

# 2019-2020 Annual Report

Sask **mil**k





## Our Vision

A healthy sustainable dairy industry

## Our Mission

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

# Board of Directors 2019-2020



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Joy Smith  
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Bev Solie  
Quota Management  
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Darlene Weighill  
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Chelsea Wilcoxon  
Marketing Assistant

# Chair Report

It is my pleasure to submit this Annual Report and report on Board activities to our Saskatchewan dairy farmers.

## **Nationally**

With the implementation of CUSMA, it became apparent that existing pooling arrangements would no longer suffice. As more access was granted to imports, the need for provinces to collaborate in finding a solution was clear. After many hours of negotiations, the Western Milk Pool and the P5 provinces could not come to an agreement, and so the Western Milk Pool opted to go forward with a CDC arbitration process. The arbitration took place in the spring, and in the subsequent ruling the CDC decided against some of the items that the WMP brought forward. Following this ruling, the WMP is continuing to work on fully understanding the impacts of the new pricing environment and has committed to work with our P5 partners to find solutions that work for all Canadian dairy producers.

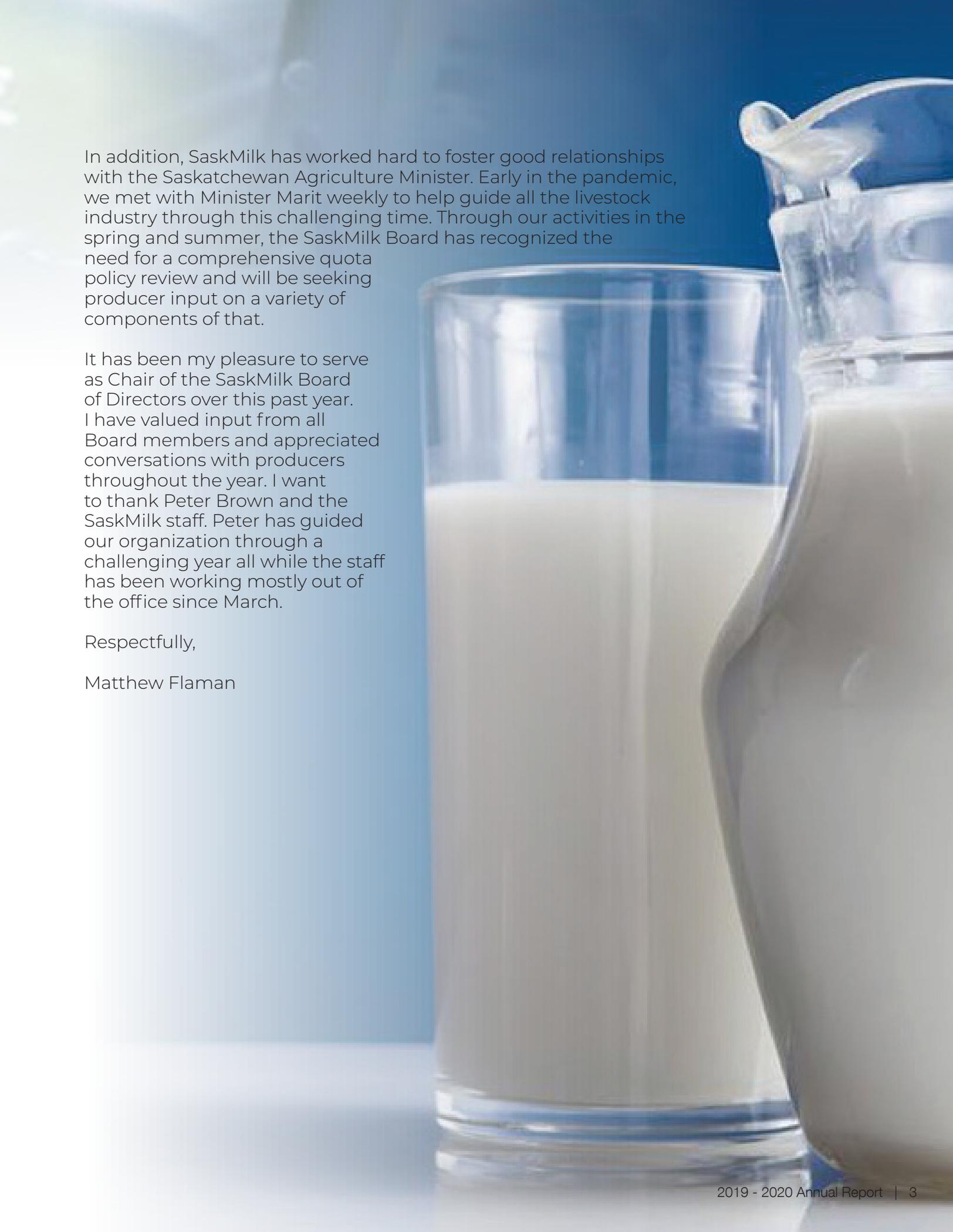
## **Western Milk Pool**

SaskMilk, along with the three other milk marketing boards from the west, interact very closely and work side by side at the national level. From this, there has been a desire to have a more structured arrangement between the four western provinces. Early in the year, there was a planning session held with the general managers and board executives from each province. The planning session developed a draft strategic plan that continues to be developed along with other agreements between the western provinces. Currently, the WMP continues to work together on Dairy Innovation West (DIW) as well as the Project 500. The WMP has also entered into an agreement for Product Recall Insurance to better protect our producers and processors across western Canada from any recalls that may occur in the supply chain. In March, when the Covid-19 pandemic hit, the WMP met weekly to help navigate our way through the unsettled supply and demand situation we were faced with.

## **Here At Home**

The Covid-19 pandemic that has impacted us all has also consumed much of the Board's time this year. Throughout the spring period, the SaskMilk Board found ourselves meeting weekly and even more often at times. There were many markets that were affected because of various business restrictions and shutdowns to try to keep our citizens safe. In the dairy industry specifically, the challenge was how to best match our production with the changing demands we were facing. I do thank all producers for their understanding through the phases of production restrictions that we had to deal with. As we were going through these unsettling times, SaskMilk staff were able to secure a deal in conjunction with Saputo and Agrifoods to supply local food banks with products from milk that may have been otherwise discarded. I am immensely proud of the fact that our farmers acted without hesitation to do what was best for our industry and our communities while working to reduce milk production.

Throughout this time other work continued; SaskMilk has signed a new agreement with our milk transporter, moving to a route-based formula to better assess costs for milk movement. On-farm inspections, although delayed due to the pandemic, will begin to roll out in the fall. It is SaskMilk's desire to have the best possible image of our industry, and these farm inspections are crucial to that goal. The SaskMilk Producer Portal has added another component and will soon allow producers to participate in the monthly quota exchange online.

A glass of milk and a pitcher of milk are shown against a blue background. The glass is in the foreground, and the pitcher is behind it. The milk is white and appears to be splashing or pouring from the pitcher into the glass.

In addition, SaskMilk has worked hard to foster good relationships with the Saskatchewan Agriculture Minister. Early in the pandemic, we met with Minister Marit weekly to help guide all the livestock industry through this challenging time. Through our activities in the spring and summer, the SaskMilk Board has recognized the need for a comprehensive quota policy review and will be seeking producer input on a variety of components of that.

It has been my pleasure to serve as Chair of the SaskMilk Board of Directors over this past year. I have valued input from all Board members and appreciated conversations with producers throughout the year. I want to thank Peter Brown and the SaskMilk staff. Peter has guided our organization through a challenging year all while the staff has been working mostly out of the office since March.

Respectfully,

Matthew Flaman

# General Manager's Report

The 2019-2020 dairy year was unique due to the challenges caused by the Covid-19 pandemic in the later part of the year. Key activities for the year included working on Western Milk Pool (WMP) initiatives, managing the industry through the early pandemic impacts, and focusing on quota policy issues within Saskatchewan. Our normal operational work continued as well, culminating into what we believe to be another very successful year for producers despite the pressures.

In the fall of 2019, provincial members of the WMP met for two days in Calgary to conduct a strategic planning exercise. These discussions led to a strategic plan for the WMP as a whole that was approved in principle in June 2020. As this plan was coming together, the General Managers of the four western provinces put together operational elements for the plan to allow for its implementation. The WMP strategic plan envelops the vision of "The Best in Dairy" by leading, collaborating, and innovating to build a prosperous Western Canadian dairy industry. Three high level goals have resulted from this plan: drive sustainability of the industry, provide the best quality milk for consumers, and collaborate for efficiency and effectiveness. Several tasks that support the WMP strategic plan are well underway, which I have outlined below.

Dairy Innovation West (DIW), a milk concentration plant proposed for central Alberta, was announced by the WMP in the fall of 2019. This initiative is key to lowering transportation costs on interprovincially transported milk and considerable progress has been made on this project during the balance of the dairy year. DIW is now incorporated as a federal not-for-profit corporation, has a Board of Directors in place, and has completed the engineering and site selection. A final decision on this project will be determined in December 2020 and, should the decision be to proceed with DIW, this 300 million litre/year plant would be operational by mid-2022.

Project 500 (P500) is another initiative currently underway by the WMP that has received attention over this past dairy year. If it comes to fruition, it will require significant commitment by producers. Further details about the project will unfold over the coming months.

Another WMP initiative completed this year was comprehensive insurance coverage for product recall. Each of the four provinces brought this coverage into place June 1, 2020. Initially encouraged by processors, this coverage gives protection to producers and Boards for catastrophic losses incurred if milk were to be contaminated (accidentally or maliciously) in such a way that it would present a potential danger to consumer health.

In the spring of 2020, issues arose relating to the SaskMilk Quota Policy. Two situations required immediate attention and the Board and staff of SaskMilk endeavoured to find the best result for the individuals and the industry. This experience has inspired the Board to undertake a further look at the quota policy, and to begin by going to producers with a detailed questionnaire. Input from producers will serve to inform the Board while they complete their review of the policies for the future.

Finally, your staff at Saskmilk have continued to work diligently on behalf of producers. The pandemic brought several changes to how we work. Staff began working remotely on March 17 and continued to do so past the end of the dairy year. Meetings are done directly for staff and Directors online via Zoom. Though Zoom meetings take some getting used to and can be tiring, they have and continue to be an effective way to operate.

We thank producers for their commitment to the industry and their positive view to the future.

Peter Brown

# Dairy Farmers of Canada Annual Report 2019-2020

Once again another year has gone by and it is an honour to present the annual report of Dairy Farmers of Canada. Our national organization continues a very active role in supporting and strengthening the image and livelihood of dairy farmers. Support for Canadian dairy continues to increase and consumers are seeking out dairy products that carry our Blue Cow logo. Our industry continues to face many challenges but with the strong, stable, and united voice of DFC we will successfully defend and promote our industry.

One of the lessons learned this year is that the best planning could never have anticipated the effects of a worldwide pandemic. The overnight upheaval in the marketplace was unprecedented but dairy producers responded and were successful in mitigating some of the more serious impacts. It was a collaborative effort amongst all parts of the supply chain. Those same efforts may need to continue if a potential second wave of Covid-19 does hit our population.

DFC has been active in continued lobby efforts regarding promised compensation coming from recent trade deals but has also been mindful of timing of these lobby efforts due to the Covid-19 pandemic. All dairy farmers received the initial first year payment on the proposed compensation package. DFC will continue to lobby for that compensation (CETA and CRTPP) to be locked in and made in direct payments over the next seven years.

Over the last decade, the DFC proAction® team has been working hard to have all the pillars of the program fully developed and implemented on Canadian farms. We are now in a position to leverage the strength of proAction® and our marketing team has begun that work. proAction® will strengthen the meaning and message behind our Blue Cow logo. I am convinced that we will see good results from showcasing the pride that Canadians take in caring for their animals, producing safe, quality milk, and caring for the environment that supports our farms. We truly are sustainable in all that we do and consumers can take pride in continuing to support Canadian dairy farmers through purchasing the products made from our milk.

The full DFC report that follows has been prepared by the DFC office and I invite you to continue reading to discover where the dollars committed to DFC have been used.

Blaine McLeod



# Dairy Farmers of Canada Report (continued)

This past year (2019-20), dairy farmers have been tested by a slew of challenges, most notably the COVID-19 pandemic. Canadian dairy farmers are resilient, and thanks to Canada's supply management system, we were able to rebalance production in a timely, coordinated way while limiting impacts on dairy farmers. Our dairy sector fared better than many other sectors of the Canadian economy, and in other countries where supply management does not exist, the impacts on dairy farmers were much more profound.

DFC has continued its important work advocating on behalf of dairy farmers for the winning conditions to foster a stable and vibrant dairy industry. DFC has also worked to address issues like emerging consumer concerns about milk standards and food security, regaining the relevance of dairy among millennials and generation-Z, developing win-win partnerships throughout the value chain, and engaging Canadians on the benefits of dairy products and a stable dairy industry.

While it is impossible to summarize all achievements over the past year, the following provides a brief overview.

## **Working in extraordinary times: The COVID-19 pandemic**

The pandemic caused sudden, rapid fluctuations in demand for milk and dairy products, from an initial period of rush-buying at the outset to a decline in overall demand as consumers adopted new consumption patterns. While the retail sector did capture some of the lost demand from the hotels, restaurants and institutions sector (HRI), it was not nearly enough to offset total losses. Adjusting to the shifts in demand and reorienting the entire supply chain from one market to another was a major feat. As product destined for the HRI sector is typically packaged in bulk and distributed differently than product intended for the home consumer, our industry experienced some short-term bottlenecks in the supply chain while the entire industry worked to adjust to mitigate the situation.

## **Supporting Canadians in Challenging Times**

The sudden closure of so many workplaces put many Canadians at risk of financial hardship. Collectively, dairy farmers across Canada donated more than \$10 million in dairy products to food banks to support Canadians in need, over and above contributions made throughout the year. A \$1 million donation from DFC was combined with federal government contributions to allow Food Banks Canada to purchase \$3 million in quality dairy products for distribution in communities right across Canada, including Northern Canada.

## **Mitigating the Impacts of COVID-19 through Advocacy**

DFC collaborated with provincial dairy organizations and our stakeholders, including processors and retailers, to have key functions and services in the dairy sector identified by the federal and provincial governments as essential services. Collaborative efforts were also undertaken to encourage the government to facilitate the entry of temporary foreign workers during the pandemic, who are needed on some farms. Our advocacy efforts paid-off when the government adopted, in mid-May, legislation to increase the borrowing capacity of the Canadian Dairy Commission from \$300 million to \$500 million. That additional capacity allows for the possible expansion of storage programs for butter and cheese, for example, which will help address any additional COVID-19 market disruptions.

## Stimulating the Marketplace

In the COVID-19 era, consumers are more interested than ever before in knowing what's in the food they eat and where it comes from. Through our innovative marketing efforts, including the timely Here for Canada campaign, DFC helped reassure Canadians of the safety and quality standards behind Canadian milk and dairy products. As data showed that Canadians were cooking more at home, DFC's national nutrition team launched the Only Good Things campaign which highlighted the delicious and healthy options of cooking with dairy.

DFC showed support for the beleaguered HRI sector by participating in the Canada Takeout campaign and #TakeoutDay in conjunction with Restaurants Canada and other key partners. The campaign encouraged Canadians across the country to order takeout from local restaurants to lend support to the foodservice industry, which employs millions of people across the country and relies on Canadian agriculture to serve its patrons. Dairy Farmers of Canada promoted the campaign across its social media platforms, including Twitter, Facebook and Instagram.

## DFC 2.0 Updates:

Stemming from the implementation of DFC 2.0, DFC pursued four strategic priorities through 2019: governance, engaging Canadians, marketing to millennials and partnerships. By executing on these strategic objectives, DFC made significant progress on the organization's overall key performance indicators with end of year results on our benchmarks surpassing the three-year objective in all three areas.

Measurement	Baseline	Mid-Year 2019	Year-End 2019	Mid-Year 2020	Three-Year Objective	Stretch Objective
% of Canadians surveyed						
Reputation of dairy farmers	72.2	69.0	70.4	70.6	70.2	74.8
Support for supply management	57.0	59.4	60.8	62.6	57.0	61.8
Millennial support for the consumption of dairy	51.3	51.6	56.3	59.0	51.3	56.0

## Marketing: Regaining the relevance of dairy

DFC's 2019 marketing activities emphasized the forward-thinking values and practices embodied by farmers in producing high-quality Canadian milk and leveraged the strength of the Blue Cow logo and proAction® program to raise awareness of milk and milk products and neutralize the erosion of attitudes towards dairy. Campaigns were designed to advance this messaging while dispelling myths and misconceptions that affect consumer purchasing decisions, with a focus on dairy farming practices pertaining to milk quality, the environment and animal care – the hallmarks of the proAction® program. Campaigns included:

### *Dairy Farming Forward*

- Ran in two iterations, the campaign brought the industry's commitment to environmental stewardship and socially responsible practices to the forefront using snapshots of real dairy farmers. The first iteration of the campaign reached 9.4 million Canadians (IMI Research).



### ***Milk: It's in the Stuff You Love***

- Focused on highlighting the presence of milk in foods that people already enjoy daily, the campaign raised the profile of milk and communicated key messages around the five dairy categories (milk, cream, cheese, butter, ice cream). The campaign reached 9.4 million Canadians and saw a five-point gain on shifting millennial perception on the statement “milk is a core ingredient” (IMI Research).

### ***Santa Surprise and Both Sides of the Glass***

- While Santa Surprise took a more timeless approach to reminding consumers that the Blue Cow logo is representative of Canadian quality milk standards, Both Sides of the Glass featured a youthful, fun-loving Santa dispelling myths around dairy and dairy farming practices. These two holiday campaigns both successfully raised awareness of the Blue Cow logo by 85 and 89% respectively (IMI Research).

### ***Here for Canada***

- Here for Canada reassured Canadians how dairy farmers are working relentlessly through difficult conditions to ensure the high quality, safety and reliability of Canadian dairy as well as donating to food banks across Canada – helping families in need. Sentiment and perceptions toward Dairy Farmers were already extremely positive and this campaign reinforced our commitment to Canadians. Positive sentiment towards dairy farmers stood at 79%, up +3% post-campaign (IMI Research).

### ***Hey Dairy Farmer – High Standards***

- Through real farmers, Hey Dairy Farmer communicated to consumers our sector's superior standards and in doing so, connected with millennial parents. We showed consumers that dairy farmers in Canada work hard to provide safe, high-quality milk, produced according to some of the most stringent standards in the world. The first iteration of this campaign reached 9.67 million Canadians with highest awareness among millennials (at 46%) and a five-point gain on their perception of dairy farmers (IMI Research).

### ***Hey Dairy Farmer – Environment***

- The second iteration of Hey Dairy Farmer highlights farmers' commitments and clarifies misconceptions on environmental sustainability. Canadians will walk away with a clear understanding that Canadian dairy farmers are global leaders in sustainable dairy farming, using innovative ways our dairy farmers are helping to preserve resources for generations to come. Results of this campaign will be available in late Fall, 2020.

### **Blue Cow Logo Effect**

By the end of 2019, the Blue Cow was recognized as one of the top three most influential logos in Canada (Cohesion Strategies) and nearly 20 million Canadians are now familiar with the logo.

More than 8,000 dairy products now feature the Blue Cow logo and we can anticipate that the logo will become even more important as consumers seek out more Canadian products considering the COVID-19 pandemic and impacts of recent trade deals.



In early 2020, it was announced that one of the largest dairy processors in Canada, Lactalis Canada, would be featuring the iconic Blue Cow logo on leading cheese products made with Canadian milk. This includes Cracker Barrel, Black Diamond, Cheesestrings, aMOOza! and P'tit Québec brands. The Blue Cow logo is also being featured by some of Canada's most influential vendors and can be found on point-of-sales material at Tim Hortons, on Boston Pizza's television advertisements, Burger King advertisements for shakes and mini-shakes, and GoodFood's branded milk. Most recently, it was announced that McDonald's Restaurants of Canada Limited joined the growing family of companies and products leveraging the Blue Cow logo to help consumers identify products made with 100% Canadian milk.

DFC also worked with national retailers to create specific promotions using the Blue Cow logo as part of a strategy to drive additional dairy consumption in the COVID era, and worked with processors to find additional opportunities to move Canadian-made dairy products and help recapture some of the volumes lost from other business lines.

*The Better with Real Butter* partnership between Dairy Farmers of Canada and Cineplex Media promoted real butter popcorn topping and the Blue Cow logo to movie-goers across the country. The partnership was planned to run through June 30, 2020, but the COVID-19 pandemic required that it be placed on hold; however, the agreement will be extended in order to reflect the lost time.

### **Advocacy: A tireless champion for dairy farmers**

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

#### **CETA, CPTPP and CUSMA**

Canada's new trade agreement with the United States and Mexico, CUSMA, came into force earlier than anticipated on July 1 during the COVID-19 pandemic. The dairy sector had previously secured support of parliamentarians to have CUSMA come into force in conjunction with the beginning of the dairy year August 1. As a result of CUSMA and other trade agreements, Canada will have outsourced the equivalent of 18% of our domestic dairy production to foreign countries by 2024.

DFC continued to seek assurance that the balance of the compensation owed to producers over the next seven years for CETA and CPTPP will be "locked-in" in subsequent budgets and made in the form of direct payments. DFC is also seeking full and fair compensation for the market access concessions made under CUSMA. DFC will continue to hold the government to account for these promises.

The government announced interim Tariff Rate Quotas (TRQs) for CUSMA following consultations with industry and DFC, establishing how the import access under CUSMA is allocated by product category to parties within the supply chain. The majority of these new TRQs have been allocated to processors, similar to the allocation of TRQs in place under CPTPP. Allocating the majority of TRQs to Canadian processors helps to ensure that more imported dairy products complement products produced in Canada, instead of duplicating them or directly competing with them.

The second phase of the broader public consultation on the long-term allocation and administration of TRQs for the World Trade Organization (WTO), CETA, CPTPP and CUSMA was put on hold until further notice. DFC has already met with officials from Global Affairs Canada to discuss the proposed options and continues to carefully monitor any next steps.

## Healthy Eating Strategy

DFC continued to advocate that nutritious dairy products should be exempt from Health Canada's proposed initiatives around front-of-package labelling and marketing to children. After a successful advocacy education campaign by DFC, Senators raised concerns over Bill S-228 (marketing to children) and delays to the legislation were caused; with the dissolution of Parliament prior to the 2019 election, the bill was effectively terminated. However, following the election, both issues were included in the mandate letter to the new Minister of Health Patty Hajdu and are still being pursued by Health Canada. The federal government assured DFC that it will be consulted when these issues move forward. We continue to advocate that the government should consider the best-available science, which points to broad health and nutritional benefits of dairy.

## proAction®: Telling our story

As part of its objective to increase awareness and understanding of the program, DFC worked throughout the year to make various stakeholders better aware of proAction® and its comprehensiveness. By helping stakeholders become familiar with proAction®, they will in turn be better positioned to speak about it with their peers and professional contacts, helping to build further awareness of the program.

In June 2020, Lactanet Canada was officially recognized by the Canadian Food Inspection Agency as the Responsible Administrator for dairy cattle in Canada. Full implementation of DairyTrace became a reality in October 2020, providing a single, common framework for dairy farmers to track animal identity and movements. DairyTrace will promote information-sharing and add value to research and genetics initiatives, all while aligning with the traceability module of the proAction® program.

## Research: Driving innovation

DFC's continued investments in dairy production, human nutrition and health research provide the science-based evidence needed to drive innovation in the sector and build support for dairy among consumers and policymakers alike. Findings have supported policy development, validated proAction® requirements, improved farm management practices and contributed to consolidate the nutritional benefits of dairy products.

Research by the numbers

**23 FUNDING PARTNERS**

**31 ONGOING PROJECTS**

**34 CANADIAN RESEARCH INSTITUTIONS**

**142 CANADIAN SCIENTISTS INVOLVED**

**OVER 75 GRADUATE STUDENTS**

**APPROXIMATELY 2,000 FARMS INVOLVED**

## Nutrition: Reinforcing understanding of dairy's role in human health

DFC's national nutrition team continues to keep health professionals informed about emerging research and new support tools which reinforce the role of milk products in promoting health. Following the release of the new Food Guide in early 2019, DFC updated its resources for health professionals underlining the role of milk products in bone health as well as its consumer resources highlighting milk products as a key source of highly bioavailable calcium. These resources were actively promoted through the year with dietitians, physicians, and other health care providers.

DFC held another successful annual nutrition symposium in the fall of 2019 focusing on the issue of sustainable diets. 39% of participants reported improved knowledge of animal agriculture as it relates to environmental sustainability, particularly in the Canadian context.

# Research Report

During this past year the research committee has continued our work with three main goals in mind: collaborating with the other western provinces on research, supporting our researchers at the U of S, and increasing the exposure of the Rayner Centre.

Below is a list of the research projects and activities that we are involved in:

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, Ruminant management, Cell biology, Weaning, Metabolism)
6. Dr. Meena Sarkahar U of S- Treatment of Mastitis Infectious 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 – Feed Processing to Reduce Ergot Toxicity
8. Dr. Ahmad Al-Dissi U of S – Should Livestock Diet be Tested for the Levels of the Epimers of Ergot Alkaloids?
9. Dr. Peiqiang Yu U of S – Alternative feedstuffs for dairy cattle; whole crop faba bean silage
10. Dr. Greg Penner U of S – Feeding strategies for transition cows in VMS
11. Rayner Facility U of S – Cow comfort assessment: deep bedding vs mattresses in VMS freestall facility
12. Rayner Facility U of S – Cow comfort- not just for farmers; qualitative assessment of school groups visiting the Rayner Centre
13. Dr. Wendy Wilkins Ministry of Agriculture – Salmonella Dublin Surveillance program in Saskatchewan

It has been very rewarding working with many exceptional people who all share a passion for the dairy industry.

Denise Coghill

# Marketing, Nutrition, & Education Report

## Here for Canada

Dairy Farmers of Canada's uplifting new campaign shows dairy farmers remain here in Canada, amid uncertainty, some things have stayed the same. Despite the COVID-19 pandemic, dairy farmers are still here for Canada, producing high-quality Canadian dairy.

The 'Here for Canada' campaign reassured Canadians of the comprehensive safety protocols Canadian dairy farmers follow, while also providing an uplifting look at how dairy farmers are adapting to the circumstances to feed the nation. By example, donating more than \$5 million to food banks across Canada to help families in need.

In these challenging times, Saskatchewan's dairy farmers continued to produce a steady supply of high-quality dairy while supporting our communities. A donation of \$150,000 and nearly 38,000 pounds of product for the province's food banks was made to support those in need.

## Advertising

### Bill Boards

With the addition of 15 digital billboards in provincial locations such as Moose Jaw, Estevan, Weyburn, Swift Current, North Battleford and Yorkton, we were able to rotate and update SaskMilk messaging on an as needed basis.

### Radio

Being very proactive all messaging was personalized with radio hosts sharing their stories of how dairy is a part of their everyday ritual, as well as their families. We also heard how to use dairy in everyday recipes from soup to fettuccine to desserts. The next generations of our very own dairy farms told listeners how nutritious dairy is.

We also stressed that dairy farmers are local, located as close as the listeners back yard! We also mention to continue to look for the 'Canadian Quality Blue Cow'; supporting your Canadian Dairy Farmer, including the local 165 dairy farms in Saskatchewan.



### Television

Every morning provincial viewers were able to hear and see current events with CTV, ["Your CTV morning coffee break, brought to you by SASKMILK! Buy Canadian - look for the Blue Cow label at your local store!"] But most importantly, the weather updates were also brought to you by SaskMilk.

## Sponsorships

Interruption with COVID-19 halted activations, events and sponsorship commitments, but SaskMilk was able to participate with most sponsorships until the end of February.

SaskMilk sponsors numerous activations, events and educational activities, engaging consumers while encouraging consumer trust. Every sponsorship helps spread a dairy message.

### Just a few of **SaskMilk's Major Charitable Activities and Donations:**

- Culinary Chef Competition
- Diabetes Canada
- Jim Pattison Children's Hospital Foundation
- Saskatchewan High School Athletics Association - 350 Registered High Schools
- Saskatchewan Heritage
- Saskatchewan Junior Hockey League – 12 teams in Saskatchewan
- Special Olympics
- Western Hockey League – 4 teams in Saskatchewan
- U of Regina – Inspire – Title Sponsorship - SaskMilk
  - University of Regina brought together 2,000 female students from grades 11 and 12 to inspire and support them in their development as future leaders, at school, on the sports field, at home with family, and in their community.
- U of Saskatchewan
  - Culinary and Dieticians Tour
- Farm and Food Care
- Saskatchewan Games Council



### **Rink Boards** **(14 Provincial locations)**

Not including the rink boards for the WHL and SJHL

### **Consumer Events and Trade Shows**

- Ag in the City, Ag in the Classroom, Ag Education and Farm to School programs, have a goal to encourage a better understanding of agriculture with grade 4 students, where does their food come from.
- Agribition



## Nutrition

Dairy Farmers of Canada provided 'Meals in a Jar'. Consumers were able to prepare meals in a jar with great ease. Breakfast Parfaits, Salads on the Go and Over Night Oats were a hit.



## Sport Nutrition

### **FREE Sport Nutrition Workshops.**

The main objective of the Sports Nutrition Education Program is to provide young athletes an understanding of the basics in sports nutrition, healthy eating, and its impact on health and optimal athletic performance. The consumption of dairy protein as a healthy choice and lifestyle is in the message.

## Education

### **School Milk**

School Milk supports schools distributing milk or dairy products at school by providing registered schools prizes and activities to support physical activity.

SaskMilk School Milk program had 335 schools registered in 2019 - 2020 out of the 610 elementary schools in the province.

Now more than ever we need to connect with consumers and communities to strengthen the image and trust of milk.

### **SaskMilk Marketing Committee**

A SaskMilk Marketing Committees was formed to provide feedback to the Marketing Manager and General Manager with regards to SaskMilk marketing activities. The committee includes Luke Bruinsma, Blaine McLeod, Tom Mackenzie, Martine Vandenbrink, Nick Westeringh and Chelsea Wilcoxon (SaskMilk's Marketing Assistant)

Finally, a salute to the hard-working men and women throughout the supply chain, from the farm to the processing plants, to retail stores, restaurants, and foodservice outlets - all working very hard in unprecedented circumstances.

Thank you to the public health officials, organizations, front-line healthcare workers, emergency personnel and those who tirelessly provide care and work to contain the spread of this virus.

# Production Report

As of July 2020, Saskatchewan had 161 dairy operations in the province.

The total milk shipped this dairy year was 295,742,112 litres. This is an increase of 2,294,767 litres (0.78%) from the previous year. Butterfat production for the dairy year was 12,466,054 kilograms, an increase from the previous year of 265,677 kilograms (2.18%).

In the Western Milk Pool, Saskatchewan's Class 1 fluid sales accounted for 6.37% of WMP fluid sales. Total Class 1 fluid sales in the WMP were 869,699,915 litres, a decrease of 11,632,216 litres (-1.32%).

## The average milk composition was:

Butterfat 4.2165%  
 Protein 3.2658%  
 Other Solids 5.8855%

## Average blend price:

All Milk \$83.79/hl  
 Butterfat \$19.87/kg

## Average Component Prices:

Butterfat \$16.890882  
 Protein \$ 2.565694  
 Other Solids \$ 0.711829

	Aug-19	Sept-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Litres Shipped (000's)	25,297.10	24,365.76	24,915.20	24,097.32	25,283.93	25,603.20	23,632.52	24,959.91	23,768.25	24,622.68	24,093.01	25,103.24
Avg Litres/day (000's)	816.04	812.19	803.72	803.24	815.61	825.91	814.91	805.16	792.28	794.28	803.10	809.78
Bfat %	4.1064	4.2127	4.3455	4.3477	4.3041	4.2784	4.2379	4.2286	4.2029	4.1451	4.1128	4.0770
Bfat kgs (000's)	1,038,800	1,022,245	1,082,690	1,047,691	1,088,248	1,095,420	1,001,524	1,055,461	998,957	1,020,647	990,904	1,023,467
Avg Bfat kgs/day	33,510	34,075	34,925	34,923	35,105	35,336	34,535	34,047	33,299	32,924	33,030	33,015
Lost Opportunity kgs	1,883	542	1,398	1,253	1,026	1,374	1,183	648	1,416	3,737	3,530	1,977
Over Quota Kgs	898	671	750	291	1,257	1,275	1,360	3,304	5,345	2,479	954	3,572
SK cumulative %	1.54	1.18	1.07	1.56	1.77	3.21	4.03	3.86	4.78	5.41	5.39	5.36
SK Quota filling in month %	100.52	102.22	104.77	104.76	105.31	106.00	103.60	102.13	99.89	98.76	99.08	99.04
SK 12-month rolling %	104.39	103.67	103.41	102.75	103.66	104.10	103.99	102.77	102.90	102.90	102.24	101.77
WMP cumulative %	-1.34	-2.03	-2.52	-2.42	-2.58	-1.48	-0.79	-0.99	-0.38	-0.07	-0.3	-0.73
P5 cumulative %	-0.8	-1.33	-1.72	-1.78	-1.84	-0.88	-0.47	-0.54	-0.19	-0.05	-0.26	-0.77
P10 cumulative %	-1.02	-1.61	-2.02	-2.03	-2.12	-1.13	-0.66	-0.78	-0.36	-0.19	-0.41	-0.91

# 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.”

The Biosecurity module rolled out in September 2019. Workshops were run from April to August with three being held during the month of August. A catchup workshop was held in February of 2020 for producers who were requesting a refresher. The key elements of the Biosecurity module are the development of standard operating procedures to address animal and people movement within the premises and a biosecurity risk assessment done in conjunction with the herd veterinarian.

Although the Traceability module rolled out in 2017 changes will be coming. Lactanet was granted responsible Administrator Status on June 5, 2020 and will be responsible for the traceability of all dairy animals. Producers will no longer be reporting their traceability events to CLTS but in October will start to transition to use of the DairyTrace website to report traceability events. Starting in September 2021 producers must be reporting the events to DairyTrace

DairyTrace will be introducing and promoting a single white button tag to be used in place of the yellow button tag. Use of the white button tag will allow all calves born on a dairy farm to be included in the national dairy cattle traceability system. There will be a transition period before the yellow button tags are completely replaced by the single white button tags.

The Environment module was completed this year rollout will be in September of 2021. EFP's are still the major requirement of the module.

In the last year the EFP program in Saskatchewan has been under review. The Government of Saskatchewan is developing new content for the EFP plan which will be based on the Sustainable Agriculture Initiative (SAI) Platform. The SAI platform supports the development and implementation of sustainable agricultural practices involving stakeholders throughout the food value chain. This new program will be rolled out in 2021. Unfortunately, Covid caused the cancellation of planned EFP workshops in the province so producers who do not complete their EFP's before the end of 2020 will be working with the new EFP program. The goal is to try and have as many farms as possible complete their EFPs before the end of 2020.

Deb Hauptstein





## **Financial Statements**

Saskatchewan Milk Marketing Board

*For the year ended July 31, 2020*

## **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 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 26, 2020



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General Manager

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, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2020, 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 the 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.

## Independent Auditor's Report *Continued*

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### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 26, 2020

*MNP* LLP

Chartered Professional Accountants

**Saskatchewan Milk Marketing Board**  
**Statement of Financial Position**

*As of July 31, 2020*

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$668,242	\$2,468,586
Accounts receivable	12,054,872	12,500,637
GST receivable	38,870	26,539
Prepaid expenses	519,267	285,607
	<b>13,281,251</b>	<b>15,281,369</b>
<b>Investments (Note 3)</b>	1,424,914	1,410,583
<b>Capital Assets (Note 4)</b>	451,339	443,821
	<b>\$15,157,504</b>	<b>\$17,135,773</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$12,310,460	\$14,176,317
	<b>12,310,460</b>	<b>14,176,317</b>
Internally Restricted Fund - Industry Development (Note 9)	815,484	541,297
General Fund	2,031,560	2,418,159
<b>Net Assets</b>	<b>2,847,044</b>	<b>2,959,456</b>
	<b>\$15,157,504</b>	<b>\$17,135,773</b>

**Commitments (Note 6)**

**Significant event (Note 13)**

**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, 2020*

	BUDGET (Note 10)	2020	2019
	(Unaudited)		
<b>Revenue</b>			
Milk sold to processors	\$228,000,000	\$242,558,749	\$226,280,702
Milk pools (Note 5)	14,400,000	4,765,549	14,535,288
Promotion levy	4,500,000	4,443,608	4,406,030
Milk pool administration and assessment fees (Note 11)	3,818,492	4,029,278	3,967,527
Licence fees and miscellaneous	643,896	710,505	851,173
Milk quality penalties	300,000	150,165	303,059
Investments	39,000	54,391	37,576
Interest	63,000	53,740	79,074
Grants	-	33,524	18,713
	<b>\$251,764,388</b>	<b>\$256,799,509</b>	<b>\$250,479,142</b>
<b>Expenses</b>			
Milk purchased from producers	\$243,007,815	\$248,095,776	\$241,592,839
Administrative expense	2,473,081	2,857,750	2,804,955
DFC industrial levy and membership	2,778,897	1,724,821	2,201,801
Marketing, nutrition and education activities	1,170,456	1,677,000	1,549,472
Salaries and benefits	1,383,600	1,360,149	1,344,283
Travel, sustenance and vehicle expense	357,421	181,021	279,464
School milk program	144,500	173,227	182,571
Rent	179,853	172,553	169,568
Food Bank program	50,000	172,045	38,321
Amortization	90,000	154,518	139,883
Honoraria	160,240	118,450	147,590
Legal	30,000	113,686	4,172
Western promotion	200,000	81,416	71,951
Cost of production study	18,000	6,189	(4,572)
	<b>\$252,043,863</b>	<b>256,888,601</b>	<b>250,522,298</b>
<b>Deficiency of revenues over expenses before other items</b>	(279,475)	(89,092)	(43,156)
<b>Other Items</b>			
Gain on sale of investments	-	-	42,051
Unrealized loss on market value of investments	-	(23,320)	(6,818)
<b>Deficiency of revenues over expenses</b>	<b>\$(279,475)</b>	<b>\$(112,412)</b>	<b>\$(7,923)</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, 2020*

	<b>General Fund</b>	<b>Internally Restricted for Industry Development</b>	<b>2020</b>	<b>2019</b>
Net assets, beginning of year	\$2,418,159	\$541,297	\$2,959,456	\$2,967,379
Deficiency of revenue over expenses	(112,412)	-	(112,412)	(7,923)
Interfund transfers ( <i>Note 9</i> )	(274,187)	274,187	-	-
<b>Net assets, end of year</b>	<b>\$2,031,560</b>	<b>\$815,484</b>	<b>\$2,847,044</b>	<b>\$2,959,456</b>

**Saskatchewan Milk Marketing Board**  
**Statement of Cash Flows**

*For the 12 months ended July 31, 2020*

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities:</b>		
Cash receipts from processors and fees	257,149,476	249,166,216
Interest received and investment income	108,130	116,650
Cash paid to producers	(248,101,054)	(241,503,149)
Cash paid to other suppliers	(9,377,434)	(4,517,855)
Cash paid to employees and board members	(1,360,150)	(1,344,282)
<b>Cash flows from operating activities</b>	<b>(1,581,032)</b>	<b>1,917,578</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of tangible capital assets	(162,036)	(231,653)
Purchase of investments	(57,276)	(1,365,618)
Proceeds on disposal of investments	-	1,249,548
<b>Cash flows from investing activities</b>	<b>(219,312)</b>	<b>(329,723)</b>
Net (decrease) increase in cash during the year	(1,800,344)	1,587,855
Cash position, beginning of year	2,468,586	880,731
Cash position, end of year	\$668,242	2,468,586

## **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, 2020*

**3. Investments**

	<b>2020</b>	<b>2019</b>
<b>Market Value</b>		
Mutual Funds	\$1,417,151	\$1,386,500
Cash and cash equivalents	7,763	24,083
	<b>\$1,424,914</b>	<b>\$1,410,583</b>

**4. Capital Assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2020 Net Book Value</b>	<b>2019 Net Book Value</b>
Milk Pay System	\$817,734	\$536,585	\$281,149	\$247,571
Leasehold Improvements	92,932	92,932	-	15,874
Office furniture and equipment	141,523	131,539	9,984	14,846
Handhelds	251,985	91,779	160,206	165,530
	<b>\$1,304,174</b>	<b>\$852,835</b>	<b>\$451,339</b>	<b>\$443,821</b>

**5. Milk Pools**

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

The Board has an arrangement with the signatories of the National Milk Marketing Plan. This arrangement provides for the pooling of revenues from sales of milk components in special classes of milk used to service domestic and external markets. The Special Class Pool is administered by the Canadian Dairy Commission (CDC). Based on each province's monthly special class sales, the CDC will either distribute revenue or require a contribution to the national revenue pool.

## **5. Milk Pools (continued)**

This pooling arrangement above ended May 31, 2020 and has been replaced by the following:

The Western Milk pool entered into a revenue and cost sharing agreement effective June 1, 2020 with Newfoundland and the P5 pool (consisting of the provinces of New Brunswick, Nova Scotia, Prince Edward Island, Quebec and Ontario). The purpose of this agreement is to extend the pooling arrangements within each pool so that all revenue is pooled among the 10 provinces, as if the ten provinces constituted a single market. Based on each pool's monthly sales, the CDC either distributed revenue or required a contribution from the Western Milk Pool.

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 \$4,765,549 (2019 - \$14,535,288) from the milk pools.

## **6. Commitments**

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

2021	\$117,891
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## **7. Pension plan**

SaskMilk participates in the Public Employees' Pension Plan, a defined contribution or benefit plan. SaskMilk obligations to the Plan are limited to 7.60% of earnings for all employees for current services. During the year, SaskMilk contributed \$86,956 (2019 - \$78,009) 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 the Board's milk sales are to 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.

### **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 2019-2020: 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 2019 – 2020 Budget was approved by the Board of Directors on June 25, 2019.

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

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

	<b>2020</b>	<b>2019</b>
IDF revenue	\$1,623,584	\$1,610,560
SMMB assessment	1,925,563	1,909,280
CDC surplus refund	161,471	288,788
Fluid shrink	286,078	286,422
Component testing	21,505	21,582
Adjustments	11,077	(149,105)
	<b>\$4,029,278</b>	<b>\$3,967,527</b>

## **12. Related party information**

SaskMilk is a member of Dairy Innovation West Inc. (DIW). SaskMilk has significant influence over DIW through its ability to name a nominee for appointment to DIW's Board of Directors and its ability to name a nominee for election of the Chair of DIW's Board of Directors.

DIW's purpose is to promote and facilitate the efficient transportation of milk and milk components by producers to the processors in western Canada by:

- Reducing the transportation costs of milk and milk components by establishing a dairy concentration plant to process raw milk by separating and concentrating the components for trans-shipment to other dairy plants.
- Ensuring that the concentration plan acts as a tolling station in the transportation of milk and milk components from producers to processors.
- Doing all such other things as are incidental and ancillary to the attainment of the foregoing purpose and the exercise of the power of the corporation.

DIW was incorporated under the Canada Not-for-profit Corporations Act on April 30, 2020 and is a non-profit organization under paragraph 149(1)(l) of the Income Tax Act.

During the year, SaskMilk paid DIW a total of \$230,553.

## **13. Significant event**

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak will have a minimal affect on the Organization.









**Sask**

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