

# ANNUAL REPORT 2020-21

CONFIDENCE | QUALITY | PURPOSE



As the Ontario dairy industry faced the second year of the COVID-19 pandemic, the “just-in-time” partnerships, efficiencies and solutions put in place in response to unprecedented consumer demand were further strengthened and refined. Even as challenges persisted, DFO continued to work ahead and look beyond, keeping its commitments and moving at pace with the goals set out in the Strategic Plan.

Ontario’s dairy farmers were rewarded for their enduring commitment to managing supply with strong growth in demand. This growth is an expression of public confidence in the quality and sustainability of local milk and dairy products.

Demonstrating foresight and confidence, the Ontario dairy sector finished the year with a clarity of purpose and resolve that will strengthen the Canadian dairy system for years to come.

**CONFIDENCE**  
**QUALITY**  
**PURPOSE**





**1,207,392**  
litres of milk donated by  
local dairy farmers to  
Ontario food banks

**99 producers**

entered the industry through  
NEQAP since 2010



**3,343**

dairy farms produced  
milk in Ontario



**100.1%** of quota  
requirements met  
by P5 dairy farmers,  
right-sizing supply  
with market demand  
in spite of continued  
supply chain  
fluctuations

**7+ billion**

GDP contribution by the Ontario  
dairy sector

**10,000+**

farmers and their families are supported by  
dairy farming in Ontario



**1.4% growth**

in Ontario production on a  
volume basis



**16 grants**

awarded to Start Up/Scale Up  
participants



**3,331**

initial Grade A inspections  
were conducted in 2020-21 –  
an increase of 18.3%



**16.6%**

of Ontario producers received  
gold-level Raw Milk Quality  
certificates, a YOY increase  
of 3.2%



**3,118,147,815**

litres of fresh milk shipped in 2020-21



**78**

plants received  
milk from Ontario  
dairy producers

**\$2,496,223,698**

farmgate value of milk sales

**99%** of Ontario producers are  
registered under proAction, the  
national quality assurance program



## Core Values

DFO has a set of core values that guide behaviour, underpin operational activity and provide focus to the organization. They include:

### LEADERSHIP

We lead by committing to continuous personal and organizational development.

### TRUST

We create, build and maintain trust by being honest, open and transparent.

### RESPECT

We listen, accept differences and work together.

### INTEGRITY

We are consistent in our actions and values.

### TEAMWORK

We help each other succeed through collaboration.

### FAIRNESS

We ensure equitable application of rules and benefits.

### ACCOUNTABILITY

We hold ourselves and each other responsible for delivering results.

## Mission Statement

To provide leadership and excellence in the production and marketing of Canadian milk.

## Vision Statement

A dynamic, profitable growing Canadian dairy industry.

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# ORGANIZATIONAL OVERVIEW

# MESSAGE FROM OUR CHAIR



*"Dairy producers, their families and employees have had to adapt to some challenging forces over the last 18 months, but they have risen to those challenges and continued to deliver high-quality milk to Canadians. It's what we do and what our system was designed for."*

As Board Chair of Dairy Farmers of Ontario, I get a lot of questions.

In 2021, one of the questions I heard most often was what production requirements were going to be and then, when they changed, the next question was why. The questions were understandable and welcome. The answers are multi-faceted: a slow economic re-opening through 2021 and the increased impact of imports have made market stability challenging. The rising cost of production was also concern over the last year, and the U.S. trade challenge to Canada's application of dairy import quotas under CUSMA was an unexpected development.

Dairy producers, their families and employees have had to adapt to some challenging forces over the last 18 months, but they have risen to those challenges and continued to deliver high-quality milk to Canadians. It's what we do and what our system was designed for.

At the Board level – whether at the Board room table or virtually – we kept our focus on the long game, trying to find clarity through the uncertainty and thinking strategically for the future as we went. It's a future that must address the governance model, structure and policies of supporting more milk coming into the system from fewer Ontario producers. We addressed national and industry issues like increasing imports, P10 pooling and navigating through severe weather conditions in Northern Ontario and Western Canada. Provincially, we are working more closely with government than ever in a more collaborative way. Our accountability to the Farm Products Marketing Commission is clear – and it's a responsibility our Board takes seriously. But policies and regulations that work for producers and processors must remain high on our priority list.

Over the last year we also put a focus on increasing communications, training and trust with our Dairy Producer Committees (DPCs). Through a series of Board discussions, we came to better understand what this important stakeholder group needed, and staff set to work with the goal of refreshing our DPCs on what their work is and how DFO could support them in it.

Virtual Town Halls were conducted through the year to address current issues and events, and media and advocacy training was held to better prepare our DPCs to keep government and the public informed of our accomplishments and needs.

Enhanced environmental planning and reporting came to life this year with the roll out of the proAction Environment Module. Dairy farmers have always had a vested interest in the sustainability of their farms, their animals and the land. Formalizing these actions recognizes this and promotes long-term thinking and commitment to productivity. Ontario's dairy industry contributes more than \$7 billion to the province's GDP; the largest of all agricultural sectors. In the face of a global pandemic and slow economic recovery, our ability to innovate, drive creative and effective marketing initiatives and elevate our quality programs to shore-up consumer trust, shows our commitment to our purpose – to provide high-quality Canadian milk. It also shows confidence in each other and in our system.

A handwritten signature in black ink, appearing to read "Murray Sherk".

**MURRAY SHERK**  
BOARD CHAIR



# MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER



*"As an organization, we continued our focus on continuous improvement and accountability to producers."*

If 2020 was a year of uncertainty for Ontario's dairy farmers and the DFO team, 2021 was a year of renewed purpose and adaptation.

Our strategic objectives remained constant in the face of evolving government policies and changing consumer behaviour – to provide leadership and excellence in the production and marketing of Canadian milk, to foster a dynamic, profitable and growing Canadian dairy industry, and to grow quota allocation to the P5 by 2.6 per cent – and on balance, we are making progress.

The calendar year began with Ontario in its second lockdown of the pandemic with health regions across the province moving in and out of "grey" and "red" phases in the months that followed. Consumers continued buying patterns established early in the pandemic, and retail milk and dairy sales reflected morning coffee and cereal at home instead of drive-thru, dinners at home and the baking craze that had become so popular. But the anticipated return of the hospitality and food service sectors didn't begin to materialize until the second half of the year, with consumers slow to move back into pre-pandemic behaviours.

These trends had an impact on demand with uneven growth across the country, and production requirements were adjusted several times as a result. Despite the uncertainty, the system was working to deliver high-quality milk to Canadians while yielding a net increase in production demand.

As an organization, we continued our focus on continuous improvement and accountability to producers. Frequent reviews of budgets, spending and contingency plans allowed us to achieve efficiencies in some areas while ensuring purpose and ROI in our work.

Our marketing campaigns capitalized on heightened interest in nutrition, wellness and all things local, reinforcing the passion our producers have for producing high-quality milk on their family-run farms. Our dairy educators successfully adapted to the virtual classroom and, by summer, more than 35,000 students had received newly designed programming. DFO's head office remained open to serve producers and all business functions, providing additional support to employees during the prolonged government directive on working from home. Phased implementation of the new Milk Management System continued in 2021 with the launch of the new producer and industry resources website and roll-out of the milk collection handheld computers was completed this fall.

In 2022 we will move forward with our renewed Strategic Plan (p. 54). We will work to grow our influence and credibility, to reinforce a culture of accountability and customer service, and to increase productivity. As we find our footing in a recovering economy, I remain confident in our plan, in our team and in our Canadian dairy system.

A handwritten signature in black ink, appearing to read 'Cheryl Smith'.

CHERYL SMITH  
CHIEF EXECUTIVE OFFICER



# BOARD MEMBERS



## REGION 1

### **Bart Rijke**

Ottawa-Carleton, Glengarry,  
Prescott and Russell



## REGION 7

### **Albert Fledderus**

Brant, Haldimand, Halton, Niagara,  
Norfolk and Wentworth



## REGION 2

### **Nick Thurler (Vice-Chair)**

Dundas, Ottawa-Carleton  
and Stormont



## REGION 8

### **Murray Sherk (Chair)**

Oxford and Waterloo



## REGION 3

### **John Wynands**

Frontenac, Grenville, Lanark,  
Leeds and Renfrew



## REGION 9

### **Vicky Morrison**

Elgin, Essex, Kent, Lambton  
and Middlesex



## REGION 4

### **Adam Petherick**

Hastings, Lennox and Addington,  
Northumberland and Prince  
Edward



## REGION 10

### **Henry Wydeven**

Huron and Perth



## REGION 5

### **Don Gordon**

City of Kawartha Lakes, Durham  
Region, Peterborough and York



## REGION 11

### **Mark Hamel (2nd Vice-Chair)**

Bruce and Grey



## REGION 6

### **Bonnie den Haan**

Dufferin, Peel, Simcoe  
and Wellington



## REGION 12

### **Steve Runnalls**

Northern Ontario and Haliburton



# OUR LEADERS



**Cheryl Smith**  
Chief Executive Officer



**Patrice Dubé**  
Chief Economics & Policy  
Development Officer



**Kristin Benke**  
Chief Business Officer



**Arlene Minott**  
General Counsel &  
Corporate Secretary



**Rosa Checchia**  
Chief Marketing Officer



**Rey Moisan**  
Chief Financial Officer





# OPERATIONS

# OPERATIONS HIGHLIGHTS 2020-21

## Economics & Policy Development

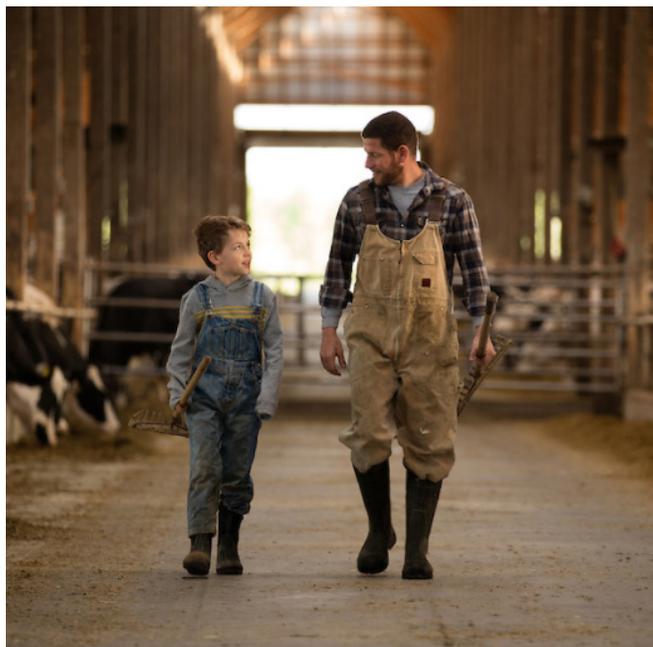
- P5 fluid quota increased by 2.6 per cent, industrial milk requirements increased by 3.2 per cent and DDPIP and DIP requirements also increased due to new projects.
- In Ontario, production was 1.4 per cent higher than the last fiscal year on a volume basis.
- To keep pace with demand, quota increases of two per cent on Dec. 1, 2020, and an additional one per cent on April 1, 2021 were issued. While the demand for the fall period ultimately fell short of expectations, Ontario dairy producers continuously responded to market forecasts, demonstrating the strength of the Canadian dairy system.
- “Exceptional circumstances” were triggered due to increases in the cost of production related to the COVID-19 pandemic, which specifically impacted feed, energy and fertilizer costs, resulting in an 8.4 per cent price increase being announced by the CDC which will take effect on Feb. 1, 2022.
- The price of SMP increased to recent highs through 2021, back to pre-COVID levels, resulting in an increase in the blend price. Canadian producers saw an increase of \$0.30/hL for every \$100/tonne increase in the SMP price – an almost \$2.00 increase in the blend price over the past year.
- On Nov. 28, 2020, the federal government announced the remaining amount to be paid from the \$1.405 billion compensation package to mitigate market losses related to CETA and CPTPP would take the form of direct payments to producers. Further, it was announced the compensation would be distributed over a period of four years, rather than eight as previously announced.

## Producer Programs, Quality Assurance & Regulatory Compliance

- As of Sept. 30, 2021, 99 per cent of Ontario producers were registered under proAction.
- A total 3,331 initial Grade A inspections were conducted during the 12-month period ending September 2021, which represents an increase of 18.3 per cent compared with the previous 12 months.
- The proAction suspension policy came into effect

in January 2021. As of this date, there were four producers whose registration was overdue by several years, despite monthly penalties being applied. As a result of the new suspension policy, there are currently no producers in this situation.

- The percentage of producers awarded a Raw Milk Quality certificate decreased 34.6 per cent to 24.9 per cent, due in part to the application of more stringent criteria. The percentage of producers receiving a gold certificate increased from 13.3 per cent to 16.5 per cent, with no changes to criteria.
- From June to September 2021, Lactanet, as part of its contract to provide proAction services, conducted all required validations and self-declaration audits (a total of 590) and approved 544 self-declarations.
- The proAction environment module requirements became mandatory in September 2021.



## Communications

- In 2021, DFO began a diversity, equity and inclusion (DE&I) working group to look at building a strategy for educating and adapting DFO's culture to one of inclusivity and diversity. With strong guidance and support from DFO, DFC retained a consultant to provide training for its Board, executive and staff, and has extended that training to all provincial partners across Canada.



## Operations Highlights 2020-21

- In fall 2021, staff began working with DFO's strategic communications agency of record to look at ways to modernize *Milk Producer* magazine with a view to building influence and credibility across the industry and expanding its reputation as a proud voice for dairy producers in Ontario.
- DFO took an active role in the 2021 federal election campaign, supporting DFC's lobbying agenda and ensuring the Ontario perspective on issues related to trade was reflected. The Government Relations team actively looked for opportunities to highlight Ontario priorities, provided support to producers who wanted to meet with candidates and shared regular updates and analysis with producers. Going forward, a newly created database will map and target interactions and provide support to DPCs interested in local advocacy.
- DFO continued to work closely with provincial government stakeholders, providing recommendations for Ontario's 2021 budget including investment in dairy and meat processing infrastructure, support for provincial law enforcement to effectively enforce the PAWS and trespass legislation acts, government acknowledgement of existing producer initiatives on sustainability as well as new investments in the dairy sector.
- All DFO 2021 meetings (Annual General Meeting, Spring Policy Conference, and Fall Regional Meeting) were held virtually due to government restrictions.
- DFO's sustainability work began to take hold in fiscal 2020-21 with the formation of the sustainability subcommittee. Dairy farmers have always had a vested interest in the sustainability of their farms, their animals and the land. Doing more to reduce our impact means managing resources responsibly, reducing waste and innovating to improve productivity. With a view to becoming a recognized steward of sustainability, DFO conducted a materiality assessment to identify and prioritize sustainability topics that have significant social, environmental and economic impacts and that matter most to dairy producers and stakeholders. The assessment is built on the result of the national assessment conducted by Dairy Farmers of Canada (DFC), integrating considerations and input specific to Ontario. This is a critical step to establishing our own, made-in-Ontario sustainability strategy.

### Marketing

- DFO created *Pick-Me-Ups by MilkUP*, Ontario's first post-to-pay pop-up shop in collaboration with some of Gen Z's favourite local brands. Equal parts "fuel up" and "pick-me-up", DFO worked with local makers and collaborators who each created limited edition, milk-inspired goods and artworks to celebrate a shared local story in a way that resonates with Ontario Gen Z consumers. The activation became an overnight, viral TikTok success, garnering over 1.1 million organic hashtag views and 10 million earned media impressions. DFO welcomed over



## Operations Highlights 2020-21

5,200 guests over 12 days, most of whom waited in lines for more than three hours.

- DFO's social media audience has grown 23 per cent over the past year and continues to be active on Facebook, Instagram, Twitter, Pinterest, LinkedIn and TikTok.
- DFO's CRM program deploys monthly newsletters to a highly engaged subscriber audience. Over the last year DFO's list has grown from 100,000 subscribers to 250,000 subscribers.
- DFO's dairy education team adapted to the digital world of teaching and began delivering virtual presentations and developed a new program, Growing Up Dairy (GUD), which highlights dairy calf growth and day-to-day farm activities through bi-weekly emails with Ontario classrooms. Dairy educators were able to connect with 509 schools through 1,334 virtual presentations, making 467 GUD classroom connections and reaching 33,853 students. The 35 program lessons have been accessed 58,882 times and are an excellent resource for Ontario teachers.
- Dairycraft, a highly immersive education experience that lets students explore the world of dairy farming with Minecraft: Education Edition, challenges students to get creative and collaborate to complete tasks relating to three core learning pillars: local, versatility and nutrition. Dairycraft has remained the dairy education program's most popular resource, reaching nearly 3.8 million downloads by October 2021 and winning two awards in November, 2021.
- The ESMP transitioned to a new digital platform with School Cash Online (SCO) which has significantly reduced the burden on volunteers in schools and will provide DFO with reliable consumption data. Plans for 2022 include the launch of Milk Club, a new rewards program to incentivize milk consumption at school and at home.
- Partnership efforts continued throughout the year with Metro, Longo's, Eataly, Fortinos, Restaurants Canada, Tim Hortons and Pizza Pizza, as well as with several processors. As always, the intent of these partnerships is to leverage the strength and consumer reach each partner offers to drive dairy awareness and consumption.
- Over the course of the year, DFO continued to see growth in its Start Up/Scale Up innovation program. DFO awarded a total of 16 grants to qualified Scale-Up participants including a mix of new and repeat

applicants. Two new on-farm processors opened production plants and started processing in the summer, bringing the total number of on-farm processors to 17 across Ontario.

### Human Resources

- The human resources team continued to support DFO's business operation throughout the COVID-19 pandemic, staying up to date on current advice from the government and guidance from Public Health Ontario. The health and safety of our employees, producers and stakeholders remained our top priority and was critical to the delivery of Ontario's food supply. DFO will resume full, in-person work and meetings when it is deemed safe to do so.

### Information Technology

- In February 2021, DFO launched an updated industry website, which included a new MMS interface for producers, their third-party vendors, processors and transporters. With this new update, producers were able to access the new quota exchange. In March, producers received their first statement incorporating the new SNF pricing for their February milk.
- A project to replace the milk collection handheld computers kicked off in late 2019. The phased production rollout of the new handhelds began in fall 2020 and is nearing completion.
- During the early days of the pandemic in March 2020, DFO staff were encouraged to work remotely when possible to comply with public health requirements. This placed an increased load on DFO's infrastructure since staff had to quickly pivot to virtual environments. DFO was well positioned to take that necessary step and the new direction has provided alternative, efficient and lower-cost ways to conduct business that will likely continue beyond the pandemic.

### Legal Services & Board

- Henry Wydeven, Board Member for Region 10, has retired from DFO's Board, effective Jan. 19, 2022. On behalf of the DFO staff and Board, we thank Mr. Wydeven for his service to Ontario dairy producers.



## ECONOMICS & POLICY DEVELOPMENT

DFO's Economics and Policy Development team provides technical support and economic and statistical analysis to the policy development and implementation process at the national, pool, DFO Board and staff levels. The Economics and Policy Development team is also responsible for overseeing the Ontario Dairy Farm Accounting Project, which collects data from Ontario dairy farms for the national cost of production (COP).

## Economics

### MARKETS

#### Market Requirements



National total requirements have increased by 3.6 per cent for the 12-month period ending October 2021. This compares to a total increase of 3.8 per cent in national production for the same 12-month period. Import tariff rate quotas (TRQs) across all trade deals have been filled at approximately 64 per cent on a butterfat basis.

P5 fluid quota increased by 2.6 per cent, industrial milk requirements increased by 3.2 per cent and DDPIP and DIP requirements increased with approval of a couple of new projects. The overall quantities in the program remain relatively low, at less than 0.1 per cent of total quota. P5 total quota increased by 3.1 per cent over the previous fiscal year based on the monthly total quota calculation for the 12-month period ending October 2021.

Total quota in the WMP increased by 3.0 per cent for the 12-month period ending October 2021. This was a result of a 0.4 per cent decrease in fluid BF requirements and a 4.5 per cent increase in industrial butterfat requirements.

## Production

The P5 filled 100.1 per cent of its quota during the 2020-21 fiscal year. Production in the P5 was very strong this spring, with credits being paid back by producers across the P5. Quota is determined using a monthly calculation to ensure it is immediately aligned with current requirements. Under the monthly quota calculation, pools are penalized only if the national pool is above 1.25 per cent or below minus two per cent. The pool or pools responsible for the penalty are then determined, and the penalty is based on the pools' contribution to the national pool being outside tolerances. If a pool contributed to the national pool being over-quota, it has six months to pay back the quantity of overproduction by underproducing before a financial penalty applies. The national pool cumulative difference, or the pool credit position, was -1.68 per cent at the end of October 2021. As a result of the P10 pool being below -2.0 per cent in November and January, production credits of approximately 1.9 million kg were lost at the P10 level over the fiscal year. Both pools' credit positions were adjusted as a result of these lost credits.

Sales for the retail market have begun to flatten out over the last couple of months when compared to last year; however, this is in comparison to the very strong sales over the last year and since the start of the COVID-19 lockdown. The fluid market on a volume basis is down 2.1 per cent. This is after strong growth at the retail level over the previous year. Fluid sales are up 4.2 per cent compared to sales two years ago. Retail cream sales are up 2.1 per cent for the most recent 52-week period. Butter sales have decreased by 6.3 per cent for the most recent 52 weeks. Again, this a product that had very strong sales over the last year. Butter sales are still up 12.8 per cent compared to sales two years ago. Cheese classes grew in the last year, with the entire category up 0.6 per cent. Yogurt sales were up 2.0 per cent. It's important to keep in mind the retail market is only a part of the market that contributes to total requirements and there were significant declines in demand from hotels, restaurants and institutions (HRI) during the COVID-19 lockdown. As the economy starts to reopen, it's expected demand will increase from HRI; however, the increase in demand has been more gradual than expected.

In Ontario, production was 1.4 per cent higher than the last fiscal year on a volume basis. In Ontario, production was very strong in the spring. The credit position in Ontario went from -7.7 days in October 2020 to -2.7 days in October 2021, with more than 60 per cent of quota held by producers above 0 days. Producers are reminded the credit sleeve will be adjusted to +10/-15 as of Aug. 1, 2022 from its current +10/-30.



## Butter Stocks

At the end of October 2021, total industry butter stocks held by processors and the CDC were 26,929 tonnes. The P10 target for normal stocks is being reviewed by technical committees given the changes in market as a result of increased imports and changes in the market. Historically, stocks between 32,000 and 38,000 tonnes for July were considered normal. July stocks were just below this level at 31,856 tonnes. This is despite the additional stocks that were accepted during COVID-19 to help with milk supply.

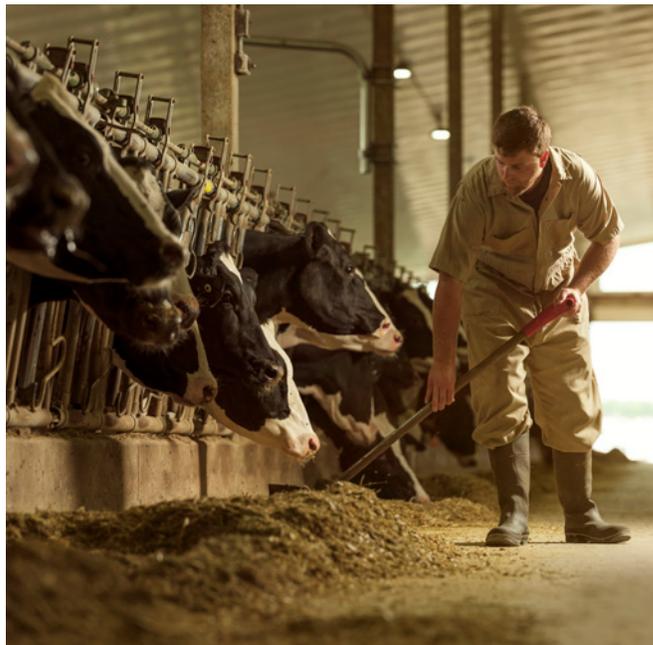
## Cheese Stocks



At the end of October 2021, total cheese stocks were 102.2 tonnes. This was an increase of almost 5,000 tonnes compared to stocks held in October 2020, of 97,800 tonnes. This increase includes the purchases of additional cheese stocks through the stock program introduced to help with milk surplus resulting from COVID-19.

## Producer Quota

A two per cent quota increase was issued, effective Dec. 1, 2020, in response to the recovery in demand. A one per cent increase was issued, effective April 1, 2021 and an additional 1.5 per cent was issued June 1, 2021. These increases were a result of the forecasted growth anticipated for the coming year as well as to increase butter stocks heading into the fall. One incentive day was also issued for June and July 2021.



The expectation was that demand would be strong in the fall and, with many producers at the top of their credit day position, it was important to keep production levels steady. Incentive days were also issued for the fall of 2021 - three days for August, September and October as well as two days for November 2021. Unfortunately, due to a slowdown in retail markets, a slower-than-expected recovery in food service as well as a variety of constraints with processing capacity, there was a need to slow production. August incentives were reduced to one day, September was reduced to two days and October was also reduced to one day. An over-quota penalty was also introduced, effective Aug. 1, 2021, to keep production in line with issued quota. The P5 quota committee continues to monitor production and market situations.

## Pricing

A two per cent price increase was announced by the CDC for implementation on Feb. 1, 2021 after consideration of exceptional circumstances. The increase is considered an advance on the February 2022 increase. It is expected the usual pricing formula, which is 50 per cent change in COP and 50 per cent change in CPI, will apply. This increase translates into an increase of about \$1.46/hL in the producer blend price.

The CDC Board reviewed the Exceptional Circumstances policy and announced that, starting with the Feb. 1, 2022 price adjustment, any exceptional circumstance adjustment would be permanent, or would no longer be an advance on future-year adjustments. Exceptional circumstances were triggered and, as a result, an 8.4 per cent price increase was announced by the CDC effective Feb. 1, 2022. This increase was a result



of exceptional increases in the cost of production due to the COVID-19 pandemic, which specifically impacted feed, energy and fertilizer costs.

For the 12-month period ending October 2021, the within-quota component prices paid to Ontario producers averaged \$10.9395/kg for BF, \$8.8612/kg for protein and \$1.1839/kg for other solids (\$80.62/hL at the Ontario average composition). There was a 1.0 per cent increase in the producer blend price compared with the previous dairy year, at a consistent composition.

The price of SMP increased to recent highs through 2021, back to pre-COVID-19 levels. There have been a number of factors contributing to this, including shortages and logistics issues, that led to higher prices on the world market. These higher prices also have a positive impact on the blend price for Canadian producers, with an increase of \$0.30/hL for every \$100/tonne increase in the SMP price. Over the past year, that has resulted in an almost \$2.00 increase in the blend price.

### **Solids-Not-Fat (SNF) to Butterfat (BF) Ratio**

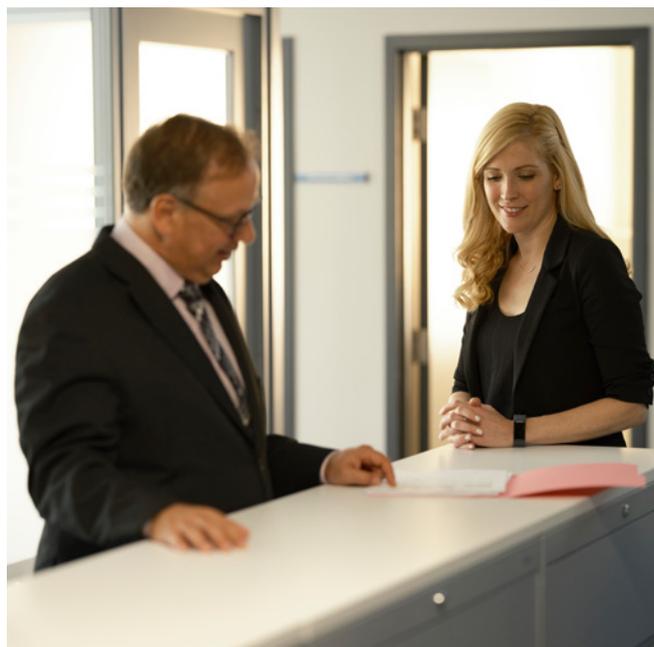
Ontario finished the 2020-21 fiscal year with an SNF-to-BF production ratio of 2.2058, which is 3.4 per cent below the provincial target of 2.2840.

The new, two-tier SNF payment policy was implemented in Ontario in February 2021. The policy was implemented to have producer payment better reflect the value of SNF from the market. The SNF above an SNF/BF ratio of 2.0 and less than or equal to 2.3 is paid at a price reflective of the dairy ingredient price for the month. The policy was implemented in all P5 provinces by Aug. 1, 2021. The market ratio of 2.0 and the no-pay ratio of 2.3 will be reviewed and updated as needed to reflect current market demand.

## **Policy & Programs**

### **Adjustments to the Monthly Total Requirements (MTR) Calculation**

Effective August 2021, the CDC implemented modifications to the MTR calculation to take into account the increasing imports coming into Canada from the CETA, CPTPP and CUSMA agreements. Without these modifications, the result of the MTR calculation (estimated demand) over time would have become significantly inferior to the real demand. These modifications did not impact the overall quota allocated to the provinces.



### **Extension of the Class 4(m) Program**

The CMSMC agreed to extend the Class 4(m) program to promote processing of skim milk into animal feed in periods where skim milk required special treatment. The total quantity for skim milk powder available in the class 4(m) has therefore been increased from the current limit of 20,000 MT to 29,000 MT per dairy year. Extension of Class 4(m) will benefit all Canadian dairy producers by improving revenues compared with the alternative of skim milk with special treatment, while reducing the costs associated with skim milk with special treatment. The extension is for a five-year period, beyond which it is anticipated that the industry will have identified long term and permanent solutions.

## **Trade**



## CUSMA Dairy TRQ Panel

The CUSMA panel hearing on the dairy tariff rate quota (TRQ) dispute brought about by the U.S. was held on Oct. 25 and 26, 2021. The main objective of the U.S. remains to broaden allocation of TRQs to non-processors, more specifically to retailers. A confidential interim report is expected in late November. This report will provide an opportunity for the parties to clarify any factual issues before the final report which is expected in late December.

## Full and Fair Compensation for CETA, CPTPP and CUSMA

On Nov. 28, 2020, the federal government announced the remaining amount to be paid from the announced \$1.405 billion compensation package to mitigate market losses related to CETA and CPTPP would take the form of direct payments to producers. Further, it was announced the compensation would be distributed over a period of four years, rather than eight years, as had been previously announced.

The current Liberal government has also committed to full and fair compensation for farmers for the impacts of CUSMA. An announcement of these mitigation measures, including a schedule of payments and financial envelope, is still pending. Discussions with the government will resume with the re-election of the Liberal government. DFO continues to advocate with DFC on CUSMA compensation and mitigation.

## CPTPP

In September, both China and Taiwan applied to join the CPTPP. For a country to join the CPTPP, all CPTPP members must unanimously approve the government's application. So far, only Malaysia and Singapore have voiced their support for China, while Taiwan has received support from Japan only. No other CPTPP member has publicly voiced its support for either application.

Earlier this year, the United Kingdom submitted a formal request to join the CPTPP, and a working group to consider its accession has been established. No timeline has been established for the completion of this process.

## U.K.: Brexit

On April 1, 2021, the Canada-United Kingdom Trade Continuity Agreement (Canada-UK TCA) entered into force, acting as an interim deal between the two countries as they work toward negotiating a comprehensive free trade agreement to maintain ongoing trade relations with U.K. The continuity agreement does not provide additional concessions to the Canadian dairy market. The countries are set to

start negotiations on a comprehensive bilateral trade agreement in the near future.

## PRODUCER PROGRAMS, QUALITY ASSURANCE & REGULATORY COMPLIANCE

DFO's Quality Assurance and Regulatory Compliance team is responsible for farm programs, including quality assurance, regulations and policies as well as dairy research.

### Producer Programs

#### Licensed Producers

For the fiscal year ending Oct. 31, 2021, there were 3,343 dairy farms in Ontario, representing a decrease of 1.7 per cent from the previous year's 3,410 dairy farms. These licensed dairy farms continued to support more than 10,000 Ontario farmers and their families and generated farmgate revenue of \$2,496,223,698.

#### NUMBER OF LICENSED ONTARIO MILK PRODUCERS & FARMGATE REVENUE

Year	Number of Producers	Revenue
2018-19	3,504	\$2,347,269,377
2019-20	3,410	\$2,433,531,764
2020-21	3,343	\$2,496,223,698

#### Quota Transfer Trends

Quota can be transferred through the quota exchange, through an ongoing operation sale and purchase or within family, pursuant to the applicable sections of DFO's *Quota and Milk Transportation Policies Book*.

The following chart summarizes quota transfers on the quota exchange and through ongoing dairy operations from October 2020 to September 2021, compared with October 2019 to September 2020.

#### QUOTA TRANSFER

Type of transfer	Oct. 2020 to Sept. 2021	Oct. 2019 to Sept. 2020	Percent of change
Quota sold on the exchange (kg)	2,604.48	4393.0	(40.7)
Producers selling total quota	53	85	(37.6)
Producers selling partial quota	142	230	(38.3)
# of ongoing farm transfers	23	22	4.5

As a result of low volumes of quota being offered for sale, as per policy, the quota exchange was cancelled in April and September 2021. In May of 2021, there was sufficient quota offered for sale to satisfy the initial allocation round to existing producers but there was not enough quota to satisfy the bids for the New Entrant



Quota Assistance Program (NEQAP) or New Producer Program (NPP) applicants.

### New Entrant Quota Assistance Program (NEQAP)

NEQAP was introduced in August 2009 to assist new entrants entering the dairy industry, with production to start in 2010. From March 2010 to September 2021, 99 producers entered the industry through NEQAP. The program continues to be well received, with less than six per cent exiting the program. Since Oct. 1, 2020, there have been one organic and four conventional new entrants.

A review in 2019-20 of the P5 harmonized quota policies resulted in DFO approving quota policy changes to the P5 NEQAP.

Effective with 2021 NEQAP applicants, NEQAP has been revised to permit each successful applicant to initially acquire a minimum of 20 kg to a maximum of 30 kg of quota and to be loaned 20 kg of quota. The loan repayment start year remains at year 11; however, the repayment schedule is revised to 0.1 kg per month (1.2 kg/year).

DFO’s Board decided, beginning with successful 2021 NEQAP applicants, that NEQAP producers are not eligible to receive a parent-to-child-top-up and that existing NEQAP producers would be grandfathered.

### New Producer Program (NPP)



Introduced in August 2009, the NPP allows new producers to enter the dairy industry, via means other than through the purchase of an existing farm operation

or NEQAP. Since its inception, 134 producers have used the NPP to enter the industry and 122 are currently shipping milk.

From Oct. 31, 2020 to July 31, 2021, 28 applicants were added to the NPP queue. Effective June 1, 2021, as a result of the quota exchange cancellations due to the low volume of quota being offered for sale, DFO’s Board decided to review the NPP program.

The Board temporarily suspended the addition of new NPP applicants to the queue and collection of the advance deposit of \$10,000 from NPP applicants. Those applicants who had already submitted the \$10,000 deposit were permitted to continue through the program as per the previous process. Producer feedback was solicited through the delegates at the October 2021 Fall Regional Meeting (FRM) for consideration by the Board when deciding on possible changes to the NPP.

### Raw Milk Quality

#### Grade A Inspections

A total 3,331 initial Grade A inspections were conducted during the 12-month period ending September 2021, which represents an increase of 18.3 per cent compared to the previous 12 months. The results are summarized in the table below.

#### GRADE A INSPECTIONS

Classification	12-Month Period Ending September 2021		12-Month Period Ending September 2020	
	#	%	#	%
Grade A	2,908	87.3	2,549	90.6
Conditional Grade A	299	9.0	162	5.8
Non-Grade A	121	3.6	100	3.6
Unsanitary Non-Grade A	3	0.1	3	0.1
<b>Total</b>	<b>3,331</b>		<b>2,814</b>	

Until the end of May 2021, routine Grade A inspections were conducted at the time of the proAction validation appointment. As of June 2021, routine inspections are no longer scheduled. While the percentage of inspections resulting in non-Grade A classification remained the same compared with last year, the percentage of inspections resulting in conditional Grade A increased.

#### Raw Milk Quality Recognition Program

The following table shows the number of producers who received a Raw Milk Quality Certificate for milk shipped in the 2020 and 2021 calendar years.



## RAW MILK QUALITY RECOGNITION PROGRAM

Quality Certificate	Quality Certificates Issued in 2021 (For Milk shipped in 2020)		Quality Certificates Issued in 2020 (For Milk shipped in 2019)	
	#	%	#	%
	Gold	557	16.5%	455
General	841	24.9%	1,182	34.6%
No Certificate	1,981	58.6%	1,782	52.1%
<b>Total</b>	<b>3,379</b>	<b>100.0%</b>	<b>3,419</b>	<b>100.0%</b>

The percentage of producers awarded a general certificate decreased 34.6 per cent to 24.9 per cent. It is important to note that more stringent criteria were applied to general certificates in 2021, as follows: the SCC weighted average requirement changed from 225,000 cells /mL to 200,000 cells/mL and the bacteria average requirement changed from 25,000 IBC/mL to 20,000 cells/mL.

The percentage of producers receiving a gold certificate increased from 13.3 per cent to 16.5 per cent, with no changes to criteria.

### Raw Milk Quality and Penalties

Somatic cell count (SCC) is an important indicator of milk quality and animal health which has shown steady improvement during the period ending September 2021. The provincial SCC weighted average remained below 200,000 cells/mL throughout the year. The lowest provincial SCC weighted average was in April at 160,000 cells/mL. July 2021 had the highest weighted average SCC at 196,000 cells/mL.

During the same period, the bacteria provincial average ranged from 20,000 IBC/mL in March 2021 to 26,000 IBC/mL in August 2021.

As shown in the table below, in the 12-month period ending September 2021, the number of SCC and abnormal freezing point (AFP) penalties decreased while the number of non-Grade A penalties increased. The number of bacteria penalties remained relatively the same.

## RAW MILK QUALITY PENALTIES

Raw Milk Quality Area	Number of Penalties	
	12-Month Period Ending September 2021	12-Month Period Ending September 2020
SCC	207	262
Bacteria	52	51
AFP	172	197
Non-Grade A	148	113
Inhibitors	19	33

## Milk Sample Testing & Sample Suitability

A sample of milk is collected by a certified Bulk Tank Milk Grader (BTMG) every time milk is picked up from the farm. These samples are sent to a laboratory for composition and milk quality and safety testing. Only samples that meet strict storage and handling criteria, including temperature, are deemed suitable and used for testing.

Sample suitability is largely impacted by cold chain maintenance. In the 12-month period ending September 2021, sample suitability was 98.3 per cent, ranging from 99.9 per cent in the Athens sample depot to 89.4 per cent in the Sunderland sample depot. The most common causes of suitability issues during this period were power outages and occasional depot fridge and sample truck breakdown due to extreme weather conditions.

### proAction Program



As of Sept. 30, 2021, 99 per cent of Ontario producers were registered under proAction. The remaining one per cent includes three producers who either have overdue validations or who have been withdrawn from the program, as well as 41 new producers awaiting validation.

A total of 26 producers were assessed penalties from Oct. 1, 2020 to Sept. 31, 2021.

### Suspension Policy

The proAction suspension policy came into effect in January 2021. As of this date, there were four producers whose registration was overdue by several years, despite monthly penalties being applied. As a result



of the new suspension policy, there are currently no producers in this situation.

### **Independent Validations**

In January 2021, DFO announced it had signed a contract with Lactanet to provide proAction services. Starting June 1, 2021, Lactanet began scheduling and conducting proAction validations and reviewing self-declarations on behalf of DFO.

Lactanet proAction staff include two co-ordinators and nine validators. To become certified, validators received DFC's validator training, passed the exam and conducted several validations alongside experienced validators: Field Service Representatives (FSRs).

From June to September 2021, Lactanet conducted all required validations and self-declaration audits (a total of 590) and approved 544 self-declarations.

Grade A status remains a prerequisite for proAction; however, since the implementation of independent validations, Grade A inspections are no longer conducted at the same time as proAction validations.

### **Environment Module Rollout**

The proAction environment module requirements became mandatory in September 2021. The list of requirements are:

1. A valid environmental farm plan (EFP) must be available at the time of validation;
2. Milking centre wastewater must be managed with proper storage or a regulation-approved treatment system;
3. Manure storage must be adequate to avoid contamination of surface and ground water and spreading manure on frozen, snow-covered or saturated ground;
4. Nutrients on the farm must be managed to make optimal use of manure and/or fertilizer on land – soil testing is required on land that receives manure or a Nutrient Management Plan (NMP) must be in place; and
5. The online farm environmental questionnaire must be completed by the time of validation.

### **Cattle Assessments**

To ensure the industry continues to make progress in advancing animal care, several updates to the proAction cattle assessment requirement took effect in March 2021. As highlighted in the Animal Care Notice of Change, producers with measures in the red and dark red zones are required to improve to maintain proAction registration.

### **Cattle Traceability**

On Oct. 5, 2020, the DairyTrace portal was launched, replacing the Canadian Livestock Tracking System traceability database for dairy farmers. Reporting traceability events to the DairyTrace database became mandatory as of Sept. 1, 2021.

### **Field Services**

As of June 1, 2021, the number of field services zones was reduced by one, bringing the number of FSRs from 15 down to 14.

FSRs' main focus is the application of the provincial Raw Milk Quality Program, specifically Grade A inspections, milk quality investigations/troubleshooting as well as animal care. In addition, FSRs continue to be producers' first point of contact for quota matters and policy and proAction questions, and continue to handle other matters such as ensuring DFO's policies are being met, conducting iodine investigations, etc.

### **Code of Practice Review**

The proAction animal care program is based on the current requirements in the *Code of Practice for the Care and Handling of Dairy Cattle*, which was first issued in 2009.

In 2019, the National Farm Animal Care Council (NFACC) initiated a revision of the code of practice. Areas of focus for the revision process include cattle housing, opportunity for exercise and lameness. Information on the code of practice revision is available on NFACC's website at [www.nfacc.ca](http://www.nfacc.ca).

The revision process includes a 60-day public comment period which will start on Nov. 29, 2021. DFO is actively working with producers to ensure engagement and participation in this important consultation opportunity.

### **LOGISTICS**

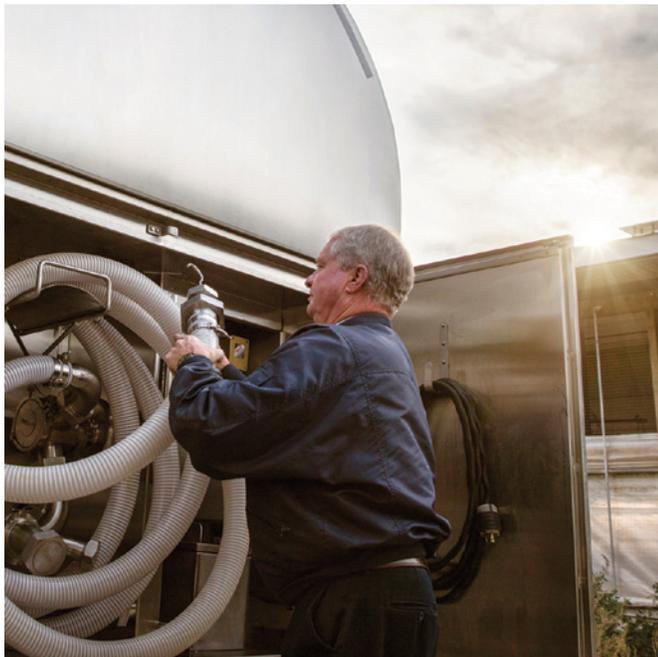
*DFO's Logistics team is responsible for milk transportation, milk allocation and sample transportation as well as metering and calibration.*

### **Milk Transportation**

#### **Transportation Charge to Producers**

From Nov. 1, 2020 to Oct. 31, 2021 the transportation charge to producers increased by \$0.051/hL compared with the previous year. This is a net result of transportation costs increasing by \$0.025/hL and transportation revenues decreasing by \$0.028/hL over the same timeframe, as shown in the following table (rounded to the nearest tenth of a cent).





#### TRANSPORTATION COST, REVENUE & CHARGE TO PRODUCERS

cost per hectolitre (all figures rounded to nearest cent)

Fiscal Year-to-Date	Transportation Cost (\$/hL)	Transportation Revenue (\$/hL)	Charge to Producer	Carryover*
November 2019 to October 2020	\$2.885	\$0.112	\$2.774	\$0.001
November 2020 to October 2021	\$2.911	\$0.084	\$2.825	\$(0.001)
YOY variance	\$0.025	\$(0.028)	\$0.051	\$(0.002)

\*Transportation costs are paid based on monthly estimates, which are then adjusted to actuals the following month. As a result, there is a "carryover" of the adjustment from year to year.

The \$0.03/hL increase in transportation costs is a net result of individual components shown below, rounded to the nearest cent.

#### TRANSPORTATION COST RECOVERIES (YOY VARIANCE)

Transportation Expense	YOY Variance (\$/hL)	Description
Inflation	0.05	Labour and equipment increases in rate formula
Fuel	0.00	Increase in fuel prices
New Handhelds (TC56)	0.01	Cost of new handhelds for transporters
Operations	(0.03)	Operational efficiencies due to larger loads and less KMs per trip
<b>Net Decrease</b>	<b>(0.03)</b>	<b>Net change in transportation costs</b>

The \$0.03/hL decrease in transportation revenues is a direct result of a decrease in the P5 pooling transfers to Ontario.

#### TRANSPORTATION REVENUE (YOY VARIANCE)

Transportation Cost Recoveries	YOY Variance (\$/hL)	Description
P5 Pooling	(0.03)	Decrease in P5 pooling transfers to Ontario

#### Milk Allocation

In the fiscal year ending Oct. 31 2021, Ontario dairy producers shipped 3,118,147,815 litres of milk.

#### Plants

As of Nov. 1, 2021, DFO delivered milk to 78 plants including one plant in Manitoba and one plant in Northern Quebec. During the year, three plants ceased operations including two plant supply quota (PSQ) plants that transferred quota to other plants. As well, three new plants commenced operations in fiscal 2020-2021.

#### Skimming

Once all plants in the province have received maximum milk volumes for full utilization, DFO arranges for surplus volumes to be sent to plants for skimming. The cream is retained by the plant for processing while DFO removes the surplus skim milk for disposal.

The following table summarizes skimming volumes over the past three years:

#### SKIMMING VOLUMES (YOY COMPARISON)

Period	Skim Milk Volume Disposed (L)	Whole Milk Volume Equivalent (L)	Percentage of 12-month Volume
Nov 1/20 to Oct 31/21	70,027,923	74,454,316	2.3 %
Nov 1/19 to Oct 31/20	37,998,021	42,227,061	1.3 %
Nov 1/18 to Oct 31/19	44,715,307	49,476,480	1.5 %

#### COMMUNICATIONS

DFO's Communications and Government Relations team is responsible for advocating for producers' interests and protecting DFO's brand reputation through public relations, lobbying and advocacy, issues management and stakeholder engagement. The team provides communications leadership and support to the organization and is dedicated to increasing DFO's influence and credibility in the sector and across the country.





Through the last fiscal year, the team has continued to formalize processes that allow for more effective communications planning and support. A record number of strategic communications plans were created for cross-divisional initiatives that required producer, DPC and stakeholder engagement, including the launch of the new Milk Management System, rollout of the new independent validation program, changes to DPC MilkUP marketing opportunities, DairyTrace, and several Freedom of Information requests. This represents a move from the strictly tactical, responsive function the team served in the past, to a more strategic support role aimed at achieving the organization's business goals.

An request for proposal for a strategic communications agency partner was tendered during the year, with Argyle Communications winning the bid in May 2021. DFO will work closely with Argyle to affirm its core narrative and develop a multi-year strategic communications plan. This will integrate with the organization's government relations and sustainability strategies, ensuring a comprehensive approach.

Other projects initiated in 2020-21 include:

- Media training for select DPCs;
- Government relations training and development of an advocacy toolkit;
- Creation of a new monthly markets update for producers;
- Redesign of DFO's industry website and training for transporters and processors; and
- Ensuring AODA compliance on the public facing website.

### Diversity, Equity and Inclusion

In 2021, DFO began a diversity, equity and inclusion (DE&I) working group to look at building a strategy for educating and adapting DFO's culture to one of inclusivity and diversity. With strong guidance and support from DFO, DFC retained a consultant to provide

training for its Board, executive and staff, and has extended that training to all provincial partners across Canada. DFO's staff and Board will participate in a 2.5-hour training session in either December 2021 or January 2022. Looking ahead to next year, the working group will continue the strategic development work with a view to promoting diversity and inclusion in the industry.

### Milk Producer Magazine

Advertising revenues continue to reflect the appreciation dairy farmers and industry partners have for *Milk Producer* magazine.

To improve magazine content, staff continued to look for opportunities to introduce new topics and contributors to the publication. This included a renewed partnership with the University of Guelph's SPARK program to share DFO-funded research projects and updates with producers. The magazine also included several prominent features, including an extensive cover story on mental health in June and fire prevention in September.



*Milk Producer* was once again a recipient of two 2021 APEX Awards. APEX is an annual awards program that recognizes excellence in graphic design, editorial content and the ability to achieve overall communications excellence. *Milk Producer* received an Award of Excellence for Magazines, Journals and Tabloids under the one- to two-person produced category, as well as an Award of Excellence for the October 2020 cover story, entitled "*Shining a spotlight on Canadian veterinarians*," under the Writing – Interviews and Personal Profiles category.



Building on its award-winning history, in fall 2021, magazine staff began working with DFO's strategic communications agency of record to look at ways to modernize the magazine. With a view to building influence and credibility across the industry, the redesigned magazine will provide an exceptional reader experience through image-driven design and relevant and engaging content, have clear takeaways for the reader and be a proud voice for dairy producers in Ontario.

## Government Relations

### Federal Matters

In 2020-21 discussions with the federal government were focused on advocating for full and fair compensation for the CETA, CPTPP and CUSMA trade deals, as well as on the U.S. challenge on dairy TRQs, border enforcement, the impacts of COVID-19 on the dairy sector and ending market access concessions from existing and future trade agreements. DFO, DFC and provincial milk marketing boards worked together during the year to represent the interests of dairy farmers across Canada. In many areas of common interest, producers also collaborated with DPAC and other agricultural commodity groups.

In February 2021, DFO supported DFC's virtual lobby day along with provincial milk boards across Canada. Ontario representatives met with nearly 40 government officials to highlight critical issues impacting Canada's dairy sector and to advocate on behalf of the industry. The meetings focused on three priorities, which were trade mitigation for CUSMA, the importance of protecting the Canadian dairy system and supporting the introduction of a grocery code of conduct to strengthen Canada's food supply chain.

### Provincial Matters



DFO continues to work closely with the Ontario Farm Products Marketing Commission, ODC, OMAFRA and other stakeholders on matters of interest for the industry. In February, DFO provided the following recommendations for Ontario's 2021 budget:

- 1. Investment in infrastructure:** Include programs and funding to attract new investments in dairy processing and investment in meat processing. Ontario is under-served when it comes to dairy processing capacity and DFO recommended the government provide assistance where applicable.
- 2. Support for the Security from Trespass and Protecting Food Safety Act (SFTPFS) and for the Provincial Animal Welfare Services Act (PAWS):** DFO asked the government provide funding for law enforcement across the province to effectively enforce the PAWS and SFTPFS acts and for DFO to be given a permanent seat on the PAWS advisory table.
- 3. Initiate and support programs for on-farm sustainability efforts:** Ensure the government creates and funds programs aimed at acknowledging sustainability efforts in action and investing in new initiatives for the dairy sector.

DFO's second virtual provincial lobby day was held on April 19, bringing DFO Board Members and staff together for meetings with more than 30 government officials, including the Minister of Agriculture, Food and Rural Affairs. Topics addressed in these meetings included a request for DFO representation on the PAWS animal advisory table, the Ontario government's Open for Business initiative, Bill 229 and Minister's Zoning Orders, and support for a grocery code of conduct.

### Advocacy

After a comprehensive RFP process, Wellington Advocacy was retained in May to handle DFO's government relations work. The agency will work collaboratively with Argyle Communications to establish DFO's influence and credibility across the sector, as well as with government and the public. It will also work closely with DFO to develop a more robust government relations strategy and provide DFO's Board and Executive with enhanced government lobbying training.

One pillar of this work is the development of a grassroots advocacy toolkit for DPCs. This program, along with a media training program for select DPCs, will provide experiential training for local advocacy opportunities and prepare DPCs for formal and informal interactions with elected officials.





The toolkit will build influence through grassroots government outreach by:

1. Creating a team of DPC advocates, champions and influencers to effectively push back on threats to our industry through grassroots relationship building;
2. Preparing interested and engaged DPCs for formal and informal interactions with elected officials and local public servants; and
3. Creating a process for DFO Communications to support and track advocacy efforts at the grassroots level.

### **Federal Election**

DFO took an active role in the 2021 federal election campaign, supporting DFC's lobbying agenda and ensuring the Ontario perspective on issues related to trade was reflected. While the value and economic impact of the dairy industry in Ontario is known by many, amplifying the awareness of all federal candidates was critical during the campaign. The Government Relations team actively looked for opportunities to highlight Ontario priorities, provided support to producers who wanted to meet with candidates and shared regular updates and analysis with producers through DFO's communications vehicles. Following the election, letters of congratulations were sent to all newly elected officials. Going forward, a newly created database will map and target interactions and provide support to DPCs interested in local advocacy.

## **EVENTS**

### **Impact of COVID-19 on 2021 Events**

Events in 2021 continued to be impacted by the pandemic and restrictions around gatherings.

Some events, like the International Plowing Match, were forced to cancel while others, such as the Canadian Dairy XPO (CDX) and Farm and Food Care's *Breakfast from the Farm*, transitioned to virtual or drive-through formats. As the province gradually lifted restrictions later in the year, we saw the return of the Outdoor Farm Show with the launch of Dairy Days, an in-person event held on Sept. 21 and 22.

All DFO 2021 meetings (Annual General Meeting, Spring Policy Conference, and Fall Regional Meeting) were held virtually due to government restrictions.

### **2021 Annual General Meeting (AGM)**

More than 600 guests, including producers and ag partners, joined DFO's Board and staff on January 13 for our first virtual AGM. Notable moments included a greeting from Agriculture, Food and Rural Affairs Minister Ernie Hardeman to open the meeting and guest speaker, Dr. Evan Fraser from Arrell Food Institute at the University of Guelph, who spoke about the future of food systems. DFO's CEO, Cheryl Smith, shared an organizational update and her outlook for 2021 and Murray Sherk, DFO's Board Chair, spoke about the industry's collaborative efforts despite the challenges faced during 2020.

### **Spring Policy Conference (SPC)**

DFO's virtual SPC took place over two days in March. It was well attended with nearly 250 participants each day. DFO welcomed industry members from Ontario and across the country, as well as DPC members who had the opportunity to participate in question periods on both days.

Murray Sherk, DFO's Board Chair, opened the program with a national update, recognizing the challenges the pandemic had presented to the industry over the past year and the need to adjust to a new virtual environment. DFO's CEO Cheryl Smith provided a DFO update on how the organization and industry have been affected by COVID-19 and acknowledged the hard work of the DFO team in the face of economic recovery and rapid evolution. Daniel Lefebvre, Lactanet's Chief Operations Officer, was the invited guest speaking from a dairy science perspective on the use of palm fat.

### **Fall Regional Meeting (FRM)**

DFO's FRM was held virtually by livestream from the Hilton Meadowvale Mississauga on Oct. 19, 2021. Approximately 180 DPC participants joined from across the province for economic and market updates and discussion on media and government relations training, a new DPC training program and DFO's sustainability work to date.



## DPC Townhall Calls

Through the year, DFO hosted several calls between DFO's Board, DPCs and DFO staff. The calls addressed issues facing the industry and offered DPCs the opportunity to ask direct questions to DFO staff and Board members. These calls will continue through 2022.

## Sponsorship

Due to COVID-19 and the cancellation of many community events and activities, DFO saw a reduction in sponsorship contributions for 2021. Partnerships with organizations such as Farm and Food Care Ontario, AgScape, Junior Farmers Association and causes important to DPCs were successfully executed.

## Sustainability



DFO's sustainability work began to take hold in fiscal 2020-21 with the formation of the sustainability subcommittee and new alignment on terms of reference. A rigorous application process was initiated to invite producer participation with Korb Whale (Alma, Ont.), Janet Harrop (Fergus, Ont.) and Kevin MacLean (Napanee, Ont.) being selected.

Dairy farmers have always had a vested interest in the sustainability of their farms, their animals and the land. Doing more to reduce our impact means managing resources responsibly, reducing waste and innovating to improve productivity.

With a view to becoming a recognized steward of sustainability, DFO conducted a materiality assessment to identify and prioritize sustainability topics that have significant social, environmental and economic impacts and that matter most to our dairy producers and our stakeholders. The assessment is built on the

result of the national assessment conducted by Dairy Farmers of Canada (DFC), and integrates considerations and input specific to Ontario. It will examine where Ontario's dairy industry has already made strides, build on existing efforts in the sector, and identify new areas of importance. The result of the assessment will inform our strategy and related performance reporting. This is a critical step to establishing our own, made-in-Ontario sustainability strategy.

Sustainability in agriculture – and dairy – is a journey, not a destination. Ontario's strategy should meet global standards, align with the national strategy and be built on – and driven by – Ontario priorities. Our strategy will include:

- Acknowledging the guidelines set out by various standards and guidance including the Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board (SASB), the UN Sustainable Development Goals (SDGs), as well as the Dairy Sustainability Framework (DSF);
- Conducting a materiality assessment;
- Identifying and prioritizing the social, environmental and economic issues that are most significant to the industry and DFO; and
- Developing measurable goals and reporting requirements.

Looking ahead to 2022, the DFO sustainability subcommittee will use the results of the materiality assessment and information on DFC's plans to determine the overarching strategy, develop goals and create a multi-year roadmap with short-, medium- and long-term goals. Resourcing and metrics will also be established.

## Training and Development

Established to identify and create training and development opportunities for various producer groups, the work of the training and development subcommittee began in earnest in 2020-21. Four producers were recruited to bring additional perspective: Peggy Brekveld (Murillo, Ont.), Joel Stam (Norwich, Ont.), Steph Towers (Glencoe, Ont.) and Deb Knapton (Almonte, Ont.). The subcommittee's early work has been focused on creating a framework and implementation strategy – the “what” and “how” – of offering development opportunities for DPCs, young producers and grassroots producers at large.

The first workstream under this mandate is aimed at providing DPCs with a training program to learn and understand the work of a DPC in their capacity as a leader in the dairy industry. The training will be



rolled out in a pilot program in December 2021, with representation from each county in the province.

As the backbone of this training, the *DPC Guidebook* was completely updated and accompanying video modules were created to enhance the training experience. All feedback from the pilot will be considered and the finalized program will be provided to all DPCs in spring 2022.

Looking ahead, the subcommittee will turn its attention to training and development opportunities (existing and new) for young producers, women in dairy and producers at large.

## MARKETING & BUSINESS DEVELOPMENT

*DFO's Marketing and Business Development team is responsible for marketing and promotions on behalf of producers to consumers both directly and in partnership with dairy processors and other industry partners.*

### MARKETING

#### Brand Strategy, Campaigns & Consumer Programs

DFO's strategic focus for fiscal 2021 was to "Make Ontario Dairy the Most Inspired Food Choice." The marketing team worked to achieve this objective by anchoring marketing initiatives within three focused and defined pillars.

#### Pillar One: Strengthening the Industry

The first pillar is dedicated to "Strengthening the Industry." Consumer insights reveal that when consumers feel good about the people who produce a product, they consume more of it.

The "brand equity" strategy crafts and reinforces a positive image for the Ontario dairy industry by leveraging a "farmer values" strategy to dispel misperceptions about the industry. This strategy aims to build trust and support for the dairy industry by telling the stories of Ontario dairy farmers, their passion for the work they do and their strong personal values. Themes of multi-generational dairy farming families and pride in producing high-quality dairy remained prominent throughout DFO's advertising.



To ensure Ontario dairy farmers remained top of mind throughout the year with Ontario consumers, focusing on the "millennial mom" target segment, DFO aired *The Letter* TV spot on linear and digital media in winter 2021 and again as a digitally focused media campaign in summer 2021. Other assets were optimized to further support messages of "pride" and "local."

In addition, consumer research informed a relevant and meaningful new brand equity campaign strategy rooted in farmer values through the lens of "local." Research identified renewed consumer appreciation for local and community values and behaviours through the pandemic, and the October 2021 equity campaign leaned into local pride and pride in producing high-quality dairy for communities across the province. The campaign reminded consumers that dairy farmers are local too, and they are accountable to local communities through their production of high-quality dairy on their family-run farms.



The campaign was anchored in DFO's new TV spot called *The Reminder* and included a fully integrated marketing campaign to support it through linear and digital TV, social, online video, digital out-of-home billboards and digital radio as well as public relations (PR) tactics including influencer partnerships, earned broadcast segments and farmer-generated social content. Told through the perspective of a young, female dairy farmer, the TV spot connected emotionally with consumers and creative testing identified strong branding, persuasion, meaningfulness and long-term impact potential.

Broadcast key messages were repeated in other campaign channels and, for the first time in our equity TV creative, the farmer story was accompanied by glimpses of off-farm moments showing Ontario families and friends enjoying delicious Ontario dairy together. This creative approach resulted in a strong creative demonstration that the work Ontario dairy farming families do on their farms is bigger than them—it is for everyone.

To build on Ontario dairy farmers' support of their community, DFO continued to partner with various dairy processors and retail partners to launch the second *Milk and Cookies* campaign in November 2020.



The campaign helped build brand equity for DFO and gain recognition for Ontario dairy farmers' support of local communities. The TV spot and fully integrated marketing campaign demonstrated this by announcing a total \$500,000 donation to Ontario children's hospitals and inviting consumers, stakeholders and partners to join DFO in sending holiday messages to children and youth spending their holidays in the hospital.



DFO's *Big Believers* TV spot continued to connect emotionally with consumers while the fully integrated campaign leveraged the impact of an iconic giant milk glass to collect virtual messages that were shared across social and digital media channels, including digital out-of-home. These efforts delivered positive results across the board with consumers filling the virtual milk glass with positive, heartwarming virtual messages for the kids in Ontario hospitals. The image of the virtual milk glass provided an ownable and distinct visual for DFO and will be brought back as a virtual execution at the end of 2021.

### **Pillar Two: Increasing Milk's Relevancy**

The second strategic pillar is focused on "Increasing Milk's Relevancy." DFO's research has shown that, although milk was declining in consumption prior to the pandemic, we have since seen a renewed interest in dairy with consumers consuming dairy and cooking more at home. We will continue to capitalize on this renewed interest in milk and use this opportunity to reinforce the important role milk plays in our lives.

To make milk more relevant to Ontario consumers, DFO leveraged a strategy entitled "Untold Potential." This strategy highlights the relevance of dairy by aligning and reinforcing its benefits amid the facets and demands of modern life. One of the ways the strategy was brought to life was by featuring milk's high nutritional value within campaigns. DFO evolved its "*What Can't Milk Do?*" creative platform, updating the original idea launched in fall 2019. This creative platform was aired twice in this fiscal year to reinforce the message that milk is a nutritionally dense food.

#### **What Can't Milk Do?**

*What Can't Milk Do?* messaging was supported by a fully integrated campaign that included TV, social,

digital, radio, out-of-home and influencer tactics. To complement this well-loved campaign, DFO also engaged with influencers to highlight milk's nutritional density during breakfast. This PR campaign was launched during the busy back-to-school season which was very relevant to the nutritional messaging.

Another tactic in driving milk's relevancy was to tap into the Gen Z target segment with socially compelling messaging tailored for this cohort. In a digital age with their lives on display, the Gen Z audience focuses on making a socially-acceptable choice in their food consumption decisions. Plant-based alternatives are finding success in appealing to this cohort in this way, which is driving increased consumption of these alternative beverages.

While dairy may be losing some of its "staple status" with this cohort, the Gen Z audience still maintains certain occasions where dairy is irreplaceable. Our goal is to lean into these moments and empower consumers, providing the reassurance and encouragement they need to consume dairy.

#### **Pick-Me-Ups by MilkUP**



To tap into these dairy moments, DFO created *Pick-Me-Ups by MilkUP*, Ontario's first post-to-pay pop-up shop in collaboration with some of Gen Z's favourite local brands. Equal parts "fuel up" and "pick-me-up", DFO worked with local makers and collaborators who each created limited edition, milk-inspired goods and artworks to celebrate a shared local story in a way that resonates with Ontario Gen Z consumers. The activation became an overnight, viral TikTok success, garnering over 1.1 million organic hashtag views and 10 million earned media impressions. DFO welcomed over 5,200 guests over 12 days, most of whom waited in lines for more than three hours. MilkUP will continue to build on the success of the Pick-Me-Ups campaign through social and live activation throughout 2022.



In addition, DFO will carry the momentum of the MilkUP brand into its partnership ecosystems. Under a “MilkUP every moment” platform, Maple Leaf Sports & Entertainment will focus on leveling up experiences and empowering the next generation of fans through in-venue activation and grassroots engagement. This extends into DFO’s amateur sport partnerships with the Ontario Minor Hockey Association, Ontario Basketball Association, Ontario Soccer Association and Ontario Hockey Association. Through these partnerships, DFO will support Ontario youth on their journey to reach their untapped potential in the form of bursaries and creative storytelling through content and activation.

### **Pillar Three: Provoking Dairy Moments**

DFO’s third pillar drives consumption by “Provoking Dairy Moments.” This pillar aims to inspire usage-based dairy occasions by amplifying our “local food and culinary culture” strategy.

#### **Savour Ontario**

DFO leveraged its culinary brand, Savour Ontario, to drive these moments of dairy inspiration with consumers. This brand is uniquely poised to reach an epicurious audience who love to cook and engage in local culinary experiences. DFO launched three Savour Ontario campaigns and cultivated numerous partnerships to further strengthen our connection with our target consumers during this fiscal year.



In April 2021, just as consumers began venturing back to restaurants and retail stores after the pandemic-induced lock-down, DFO launched the Savour Ontario *Milk & Honey* campaign encouraging consumers to support local Ontario chefs by ordering dairy-inspired menu items from local restaurants and re-creating

these signature dishes at home. This campaign was promoted in partnership with the Ontario Wine Marketing Association (OWMA) via its VQA brand as well as with Culinary Tourism Alliance through its Feast On program across owned digital and social partner platforms. The summer campaign, Savour Ontario Outdoors, focused on the relevant summer season and offered consumers an opportunity to enjoy local Ontario outdoor experiences through elevated camping recipes featuring dairy as a prominent ingredient. This campaign promoted and celebrated dairy as a hyper-local, high-quality ingredient through this digital campaign. In September 2021, DFO launched a two-part series, in partnership with the LCBO and local Ontario winery, Henry of Pelham. The campaign promoted Ontario artisan cheese and VQA wine pairings through fall and winter via a necktag on select Henry of Pelham wines in LCBO stores. Each session of the campaign featured three unique necktags highlighting pairings of cheese, wine and chef-curated, dairy-inspired recipes.

These seasonal campaigns worked together to highlight local dairy products and to inspire consumers with unique and delicious recipe ideas. The campaigns also drove brand awareness and engagement for Savour Ontario and continued to attract target consumers to our brand content.

#### **2021 Milk Calendar**

Another key tactic in inspiring dairy consumption is the *Milk Calendar* program. The *Milk Calendar* is a well-loved annual tradition for many families, and the 2021 edition of the calendar brought together a celebration of local food. It featured wonderful seasonal recipes and ingredients across Canada created by a team of some of the country’s finest recipe developers.



The 2021 *Milk Calendar* launch and distribution was a great success with almost 100,000 new subscribers signing up to receive the calendar and opting into DFO's database.

#### 2020-21 MILK CALENDAR DISTRIBUTION

Destination	Total # of Copies	% of Total
Home Delivery	146,375	24.2
LCBO Holiday Outsert	237,000	39.1
DPC & Processors	18,247	3.0
Metro	195,000	32.2
Milk Producer & MENU Magazine	7,800	1.3
Calendars Remaining	953	0.2
	<b>605,375</b>	<b>100.0</b>

Planning and development for the 2022 edition of the *Milk Calendar* got underway early in 2021 and will celebrate a monumental milestone with 45 years of dairy inspiration. This 45th anniversary marks an historic achievement in the legacy of cooking and baking with local dairy, crafted on local family farms.

#### Customer Relationship Management (CRM)

With the success of past *Milk Calendar* subscriptions and digital downloads, DFO enabled a fully online sign-up system which allows for ordering printed copies of the calendar or viewing/downloading the digital recipe collection via the website.

The popularity of the *Milk Calendar* drives a large number of subscribers into DFO's CRM program through the sign-up process. The program enables ongoing communication with consumers and continues to evolve and grow as monthly newsletters deploy to a highly engaged subscriber audience. Over the last year DFO's audience has grown from 100,000 to 250,000 subscribers. The newsletter connects consumers with the latest marketing initiatives across DFO's various pillars, coupon offers from local processors and delicious, dairy-forward recipes from milk.org.

The print-at-home coupons distributed through the monthly newsletter are provided in partnership with processors and, through this collaboration, more than \$455,000 in savings have been made available to consumers over the last year. This program works to directly address the perceived high price of dairy products which was a key barrier to consumption as identified by DFO's recent research.

Additionally through this program, DFO proudly featured and incentivized 270,000 products with the blue cow logo. Featured coupons performed 24 per cent higher than the food industry average, which shows

significant appetite for local dairy products among direct consumers. The CRM program continues to be an effective platform to drive messages around "local," nutritional density and recipe inspiration.

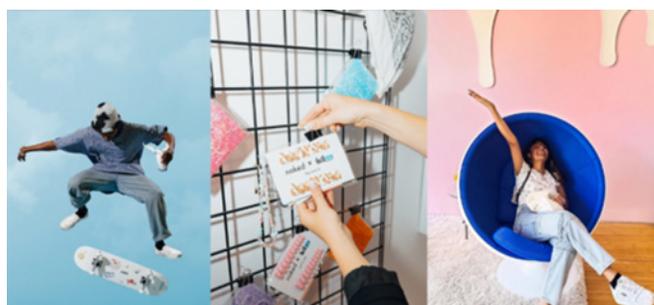
#### Social Media

Another tactic that supports across all DFO's pillars and strategic objectives is social media. As audiences increasingly adopt digital platforms for news, information and to connect with others, it is integral DFO continues to be ever-present on its social channels and leverages these platforms as opportunities to support campaigns, share information and interact with key audiences.

In fiscal 2021, DFO continued to build an online community and establish Ontario and dairy pride through major actions and additional strategic tactics which created a voice and approach that will continue into fiscal 2022:

- Enhanced focus on community engagement:** Continued to nurture existing relationships and build new dairy advocates across all social media channels.
- Refine paid media:** Refocused objectives, while cleaning up audience overlap and maximizing budget efficiency.
- Maximize efficiency:** Optimized content sources to get the most return on engagement through influencers, user-generated content and the website.

DFO's social audience has grown 23 per cent over the past year and continues to be active on Facebook, Instagram, Twitter, Pinterest and LinkedIn. As a complement to DFO's social media, DFO also launched @ontariodairy on TikTok and refined @milkupOntario's Tiktok strategy over the summer. @milkupOntario saw its best growth ever for engagement, followers and impressions in its latest monthly report. The key to this successful launch was a unique approach of building relationships with buzz-worthy, social-savvy creators. DFO reinforced dairy and its role in supporting local by hitting on Gen Z passion points like fashion, art and music on the social platform that they use most - TikTok.



The chart below shows follower growth across DFO social media pages from February 2021 to end of fiscal.

**FOLLOWER GROWTH (FEBRUARY 2021 - OCTOBER 2021)**

<b>Audience Gained</b>	↗ 23.3%
<b>f</b> page Likes	↗ 6.7%
<b>@</b> followers gained	↗ 32.7%
<b>in</b> followers gained	↗ 45.6%
<b>🐦</b> followers gained	↗ 60.9%

**Digital Platforms**

Other digital enhancements included updating the milk.org website. Updates to milk.org focused on content for industry stakeholders, launched in conjunction with the Milk Management System (MMS) in early 2021.

The final update to the consumer website ([www.milk.org](http://www.milk.org)) was made in April 2021 and included design and content changes based on consumer feedback and data audits. DFO improved the information available to consumers looking to learn more about Ontario’s dairy industry and made sure all content is fully accessible and easy to navigate. Minor updates to the culinary section on the website were also made to ensure recipe content was easier to navigate.

**Dairy Education Program**

Another integral area of focus was DFO’s education program which supports across the various marketing pillars. With virtual learning becoming the “new normal,” the dairy education team adapted to the digital world of teaching and began delivering virtual presentations and developed a new program, Growing Up Dairy (GUD), which highlights calf growth and the day-to-day activities of farm life through bi-weekly emails with Ontario classrooms. Dairy educators were able to connect with 509 schools through 1,334 virtual presentations, making 467 GUD classroom connections and reaching 33,853 students. The 35 lessons in the program’s Learning Management System, have been accessed 58,882 times and are an excellent resource for Ontario teachers whether they are providing in-class or remote learning.

The education team also officially launched Dairycraft, a highly immersive education experience that lets students explore the world of dairy farming with Minecraft: Education Edition. The lesson plans challenge students to get creative and collaborate to complete tasks relating to three core learning pillars: local, versatility, and nutrition. Dairycraft has remained the program’s most popular resource, reaching nearly 3.8 million downloads by October 2021.



This school year (2021-2022) the Dairy Education Program focused its education efforts on taking advantage of live, in-class presentations where feasible and expanding its ability to reach students through virtual presentations and GUD. DFO will continue to monitor and abide by school board and school regulations for visitors as it seeks opportunities to grow the program’s reach.

**Elementary School Milk Program (ESMP)**

The ESMP transitioned to a new digital platform with School Cash Online (SCO) which has significantly reduced the burden on volunteers in schools and will provide DFO with reliable consumption data. Currently the program team is accessing as many schools as possible; however, restrictions on milk servings remain in place in various Ontario school boards and schools. The team has begun developing a new rewards program to incentivize milk consumption in school and at home: *Milk Club*, which is expected to launch in March 2022. In addition, Student Nutrition Ontario and the DFO rebate program were able to provide 848,402 servings of milk to 274,971 students in the 2020-21 school year.

**Events**

While this has been another challenging year due to the pandemic, events remain a cornerstone of DFO’s efforts to educate the public and connect with stakeholders. The Royal Agricultural Winter Fair (RAWF) cancelled its live event and went virtual (Nov. 10 to 14, 2020), and DFO was proud to be a sponsor of the Royal Agricultural Virtual Experience (RAVE). This sponsorship provided a unique marketing opportunity to reach a national consumer audience and share DFO’s *Dairy Done Right*



marketing efforts that reinforced pride, local and trust stories. RAVE was popular with student audiences, with more than 42,000 people visiting the Agriculture Zone and more than 14,000 engaging with the materials.



## BUSINESS DEVELOPMENT

Business development is another integral component of DFO's activities that supports the overall marketing objective. During this past year, support for dairy products from consumers was evidenced by consistent sales volumes in the retail sector, while DFO continued to see less than optimal volumes from foodservice (restaurant and hospitality) sectors due to restrictions. Leading into the fall of 2021, DFO started to see stronger signals of recovery in the foodservice area. Though a long road to recovery is expected, DFO will continue to support these efforts.

Partnership efforts continued throughout the year with key partners including Metro, Longo's, Eataly, Fortinos, Restaurants Canada, Tim Hortons and Pizza Pizza as well as with several processors. As always, the intent of these partnerships is to leverage the strength and consumer reach each partner offers to drive dairy awareness and consumption where applicable. In-store, social media, print and digital advertising were

## DAIRY RESEARCH

### Research Projects & Activities

DFO's research activities are divided into three areas:

1. Dairy farm efficiency and sustainability
2. Animal health and welfare
3. Milk composition, quality and safety

#### PROJECT/AREA

#### SUMMARY

#### DAIRY FARM EFFICIENCY & SUSTAINABILITY

Organic dairy farm research priorities

Through a producer survey and focus groups, the following top priorities were identified: pasture and grazing management, farm management and production economics, niche markets, farm efficiency and sustainability, organic extension services, soil health and milk quality.

Alfred Organic Research Centre

Alfred College, or Ferme d'éducation et de recherche du campus d'Alfred (FERCA), has built a new barn with 104 milking stalls. To establish and execute efficient communication plans, DFO's Board contributes funds to FERCA for liaison. At DFO's request, FERCA is seeking partnerships with several research institutions and universities to ensure the right level of scientific expertise.

all used to execute partnership programs to engage Ontario consumers with a key focus on local Ontario dairy. These tactics provided a strong voice for our industry that could not directly be realized without these partnerships. Wherever feasible, DFO also used the blue cow logo to drive a consistent message to consumers about 100% Canadian Dairy.

### Start-Up/Scale-Up Innovation Program

DFO's Start-Up/Scale-Up innovation programs help new dairy entrepreneurs enter the dairy processing industry through mentorship, specialist support and funding (if eligible).

Over the course of the year, DFO continued to see growth in its innovation program. Many new participants have started a dialogue with the team to explore starting a dairy processing business, while other participants were able to expand their existing businesses and qualify through the program for matching grants from DFO. This past year DFO awarded a total of 16 grants to qualified Scale-Up participants including a mix of new and repeat applicants. Two new on-farm processors opened production plants and started processing in the summer, bringing the total number of on-farm processors to 17 across Ontario, many of which have participated in DFO's innovation program.

With the assistance of a CAP (Canadian Agricultural Partnership) grant through OMAFRA, DFO has embarked on ways to expand and make this program more efficient for the future through better online tools and info as well as webinars to educate participants on various topics to assist them in their journey. DFO believes innovation is a key component of success for the provincial dairy industry and will continue to evolve and support growth with various program partners.



PROJECT/AREA	SUMMARY
Effect of grazing behaviour and pasture management on dairy cow health and production	The three-year doctoral research will study cow productivity and health in a more extensive pasture-based system that would require an efficient use of forage resources through improved knowledge of feeding behaviour and dietary choices.
On-farm milk silos or vertical bulk tanks	Following on-farm research to obtain data regarding sampling and grading, DFO is working with OMAFRA to seek regulatory changes to allow milk measurement, collection and sampling from milk silos.
Wrap and silage covering made from biomaterials	The research objective is to produce bale wrap and silage covering that meets farmers' needs and is biodegradable after use to reduce plastic accumulation.
Mental health research: post-doctoral research fellowship	DFO is contributing to a proposed two-year fellowship program to build the Canadian knowledge base around mental health and farming. Results from the studies may lead to increased access to mental health services and improved mental health outcomes for Canadian farmers, which can help improve the sustainability of Canadian agriculture.
DFO's Doctoral Research Assistantship Award	DFO's Doctoral Research Assistantship Award is presented annually to an exemplary student entering a doctoral program at the University of Guelph. The scholarship is awarded for three years of full-time doctorate study in a research area of interest to DFO.  Exceptionally this year, two full-time doctorate scholarships were awarded. DFO and the University of Guelph are financially supporting both Catalina Wagemann Fluxa on her proposed study regarding the effect of housing and management-related stressors in late gestation and early lactation on the health, welfare and performance of dairy cattle in Ontario herds, as well as Colin Lynch on his proposed study regarding the development of a Canadian calf health index to improve dairy cow resilience.

## ANIMAL HEALTH & WELFARE

Euthanasia and down cows on dairy farms	In collaboration with Les Producteurs de lait du Québec (PLQ) and DFC, DFO approved a study to understand the perceptions, obstacles, constraints and psychological aspects surrounding down cow management and euthanasia.
Dairy Cattle Health Research Chair Dr. David Kelton, Department of Population Medicine, Ontario Veterinary College, University of Guelph	The chair's activities leverage opportunities that will keep Ontario at the forefront of dairy production in Canada and the world through research, teaching, mentoring and service in dairy cattle health, welfare and biosecurity. The chair's research focuses on important aspects of dairy cattle health, welfare and biosecurity, including infectious diseases (Johne's disease, bovine viral diarrhoea and leukosis), mastitis and on-farm milk quality, antimicrobial use and resistance (AMU and AMR), biosecurity (targeted at diseases of importance), locomotion (with a focus on welfare and genetic improvement), metabolic diseases (ketosis) and reproductive health and efficiency.
Describing and characterizing neonatal calf mortality on Ontario dairy farms	The goal is to determine the current level of occurrence of perinatal mortality and important risk factors that could be addressed to decrease mortality.
Bulk tank milk disease surveillance program	DFO and OMAFRA are funding a two-year project to conduct infectious disease surveillance through bulk tank sample testing.  The results, which will be shared with individual producers, will provide information on the health status of each Ontario herd and the opportunity to improve biosecurity plans where needed.
Knowledge translation and transfer (KTT) project to support dairy producers in improving dairy cattle welfare	Using annual proAction data for each farm synthesized with the latest research on this topic, this project will develop and disseminate evidence-based resources that showcase real dairy producer success stories and the latest research on how to prevent, control and improve animal-based measures in dairy cattle.

## MILK COMPOSITION, QUALITY & SAFETY

Antimicrobial stewardship solutions for a sustainable dairy industry	<i>The Ontario Research Fund – Research Excellence (ORF-RE) approved Dr. David Kelton's proposal on antimicrobial stewardship solutions for a sustainable dairy industry.</i>  <i>The objectives of Dr. Kelton's proposal are to help develop novel antimicrobial stewardship practices and explore practical strategies for Ontario dairy producers to prudently reduce the use of antimicrobials without compromising animal health.</i>
Elevated free fatty acids in Ontario bulk tank milk	In May 2017, Ontario began testing all bulk tank shipment samples from every farm for free fatty acids (FFA). Based on an initial assessment of the first year of tests, Dr. Kelton and his team found approximately 10 per cent of Ontario bulk tank samples exceeded the commonly used threshold of 1.5 millimoles per 100 grams of fat. FFA levels were lower in herds milked in a parlour compared with those milked in a tiestall or robotic barn. As well, FFA levels were lower in organic versus non-organic herds. A PhD student was retained to head this project. FFA results will be made available to producers on the password-protected producer dashboard on DFO's website.



PROJECT/AREA	SUMMARY
<i>Bulk tank fatty acid profile to improve dairy farms</i>	Monitoring fatty acid (FA) profiles from bulk tank milk samples provides a new opportunity to better evaluate and understand ruminal function, rumen health and body reserve mobilization—three interrelated aspects that allow researchers to optimize cow response to dietary strategies and improve herd performance and profitability. In collaboration with Lactanet and Les Producteurs de lait du Québec, DFO is participating in funding a national scheme for a milk FA profile analysis to improve dairy farm performance. Funded activities will include the flow of information from farmers to researchers, infrastructure for data processing and reporting and knowledge transfer to advise on future activities.
<i>NSERC-DFO Industrial Research Chair in Microbiology: Dr. Gisèle LaPointe, Department of Food Science, University of Guelph</i>	The funds contributed by DFO are matched by the National Sciences and Engineering Research Council of Canada (NSERC) – Industrial Research Chairs Grants. The research program of the NSERC-DFO industrial research chair in dairy microbiology aims to ensure the quality and functionality of dairy products through better control of microbial ecosystems. The approach of the NSERC-DFO chair is to integrate knowledge across the value chain, from producer and processing to consumer health.
<i>Dexamethasone depletion study in cattle: milk and edible tissue study</i>	Dexamethasone is approved for use in Canada in lactating dairy cattle for the treatment of bovine ketosis and parturient edema of the mammary gland, as well as an anti-inflammatory agent. Currently, there is no approved maximum allowable residue limit for dexamethasone in cattle in Canada. The results of these studies will provide key stakeholders with critical drug withdrawal information.

## Grants-in-Aid at the University of Guelph

Every year, DFO awards grants-in-aid for projects within university departments engaged in dairy research. Projects conducted during summer 2021 using the grants-in-aid program included:

#	PROJECT TITLE	DEPARTMENT
1	Effect of personality on adaptation of dairy cows to automated milking at calving	Animal biosciences – OAC
2	Evaluating the efficacy of a non-antimicrobial therapy, colostrum, as a therapy for neonatal dairy calves	Population medicine – OVC
3	Finding innovations to improve calf gastrointestinal health and reduce antimicrobial use	Animal biosciences – OAC
4	Development of a Canadian calf health index to improve overall dairy cow resilience	Animal biosciences – OAC
5	Grazing behaviour in pastured dairy cows	Animal biosciences – OAC
6	Insulin/glucose dynamics in dairy cows	Animal biosciences – OAC
7	Benchmarking genetic influences on disease survivability and colostrum quality in dairy calves	Pathobiology – OVC
8	Implementation and evaluation of a bulk tank milk surveillance program for infectious and emerging diseases	Population medicine – OVC
9	Assessment of stress resilience in dairy cattle	Animal biosciences – OAC
10	Assessing topical pain control for lameness in dairy cattle	Population medicine – OVC
11	SPARK writer for Dairy at Guelph	Dairy at Guelph & SPARK
12	The economics of animal welfare – housing system and milk productivity and profitability	Food, agricultural & resource economics OAC
13	Ontario organic dairy farm evaluation and correlation between farm practices and milk quality	FERCA (Alfred)
14	Monitoring rumen temperature, dry matter intake, water intake and milk production of dairy cows consuming an activated carbon additive	Ridgetown College
15	Survey of spore-forming bacteria in milk and silage on Ontario farms	Food science – OAC
16	Use of dairy proteins to improve the texture of poor-quality poultry meat	Food science – OAC



## HUMAN RESOURCES

*The Human Resources team is responsible for human resources, payroll, facilities management and administrative services.*

### Human Resources

The human resources team has continued to support DFO's business operation throughout the pandemic, staying up to date on current advice from the government and guidance from Public Health Ontario. The health and safety of our employees, producers and stakeholders has remained our top priority and was critical to the delivery of Ontario's food supply.

DFO's head office in Mississauga, Ont. remained open throughout the pandemic, though employees who could effectively work from home were asked to do so to abide by public health rules. Though working from home was new for many employees, it was important for the human resources team to share information about available services and resources to maintain employee wellness. As of September 2021, more employees combined working at the office and from home, and field staff have maintained attendance on farm and at plants, following appropriate protocols. DFO plans to resume in-person work and meetings when it is deemed safe to do so.



One of HR's objectives is succession planning. To ensure the continuity of expert knowledge in all departments, single-point dependencies have been identified and plans are in place to develop additional subject matter experts. Employees are trained to continue the work, and DFO is building in redundancy to be prepared for future retirements.

In addition, DFO is considering department structures to optimize functionality and ensure clear, single-point accountability. Subject matter experts are empowered in their area of specialty and held accountable to deliver on priorities.

### Building Facilities

Regular maintenance and upkeep are paramount to maintaining the good condition of the corporate building and grounds. In addition to fully setting up the Marketing department this year, DFO took on some minor renovation projects in the office to provide more open space and fewer touch points to improve physical safety. On the exterior, the entire parking lot was repaved. Working closely with service providers and vendors allowed DFO to keep costs balanced.

## FINANCE

*DFO's Finance team is responsible for budgeting, financial and accounting services, including billing of processors and payment to producers and transporters, pool accounting, blend price calculations and quota administration.*

### Credit Program Update

DFO continues to monitor the financial stability of its customers through a third party to safeguard the financial interests of Ontario dairy producers. From a risk perspective, four processors account for about 87 per cent of total milk sales; however, their financial stability is very strong. The accounts receivable protection fund totaled \$5.01 million at the end of October 2021.

### Milk Utilization Audit Services

KPMG continues to provide milk utilization audit services as per the five-year term contract that began in 2016. There are currently 77 plants and 10 ice cream plants included in the audit scope.

### MUV System

DFO and the ODC jointly own the MUV system, the web-based billing and verification system used by processors to declare how the milk they receive from their marketing boards is used. Updates to MUV continue to be implemented to add functionality for processors and reflect changes in policy. Modifications were made to the system to incorporate changes required by CUSMA.

### Accounting Systems

DFO continues to evolve its accounting system. In summer of 2019, the accounting software was upgraded to enable more flexible reporting and increase the number of data points being reviewed.



These improvements continued into 2021 with automation of various processes. The automation of vendor invoice processing and tracking was an important component of these improvements. The increased use of electronic document sharing and signing allows for more business to be conducted remotely without significant impact to day-to-day operations, in addition to general increases to efficiency.

## **INFORMATION TECHNOLOGY**

*The IT team is responsible for information technology services, including programming and maintenance of DFO's information technology systems and data centre, as well as infrastructure networks and IT customer service support.*

### **Milk Management System (MMS)**

Phased implementation of MMS began in early 2019 and continued through 2021. Integrations with external services, such as lab testing, content management and more, were built, tested and implemented in 2020.

In February 2021, DFO launched the second phase of its website redesign—an updated industry website, which includes a new MMS interface for producers, their third-party vendors, processors and transporters. With this new update, producers were able to access the new quota exchange. In March, producers received their first statement incorporating the new SNF pricing for their February milk.

DFO has now moved to the ongoing improvement and maintenance phase of the website, where new functions are scheduled and deployed regularly along with ongoing maintenance and support of the platform. DFO is constantly incorporating improvements to the system based on staff and stakeholder feedback.

The current phase of the MMS development is focused on the integrated billing systems, payment functions and field staff support systems. These will continue to be tested and rolled out over the coming months.

### **Milk Collection Handheld Computers**

A project to replace the milk collection handheld computers kicked off in late 2019. The phased production rollout of the new handhelds began in fall 2020 and is nearing completion.

### **Infrastructure and Security**

Renovations were undertaken at DFO's head office, which required significant changes to the wired and wireless networks. This work was completed in spring 2021.

As DFO works toward implementing a new phone system at head office, a complete review of communication tools and infrastructure is underway. This review is nearing completion and the phone system upgrade is planned to be completed in 2022.

In an ongoing effort to increase the security of DFO's data centre, changes were completed to the technology workflows for services, such as VPN and webmail. These changes include the addition of new features, such as multi-factor authentication (MFA) for staff, single sign-on (SSO) for stakeholders, email spoofing identification for staff and board members, as well as improvements to network threat detection and prevention systems.

An infrastructure audit was successfully completed in summer 2021 and further changes are being made to ensure security is continually improved to face the ever-changing threat landscape.

### **Productivity and Technology During COVID-19**

During the early days of the pandemic in March 2020, like many other organizations, DFO staff were encouraged to work remotely when possible to limit contact. This placed an increased load on DFO's infrastructure since staff had to quickly pivot to virtual environments. DFO was well positioned to take that necessary step having recently implemented a new virtual meeting and communication platform in Cisco WebEx. WebEx has been an effective tool for secure remote conferencing and hosting of events such as board meetings, fall regional meetings and staff projects. Independent of the COVID-19 pandemic, DFO completed an equipment refresh in 2020. This refresh exercise equipped all staff with working laptops, which were necessary for the temporary work-from-home environment. In order to fully pivot into this new environment, strategic decisions to increase the use of electronic document-sharing and signing allowed for much of the business to be conducted remotely without significant impact to day-to-day operations. DFO continues to add functionality as staff move toward invoice automation and electronic document repositories for finance.

DFO's new direction has provided alternatives ways to conduct business that will likely continue well after the pandemic ends since it allows for increased efficiencies and decreased costs in many circumstances.



## LEGAL SERVICES & BOARD

The Legal Services team is responsible for legal services, including legislative and regulatory compliance, contract review and negotiation, litigation, legal support and advice; Board matters, including Board governance; policy development review; internal controls and accountability measures; and holds the positions of Corporate Secretary and Privacy Officer. Legal Services also ensures that DFO's decisions and policies are upheld before the Agriculture, Food and Rural Affairs Tribunal.

### Board Retirements

Henry Wydeven, Board Member for Region 10, has retired from DFO's Board, effective Jan. 19, 2022. Mr. Wydeven served on the Board for two terms. On behalf of the DFO staff and Board, we would like to thank Mr. Wydeven for his service to Ontario dairy producers.



### Board Elections

Bart Rijke was acclaimed to represent producers in Region 1 for his second term on the Board.

Don Gordon was acclaimed to represent producers in Region 5 for his first full term on the Board.

Vicky Morrison was acclaimed to represent producers in Region 9 for her first full term on the Board.

Immediately following the adjournment of DFO's annual general meeting (AGM) on Jan. 14, 2021, the four-year term of the elected Board members commenced.

### Board Executive

At a special Board meeting held on Jan. 14, 2021, DFO's Board elected its 2021 Board Executive. Murray Sherk, Board Member Region 8, was re-elected as Chair. Nick Thurler, Board Member Region 2 was elected as Vice-Chair. Steve Runnalls, Board Member Region 12, was elected as 2nd Vice-Chair. Arlene Minott was reappointed as Corporate Secretary to the Board. Rey Moisan was reappointed as Treasurer to the Board.

### Board Meetings During COVID-19

During the COVID-19 crisis, all regular business of the Board was attended to and regular business needs were met.

The Board used a combination of in-person and virtual meeting technology to ensure that COVID-19 health protocols were met and the work of the Board was completed in an efficient manner.

#### REGULAR AND SPECIAL BOARD MEETINGS

Year	Number of Meetings
2016-2017	29
2017-2018	27
2018-2019	33
2019-2020	54
2020-2021	24



## List Of Acronyms

Acronyms are commonly referenced throughout Dairy Farmers of Ontario's (DFO) 2020-21 Annual Report. To assist readers and avoid repetition in the text, the following is a list of these acronyms for easy reference.

<b>AFP:</b> Abnormal Freezing Point	<b>HCP:</b> Health Care Professional
<b>AGM:</b> Annual General Meeting	<b>HRI:</b> Hotels, restaurants and institutions
<b>AMR:</b> antimicrobial resistance	<b>KTT:</b> Knowledge Translation and Transfer
<b>AMU:</b> antimicrobial use	<b>MMS:</b> Milk Management System
<b>BTMG:</b> Bulk Tank Milk Grader	<b>MTR:</b> Monthly Total Requirements
<b>Canada-UK TCA:</b> Canada-United Kingdom Trade Continuity Agreement	<b>NEQAP:</b> New Entrant Quota Assistance Program
<b>CAP:</b> Canadian Agricultural Partnership	<b>NFAC:</b> National Farm Animal Care Council
<b>CDC:</b> Canadian Dairy Commission	<b>NMP:</b> Nutrient Management Plan
<b>CETA:</b> Canada-European Union Comprehensive Economic and Trade Agreement	<b>NPP:</b> New Producer Program
<b>CMSMC:</b> Canadian Milk Supply Management Committee	<b>NSERC:</b> National Sciences and Engineering Research Council of Canada
<b>COP:</b> Cost of Production	<b>OBA:</b> Ontario Basketball Association
<b>CPTPP:</b> Comprehensive and Progressive Agreement for Trans-Pacific Partnership	<b>OHA:</b> Ontario Hockey Association
<b>CRM:</b> Customer Relationship Management	<b>OMAFRA:</b> Ontario Ministry of Agriculture, Food and Rural Affairs
<b>CUSMA:</b> Canada-United States-Mexico Agreement	<b>OMHA:</b> Ontario Minor Hockey Association
<b>DE&amp;I:</b> Diversity, Equity & Inclusion	<b>ORF-RE:</b> Ontario Research Fund – Research Excellence
<b>DFC:</b> Dairy Farmers of Canada	<b>PAWS:</b> Provincial Animal Welfare Services Act
<b>DPC:</b> Dairy Producer Committee	<b>PLQ:</b> Les Producteurs de lait du Québec
<b>EFP:</b> Environmental Farm Plan	<b>RAVE:</b> Royal Agricultural Virtual Experience
<b>ESMP:</b> Elementary School Milk Program	<b>RAWF:</b> Royal Agricultural Winter Fair
<b>FA:</b> Fatty Acid	<b>SCC:</b> Somatic Cell Count
<b>FFA:</b> Free Fatty Acid	<b>SCO:</b> School Cash Online
<b>FRM:</b> Fall Regional Meeting	<b>STPFS:</b> Security from Trespass and Protecting Food Safety Act
<b>FSR:</b> Field Service Representative	<b>SPC:</b> Spring Policy Conference
<b>GUD:</b> Growing Up Dairy	<b>TRQs:</b> Tariff Rate Quotas
	<b>USTR:</b> U.S. Trade Representative





# FINANCIAL REPORTS

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF DAIRY FARMERS OF ONTARIO

### Opinion

We have audited the financial statements of Dairy Farmers of Ontario (the Entity), which comprise:

- the statement of financial position as at October 31, 2021
- the statement of operations and changes in fund balance - unrestricted, quota exchange, research, accounts receivable financial protection, marketing and business development funds for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at October 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity 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. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report as at the date of this auditors' 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 in the auditors' report.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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



## **Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

*KPMG LLP*

Chartered Professional Accountants,  
Licensed Public Accountants

Vaughan, Canada  
December 20, 2021



## Statement of Financial Position

October 31, 2021 with comparative information for 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
<b>Current assets</b>		
Cash	\$ 57,393,671	\$ 51,279,011
Accounts receivable (notes 2 & 19)	215,992,715	224,187,030
Quota inventory (note 3)	-	284,400
Prepaid expenses	2,291,231	2,472,212
	275,677,617	278,222,653
Investments (note 4)	5,041,484	5,041,484
Capital assets (note 5)	2,349,879	2,399,663
Intangible assets (note 6)	4,823,758	5,469,567
	<b>\$ 287,892,738</b>	<b>\$ 291,133,367</b>

## Liabilities and Fund Balances

<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 7 & 8)	\$ 233,022,678	\$ 239,287,908
<b>Deferred capital contributions (note 9)</b>	804,059	888,697
<b>Fund balances</b>		
Unrestricted	16,026,611	14,415,098
Quota Exchange	952,695	952,695
Research (notes 17)	2,560,091	2,360,360
Accounts Receivable Financial Protection	5,008,822	5,013,354
Marketing and Business Development (note 13)	29,517,782	28,215,255
	54,066,001	50,956,762
Commitments (note 18)		
Contingencies (note 21)		
	<b>\$ 287,892,738</b>	<b>\$ 291,133,367</b>

See accompanying notes to financial statements.

On behalf of the Board

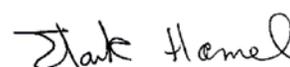
Chair



1st Vice-Chair



2nd Vice-Chair




## Statement of Operations & Changes in Fund Balance-Unrestricted

Year ended October 31, 2021 with comparative information for 2020

	2021	2020
<b>Revenue</b>		
Administrative licence fees (note 11)	\$ 19,474,948	\$ 19,204,328
Raw Milk Quality program	1,046,961	1,229,793
Milk Producer magazine	585,096	536,926
Investment income (note 4)	159,783	211,459
ProAction/CQM program	80,209	197,235
Quota exchange administrative fees	71,308	76,169
Gain on disposal of capital assets	18,780	30,404
Assignment administrative fees	14,410	10,510
Other revenue (note 12)	373,563	248,027
	21,825,058	21,744,851
<b>Expenses</b>		
Administrative and policy development (note 14)	13,794,597	13,941,056
Payments to affiliates (note 16)	1,149,999	1,150,000
Raw Milk Quality program	2,015,661	1,705,656
ProAction/CQM program	86,785	15,539
Milk tests, central laboratory	964,482	967,733
Processor utilization audit	241,667	271,241
Milk Producer magazine	457,827	409,384
Dairy producer committees	364,442	767,596
Annual meeting	7,974	238,625
Depreciation	1,130,111	846,424
	20,213,545	20,313,254
Excess of revenue over expenses	1,611,513	1,431,597
Unrestricted funds, beginning of year	14,415,098	12,983,501
<b>Unrestricted funds, end of year</b>	<b>\$ 16,026,611</b>	<b>\$ 14,415,098</b>

See accompanying notes to financial statements.



## Statement of Operations & Changes in Fund Balance-Quota Exchange

Year ended October 31, 2021 with comparative information for 2020

	2021	2020
<b>Sales</b>	\$ 63,551,040	\$ 97,368,960
<b>Cost of sales</b>		
Inventory, beginning of year	284,400	212,160
Purchases	62,781,120	97,441,200
	63,065,520	97,653,360
Inventory, end of year (note 3)	485,520	(284,400)
	63,551,040	97,368,960
Excess of sales over cost of sales	-	-
Fund balance, beginning of year	952,695	952,695
<b>Fund balance, end of year</b>	<b>\$ 952,695</b>	<b>\$ 952,695</b>

See accompanying notes to financial statements.

## Statement of Operations & Changes in Fund Balance-Research

Year ended October 31, 2021 with comparative information for 2020

	2021	2020
<b>Revenue</b>		
Research fees (note 17)	\$ 1,557,303	\$ 1,535,669
Toronto Stock Yards Land Development (note 17)	157,893	152,992
Investment income (note 4)	23,409	29,503
	1,738,605	1,718,164
<b>Disbursements</b>		
Research projects (note 16)	749,231	535,869
Dairy Science Research Chair	200,000	200,000
Dairy Animal Health Research Chair	100,000	-
Scholarships and grants-in-aid	226,000	210,000
Ontario Dairy Farm Accounting Project	134,093	121,570
Toronto Stock Yards Land Development (note 17)	129,550	132,100
	1,538,874	1,199,539
Excess of revenue over disbursements	199,731	518,625
Fund balance, beginning of year	2,360,360	1,841,735
<b>Fund balance, end of year</b>	<b>\$ 2,560,091</b>	<b>\$ 2,360,360</b>

See accompanying notes to financial statements.



## Statement of Operations & Changes in Fund Balance- Accounts Receivable Financial Protection

Year ended October 31, 2021 with comparative information for 2020

	2021	2020
<b>Revenue</b>		
Investment income (note 4)	\$ 44,386	\$ 72,320
<b>Disbursements</b>		
Administrative assistance	48,918	58,761
	48,918	58,761
Excess of revenue over disbursements (disbursements over revenue)	(4,532)	13,559
Fund balance, beginning of year	5,013,354	4,999,795
<b>Fund balance, end of year</b>	<b>\$ 5,008,822</b>	<b>\$ 5,013,354</b>

See accompanying notes to financial statements.

## Statement of Operations & Changes in Fund Balance- Marketing and Business Development

Year ended October 31, 2021 with comparative information for 2020

	2021	2020
<b>Revenue</b>		
Market expansion fees collected (note 13)	\$ 43,606,115	\$ 46,074,518
Investment income (note 4)	278,475	516,287
	43,884,590	46,590,805
<b>Program Expenditures</b>		
Brand advertising and mass media	15,551,276	20,445,320
Consumer marketing	8,015,115	11,270,915
Community programs	2,969,014	3,233,917
Business development programs	5,765,836	5,357,524
National projects (note 16)	6,152,500	5,855,000
	38,453,741	46,162,676
Support costs (note 15)	3,790,544	5,049,194
Depreciation	337,778	12,428
	42,582,063	51,224,298
Excess of revenue over expenditures (expenditures over revenue)	1,302,527	(4,633,493)
Fund balance, beginning of year	28,215,255	36,534,015
Less: Market expansion fee holiday - April 2020	-	(3,685,267)
<b>Fund balance, end of year</b>	<b>\$ 29,517,782</b>	<b>\$ 28,215,255</b>

See accompanying notes to financial statements.



## Statement of Cash Flows

Year ended October 31, 2021 with comparative figures for 2020

	2021	2020
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue)		
Unrestricted Fund	\$ 1,611,513	\$ 1,431,597
Research Fund	199,731	518,625
Accounts Receivable Financial Protection Fund	(4,532)	13,559
Marketing and Business Development Fund	1,302,527	(8,318,760)
Items not involving cash		
Depreciation	1,467,889	858,852
Gain on disposal of capital assets	(18,780)	(30,404)
Amortization of deferred capital contributions	(84,638)	-
Change in non-cash working capital		
Accounts receivable	8,194,315	(2,741,940)
Quota inventory	284,400	(72,240)
Prepaid expenses	180,981	(1,539,959)
Accounts payable and accrued liabilities	(6,265,230)	3,838,974
	6,868,176	(6,041,696)
<b>Investing activities</b>		
Purchase of capital assets	(772,296)	(1,626,081)
Proceeds on disposal of capital assets	18,780	36,500
	(753,516)	(1,589,581)
Increase (decrease) in cash	6,114,660	(7,631,277)
Cash, beginning of year	51,279,011	58,910,288
<b>Cash, end of year</b>	<b>\$ 57,393,671</b>	<b>\$ 51,279,011</b>

See accompanying notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

Year ended October 31, 2021

Dairy Farmers of Ontario (DFO) is a marketing board incorporated under the *Milk Act* as a not-for-profit organization. Formed in 1965 as the Ontario Milk Marketing Board, it was reconstituted as Dairy Farmers of Ontario in 1995 following the merger of the Ontario Milk Marketing Board and the Ontario Cream Producers' Marketing Board. DFO is exempt from income tax under Section 149.1 (l) of the *Income Tax Act* (Canada).

### 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

#### (a) Fund accounting:

The Unrestricted Fund includes revenue and expenses that represent DFO's oversight and management of the milk distribution, economic policy development, producer support and administrative cost to support these activities.

The Quota Exchange Fund reports the dollar value of quota exchange trading conducted by DFO.

The Research Fund reports the research fees collected from producers and disbursements on research and education programs.

The Accounts Receivable Financial Protection Fund reports the funds available to compensate Ontario dairy producers for any deficiencies in payments in respect of milk sold by DFO. The Accounts Receivable Financial Protection Fund includes investment income earned on resources of the fund and expenditures related to administering the fund.

The Marketing and Business Development Fund reports the promotion fees collected from producers and disbursements on marketing and business development programs and all costs to support these programs.

#### (b) Revenue Recognition:

DFO follows the restricted fund method of accounting for revenue.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Designated contributions related to operations are recognized as revenue in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Investment income, which is recorded on an accrual basis, includes interest income, net gain (loss) on sale of investments and change in net unrealized gains (losses).

#### (c) Investment in joint venture:

DFO accounts for its investment in Milk Utilization Verification (MUV) Inc., a jointly controlled not-for-profit organization, using the equity method. The investment is carried at cost and adjusted for any contributions or withdrawals and its share of the excess of revenues over expenses.

#### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently measured at cost or amortized cost, and management has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, DFO determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount DFO expects to realize by exercising its right to any collateral. If events and circumstances reverse



in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Investments must comply with the requirements as prescribed in the investing by-laws of the Milk Act.

Investment income earned is allocated to funds based on fund balances and recognized as revenue in each fund.

**(e) Capital assets:**

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Capital assets are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When a capital asset no longer contributes to DFO's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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Building and building improvements	5-20 years
Office furniture and fixtures	5-10 years
Computer hardware	3-5 years
Vehicles	3-12 years

---

Assets under construction are amortized once the assets are completed and available for use.

Assets purchased in support of marketing fund activities are aggregated separately and amortized into the Marketing and Business Development fund.

**(f) Intangible assets:**

Intangible assets are comprised of assets that have a definite life. Intangible assets are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

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Computer software and website	3-7 years
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Intangible assets under construction are amortized once the assets are completed and available for use.

Intangible assets purchased in support of marketing fund activities are aggregated separately and amortized into the Marketing and Business Development fund.

**(g) Allocation of indirect costs:**

DFO uses fund accounting and allocates certain of its general support expenses from the Unrestricted Fund to the Marketing and Business Development Fund by identifying the appropriate basis of allocating each expense. Salaries and general administrative costs are allocated on the basis of usage, and occupancy costs are allocated on the basis of square footage used.

**(h) Use of estimates:**

The preparation of financial statements 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 revenue, expenses and changes to fund balances during the year. Actual results could differ from those estimates.

**2. Accounts receivable:**

Accounts receivable consists primarily of amounts receivable from processors for the value of October milk shipments from DFO. Such amounts are receivable on the first and fifteenth of each month following the month of shipment.



### 3. Quota inventory:

Quota inventory represents the quota remaining in DFO's bank as a result of balancing quota exchange activities valued at the October exchange clearing price. Inventory shortfalls are aggregated in accounts payable and accrued liabilities.

### 4. Investments

#### (a) Investments consist of:

	2021	2020
Fixed income securities	\$ 5,000,000	\$ 5,000,000
Shares of producer co-operative	131	131
Investment in joint venture	41,353	41,353
	\$ 5,041,484	\$ 5,041,484

Fixed income securities are composed of two low volatility principal deposit notes, at interest of 0.5%, and with maturity dates of December 2, 2022 and December 2, 2023.

#### (b) Investments consist of:

Investment income in the Statement of Operations – Unrestricted is comprised of:

	2021	2020
Interest income	\$ 506,053	\$ 829,569
Allocation to Research Fund	(23,409)	(29,503)
Allocation to Accounts Receivable Financial Protection Fund	(44,386)	(72,320)
Allocation to Marketing and Business Development Fund	(278,475)	(516,287)
	\$ 159,783	\$ 211,459

#### (c) Risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate and market risk. DFO has formal policies and procedures that establish target asset mix. DFO's policies limit investments to bonds that are guaranteed by the Government of Canada and other investments as provided in the investing by-laws of the Milk Act. There has been no change to the risk exposure from 2020.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by DFO.

Market risk arises as a result of trading in fixed income securities. Fluctuations in the market expose DFO to a risk of loss. DFO mitigates this risk through controls to monitor and limit concentration levels.

Credit risk refers to the risk that counterparty may default on its contractual obligations. This risk is mitigated by the Accounts Receivable Protection Fund.



## 5. Capital assets

			2021	2020
	Cost	Accumulated Amortization	Net Book value	Net Book value
Land	\$ 506,203	—	\$ 506,203	\$ 506,203
Building and building improvements	3,540,140	2,601,647	938,493	646,772
Office furniture and fixtures	832,601	517,989	314,612	313,169
Computer hardware	2,358,495	2,158,226	200,269	385,539
Vehicles	1,004,657	614,355	390,302	547,980
	\$ 8,242,096	\$ 5,892,217	\$ 2,349,879	\$ 2,399,663

Capital Assets are held in the Unrestricted Fund, except for the following, which are held in the Marketing and Business Development Fund: Office furniture and fixtures of \$51,699 (2020 - \$36,985), Computer hardware of \$31,135 (2020 - \$36,193) and Building improvements of \$129,396 (2020 - nil).

## 6. Intangible assets:

			2021	2020
	Cost	Accumulated Amortization	Net Book value	Net Book value
Computer software	\$ 4,893,633	\$ 1,026,408	\$ 3,867,225	\$ 4,452,993
Website	1,268,078	311,545	956,533	1,016,574
	\$ 6,161,711	\$ 1,337,953	\$ 4,823,758	\$ 5,469,567

Intangible Assets are held in the Unrestricted Fund, except for the following, which are held in the Marketing and Business Development Fund: Websites of \$956,533 (2020 - \$1,016,574).

Included in computer software are assets under construction totaling \$718,411 (2020 - \$1,197,352) relating to components of the new business software. Also included in 2020, were costs associated with assets under construction for the development of DFO's website totaling \$1,016,574.

## 7. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities include amounts payable to producers and transporters for the value of October milk shipments to DFO. Payments to producers are made on the first and fifteenth of each month following the month of shipment.



## 8. Milk and Transportation Pool Operations:

Included in accounts payable and accrued liabilities is the net amount recoverable from producers in respect of pool operations.

	2021	2020
<b>Milk</b>		
Sales	\$2,496,201,412	\$ 2,433,658,190
Purchases	2,496,223,698	2,433,531,764
	(22,286)	126,426
Recoverable from producers, beginning of year	(14,111)	(140,537)
	(36,397)	(14,111)
<b>Transportation</b>		
Recovered from producers	90,621,876	88,642,418
Expenses	90,656,707	88,621,241
	(34,831)	21,177
Recoverable from producers, beginning of year	(38,623)	(59,800)
	(73,454)	(38,623)
<b>Total Recoverable from producers, end of year</b>	<b>\$ (109,851)</b>	<b>\$ (52,734)</b>

## 9. Deferred capital contributions:

	2021	2020
Balance, beginning of year	\$ 888,697	\$ 888,697
Amortization of deferred capital contributions	84,638	—
	\$ 804,059	\$ 888,697

These contributions relate to funds received through the Traceability Foundations Initiative (TFI) Contribution Agreement. Under this Agreement, DFO partnered with a dairy processor and another processor to develop an electronic system that enables forward and backward traceability throughout the dairy sector. The Agreement provided DFO with \$1,422,501, of which \$1,237,500 of the contributions related to capital. These amounts are accounted for as deferred capital contributions and are amortized and recognized in income over a period of 5 to 7 years to match the useful life of the related transporter handheld devices and the new business software. The component related to the new business software was put in use with the launch of the stakeholder website in February 2021. The amortization recorded in the current year for this component was \$84,638 (2020 - nil). The component related to the transporter handheld devices was placed in use in 2014 and has been fully amortized as of 2019.

## 10. Management of capital:

DFO defines its capital as the amounts included in its fund balances. DFO's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to the producers.

A portion of DFO's capital is restricted in that DFO is required to meet certain requirements in order to utilize its externally restricted funds, as described in note 1. DFO has been in compliance with these restrictions throughout the year. DFO sets the amount of internally restricted funds in proportion to risk, manages the net asset structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.



### 11. Administrative licence fees:

License fees remained at \$0.625 per hectolitre for administrative purposes.

### 12. Other revenue:

Other revenue includes property rental income, administrative service fees charged to other third parties, and amortization of deferred capital contributions.

### 13. Marketing and Business Development:

Market expansion fees were reduced to \$1.40 (2020 - \$1.50) per hectolitre for market expansion and promotional activities effective November 1, 2020

### 14. Administrative and policy development expenses:

Administrative and policy development expenses are detailed as follows:

	2021	2020
Staff salaries and benefits (i)	\$ 9,519,674	\$ 8,950,282
Professional fees	846,987	871,159
Board Members' per diems, allowances and travel, elections (ii)	680,090	819,801
Assistance from contractors and staff support (iii)	479,513	739,587
Office (iv)	497,032	573,387
Communication programs and activities (v)	344,767	423,451
Hiring costs, staff travel, and meetings costs	292,019	413,635
Insurance	379,448	393,996
Equipment rental and maintenance	379,028	380,253
Office maintenance, utilities, taxes and rent	231,765	252,370
Calibration truck operations	144,274	123,135
	\$ 13,794,597	\$ 13,941,056

- (i) DFO has a defined contribution pension plan. The assets of the plan are held separately from those of DFO in an independently administered fund. The pension expense is equal to the contribution paid by DFO. The contributions paid and expensed by DFO during the year amounted to \$470,390 (2020 - \$458,824).
- (ii) Board members' per diems, allowances and travel include an annual honorarium for the Chair of \$65,517 (2020 - \$64,390), Vice-Chair \$33,413 (2020 - \$32,838), 2nd Vice-Chair \$22,276 (2020 - \$21,892) and other Board Members of \$13,601 (2020 - \$13,367). Board Members were paid per diem rates of \$312 (2020 - \$306) and a half-day rate of \$156 (2020 - \$153). Board Members' travel includes a travel allowance of \$1,680.
- (iii) Assistance from contractors and staff supports includes consulting costs, clerical support, translation costs, and training costs. Included in the current year are information technology consulting costs of \$143,760 (2020 - \$102,940) for the development of the new business software and staff training costs of \$61,277 (2020 - \$90,110).
- (iv) Office expenses include amounts for stationery, supplies, subscriptions, postage, courier costs, and similar expenses. This includes materials and distribution costs for materials sent to producers from the various functions included in the unrestricted fund.
- (v) Communication programs and activities include the costs of producer and government communications, information brochures and the annual report.



## 15. Allocation of indirect costs:

Indirect costs for services and salaries to support activities of the Marketing and Business Development Fund were allocated from the Unrestricted Fund as follows:

	2021	2020
Staff salaries and benefits	\$ 963,989	\$ 791,663
Office maintenance, utilities, taxes and rent	77,255	83,457
Office expenses	40,452	52,035
	\$ 1,081,696	\$ 927,155

## 16. Payments to affiliates:

Payments to affiliates consist of payments to Dairy Farmers of Canada (DFC). DFC is a national association that advocates for Canadian dairy. DFO has representation on its board of directors and helps support their activities. In the current year, DFO's contributions were recorded as \$1,149,999 (2020 - \$1,150,000) in activity of the Unrestricted Fund, \$260,001 (2020 - \$260,000) in activity of the Research Fund, and \$6,152,500 (2020 - \$5,855,000) in activity of the Marketing and Business Development Fund.

## 17. Research fund:

- (a) Research fees remained at \$0.05 per hectolitre on milk marketed by DFO.
- (b) The Research Fund balance at year end includes an unspent allotment of \$113,726 (2020 - \$85,383) from the Toronto Stock Yards Land Development Fund. Spending of these funds is restricted for research and education purposes.

## 18. Commitments:

During the year DFO entered into long term contracts and commitments in support of its Marketing and Business Development Fund activities and its Research Fund activities. These contracts have resulted in commitments that extend beyond the current year as follows:

	2022	2023	2024	2025	2026
Marketing contracts	\$ 3,423,153	\$ 1,900,606	\$ —	\$ —	\$ —
Research commitments	\$ 678,095	\$ 343,625	\$ 334,000	\$ 255,000	\$ —
	\$ 4,102,248	\$ 2,244,231	\$ 334,000	\$ 255,000	\$ —

## 19. Related party transactions:

DFO has invested in Milk Utilization Verification (MUV) Inc., a jointly controlled not-for-profit organization. DFO and Ontario Dairy Council jointly contributed their share of the MUV system, which is the web-enabled electronic application used by processors to declare how the milk they receive from their marketing boards is used for the purposes of billing and verification. The initial contribution was recorded at net book value on November 1, 2017 of \$45,948. During the course of the year, net costs of \$56,232 (2020 - \$85,802) were expensed in the unrestricted fund, and included in accounts receivable at year end are \$345,844 (2020-\$552,483) due from MUV Inc.



**20. Credit facility:**

DFO's credit facility remains at \$35 million at a rate of prime less 0.8% (2020 – prime less 0.8%). DFO has drawn nil on the credit facility as at October 31, 2021 and 2020.

**21. Contingencies:**

DFO is involved from time to time in litigation, which arises in the normal course of operations. Liabilities on any litigation are recognized in the financial statements when the outcome becomes reasonably determinable.

**22. Comparative information:**

Certain comparative figures have been reclassified from those previously presented to conform with the financial statement presentation adopted in the current year.





# 2022 STRATEGIC PRIORITIES AND GOALS

To provide leadership and excellence in the production and marketing of Canadian Milk

A dynamic, profitable growing Canadian dairy industry

Grow quota allocation to the P5 by a minimum of 2.5% annually

## MEET DEMAND

### Match production supply to demand

- Quota policies to enhance production management.
- Increase effectiveness of milk allocation system.
- Develop quota allocation models nationally.
- Ontario growth reserve.
- P5 policy improvements
- Ontario Quebec allocation.

## FAIR PRICING

### Secure a fair return for efficient producers

- Optimal pricing structure.
- Modernize special classes pricing.
- Enhance fluid milk market.
- Investigate niche markets.

## DYNAMIC GROWTH

### Invest to grow the domestic market

- Aggressively invest to increase consumption.
- Promote innovation in the dairy market.
- Maintain high milk quality and consistency across farms.
- Garner government support through strategic partners.
- Strengthen border management.

## STEWARDSHIP

### Nourish and strengthen communities

- Educate consumers on dairy nutrition.
- Build consumer confidence in producers and farm practices.
- Promote diversity and inclusion in the industry.
- Become a recognized steward of sustainability.

## ORGANIZATIONAL EFFECTIVENESS

### Optimize performance and efficiencies

- Grow influence nationally.
- Develop industry leaders.
- Culture of accountability and customer service.
- Succession strategy.
- Nurture internal governance.
- Technology to increase productivity and efficiencies.

Strengthen the Canadian Dairy System

Producers | Processors | Consumers

Integrity | Collaboration | Accountability



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