

2020-2021 Annual Report

Sask **mil**k





Our Vision

A growing, healthy, sustainable dairy industry

Our Mission

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

Board of Directors 2020-2021



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Chair Report

I am pleased to bring you a brief report on behalf of the Board for the activities of SaskMilk for 2021.

Throughout the past year the Board has worked diligently on behalf of the producers in a few key areas. We have taken a close look at the results of a survey we received from the producers concerning our quota policies. The Board spent countless hours reviewing each section carefully and weighing the producer responses. This work has resulted in some changes regarding Quota Transfers. This is a substantial undertaking, but I can assure you that we continue to work on other areas that were identified in the survey.

The other major piece of work the Board has completed in 2020/2021 is a new Strategic Plan. This work was spread out over several meetings. This work was guided by a facilitator who assisted in developing a detailed plan including timeline goals and progress tracking.

Our Strategic Priorities:

- Collaboration
- Consumer Confidence
- Awareness and Engagement
- Growth
- Best Value/Cost Control
- Effective Supply Management
- Governance and Board Relations

With this new plan, our management team can create easy-to-follow work plans that include a common timeline for meeting our goals. Along with timelines, we have included “Indicators of Success” to effectively measure if goals are having a positive outcome for our industry. We believe the work done on the Strategic Plan will pay dividends for both the Board and staff.

While these two key items consumed much of the Board’s time this year, regular reviews of current policy is always ongoing. Virtual meetings have made this discourse challenging for the Board at times and I appreciate the input that each board member has provided throughout the year.

On a Western Milk Pool (WMP) level, we are at a place of trust and collaboration that we can be proud of. We are working in step with our western partners to create synergies so we can improve our efficiencies as a group where possible. We have found that we all have similar goals for our producers and continue to work towards them. I would like to thank the Western Milk Pool Chair, Henry Holtmann for guiding us and being our spokesperson for times when we speak as one voice from the west. Recently, the WMP entered into a new Plant of Last Resort agreement with a new provider. I am also pleased to report that the Dairy Innovation West project is moving ahead with a planned construction start in the spring of 2022.

Nationally, we are continuing to work on your behalf. Much work has been done and more will continue as we try to level the difference in costs from the WMP to the P-5. We feel it is crucial that in a revenue-sharing environment, direct costs that are out of producers' control should also be shared.

In closing, I would like to thank Peter Brown and his staff. In a year that has been difficult to manage, Peter and everyone in the office has worked tirelessly for the best interest of our producers.

It has been a pleasure to serve as Chair of the Board of Directors. I have valued the input from each of the board members, as well as the producers.

Respectfully,

Matthew Flaman



General Manager's Report

The 2020-2021 dairy year brought various challenges as the COVID-19 pandemic continued. Consumer demand for dairy remained strong, though the slow recovery of the hotel, restaurant and institutional sector caused some shifting into the retail sector.

After 10 years in the McLeod Street location, the SaskMilk office moved to 470 Maxwell Crescent, Regina. The move occurred in June of 2021. Despite the office move, staff have been working mostly from home during the year due to the pandemic. Board meetings as well as most other meetings have been held virtually via Zoom. We are all looking forward to a time in the very near future when we can meet in-person again and enjoy our new workspace.

Late in the dairy year we experienced some personnel changes with our long-time dairy specialist retiring and her assistant leaving to pursue further education. These positions are expected to be filled very early in the year so SaskMilk can continue to offer on-farm services and consistent presence to our producers.

This past year saw the Board, with input from staff and facilitation by an outside expert, complete a robust strategic planning exercise. The new strategic plan was in place by June 2021 and will guide SaskMilk over the next three years. Some highlights of the plan include:

Vision: A growing healthy sustainable dairy industry

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

Seven Strategic Priorities: Collaboration, Consumer Confidence, Awareness and engagement, Growth, Creating best value, Effective Supply Management, Governance

The elements of our Strategic Plan line up well with the Western Milk Pool's (WMP) strategic plan. We continue to work closely with our western partner provinces to harmonize policies where possible. Going forward, increased effort will be put into finding further efficiencies as we work issues common to all of us.

A key WMP project is Dairy Innovation West (DIW), a milk concentration plant to be built in central Alberta. This initiative is crucial to lowering transportation costs on interprovincially transported milk. Considerable progress has been made on this project during the dairy year and DIW is now incorporated as a not-for-profit corporation with a Board of Directors in place. The land has been purchased at Blackfalds, Alberta and the engineering is finished. Completion of the financing arrangements is now close at hand after some delays due to regulatory differences between the four provinces.

In April 2021, the western provinces wound down a 20-year Plant of Last Resort (PLR) arrangement with a large processor and signed a new agreement with a different processor. The WMP pivoted away from any direct participation in the project known as P500 in favour of the PLR, but looks forward to potential capacity gains in the future.

Finally, we have redoubled efforts on 'milk quality' both at the WMP and SaskMilk levels. In the spring of 2021, the WMP created a committee to focus specifically on how to further improve milk quality. During this past year, SaskMilk re-designed its quality penalty program to incent producers to make every tank of milk of high quality. This system reflects a similar change made in Manitoba. Saskatchewan's program will commence on August 1, 2021.

Peter Brown

Dairy Farmers of Canada Annual Report 2020-2021

Your national association continues to work on your behalf, so that you can focus on what you do best: supplying our communities with sustainably produced, high-quality milk.

With your help, we secured a commitment from the federal government towards an accelerated timeline for the \$1.4 billion in compensation owed for the impacts of recent trade agreements. Trade deals, increased competition in the marketplace, changing consumer expectations, and countering myths and misconceptions about dairy are just some of the things DFC is working to address.

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

Strategic Objectives and Progress:

The organization pursued five strategic priorities for 2020, including:

- Engaging millennials and generation-Z to build the social license to consume Canadian dairy;
- Engaging Canadians and stakeholders on value of Canadian dairy and the role of supply management;
- Maximizing the impact of our current and future partnerships;
- Undertaking an offensive 'sector strategy' to debunk myths and misconceptions; and
- Working jointly with producers and processors to identify issues of mutual interest.

DFC made significant progress on the organization's overall key performance indicators, surpassing the three-year objective in all three areas.

Measurement	Baseline Jan 2019	Mid-Year 2019	Year-End 2019	Mid-Year 2020	Year-End 2020	Mid-Year 2021	Three-Year Objective (2021)	Stretch Objective (2025)
Reputation of dairy farmers	72.2	69.0	70.4	70.6	72.4	70.8	70.2	74.8
Support for supply management	57.0	59.4	60.8	62.6	61.0	61.2	57.0	61.8
Millennial support for the consumption of dairy	51.3	51.6	56.3	59.0	58.0	61.3	51.3	56.0

Source: Abacus Data, June 2021

Dairy Farmers of Canada Report (continued)

Connecting with our Consumers: DFC Marketing Initiatives

DFC's marketing activities emphasize the forward-thinking values and practices embodied by farmers. DFC is continuously building upon and leveraging the strength of the Blue Cow logo and the proAction® program to build the "social license" to consume dairy.

We continue working to foster a deeper digital relationship with online users, driving higher engagement and having our target spend more time interacting with our content. We also expanded our list of third-party experts and influencers to help drive home the dairy message.

2020-21 Campaigns

Our 2020-21 campaigns used Canadian standards in areas like sustainability, animal care and milk quality as an overarching proposition to counter negative messages about dairy and affirm trust in our farmers.

Hey Dairy Farmer – Standards

In June and July 2020, the *Hey Dairy Farmer – Parents' Virtual Tour* debunked milk myths for millennial parents by giving the floor to the experts: real Canadian dairy farmers. The campaign reached 40% of Canadians (nearly 10 million people) with excellent cost effectiveness and impact.

Hey Dairy Farmer – Environment

This campaign positioned Canadian dairy farmers as global leaders in reducing emissions and improving sustainability, which are key preoccupations of our target audiences.

Canadian Comfort

At a time when more and more Canadians were cooking at home, this campaign was created in partnership with Egg Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to encourage consumers to buy and cook with locally produced ingredients.

Behind the Blue Cow Logo

This campaign spoke to the value of Canadian dairy by reinforcing the high standards and practices symbolized by our iconic logo. This highly successful campaign was served more than 112 million times.

Where There's Help, There's Hope

Created in partnership with Food Banks Canada, this inspiring campaign reminded Canadians that the best way to overcome pandemic challenges is by working together, a notion that dairy farmers have always taken to heart.

Thank You Canada

Our year-end *Thank You* campaign showed consumers our appreciation and linked support of the Blue Cow logo to support for hard-working Canadian farmers.

Dairy Farmers of Tomorrow

Real Canadian dairy farmers brought to life a progressive and forward-facing industry that builds upon Canada's tradition of producing high-quality milk under some of the world's most stringent standards.

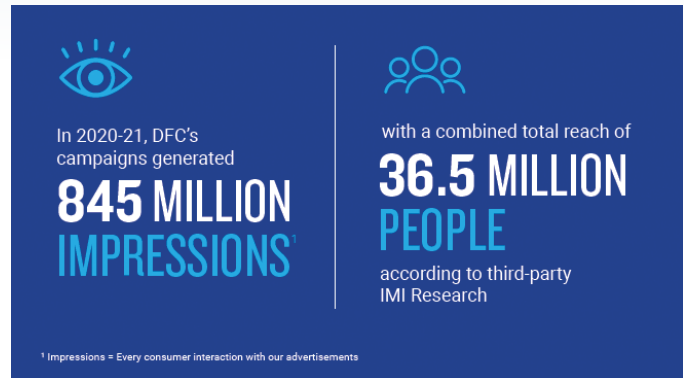
Dairy Farming Forward - High Standards

This dynamic marketing campaign focused on the progressive practices that Canadian farmers use to maintain proper animal care, milk safety and environmental protection standards, which are among the most stringent in the world.

Other Marketing Highlights

Great Canadian Baking Show

With restaurants across the country shuttered or operating at reduced capacity during the pandemic, DFC partnered with the CBC's Great Canadian Baking Show to promote dairy as the secret ingredient for award-winning baking.



David Beaudoin, Canadian Cheese Ambassador

Our gregarious Canadian Cheese Ambassador David Beaudoin continually brings to life the passion and craftsmanship of Canada's dairy producers and processors. Throughout the past year, Beaudoin led several lively webinars and virtual events to promote and educate the public on cheeses featuring our Blue Cow logo.

The Blue Cow Logo

As one of the most influential logos in Canada, DFC's Blue Cow logo is a powerful symbol of excellence in production. It plays an important role in the dairy industry's efforts to connect with today's consumer. We added 38 new licensees and more than 1,000 additional products to the Blue Cow family in 2020-21.

A key partner in dairy

From leveraging the Blue Cow logo in advertising and point-of-sale materials, to new consumption-driving tactics, DFC continues to work with partners in restaurants and foodservice to overcome pandemic-related challenges. We also work closely with retailers on things like special point-of-sale advertising, signage, flyers and loyalty program promotions that feature the Blue Cow.



Dairy Farmers of Canada Report (continued)

Advocating on behalf of Canadian dairy farmers

Compensation

The past year has been particularly active in terms of government relations activities led by DFC. Last November, with the help of provincial associations and grassroots members, DFC succeeded in obtaining the outstanding details on the compensation packages for CPTPP and CETA following an intensive advocacy and awareness campaign with government and elected officials from all parties. As a result of these efforts, the remaining compensation payments totalling \$1.405 billion will be distributed over a shortened three-year period instead of the original seven-year timeframe.

Canada-U.K. Trade Agreement

DFC also succeeded in ensuring that no domestic dairy market concessions were granted in the transitional free trade agreement with the U.K. and has actively advocated for the majority of tariff rate quotas granted in the various recent trade agreements to be allocated to Canadian processors.

Private Members' Bills

While our focus has been on international trade, DFC also campaigned for several private members bills aiming to improve the quality of life of Canadian dairy farmers in recent months, including a bill to remedy issues with the taxation of intergenerational farm transfers (C-208), and a law prohibiting the Canadian government from granting new access to our Canadian domestic market in future trade agreements (C-216).

TRQs Allocation

DFC submitted comments on phase 2 of the comprehensive review of the allocation and administration of Tariff Rate Quotas (TRQs) for dairy products, where we re-emphasized how critical it is that dairy TRQs be allocated to Canadian dairy processors at the maximum possible level. The new TRQ allocations were expected to be published on September 1, 2021 for coming into force on January 1, 2022, but will be delayed because of the election. DFC also conducted a technical briefing for parliamentarians to better sensitize them to the importance of this issue for our sector.

USTR Challenge on CUSMA TRQs

Under the new CUSMA, most of Canada's TRQs have been allocated to processors, similar to the current allocation of TRQs in place under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Following the process started late December by the U.S. Trade Representative (USTR), the U.S. moved forward to request a formal panel to challenge the Canada's CUSMA TRQs allocation to Canadian Dairy Processors on May 25, 2021. Along with the Canadian government, we are confident that the current allocation of TRQs respects CUSMA disposition. We are offering our help to the Canadian government to build a strong case to defend our national interest. The decision of the panel is expected in late 2021.

Grocery Code of Conduct

DFC and other stakeholders support a 'Grocery Code of Conduct' to bring greater balance to supplier-retailer relationships, improve competition in the grocery retail environment, and foster greater collaboration throughout the supply chain. DFC advocated our position on this issue during our Lobby Week and continued to follow up with the government throughout the year. A federal-provincial working group has been created and has tabled its report, calling on stakeholders to come together and find an industry-led solution by the end of the year.

Lobby Week 2021

In February, dairy farmers from across Canada gathered for a 'virtual lobby week' as part of DFC's Annual Policy Conference. This year's focus was on securing support from federal MPs and Senators towards mitigating the impacts of CUSMA; preserving Canada's right to allocate its own tariff-rate quotas (TRQs); ensuring no more trade concessions; strengthening Canada's border enforcement; and advocating for the creation of a national grocery code of conduct. Dairy farmers conducted nearly 140 meetings with MPs and Senators from all parties from all sides, including the Prime Minister and most leaders of opposition parties.

Expert Working Group on Butter

In light of the public concern surrounding the hardness of butter this past winter, DFC established an expert working group to study the issue further. The group aims to deliver independent conclusions rooted in science on both the hardness of butter and the use of palm supplements in dairy. Members include prominent academics and scientists from across Canada, with a diverse range of expertise. The working group also includes participation from dairy processors and farm-level experts. The group is expected to report back on its progress this year.

Research Initiatives

The Canadian dairy sector has always been a global leader in research and innovation. DFC has invested millions over the past quarter-century to:

- Foster innovation
- Increase farm efficiency and sustainability
- Enhance animal health and care practices
- Improve milk quality
- Strengthen the role of dairy in human nutrition and health

DFC leverages its investments to attract funding from other research partners, as well. This research provides the basis for our communications with health professionals and the public and helps to inform new best practices and requirements, such as those under proAction.

Research by the numbers (2020-21)

- 39 PROJECTS
- 32 INVESTMENT PARTNERS
- 36 RESEARCH INSTITUTIONS
- 124 SCIENTISTS
- 113 STUDENTS (M.Sc., Ph.D., POSTDOCS)
- 3,023 DAIRY FARMS COLLABORATING ON PROJECTS

Dairy Farmers of Canada Report (continued)

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

DFC's national nutrition team has continued to connect with health professionals and consumers to share information, emerging research and new resources which reinforce the role of milk products in promoting health.

During the first wave of the COVID-19 pandemic, DFC launched *Only Good Things*, a campaign encouraging millennials to prepare meals at home using wholesome ingredients, such as dairy products, while highlighting their role in a healthy diet.

DFC remained focused on digital content as an official sponsor of Dietitians of Canada's 2021 Nutrition Month campaign, an annual event running every March. In addition to materials created for teachers and health professionals, DFC also developed a consumer social media campaign focused on the diversity of foods Canadians consume and the influences that shape an individual's unique choices.

DFC also supported webinars connecting health professionals with the latest information on the role of dairy in a healthful diet.

Finally, in 2021 DFC and SaskMilk entered into a services agreement for nutrition programs. Over the next year, this programming will support lifelong dairy consumption in early childhood by developing and promoting the uptake of training and tools that when implemented, shape the dairy-related knowledge, attitudes and professional practice skills of early childhood educators (ECE's) and the parents of children in their care. As well, programs will reinforce the adoption of milk products by elementary school age children through development of nutrition training, tools and resources for teachers and parents that support their dairy-related knowledge, attitudes and professional practice skills and which offer students dairy-positive perspectives and information and build dairy-supportive skills.

Conclusion

This has been another successful year for DFC thanks to the continued engagement of farmers from coast to coast, as well as our provincial partners. We look forward to reporting back on our progress.

Blaine McLeod

Research Report

We have just come through a very challenging year for research and probably an even more challenging year for our ag students and ag professors. There was very little in-person class time at universities and thus not nearly as much relationship-building or networking, which affected research as well. We all owe a big thanks to the students and professors for the sacrifices they have made over the past year for the betterment of our society. The rules or restrictions that they have had to contend with cannot have been easy.

However, universities are still open, classes are being held, and a fair bit of research is ongoing. There is a list below of the projects that SaskMilk is currently involved in, and we hope to add to it with this coming year's ADF projects and potentially projects from our other western provincial partners.

One area where we all have a huge interest in is the Rayner Dairy Research and Teaching Facility. The Facility was required to severely limit people traffic and visitors this past year; unfortunately, this meant that public events such as farm breakfasts, school tours, and open public tours were not possible. We look forward to the day when the Facility will be able to function normally again and be able to show the public how we are stewards of our resources, return to full teaching capacity by giving students a farm experience, and continue to host many research projects.

Another change that has affected our research team is that Emily Morabito has decided to pursue her Doctorate and so has left the employ of SaskMilk. She had developed a lot of relationships with university students and staff, as well as being very connected with Rayner Facility. We will miss her but look forward to Chris Pinno's involvement both on the Research Committee and with the U of S and extension services. I also want to thank James Pruiem, Jay Olyniuk, and Lenard Wipf for their willingness to serve on the Committee, and want to thank Joy Smith for her administration and support work for our Committee.

This was my first year as Chair of the Research Committee, and I have learned a lot about how research is done, which universities do what research, and how it is all funded. There are a lot of acronyms in this field — like any other dairy field — and even that presents a challenge. There is an initiative that is really starting to take shape at a western provincial level called the Western Dairy Research and Extension Committee (WDREC). We try to meet every few months (now over Zoom) and our goal is to coordinate research across the west, ensure there is no duplication, and partner in order to move important projects ahead. Alberta Milk has been championing this effort and we appreciate the resources they are putting forward. We also will be sharing up to five of each province's most exciting research proposals with each other for comments and funding, so this may foster a bit of competition for funding.

Finally, a brief report on Dairy Info Day, held in January of 2021 over Zoom. It was fairly well-attended considering that it was not held in person; however, it is still very important to provide meetings for our

Research Report (continued)

researchers to showcase their work and present their research findings, as that is part of their curriculum and a condition of funding. The questions that are asked by industry people and the interaction between farmers and Researchers are key to the experience, as Researchers need to understand how producers think and what our priorities are. It remains to be seen whether the 2022 Dairy Info Day will be in person or held remotely, but either way I strongly encourage all farmers to attend and share your areas of priority for research.

Some closing thoughts before listing our current research activities: sometimes we need research done to see if there may be ways to solve a problem we are facing, while other times we need research done to compare different ways of doing a certain task or achieving a goal. Research in bovine nutrition is always important, as food processing is dynamic and thus so are its by-products. Dairy farmers are always being challenged to lower our carbon footprint as well, so feed efficiency, nitrogen efficiency, fuel efficiency, and water conservation are all buzzwords that are given attention. With consumers demanding that we prove we are concerned about our animals, we are finding that research on cow comfort is being sought. This includes increased focus on outside access for our cattle, which may be difficult for some of our producers. We will need to see research in this area balanced between pasture access, ensuring proper feed supplementation to grass grazing, and monitoring a potentially larger carbon footprint.

- Dr. Michael Steele, U of Guelph NSERC IRC in Dairy Nutrition (nutrition, gut physiology, cell biology, microbiology, molecular biology, developmental biology, weaning, metabolism, ruminant management)
- Dr. Dan Weary and Dr. Nina Von Keyserlingk, UBC NSERC IRC in Animal Welfare (Calf and Heifer Rearing, Cow health and lameness, Housing facilities and management)
- Dr. Herman Barkema, U of Calgary NSERC IRC in Infectious Diseases in Dairy Cattle
- Dr. Jeroen De Buck, U of Calgary NSERC IRC in Investigating Solutions for Three Major Production Limiting Infectious Diseases of Dairy Cattle: Mastitis, Digital Dermatitis and Johne's disease
- Dr. Anne Laarman, University of Alberta NSERC IRC in Dairy Nutrition (Nutrition, Molecular biology, gut physiology, Developmental biology, Ruminant management, Cell biology, Weaning, Metabolism)
- 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
- Dr. Bill Billitegu, U of S – Feed Processing to Reduce Ergot Toxicity
- Dr. Ahmad Al-Dissi, U of S – Should Livestock Diet be Tested for the Levels of the Epimers of Ergot Alkaloids?
- Dr. Peiqiang Yu, U of S – Alternative feedstuffs for dairy cattle; whole crop faba bean silage

Research Report (continued)

- Dr. Greg Penner, U of S – Feeding strategies for transition cows in VMS
- Dr. Greg Penner, U of S – Determining the Optimal and Maximal Inclusion Rates for Canola Meal into Starter mixtures for Holstein Calves
- Rayner Facility, U of S – Cow comfort assessment: deep bedding vs mattresses in VMS freestall facility
- Dr. Tony Ruzzini, U of S – Using Teat Microbiome of Resilient Dairy Cows as a Source of New Antibiotics to Treat Mastitis
- Rayner Facility, U of S – Cow comfort- not just for farmers; qualitative assessment of school groups visiting the Rayner Centre
- Dr. Wendy Wilkins, Ministry of Agriculture – Salmonella Dublin Surveillance program in Saskatchewan
- Dr. John Campbell, U of S - Bovine Fetal Sexing Utilizing Cell-Free Fetal DNA in Maternal Peripheral Blood
- Dr. Wendy Wilkins, Ministry of Agriculture – Johne’s Surveillance program in Saskatchewan
- Dr. Dinesh Dadarwal, U of S - Characterization of Temporal Changes in the Peripheral Neutrophil Function of Dairy Cows During the Pre- and Post-Calving Period
- Dr. Anne-Marieke Smid, U of Calgary - Understanding the effects of different types of outdoor access for dry cows on transition cow health, outdoor access for dry cows on dairy farm profitability, and different communication strategies on public perception of dairy farming in Canada
- Dr. Lee Wilson, U of S - Improving Water Security Through Sulphate Removal to Enhance Livestock & Dairy Production
- Dr. Leluo Guan, U of Alberta - Early Life Interventions to Improve Neonatal Gut Health: Sustainable Prevention of Bovine Neonatal Viral Diarrhea
- Dr. Yadeta Kabeta, Olds College - Collaborative Testing and Development of Forage Barley Varieties for Western Canada

Albert Leyenhorst

Marketing, Nutrition, & Education Report

This past year has delivered unprecedented challenges. The COVID-19 pandemic was, and continues to be, a powerful reminder of the need to be nimble and to pivot marketing activities for the changing consumer behaviors and mindsets. Maintaining the momentum for milk consumption was the overarching goal as SaskMilk pivoted.

SaskMilk continued to drive the core messaging strategy, focusing on brand equity and milk itself. The fall milk campaigns were shifted to adapt to the new COVID-19 protocol.

SaskMilk planned and executed the following integrated campaign activities, utilizing a wide variety of applicable tactics and communications methods to convey core messages around dairy farmer values and milk:

- The first formal production executed with COVID-19 limitations and protocol was presented in a safe and seamless way in the fall with the CKRM Country Cookout contests. 12 weeks of cookouts occurred in southern Saskatchewan with each winner receiving a SaskMilk cooler filled with fresh and frozen food for their family and working crew. As a special feature with COVID-19 isolation, country stars were lined up to perform a personal, private concert, exclusively for each country cookout winner through Facebook.



- SaskMilk took part in “Trick or Treat with REAL”, where we distributed Milk2Go in a COVID-19 friendly Halloween experience at Mosaic Stadium on Saturday, October 31, 2020, to 1,500 trick-or-treaters.



- The Canadian Western Agribition (CWA) brought new challenges in 2020 with the 50th show being postponed until 2021. Making sure the exhibitors were still taking part of the Agribition magic, and one element of the famous social atmosphere, CWA created ‘The Agribition Paralyzer’ appreciation box. Each box contained an ‘at home’ paralyzer kit to recreate the fuel that gets you through the six-day show. The kit included SaskMilk-branded cups and the secret Agribition Paralyzer recipe, which incorporated a healthy dose of dairy. In fact, the single most popular refreshment at Agribition is the CWA Paralyzer, selling over 13,000 drinks in just six days.

- SaskMilk sponsored the Evraz Winter Wonderland IceVille, Saskatchewan’s largest skating rink, which saw attendance by 17,000 guests ranging in age from 0 to 81 years old. The demand for tickets, to scale, was stronger than the Garth Brooks concerts in 2019. January 4th 2021, saw 20,957 inquiries, with an estimate of overall demand exceeding 80,000 tickets.



- Winter focused on the essentials of dairy products in recipes. The Bearded Chef, Josh Miller, engaged viewers with easy, staple dairy recipes made at home. With a twelve-week segment Josh shared a number of recipes including, Mac and Cheese with Brisket, Eggs Benedict, Buttermilk Chicken and many more.

- Despite a combination of pandemic-related cancellations and an atypical creative development/production process, the spring saw Mitch Schultz and family showcase the dairy industry provincially for six weeks on ‘Fields to Fork’ on CTV and I Heart Radio.



— 100% —
WESTERN
CANADIAN MILK



KPI	Goal	Actual	Goal	Actual
Sales Lift: during promo		39%		80%
Sales Lift: Pre vs Post Promo		31%		50%
Unit velocity per store (wk avg)	4	3.2	3	4.7
Total sales (wk avg)	\$6.3K	\$8.04K	\$950	\$1.6K
Digital Ads Impressions		4.1 M		128K
SM Impressions	300K	1.98 M	100K	447K
Influencer (Lindsay Pleskot) imp.		71.5K		n/a

The retailer-processor program with a2 Milk™ and Save-on-Foods that ran from April 15 – June 9 exceeded our goals.



- World Milk Day, June 1st, kicked off with a local radio station challenging radio hosts to raise funds for Regina’s Souls Harbour Rescue Mission. The challenge was who could sell the most milk in ½ hour. In the spirit of the event, Dairyanna costumes were worn by the hosts on the downtown Regina streets. The radio station, play 92, also hosted a social media contest encouraging people to show their “Milk Moustache” with the winner receiving a SaskMilk prize package, reaching 2362 people.



- “Breakfast From the Farm” Farm & Food Care Saskatchewan and Agriculture in the Classroom offered a free breakfast featuring selected Saskatchewan-grown foods to 1,000 school kids at four inner-city schools. The schools were located in Prince Albert, Yorkton, Regina, and Saskatoon.

On June 1 – 3. An interactive online activity had 250 students participate to learn more about Saskatchewan food and farming.

- SaskMilk was a proud sponsor of the @ reggocityyouth Kids Sports Days. Inner city youth were able to rub shoulders with the Saskatchewan Roughrider team members while getting exercise and having fun.

- The fiscal year wound down to SaskMilk's participation and support at the Saskatoon Exhibition and Shake the Lake in Regina. These were the first of a few events after a long provincial closure and SHA protocol on events. Attendance was light and everyone was still being cautious while masking and sanitizing.

- Sports Nutrition saw a total classroom participation of 47 in-person classes and 13 virtual classes, totalling 60 classes for the school year. Estimated student participant numbers are roughly ~1400 students from grades 6-12, with the majority offered to grade 9-12 students. There were a few classes scheduled for March and April, but due to COVID-19 and the closure of schools in the province, these were cancelled.

- The School Milk program saw a decline, with only half of last year's registration of 335 schools taking part. During the time of writing, over 200 schools have registered for the 2021/2022 school year.



With a reduced radio airwave schedule, the nutritional benefits of milk's 15 core nutrients and milk's nutritional density were heavily communicated.

COVID-19 was an obstacle this past year that reduced or cancelled many events, but with the creativity of the organizers following SHA protocol, SaskMilk still had a presence and was kept top of mind. This is imperative for our goal to build consumer confidence in local dairy as an inspired food choice.

On a final note, SaskMilk was nominated by North Central Family Centre for a National Philanthropy Day Award in the category of 'Outstanding Community Group'. Thank you, to you the dairy farmers of Saskatchewan for your great contributions of philanthropy in the community, and the province of Saskatchewan.

Anita Medl

Production Report

As of July 2021, Saskatchewan had 157 dairy operations in the province.

The total milk shipped this dairy year was 297,734,441 litres. This is an increase of 1,992,329 litres (0.67%) from the previous year. Butterfat production for the dairy year was 12,574,528 kilograms, an increase from the previous year of 108,594 kilograms (0.87%).

In the Western Milk Pool, Saskatchewan's Class 1 fluid sales accounted for 6.59% of WMP fluid sales. Total Class 1 fluid sales in the WMP were 919,362,938 litres, an increase of 47,633,023 litres (5.63%).

The average milk composition was:

Butterfat 4.2234%
Protein 3.2463%
Other Solids 5.8838%

Average blend price:

All Milk \$82.31/hl
Butterfat \$19.47 /kg

Average Component Prices:

Butterfat \$16.566728
Protein \$2.535532
Solids \$0.699468

	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
Litres Shipped	25,251,170	24,419,006	25,092,492	24,097,392	25,556,858	25,775,917	23,189,944	25,208,387	24,378,317	24,964,660	24,436,379	25,363,919
Avg Litres/day	814,554	813,967	809,435	803,246	824,415	831,481	828,212	813,174	812,611	805,312	814,546	818,191
Bfat Test kg/hl	4.0524	4.1884	4.3421	4.3508	4.3456	4.2921	4.2938	4.2257	4.2063	4.1960	4.1133	4.0788
Bfat Shipped kgs	1,023,284	1,022,765	1,089,543	1,048,426	1,110,597	1,106,333	995,725	1,065,238	1,025,430	1,047,519	1,005,130	1,034,538
Avg Bfat/day kgs	33,009	34,092	35,147	34,948	35,826	35,688	35,562	34,363	34,181	33,791	33,504	33,372
Lost Opportunity kgs	2,022	617	491	255	844	1,005	0	0	0	508	0	1,249
Total Over Quota kgs	1,255	202	174	142	341	1,437	1,497	2,851	2,364	2,451	2,451	0
SK Cumulative %	5.28	5.15	4.64	5.10	4.84	5.29	6.37	5.99	5.75	6.41	7.29	7.19
SK Quota fill for month %	98.53	101.77	104.92	104.32	106.94	106.53	106.15	102.57	102.03	100.87	100.01	99.62
SK 12-Month Rolling %	102.25	102.27	102.47	103.79	102.70	101.63	100.92	101.66	100.41	100.48	101.03	101.11
WMP Cumulative %	-0.97	-1.49	-2.42	-2.23	-2.68	-2.27	-1.28	-1.54	-1.57	-0.59	-0.11	-0.41
P5 Cumulative %	-0.97	-1.42	-1.98	-1.76	-2.04	-1.68	-1.14	-1.29	-1.25	-0.85	-0.54	-0.51
P10 Cumulative %	-1.14	-1.61	-2.28	-2.03	-2.38	-2.01	-1.36	-1.55	-1.54	-1.00	-0.65	-0.72

proAction[®] Report

The 2020-2021 year has been an exciting time for proAction[®]. The proAction[®] program will be completed on September 1, 2021 with all six modules in effect: Milk Quality, Food Safety, Animal Care, Traceability, Biosecurity, and Environment.

ProAction[®] validations and corrective action resolutions had fallen behind in 2020/2021. As a result, it was decided that the program will be 'reset' in September 2021 by clearing off all the old corrective action requests (CARs) and start fresh. Updated proAction[®] Reference Manuals and Workbooks will be available and distributed in anticipation of the September changes.

The proAction Modules

There are six modules comprising the proAction program. Each module is designed to help dairy farmers ensure milk quality and safety on-farm, as well as continue their environmental consciousness.

Milk Quality

Dairy farmers are responsible for providing Canadians with the highest quality milk possible. Provincial organizations, such as SaskMilk, oversee these metrics to ensure every farm is adhering to strict quality control measures.

Food Safety

Producing dairy that is safe to consume is crucial. Our dairy farmers follow rigorous testing to ensure all dairy found on Canadian store shelves is safe to eat and drink.

Animal Care

Dairy farmers care deeply for their animals. Healthy cows are imperative to producing high-quality milk. The proAction Animal Care program helps guide Canadian dairy farmers in providing the utmost care to their cows.

Traceability

The Livestock Traceability Program identifies and tracks animals to create a record of their origin and movements. This streamlined process provides a quick response time in the event of a disease outbreak.

Biosecurity

The Biosecurity Program was developed to prevent and eliminate disease among livestock on-farm. This protects the animals and can reduce the need for antibiotics.

Environment

Canadian dairy farmers keep environmental sustainability top-of-mind. As a key element of the dairy industry, environmental preservation is imperative to the long-term success of the industry.



Financial Statements

Saskatchewan Milk Marketing Board

For the year ended July 31, 2021

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.

November 16, 2021



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, 2021, 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, 2021, 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 and Those Charged with Governance 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.

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

November 16, 2021

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, sans-serif font, followed by 'LLP' in a smaller, similar font.

Chartered Professional Accountants


Saskatchewan Milk Marketing Board

Statement of Financial Position

As of July 31, 2021

	2021	2020
Assets		
Current		
Cash	\$1,102,037	\$668,242
Accounts receivable	12,436,264	12,054,872
GST receivable	19,297	38,870
Prepaid expenses	510,121	519,267
	14,067,719	13,281,251
Investments (Note 3)	1,606,304	1,424,914
Capital Assets (Note 4)	372,018	451,339
	\$16,046,041	\$15,157,504
Liabilities		
Current		
Accounts payable and accrued liabilities	\$12,648,771	\$12,310,460
	12,648,771	12,310,460
Internally Restricted Fund - Industry Development (Note 10)	966,606	815,484
General Fund	2,430,664	2,031,560
Net Assets	3,397,270	2,847,044
	\$16,046,041	\$15,157,504

Approved by the Board of Directors



 Director



 Director

Saskatchewan Milk Marketing Board

Statement of Operations

For the 12 months ended July 31, 2021

	BUDGET (Note 11)	2021	2020
	(Unaudited)		
Revenue			
Milk sold to processors	\$240,000,000	\$252,471,148	\$242,558,749
Milk pools (Note 5)	3,000,000	(2,395,823)	4,765,549
Promotion levy	4,350,000	4,286,130	4,443,608
Milk pool administration and fees (Note 12)	3,862,873	3,891,155	4,029,278
Licence fees and miscellaneous	600,546	694,851	710,505
Milk quality penalties	142,643	173,128	150,165
Investments	9,750	27,551	54,391
Interest	16,800	18,588	53,740
Grants	-	83,668	33,524
	\$251,982,612	\$259,250,396	\$256,799,509
Expenses			
Milk purchased from producers	\$243,581,521	\$250,705,611	\$248,095,776
Administrative expense	2,538,452	2,518,496	2,627,197
DFC industrial levy and membership	1,724,737	1,720,153	1,724,821
Marketing, nutrition and education activities	1,142,500	1,176,126	1,677,000
Salaries and benefits	1,368,600	1,450,251	1,360,149
Dairy Innovation West (DIW)	141,000	445,406	230,553
Travel, sustenance and vehicle expense	225,358	9,859	181,021
School milk program	134,500	112,343	173,227
Rent	185,876	151,523	172,553
Food Bank program	50,000	59,987	172,045
Amortization	160,000	145,588	154,518
Honoraria	147,780	96,225	118,450
Legal	50,000	63,078	113,686
Western promotion	100,000	3,397	81,416
Cost of production study	0	9,732	6,189
	\$251,550,324	258,667,775	256,888,601
Excess of revenues over expenses before other items	432,288	582,621	(89,092)
Other Items			
Unrealized gain (loss) on market value of investments	-	164,023	(23,320)
Excess of revenues over expenses	\$432,288	\$746,644	\$(112,412)
Strategic Reserves	789,263		
Deficiency of revenues over expenses	\$(356,975)	\$746,644	\$(112,412)

See accompanying notes to the financial statements

Saskatchewan Milk Marketing Board

Statement of Changes in Net Assets

For the 12 months ended July 31, 2021

	General Fund	Internally Restricted for Industry Development	2021	2020
Net assets, beginning of year	\$2,031,560	\$815,484	\$2,847,044	\$2,959,456
Deficiency of revenue over expenses	746,644	-	746,644	(112,412)
Transfer from Reserves	(196,418)		(196,418)	
Interfund transfers (<i>Note 10</i>)	(151,122)	151,122	-	-
Net assets, end of year	\$2,430,664	\$966,606	\$3,397,270	\$2,847,044

See accompanying notes to the financial statements

Saskatchewan Milk Marketing Board

Statement of Cash Flows

For the 12 months ended July 31, 2021

	2021	2020
Cash Flows from Operating Activities:		
Cash receipts from processors and fees	258,645,944	257,149,476
Interest received and investment income	46,138	108,130
Cash paid to producers	(249,942,552)	(248,101,054)
Cash paid to other suppliers	(6,778,295)	(9,377,434)
Cash paid to employees and board members	(1,450,251)	(1,360,150)
Cash flows from operating activities	520,984	(1,581,032)
Cash Flow from Investing Activities		
Purchase of tangible capital assets	(68,789)	(162,036)
Purchase of investments	(21,000)	(57,276)
Proceeds on disposal of investments	2,600	-
Cash flows from investing activities	(87,189)	(219,312)
Net increase in cash during the year	433,795	(1,800,344)
Cash position, beginning of year	668,242	2,468,586
Cash position, end of year	\$1,102,037	\$668,242

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.

Impact of COVID-19

During the year, there was a global continuation 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. While the extent of the impact is unknown, we anticipate this outbreak will have a minimal affect on the Organization.

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:

2. Significant accounting policies (continued)

a) Revenue Recognition

Revenue from the milk sold to the processors, milk pools, milk pool administration and 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.

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, 2021

3. Investments

	2021	2020
Market Value		
Mutual Funds	\$1,602,715	\$1,417,151
Cash and cash equivalents	3,589	7,763
	\$1,606,304	\$1,424,914

4. Capital Assets

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
Milk Pay System	\$854,534	\$622,038	\$232,496	\$281,149
Office furniture and equipment	89,732	73,097	16,635	9,984
Handhelds	268,334	145,447	122,887	160,206
	\$1,212,600	\$840,582	\$372,018	\$451,339

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.

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

5. Milk Pools (continued)

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 paid contributions of \$2,395,823 to the milk pools (2020 – received contributions of \$4,765,549 from the milk pools).

6. Commitments

SaskMilk has entered a 10-year lease for office space. The future minimum lease payments are as follows:

2022 - 2024	\$150,403
2025 – 2027	\$157,823
2028 – 2031	\$161,533

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 8.60% of earnings for all employees for current services. During the year, SaskMilk contributed \$97,948 (2020 - \$86,956) 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.

8. Financial instruments (continued)

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. Bank indebtedness

SaskMilk has access to a Conexus Credit Union line of credit to a maximum of \$750,000, bearing interest at prime plus 1%, secured by a general security agreement. The balance drawn at July 31, 2021 is \$nil (2020 - \$nil).

10. 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 2020-2021: 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).

11. 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 2020 – 2021 Budget was approved by the Board of Directors on June 25, 2020.

12. Milk pool administration and fees

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

	2021	2020
IDF revenue	\$1,623,554	\$1,623,584
SMMB assessment	1,928,615	1,925,563
CDC surplus refund	37,573	161,471
Fluid shrink	278,562	286,078
Component testing	20,735	21,505
Adjustments	2,116	11,077
	\$3,891,155	\$4,029,278

13. 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 plant 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 \$445,406 (2020- \$230,553).



Saskmilk

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