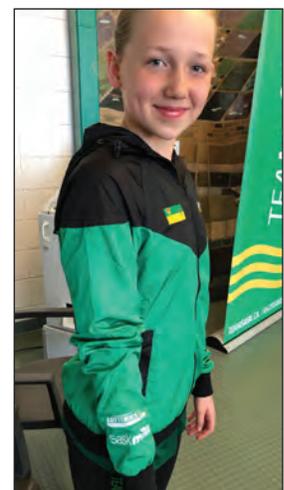
Using our own future dairy farmers, SaskMilk shared the message on how to support Canadian dairy farms. Supplementing fluid milk, we also showcased BC Dairy's campaign 'Pour a Little Happiness' with milk bubbles flowing out of the window and a competition for the biggest milk mustache! Mustache... do you remember the Hunter Brothers SaskMilk Moovember challenge? The Hunter Brothers challenged Saskatchewan to share a photo of themselves or a family member sporting a milk mustache.



## Sponsorships

SaskMilk sponsors numerous activations, events and educational activities. We engage consumers on a personal level, while encouraging consumer trust. Every sponsorship helps spread a dairy message. To name just a few of **SaskMilk's Major Charitable Activities and Donations:**

- Diabetes Canada
- Osteoporosis Canada
- Dental Health
- Jim Pattison Children's Hospital Foundation (Photo of Board with cheque presentation)
- Lawson Heights Mall – Santa's Milk Drive
- Regina Red Sox
- Saskatchewan High School Athletics Association - 350 Registered High Schools
- Saskatchewan Heritage
- 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
  - Celebrating local, SaskMilk participated in the Student Farm Tour attended by 33 Culinary Arts students from Sask Polytech and 30 Food & Nutrition Management students from Sask Polytech
  - Farm to Fork Tour showcased dairy to Food Influencers and bloggers locally as well from Toronto, Winnipeg and Calgary and internationally from California and Virginia
  - Saskatchewan Games Council (Photo of SaskMilk Logo on team sleeve jacket)
  - And over 150 Rural and Urban Organizations received support



## Consumer Events and Trade Shows

SaskMilk will be present at the International Trade Centre in Regina, located on Regina Exhibition Association Limited (REAL) properties for the next five years. REAL had over 3.5 million visitors, including Agribition and the Farm Progress Show. (Photo of Regina Exhibition SaskMilk Hall)



- Through Ag in the City, Ag in the Classroom, Ag Education and Farm to School programs, SaskMilk connected with over 5000 Grade 4 students. These are unique events, their goal is to encourage a better understanding of agriculture, as well have students learn food doesn't just come from a shelf at the grocery store.
- SaskMilk is visible on rink boards in 14 provincial locations!

## Nutrition

In partnership with Dairy Farmers of Canada, SaskMilk was able to participate in the Physician Education Program. Dr. Samis spoke to family physicians in Regina on the positives of dairy for cardiovascular patients. (Photo of Dr. Samis)

## Sport Nutrition

SaskMilk provided the province's 202 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.

## Education

### School Milk

School Milk supports schools to order milk from the dairy producer or retail outlet of their choice. Schools registered 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. Messaging in the SaskMilk School Milk program will draw the parent and school the opportunity to serve milk more regularly. SaskMilk School Milk program had 336 schools registered in 2018 - 2019 out of the 610 elementary schools in the province. A challenge we continue to experience is the lack of delivery options to schools, especially with small town local store closures. Overcoming this obstacle, we have provided dishwasher safe, reusable cups to the schools upon request, to pour milk from 4-liter jugs, as another option.

Anita Medl

# Production Report

As of July 2019, Saskatchewan had 165 dairy operations in the province.

The total milk shipped this dairy year was 293,447,345 litres. This is an increase of 10,675,215 litres (3.78%) from the previous year. Butterfat production for the dairy year was 12,200,377 kilograms, an increase from the previous year of 748,021 kilograms (6.53%).

In the Western Milk Pool, Saskatchewan's Class 1 fluid sales accounted for 5.62% of WMP fluid sales. Total Class 1 fluid sales in the WMP were 881,332,131 litres, an increase of 3,613,457 litres (0.40%).

## The average milk composition was:

Butterfat	4.1576%
Protein	3.2504%
Other Solids	5.8824%

## Average blend price:

All Milk	\$82.10/hl
Butterfat	\$19.71/kg

## Average Component Prices

Butterfat	\$16.784146
Protein	\$ 2.525702
Solids	\$ 0.697833

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
Litres Shipped ('000s)	24,675.4	23,820.9	24,258.7	23,536.7	24,828.6	25,123.7	22,702.8	25,183.2	24,314.6	25,064.3	24,629.4	25,400.4
Avg Litres/day ('000s)	796.0	794.0	782.5	784.6	801.0	810.4	810.8	812.4	810.5	808.5	821.0	819.4
Bfat %	4.0060	4.1228	4.2638	4.2759	4.2328	4.1938	4.1935	4.2056	4.1738	4.1336	4.0691	4.0313
Bfat kgs ('000s)	988.5	982.1	1,034.3	1,006.4	1,051.0	1,053.7	952.0	1,059.1	1,014.9	1,036.1	1,002.2	1,024.0
Avg Bfat kgs/day	31,887	32,736	33,366	33,547	33,902	33,989	34,002	34,164	33,828	33,421	33,407	33,031
Lost Opportunity kgs	1,039	0	0	330	331	18	186	57	0	1,345	1,719	2,220
Over Quota kgs	230	647	294	626	962	2,377	3,220	2,701	2,473	2,256	2,559	1,148
SK Cumulative %	-0.42	-1.14	-1.07	-1.65	-1.66	-0.54	0.33	0.71	0.42	0.93	1.62	1.89
SK 12-Month Rolling %	99.92	100.67	100.94	101.01	100.71	101.47	102.04	102.94	103.70	104.22	104.82	104.87
WMP Cumulative %	-0.94	-1.82	-1.97	-2.75	-2.99	-2.05	-1.33	-1.19	-1.64	-1.28	-0.84	-0.75
P5 Cumulative %	0.44	0.49	-0.61	-1.42	-1.69	-0.85	-0.49	-0.33	-0.47	-0.09	0.03	-0.12
P10 Cumulative %	0.08	-0.11	-0.98	-1.79	-2.06	-1.19	-0.74	-0.59	-0.81	-0.44	-0.24	-0.34

# 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 module for Biosecurity will be rolled out on farms effective September 2019. In preparation for that, nine workshops were run during the time period of April to August to familiarize producers with the requirements. Veterinarians were included in the workshops and this proved helpful in terms of understanding the program from both the producer and veterinarian perspectives.

The Biosecurity module focuses on developing standard operating procedures to address the movement of animals and authorized visitors entering the farm premises. Also required is the recording of specific disease events and a written SOP for vaccinations.

One of the key requirements of the Biosecurity module is to conduct a biosecurity risk assessment in conjunction with the herd veterinarian. This risk assessment will allow a producer to identify key areas that could be improved when addressing biosecurity risks.

The Traceability module was rolled out in September 2017. Currently, on-farm records must be kept and off-farm reporting is not mandatory. In 2020, DairyTrace will become the national dairy cattle traceability program. This means that once the Dairy Trace program is completed and ready for use, reporting will become a requirement of the Traceability module.

The Environment module will be added to validations starting September 2021. Originally, Phase 1 (Environmental Farm Plans), were the only mandatory requirement and this module would be brought in starting September 2021. Phase 2 was to include other environmental requirements and this phase was to have started in 2023. Consensus is that both Phase 1 and 2 should be brought in at the same time. Work is underway to run a pilot project in early 2020 to determine the additional environmental requirements.

EFP workshops were held in the spring and fall of 2018 and will further workshops will run in early 2020. The goal is for all farms to have a current EFP in place by mid 2020.

Deb Hauptstein





## **Financial Statements**

Saskatchewan Milk Marketing Board

*For the year ended July 31, 2019*

## **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 30, 2019



General Manager

## Independent Auditor's Report

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To the Board of Directors of SaskMilk Marketing Board:

### Opinion

We have audited the financial statements of SaskMilk Marketing Board (the "Organization"), which comprise the statement of financial position as at July 31, 2019, 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 the Organization as at July 31, 2019, 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.

### Basis for Opinion

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

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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. We obtained Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management for the Financial Statements

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

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

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

### Auditor's 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.

## Independent Auditor's Report Continued

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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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Regina, Saskatchewan

October 30, 2019

MNP LLP  
Chartered Professional Accountants

# Saskatchewan Milk Marketing Board

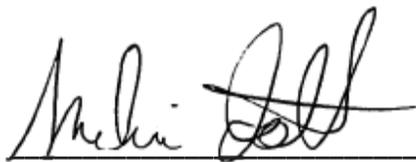
## Statement of Financial Position

As of July 31, 2019

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$2,468,586	\$880,731
Accounts receivable	12,500,637	11,318,616
GST receivable	26,539	12,284
Prepaid expenses	285,607	234,763
	<b>15,281,369</b>	<b>12,446,394</b>
<b>Investments (Note 3)</b>	1,410,583	1,348,968
<b>Capital Assets (Note 4)</b>	443,821	370,052
	<b>\$17,135,773</b>	<b>\$14,165,414</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$14,176,317	\$11,198,035
	<b>14,176,317</b>	<b>11,198,035</b>
Internally Restricted Fund - Industry Development (Note 9)	541,297	537,904
General Fund	2,418,159	2,429,475
<b>Net Assets</b>	<b>2,959,456</b>	<b>2,967,379</b>
	<b>\$17,135,773</b>	<b>\$14,165,414</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, 2019

	BUDGET (Note 10)	2019	2018
	(Unaudited)		
<b>Revenue</b>			
Milk sold to processors	\$198,000,000	\$226,280,702	\$199,558,110
Milk pools (Note 5)	19,200,000	14,535,288	19,585,375
Milk pool administration and assessment fees (Note 11)	3,798,990	3,967,527	3,975,161
Interest	40,000	79,074	51,793
Investments	39,000	37,576	31,648
Milk quality penalties	175,000	303,059	276,065
Licence fees and miscellaneous	679,731	851,173	723,088
Promotion Levy	4,140,000	4,406,030	4,245,053
Grants	-	18,713	67,771
	<b>\$226,072,721</b>	<b>\$250,479,142</b>	<b>\$228,514,064</b>
<b>Expenses</b>			
Milk purchased from producers	\$217,826,911	\$241,592,839	\$219,876,129
Administrative expense	2,464,163	2,804,955	2,759,915
DFC Industrial Levy and Membership	2,823,939	2,201,801	2,810,452
Western Promotion	4,200	71,951	120,853
Salaries and benefits	1,276,934	1,344,283	1,161,976
Marketing, Nutrition and Education Activities	878,000	1,549,472	861,993
Travel, sustenance and vehicle expense	322,364	279,464	225,170
School Milk Program	131,500	182,571	138,518
Rent	176,781	169,568	162,172
Honoraria	161,340	147,590	112,970
Amortization	117,000	139,883	59,435
Food Bank Program	50,000	38,321	38,321
Legal	10,000	4,172	11,928
Cost of production study	18,000	(4,572)	(5,115)
	<b>\$226,261,132</b>	<b>250,522,298</b>	<b>228,334,717</b>
<b>(Deficiency) excess of revenues over expenses before other items</b>	<b>(188,411)</b>	<b>(43,156)</b>	<b>173,347</b>
<b>Other Items</b>			
Gain/(loss) on sale of investments	-	42,051	36,104
Foreign exchange gain/(loss)	-	-	3,098
Unrealized (loss)/gain on market value of investments	-	(6,818)	2,458
<b>(Deficiency) excess of revenues over expenses</b>	<b>\$(118,411)</b>	<b>\$(7,923)</b>	<b>\$221,007</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, 2019

	General Fund	Internally Restricted for Industry Development	2019	2018
Net assets, beginning of year	\$2,429,475	\$537,904	\$2,967,379	\$2,746,372
(Deficiency) excess of revenue over expenses	(7,923)	-	(7,923)	221,007
Net assets transferred in	-	-	-	-
Interfund transfers (Note 9)	(3,393)	3,393	-	-
Net assets, end of year	<b>\$2,418,159</b>	<b>\$541,297</b>	<b>\$2,959,456</b>	<b>\$2,967,379</b>

See accompanying notes to the financial statements

## Saskatchewan Milk Marketing Board

### Statement of Cash Flows

For the 12 months ended July 31, 2019

	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Cash receipts from processors and fees	249,166,216	227,852,110
Interest received	116,650	83,441
Cash paid to producers	(241,503,149)	(221,082,499)
Cash paid to other suppliers	(4,517,855)	(5,851,555)
Cash paid to employees and board members	(1,344,282)	(1,161,976)
Cash flows from operating activities	1,917,578	(160,479)
<b>Cash Flow from Investing Activities</b>		
Purchase of tangible capital assets	(213,653)	(231,736)
Purchase of investments	(1,365,618)	(789,113)
Proceeds on disposal of investments	1,249,548	967,544
Cash flows from investing activities	(329,723)	(253,305)
Net increase (decrease) in cash during the year	1,587,855	(413,784)
Cash position, beginning of year	880,731	1,294,515
Cash position, end of year	2,468,586	880,731

## **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, milk pools, milk pool administration and assessment fees, and promotion levy's are 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
Handhelds	5 years
Office furniture and equipment	3-10 years

**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, 2019

### 3. Investments

	2019	2018
<b>Market Value</b>		
Fixed income	-	597,431
Equities	-	260,166
Mutual Funds	1,386,500	383,218
Cash and cash equivalents	24,083	108,153
	<b>1,410,583</b>	<b>\$1,348,968</b>

### 4. Capital Assets

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Milk Payment System	\$702,382	\$454,811	247,571	251,423
Leasehold Improvements	92,932	77,058	15,874	31,749
Office furniture and equipment	139,914	125,068	14,846	25,395
Handhelds	206,912	41,382	165,530	61,485
	<b>\$1,142,140</b>	<b>\$698,319</b>	<b>\$443,821</b>	<b>\$380,052</b>

### 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.

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

**5. Milk Pools (Continued)**

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 \$14,535,288 (2018 - \$19,585,375) from the milk pools.

**6. Commitments**

SaskMilk has an ongoing lease for office space. The future minimum lease payments are as follows:

2020	\$112,307
2021	\$117,891

**7. Pension plan**

SaskMilk participates in the Public Employees' Pension Plan, a defined contribution pension plan. SaskMilk obligations to the Plan are limited to 7.60% of earnings for all employees for current services. During the year, SaskMilk contributed \$78,009 (2018 - \$70,205) 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 only a few processors.

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.

## 8. Financial instruments (Continued)

### 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 2018-2019: Inhibitor Testing Reagent – paid to the Processor, Quality Milk Bonus – paid to the Producers, Environmental Compliance – portion used to reduce haulage charges to Producers, and Milk Quality Testing – payment for portion of component testing and testing supplies (i.e. sample bags, sample vials, and truck seals).

## 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 2018 – 2019 Budget was approved by the Board of Directors on June 27, 2018.

## Saskatchewan Milk Marketing Board

### Financial Statement Notes

For the period ended July 31, 2019

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#### 11. Milk pool administration and assessment fees

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

	<b>2019</b>	<b>2018</b>
IDF revenue	\$1,610,560	\$1,709,206
SMMB assessment	1,909,280	1,839,522
CDC surplus refund	288,788	208,600
Fluid shrink	286,422	301,956
Component testing	21,582	21,527
Adjustments	(149,105)	(105,650)
	<b>\$3,967,527</b>	<b>\$3,975,161</b>







**Sask**milk

444 McLeod Street  
Regina, SK  
S4N 4Y1

Phone: (306) 949-6999  
Fax: (306) 949-2605  
[www.saskmilk.ca](http://www.saskmilk.ca)