

# ANNUAL REPORT 2022

FOCUS | INTEGRITY | ACCOUNTABILITY



# FOCUS INTEGRITY ACCOUNTABILITY



Though domestic and global supply chain challenges persisted throughout the year, Ontario's dairy farmers worked with confidence and integrity, balancing the supply of quality milk with fluctuating consumer demand. Even as grocery shelves endured shortages and delays of many staple foods, fresh, local milk remained in stable supply. Consumers rely on the strength and resilience of the Canadian dairy system and they were not disappointed.

Ontario's dairy industry worked together, demonstrating flexibility, accountability and unity of purpose to maintain milk quality and supply, even as production costs rose across the board.

The hard work, true grit and community consistently shown by Ontario's dairy farming families is inspiring. Dairy Farmers of Ontario is committed to continued service of producers, with full confidence in the growth and vibrancy of our industry.

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# INDUSTRY OVERVIEW



**\$7.7 billion**

GDP contribution by the Ontario dairy sector



**99.7% of quota**

requirements were met by P5 dairy farmers, right-sizing supply with market demands despite continued supply change fluctuations



**100%**

of eligible Ontario producers are registered under proAction®, the national quality assurance program



**2,377**

initial Grade A inspections were conducted in 2021-22



**18.1%**

of Ontario producers received gold-level Raw Milk Quality certificates, a YOY increase of 1.6%



**110 producers**

have entered the dairy industry through NEQAP since March 2010



**11 grants**

awarded to Start-Up/Scale-Up participants

**\$2,756,585,894**

farmgate value of milk sales



**3,092,313,588 L**

litres of fresh milk shipped

**3,273**

dairy farms produced milk in Ontario

**81 plants**

received milk from Ontario dairy producers



**19**

on-farm processors in Ontario

**1,364,910**

litres of milk donated by local dairy farmers to Ontario food banks



**10,000+**

farmers and their families are supported by dairy farming in Ontario



## MISSION & VISION

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

A dynamic, profitable growing Canadian dairy industry.

## CORE VALUES

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

### LEADERSHIP

We lead by committing to continuous development and improvement.

### TEAMWORK

We help each other succeed through collaboration.

### TRUST

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

### FAIRNESS

We ensure equitable application of rules and benefits.

### RESPECT

We listen, accept differences and work together.

### ACCOUNTABILITY

We hold ourselves and each other responsible for delivering results.

### INTEGRITY

We are consistent in our actions and values.



# **ORGANIZATIONAL OVERVIEW**

# MESSAGE FROM THE CHAIR



## Murray Sherk

**"We must recognize the unique and advantageous position Ontario dairy farmers are in. We are fortunate to have a predictable system, even if there are challenges to managing it."**

As we continue to emerge from the global pandemic of 2020, there are many ways to reflect on the last year. It's true that supply chains continued to experience chaos, the war in Ukraine caused global instability and climate change dominated industry developments. But throughout it all, and looking ahead to the next fiscal year, we must recognize the unique and advantageous position Ontario dairy farmers are in. We are fortunate to have a predictable system, even if there are challenges to managing it.

At the Board table, we gave a lot of time and attention to pricing, the cost of production and the rising cost of almost everything. We navigated week-to-week demand and a labour disruption in Quebec that meant tempering production but doing more to manage quota and incentive days. These were challenging headwinds that kept us from achieving our target of 2.5 per cent quota growth across the P5, but Ontario producers were fortunate to see increases in other areas.

Producers from all commodity sectors bore the brunt of public reaction to increasing food prices as consumers moved more decisively toward buying based on need rather than on want. The Board discussed this often and was guided by it as farmers faced increasing production costs. The fact is while most dairy farmers are committed to efficiency and careful with resources, we must all have our farms in order if we are to successfully navigate inflationary pressures and market disruptions.

What has never been more obvious is to grow and thrive, our industry needs investment for processing ingredients. The demand for butterfat remains strong, but structural surplus will remain burdensome if processing capacity does not materialize. The Board is focused on this and, while it will take time, collaboration and unique problem-solving, we are strengthening relationships across the country and are optimistic producers, processors and governments will support this goal.

The last year was also important in the discussion on how our industry will address climate change. Natural events over the last few years have become more intense and our seasons are changing. Whether it's moving toward net zero greenhouse gas emissions by 2050, adjusting farming methods to improve soil and water, or reducing the use of plastics, there are steps we can take on our farms that will make an impact. It's complex, but not impossible. Dairy Farmers of Canada is leading this work and we must give time and resources to the teams working on finding solutions.

As we close out the year behind us and look ahead to the next, I'm reminded of the challenges our industry faced when I joined the Waterloo DPC in 2006, and later, when I was elected to the DFO Board. We have always faced challenges, and we always will. But our Canadian dairy system is what gives us the strength and sense of purpose to deal with difficult things, and for that we should all be grateful.

A handwritten signature in black ink, appearing to read 'Murray Sherk', written in a cursive style.

**MURRAY SHERK**  
BOARD CHAIR



# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



## Cheryl Smith

**"We set an ambitious growth target and we put all efforts toward meeting it. In the face of high inflation, rising interest rates and increasing costs to produce the food Canadians need, we were able to move the needle for Ontario producers."**

DFO's focus remained squarely set on supporting a dynamic, profitable and growing dairy sector, even as the post-pandemic recovery proved challenging over the last year. We set an ambitious growth target and put all our efforts toward meeting it. In the face of high inflation, rising interest rates and increasing costs to produce the food Canadians need, we were able to move the needle for Ontario producers.

Grounded in the fact dairy is the largest agricultural sector in Ontario, contributing almost \$8 billion to the provincial gross domestic product and supporting 100,000 full-time jobs, Ontario producers and DFO staff played a critical role in returning to 'the new normal.'

Overall, there was strong performance of milk production volume and value, compared with pre-pandemic levels. With remote and hybrid work continuing, and consumers shopping with heightened attention to the benefits of the food and beverages they're buying, retail sales of milk and dairy products experienced fluctuations throughout the year leading to overall flatness of total 2022 volume versus 2021. More than ever, we understand just how sensitive consumers are to price changes in all dairy categories.

As an organization, we remain committed to delivering for Ontario producers.

We effectively cost contained and managed expenses to overdeliver versus budget, even responsibly growing some reserves. In-person events and activities were prioritized by the Board this year, and while this does not come without a cost, it is a worthwhile endeavour that will reconnect producers and the industry at large.

Through the year, we regularly reviewed staffing needs, team structure and individual accountabilities to ensure the work of the DFO team meets producers' needs. Field Services focused on delivering the provincial raw milk quality program and activities that put the FSR as the first point of contact for quota, policy and proAction matters. Enhancements were made to our Milk Management System that improved clarity and communication, and a new free fatty acid lab test result was integrated into the platform. This year's annual report tells the story of a team dedicated to producer-focused outcomes.

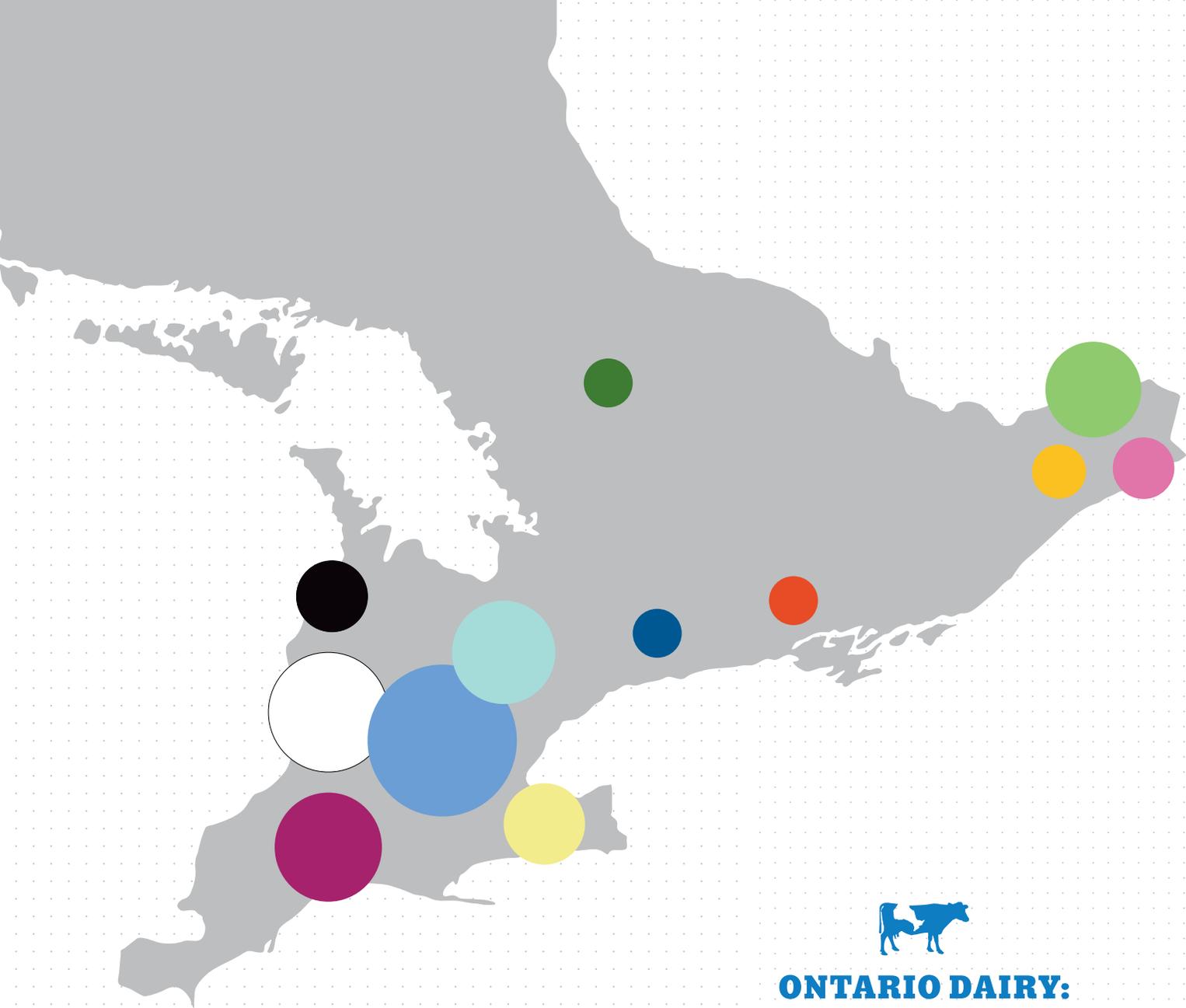
Our marketing efforts are dedicated to increasing milk consumption and making Ontario dairy an inspired food choice. The new "Everybody Milk" creative is making real inroads into our target audiences, with metrics to back it up. And, our partnerships continue to elevate Milk with the public, including the exciting, high-impact sweater sponsorship with The Toronto Maple Leafs. Not only will this have game-changing visibility and increase milk consumption with our target Gen Zs and millennials, it will also emphasize what our partnership with Maple Leaf Sports & Entertainment stands for—supporting healthy, active living, community programming and access to sports for youth players and fans.

Our plan for 2023 is agile enough to navigate changing market dynamics and take advantage of opportunities. We will look for programs and industry collaborations that elevate our brand and influence, support growth in Ontario and strengthen our Canadian dairy system.

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

**CHERYL SMITH**  
CHIEF EXECUTIVE OFFICER





**ONTARIO DAIRY:**  
PARTNERS IN OUR ECONOMY

**\$7,738,558,000**

CONTRIBUTION TO ONTARIO'S GDP

**100,000+**

PEOPLE EMPLOYED BY THE ONTARIO  
DAIRY INDUSTRY

**10,000**

ONTARIO FARMERS AND FAMILIES  
SUPPORTED BY THEIR DAIRY FARMS



# BOARD MEMBERS & REGIONS



**REGION 1**  
Glengarry, Prescott, Russell



**Bart Rijke**

ANNUAL PRODUCTION: **278,803,749 L**  
GDP CONTRIBUTION: **\$697,711,000**  
NUMBER OF PRODUCERS: **273**  
NUMBER OF PLANTS: **4**



**REGION 2**  
Carleton, Dundas, Stormont



**Nick Thurler**  
(Vice-Chair)

ANNUAL PRODUCTION: **206,724,059 L**  
GDP CONTRIBUTION: **\$517,331,000**  
NUMBER OF PRODUCERS: **216**  
NUMBER OF PLANTS: **4**



**REGION 3**  
Frontenac, Grenville, Lanark, Leeds, Renfrew



**John Wynands**

ANNUAL PRODUCTION: **150,235,084 L**  
GDP CONTRIBUTION: **\$375,964,000**  
NUMBER OF PRODUCERS: **208**  
NUMBER OF PLANTS: **3**



**REGION 4**  
Hastings, Lennox & Addington, Northumberland, Prince Edward



**Adam Petherick**  
(2nd Vice-Chair)

ANNUAL PRODUCTION: **116,990,825 L**  
GDP CONTRIBUTION: **\$292,077,000**  
NUMBER OF PRODUCERS: **159**  
NUMBER OF PLANTS: **6**

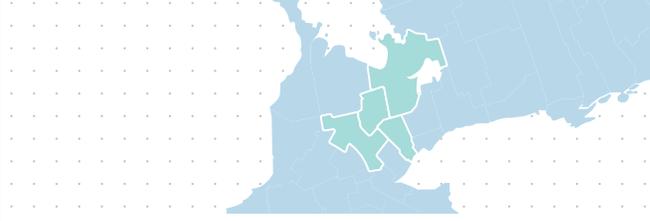


**REGION 5**  
City of Kawartha Lakes, Durham Region, Peterborough, York



**Don Gordon**

ANNUAL PRODUCTION: **115,731,996 L**  
GDP CONTRIBUTION: **\$289,621,000**  
NUMBER OF PRODUCERS: **177**  
NUMBER OF PLANTS: **16**

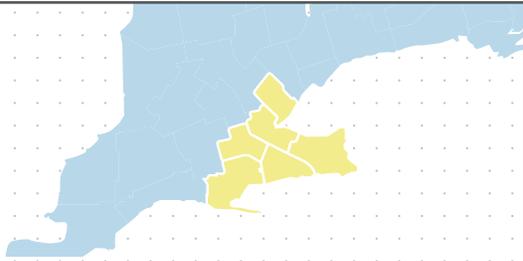


**REGION 6**  
Dufferin, Peel, Simcoe, Wellington



**George Van Kampen**

ANNUAL PRODUCTION: **388,138,221 L**  
GDP CONTRIBUTION: **\$971,321,000**  
NUMBER OF PRODUCERS: **488**  
NUMBER OF PLANTS: **13**



**Albert Fledderus**

**REGION 7**

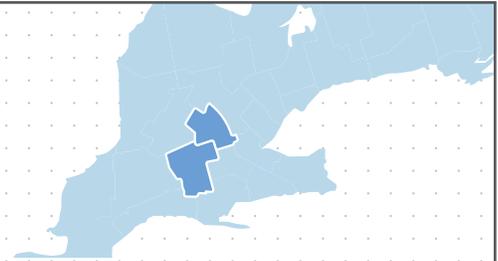
Brant, Haldimand, Halton,  
Niagara, Norfolk, Wentworth

ANNUAL PRODUCTION: **155,547,863 L**

GDP CONTRIBUTION: **\$389,026,000**

NUMBER OF PRODUCERS: **170**

NUMBER OF PLANTS: **9**



**Murray Sherk  
(Chair)**

**REGION 8**

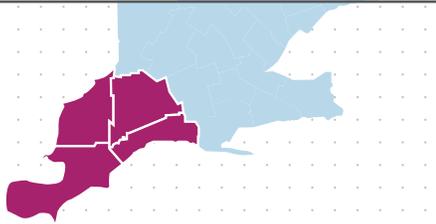
Oxford, Waterloo

ANNUAL PRODUCTION: **549,360,496 L**

GDP CONTRIBUTION: **\$1,374,783,000**

NUMBER OF PRODUCERS: **533**

NUMBER OF PLANTS: **7**



**Vicky Morrison**

**REGION 9**

Elgin, Essex-Kent, Lambton,  
Middlesex

ANNUAL PRODUCTION: **288,267,777 L**

GDP CONTRIBUTION: **\$721,394,000**

NUMBER OF PRODUCERS: **209**

NUMBER OF PLANTS: **3**



**Roger Boersen**

**REGION 10**

Huron, Perth

ANNUAL PRODUCTION: **544,903,298 L**

GDP CONTRIBUTION: **\$1,363,627,000**

NUMBER OF PRODUCERS: **455**

NUMBER OF PLANTS: **5**



**Mark Hamel**

**REGION 11**

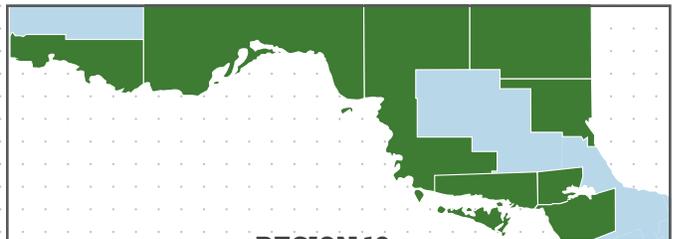
Bruce, Grey

ANNUAL PRODUCTION: **217,641,480 L**

GDP CONTRIBUTION: **\$544,652,000**

NUMBER OF PRODUCERS: **282**

NUMBER OF PLANTS: **4**



**Steve Runnalls**

**REGION 12**

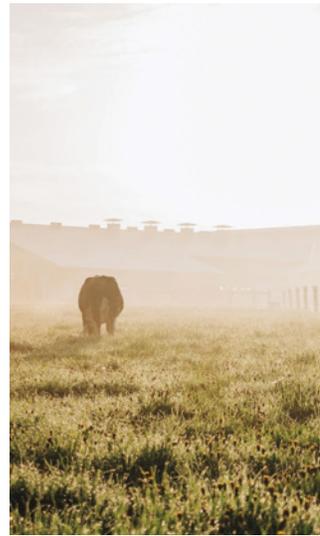
Algoma, Cochrane, East Nipissing-Parry  
Sound, East Sudbury-West Nipissing,  
Manitoulin-West Sudbury, Rainy River,  
Temiskaming, Thunder Bay

ANNUAL PRODUCTION: **79,968,740 L**

GDP CONTRIBUTION: **\$200,123,000**

NUMBER OF PRODUCERS: **103**

NUMBER OF PLANTS: **7**



## 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 &  
Communications Officer



**Rey Moisan**  
Chief Financial Officer





# **OPERATIONAL HIGHLIGHTS**

## ECONOMICS, POLICY DEVELOPMENT & GOVERNMENT RELATIONS

*DFO's Economics, Policy Development & Government Relations 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. It is also responsible for lobbying and advocacy as well as overseeing the Ontario Dairy Farm Accounting Project, which collects data from Ontario dairy farms for the national cost of production (COP).*

### MARKETS

#### MARKET REQUIREMENTS

National total requirements have increased by 1.24 per cent for the 12-month period ending October 2022. This compares to an increase of 0.1 per cent in national supply for the same 12-month period.

P5 fluid quota increased by 4.6 per cent, industrial milk requirements decreased by 0.5 per cent, including DIP and MAG requirements, which increased over the previous calendar year. Total quota increased by 0.7 per cent over the previous year based on the monthly total quota calculation for the 12-month period ending October 2022.

Total quota in the WMP decreased by 0.6 per cent for the 12-month period ending October 2022. This was a result of a 0.3 per cent increase in fluid BF requirements and a 1.2 per cent decrease in industrial milk requirements.

#### PRODUCTION

The P5 filled 99.7 per cent of its quota during the 2021-2022 fiscal year. Production in the P5 has been strong through the spring with P5 quota filled fairly consistently on a 12-month basis. Quota is determined using a monthly calculation to ensure quota 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 national pool cumulative difference, or the pool credit position, was -1.4 per cent at the end of October 2022. There was a total of 3,763,746 kg of underproduction credits lost at the P10 level in November 2021, September 2022 and October 2022.

Sales for the national retail market have continued to flatten out over the last year when compared with previous years during COVID-19. However, this compares with very strong sales in the previous year and since the start of the COVID-19 lockdown. 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.

In Ontario, production was 0.8 per cent lower than the last fiscal year on a volume basis, or up 0.1 per cent on a butterfat basis. The credit position in Ontario was -1.20 days in October 2022. This was higher than the starting position of -2.67 days in November 2021; however, the credit sleeve was adjusted to +10/-15 as of Aug. 1, 2022, from its current +10/-30. This resulted in the credit position in the province going to 0.0 days as of Aug. 1, 2022, which accounts for all the increase in credit position for the province during the year.

#### BUTTER STOCKS



As of October 2022, total industry butter stocks held by processors and the CDC were 21,110 tonnes. This is down 5,819 from the stock levels held in October 2021. The P10 target for normal stock levels for July is between 32,000 and 38,000 tonnes. The current stock forecast has stocks well below the normal range for July 2023.

#### CHEESE STOCKS

At the end of October 2022, total cheese stocks were 97,896 tonnes. This was a decrease of 4,300 tonnes compared with stocks held in October 2021. Stock levels include purchases of additional cheese stocks through the Plan C stock program introduced to help with surplus milk.

#### PRODUCER QUOTA

Incentive days were issued for fall 2021 as three days for August, September and October, and two days for November. Unfortunately, due to a slowdown in retail markets, and a slower than expected recovery in food service, as well as a variety of constraints with processing capacity, there was a need to slow down 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. Effective Dec. 1, 2021, there was a one per cent quota decrease. The decrease was to reduce production coming into the Christmas period, and over concern with processing capacity. Given the low butter stock levels, as well as forecasted increases in requirements for the coming months, a two per cent quota increase was issued, effective April 1, 2022. Additional incentive days were also added to ensure market requirements were met. One incentive day was issued for each month from March 2022 to June 2022. An additional two per cent quota increase was issued, which took effect on Oct. 1, 2022. Incentive days for fall 2022 were also increased for a total of one day in August, three days in September, October and November, and two days in December. A two per cent quota increase was also announced for Jan. 1, 2022. The quota increases are in response to anticipated growth in the market and to help build low butter stock levels. The P5 quota committee continues to monitor the production and market situation.

## PRICING

The CDC board reviewed the exceptional circumstances policy and announced that starting with the Feb. 1, 2022 price adjustment, any exceptional circumstances 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 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.

A 2.5 per cent price increase was announced by the CDC for implementation on Sept. 1, 2022. This increase was triggered as a result of exceptional circumstances, but is considered an advance on the Feb. 1, 2023 price adjustment. This price adjustment results in an increase in the farmgate milk price of \$1.92/hL.

For the 12-month period ending October 2022, the within-quota component price paid to Ontario producers averaged \$12.5124/kg for BF, the average within-quota component and market ratio component price was \$9.5171/kg for protein and \$1.1634/kg for other solids (\$89.48/hL at the Ontario average composition). There was a 10.5 per cent increase in the producer blend price compared with the previous dairy year, at a consistent composition.

The price of most dairy products reached recent highs through most of 2022. Several factors, including shortages and logistics issues, led to higher prices on the world market. The price of SMP started to decline in recent months but is still well above averages from previous years. These higher prices also have a positive impact on Canadian producers' blend price. Nationally, 14 per cent of the BF market is in Class 5, which is based on world prices for cheese and butter, and 26 per cent of the SNF is based, or influenced by, the world price. Given the significance of these markets, every \$100/tonne increase in the SMP price results in an increase of \$0.30/hL. Over the past year, the world price resulted in an almost \$1.00 increase in the blend price.



## SOLIDS NON-FAT (SNF) TO BUTTERFAT (BF) RATIO

Ontario finished the 2021-2022 fiscal year with an SNF to BF production ratio of 2.1992, which is 3.7 per cent below the provincial target of 2.2840, and 0.3 per cent below the SNF to BF ratio of 2.2058 in the previous year.

The two-tier SNF payment policy was implemented to have producer payment better reflect the value of SNF from the market. The policy was reviewed by the P5 quota committee and, as a result of continued decreases in demand for SNF, the no-pay ratio was lowered to 2.25 from 2.3, effective Aug. 1, 2022.

## 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 November 2021 to October 2022, compared with November 2020 to October 2021.

## QUOTA TRANSFER

Type of transfer	Nov. 2021 to Oct. 2022	Nov. 2020 to Oct. 2021	Percent change
Quota sold on the exchange (kg)	4785	2616	82.9
Producers selling total quota	70	48	45.8
Producers selling partial quota	175	133	31.6
# of ongoing farm transfers	31	23	34.8

As a result of low volumes of quota being offered for sale, as per policy, the April and September 2021 quota exchanges were cancelled. In January 2022, there was sufficient quota offered for sale to satisfy the initial allocation round to existing producers and for the New Entrant Quota Assistance Program applicant, but there was not enough quota to satisfy the bid for the New Producer Program applicant.



### 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 October 2022, 110 producers entered the industry through NEQAP. The program continues to be well received, with approximately six per cent exiting the program.

### 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, 146 producers have used the NPP to enter the industry and 132 are currently shipping milk.

Effective June 1, 2021, DFO's Board decided to review the NPP program. During the review process, 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.

The Board announced in March 2022 that effective January 2024, DFO will allow one new producer applicant to participate on a single quota exchange from January to April, for a total of four per year. As a result, given the number of applicants currently in the queue and the decrease in annual positions from 12 to four, DFO will continue with the temporary suspension of the NPP and not accept any new applications. The suspension will be reviewed annually.

## GOVERNMENT RELATIONS



### FEDERAL MATTERS

Discussions with the federal government have focused on mitigation for CUSMA, no more market access concessions, strengthening border enforcement, supporting green technology on farms, exemptions from front-of-package labelling and marketing to kids for nutritious dairy products and a grocery code of conduct. DFC, DFO and the provincial milk marketing boards continue to work together to represent the interests of dairy farmers across Canada. In many areas of common interest, producers collaborated with DPAC and other agricultural commodity groups.

The following items were advocated at the federal level this year:

- Front-of-package labelling;
- Gut-modifiers consultation;
- Climate change consultations;
- Fertilizer consultations.



## SUSTAINABLE CANADIAN AGRICULTURAL PARTNERSHIP

The Sustainable Canadian Agriculture Partnership was announced in July 2022. This partnership is the next five-year agricultural policy agreement, which will take effect April 1, 2023, replacing the current Canadian Agricultural Partnership. It will provide \$500 million representing a 25 per cent increase in new funding for cost-shared activities, over the \$2 billion currently provided under the Canadian Agricultural Partnership.

DFO is looking into ways for producers to utilize this funding. Federally funded and cost-share programs are both offered under this partnership.

## FEDERAL ELECTION AND GRASSROOTS EFFORT RECAP

The federal election was called just over a year ago and DFO took an active role in the election campaign, supporting DFC's lobbying agenda and ensuring the Ontario perspective was also reflected. Meetings have been scheduled between DPCs and elected officials across the province over the past year. DFO continues to identify opportunities with government and will advocate on behalf of the industry. Follow-ups will be made with elected officials who have yet to meet with DPCs from their ridings.

In addition to federal election efforts, DFO's government relations advocacy training and toolkit was rolled out on Dec. 10, 2021, to assist and promote grassroots advocacy. A one-hour session was held virtually on Dec. 10 to provide best-practices government relations training and advice on building influence and credibility. The presentation was conducted by Heather MacGregor and DFO's government relations agency of record, Wellington Advocacy.

In addition to the advocacy training, there was also the announcement of the launch of a new tab on the DPC portal for government relations and messaging assets which include (among other things):

- Federal and provincial backgrounders, asks and 'leave-behinds';
- Key messaging on important issues facing our industry;
- Q&A documents to prepare DPCs for upcoming meetings with elected officials.

The purpose of the toolkit is to ensure every DPC member is prepared for formal and informal interactions with local elected officials. In combination with the toolkit, training and meeting support has been provided to ensure visibility and message cohesion across the province to support grassroots efforts.

## TRADE

### CUSMA DAIRY TRQ PANEL

The final report of the CUSMA Panel on Canada's TRQ allocation policy was released to the public on Jan. 4, 2022. The Panel concluded that under article 3.A.2 11 (b) Canada's use of what was considered "TRQ reserved pools" for processors was inconsistent with CUSMA. While disappointing, the Panel was clear in confirming it does not question Canada's interests in regulating supply and demand within its dairy industry, including by striving to ensure predictability in imports.

In response to the panel's findings, on May 16 of this year, Canada published its new TRQ policies and allocation mechanism, which is based on market share, and does not reserve any portion or "pool" of the CUSMA TRQs specifically to Canadian dairy processors.

Following this, two new consultations were initiated against Canada for its allocation of dairy tariff rate quotas: one by the U.S. under CUSMA and the other by New Zealand under the CPTPP.

### CUSMA SECOND DISPUTE

On May 25, 2022, the U.S. formally requested a new consultation under CUSMA, challenging the eligibility criteria under Canada's revised TRQ allocation policy, which excludes retailers and food services, the period of activity and the partial allocation approach for the 2022 calendar year dairy TRQ (which was done in response to the U.S. proposed electric vehicle tax credits).

At the time of this writing, the U.S. has not yet asked for a panel.

### CPTPP

On May 12, 2022, New Zealand formally requested a consultation with Canada related to the allocation of dairy TRQs under the CPTPP dispute settlement process. New Zealand included the four claims brought by the U.S. in the CUSMA dispute, and six additional claims. The two countries first discussed this on June 22, 2022. On Nov. 7, 2022, New Zealand requested a dispute resolution panel but a date has not been announced at this time.



## **FULL AND FAIR COMPENSATION FOR THE IMPACTS OF CUSMA**

On Nov. 3, 2022, the government of Canada released their 2022 Fall Economic Statement. The government announced that it intends to offer dairy producers extra funding of up to \$1.2 billion over six years under the Dairy Direct Payment Program to account for the impacts of CUSMA.

## **U.K. AND CPTPP ACCESSION PROCESS**

CPTPP parties met in Tokyo in late July with the U.K. regarding its possible accession to the CPTPP. The consensus remains that the U.K. still does not meet the conditions, particularly in agriculture, as it did not offer indication of tariff treatment of commercial significance for several tariff lines. According to government officials, Canada's position remains that if the U.K. seeks to gain market access for supply managed products, it must be through existing access already granted under the agreement and that there should not be any new access granted.

## **CANADA-U.K. TRADE NEGOTIATIONS**

In early October, following the third round of negotiations, Canada's negotiating team provided a stakeholder briefing where it was reported that some progress was made between the two countries, and that they remain on track to conclude negotiations by April 2024. In the latest round of negotiations, the U.K. reiterated its request for cheese market access. Canadian officials expressed to the U.K. that Canada's position remains that it will not provide any new access for cheese.

In addition to market access, officials also noted that the U.K. reiterated its request to include animal welfare provisions in the agreement. An overview was provided to Canadian officials of their domestic approach to animal welfare, and Canadian officials committed to doing their own presentation on animal welfare in Canada during the fourth round of negotiations. DFC is seeking additional information on what the U.K. presented to Canadian officials and will also seek to ensure that what Canadian officials present in the fourth round reflects the high standards for animal welfare that Canadian producers follow every day.

## **WTO**

Following the conclusion of the twelfth ministerial conference in June of this year, there has not been much activity on the WTO side in terms of imminent impact on Canadian dairy or supply management. Nonetheless,

the WTO held its 2022 public forum in Geneva from September 27 to 30 where over 1,500 representatives from civil society, academia, business, the media, governments, parliamentarians and inter-governmental organizations attended discussions, panels and conferences on various topics linked to the latest developments in world trade and ways of enhancing the multilateral trading system.

DFC attended the public forum and, in cooperation with the other national supply management organizations' representatives, used the opportunity to meet with various governmental trade delegations as well as with farm organizations to build relationships and present the dairy industry's position on international trade and WTO negotiations.

In terms of next steps, the WTO is working on establishing a work schedule in preparation of the thirteenth ministerial conference that will most likely be held in February 2024.

## **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.

## **ELECTION ASKS AND PROVINCIAL OBJECTIVES**

Election asks and provincial objectives were established prior to the provincial election this year. Three asks were presented to government during this time:

- Support to bring new dairy processing capacity to life in Ontario;
- Creation of an infrastructure renewal fund to upgrade and modify existing dairy processing equipment and facilities;
- Investment in modernizing education programs and training facilities to meet future dairy industry needs.



## PROVINCIAL ELECTION

The Ontario provincial election was held on June 2, 2022. The Progressive Conservatives won the election with a majority government, winning 83 seats, with the NDP, as official opposition, winning 31 seats. The Liberals picked up just one additional seat, for a total of eight, which is not enough to regain party status. The Green and Independent Parties each won a seat.

Throughout the campaign DFO informed producers of the upcoming election, encouraged them to engage with local candidates and provided them with the necessary materials and messaging for meetings. Materials were also uploaded to the government relations toolkit.

Updates were provided on:

- Political party platforms;
- Details of key events that could impact the election such as announcements that could sway the opinions of voters;
- Trends analysis and predictions;
- Any commitments regarding agriculture, agri-food, supply management or dairy.

Along with this, DFO prepared a series of op-eds for submission to local news outlets in coordination with DPC members that were distributed throughout the campaign period. Local media interviews were also scheduled to share the voices of local dairy farmers and build support for our asks. Media coverage included the *National Post*, *The Kingston Whig-Standard*, *Ottawa Citizen* and others.

DFO has reached out to newly elected and re-elected Members of Provincial Parliament (MPP) and introductions have been made with the DPC chair and vice-chair in each MPP's riding. Meetings and outreach will continue to be scheduled with newly elected and re-elected MPPs into the new year.

## 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.*

### LICENSED PRODUCERS

For the fiscal year ending Oct. 31, 2022, there were 3,273 dairy farms in Ontario, representing a decrease of 2 per cent from the previous year's 3,343 dairy farms. These licensed dairy farms continued to support more than

10,000 Ontario farmers and their families and generated farmgate revenue of \$2,756,585,894.

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

Year	Number of Producers	Revenue
2021-22	3,273	\$2,756,585,894
2020-21	3,343	\$2,496,223,698
2019-20	3,410	\$2,433,531,764

## RAW MILK QUALITY

### GRADE A INSPECTIONS

As shown in the table below, during the 12-month period ending October 2022, a total of 2,377 initial Grade A inspections were conducted.

### GRADE A INSPECTIONS

Classification	12-month period ending October 2022		12-month period ending October 2021	
	#	%	#	%
Grade A	2,027	85.3	2,748	86.7
Conditional Grade A	256	10.8	299	9.4
Non-Grade A	93	3.9	118	3.7
Unsanitary Non-Grade A	1	0.0	3	0.1
<b>Total</b>	<b>2,377</b>		<b>3,168</b>	

The percentage of inspections resulting in Grade A classification decreased to 85.3 per cent in the 12-month period ending October 2022 compared with 86.7 per cent in the previous year. This is mostly because more farms were classified as conditional Grade A (10.8 per cent compared with 9.4 per cent in the previous year). The percentage of non-Grade A classifications, including unsanitary, remained relatively constant (3.9 and 3.8 per cent).

Routine Grade A inspections are conducted on a two-year cycle. However, they are also conducted based on risk. A farm's risk level is determined by inspection classification history, as well as third-party complaints received by DFO regarding animal care issues or farm conditions.

With the implementation of the new field service plan and an increased focus on milk quality, field staff have been conducting quality investigations as a measure to assist producers in troubleshooting milk quality issues. These investigations (bacteria, SCC and abnormal freezing point) are not required to be completed with a Grade A inspection. A slight decrease in Grade A



inspection numbers is the result of an increased number of quality investigations that were completed since the implementation of the new field service plan in 2022.

### RAW MILK QUALITY RECOGNITION PROGRAM

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

#### RAW MILK QUALITY RECOGNITION PROGRAM

Quality Certificate	Quality Certificates Issued in 2022 (for Milk shipped in 2021)		Quality Certificates Issued in 2021 (for Milk shipped in 2020)	
	#	%	#	%
	Gold	605	18.1%	557
General	838	25.1%	841	24.9%
No Certificate	1,900	56.8%	1,981	58.6%
<b>Total</b>	<b>3,343</b>	<b>100%</b>	<b>3,379</b>	<b>100.0%</b>

Raw Milk Quality Certificates were issued for 43.2 per cent of all producers in Ontario for milk shipped in 2021. This is 1.8 per cent higher compared with the number of certificates issued for milk shipped in 2020.



### RAW MILK QUALITY AND PENALTIES

SCC is an important indicator of milk quality and animal health, which has shown steady improvement during the period ending October 2022. The provincial SCC weighted average remained below 200,000 cells/millilitre throughout the year. The lowest provincial SCC weighted average was in March at 149,000 cells per mL. August 2022 had the highest weighted average SCC at 189,000 cells/mL.

During the same period, the bacteria provincial average ranged from 21,000 IBC/mL in November 2021 and October 2022 to 28,000 IBC/mL in September 2022.

As shown in the table that follows, in the 12-month period ending October 2022, the number of SCC and non-Grade A penalties decreased while the number of bacteria, freezing point and inhibitor penalties remained relatively the same.

### RAW MILK QUALITY PENALTIES

Raw Milk Quality Area	Number of Penalties	
	12-month period ending October 2022	12-month period ending October 2021
SCC	164	193
Bacteria	59	58
AFP	169	170
Non-Grade A	112	155
Inhibitors	18	19

### 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 are used for testing.

Sample suitability is largely impacted by cold chain maintenance. In the 12-month period ending October 2022, sample suitability was 98.2 per cent, ranging from 99.8 per cent in the Kingston sample depot to 93.4 per cent in the Thunder Bay sample depot. The most common causes of suitability issues during this period were power outages, depot fridge breakdowns, occasional sample truck issues and courier delays (for northern depots).

### PROACTION PROGRAM

As of Oct. 31, 2022, a total 99 per cent of Ontario producers were registered under proAction. The rest includes nine producers with overdue validations or who have been withdrawn from the program, as well as new producers awaiting registration.

A total 41 producers were assessed penalties from Nov. 1, 2021 to Oct. 31, 2022.

The top five corrective action requests (CARs) in October 2022 were the following:

- AC11 - Animal health practices SOP
- AC20 - Down cattle SOP



- BIO3 - Vaccination SOP
- LT4 - Animal birth reporting
- FS24 - Teats are cleaned, sanitized and dried before milking

Since the proAction suspension policy came into effect in January 2021, no producers have had their milk pickups suspended.

### INDEPENDENT VALIDATIONS

In January 2021, DFO announced it signed a contract with Lactanet to provide proAction services. Starting June 1, 2021, Lactanet started to schedule and conduct proAction validations and review self-declarations on behalf of DFO.

ProAction Lactanet staff include two proAction co-ordinators and nine validators. Before validators were certified, they received DFC's validator training, passed the exam and conducted several validations alongside experienced validators (FSRs).

From June 2021 to October 2022, Lactanet conducted all required validations and self-declaration audits (a total of 2,353) and approved 2,323 self declarations.

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



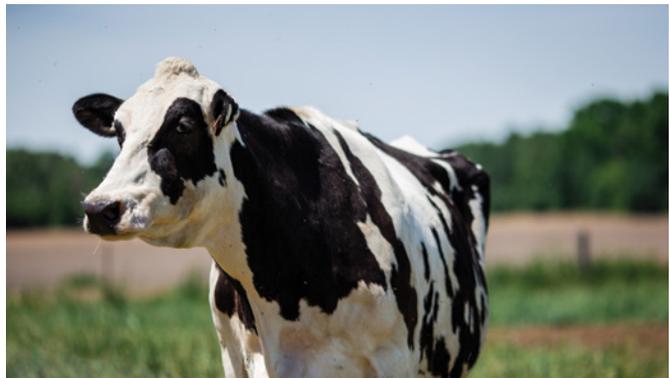
### FIELD SERVICES

As of May 1, 2022, the number of field services zones was reduced by one, bringing the number of FSRs from 14 to 13. This follows a zone reduction in 2021 when the number of zones was reduced from 15 to 14.

A new field service plan was implemented in 2022 with FSRs' main focus being application of the provincial Raw Milk Quality Program, specifically Grade A inspections, troubleshooting milk quality issues on farm through investigations and investigating animal care concerns. An increased focus has also been placed on producer relations activities with FSRs being the producers' first point of contact for quota matters, policy clarification and proAction questions. FSRs also continue to perform duties including but not limited to: ensuring provincial regulations and DFO policies are being met, conducting iodine testing and investigations, and following up on Holstein Canada Cattle Assessments in the dark red zone, etc.

### CODE OF PRACTICE REVIEW

The proAction animal care program is based on current requirements of 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. The process included a public comment period in late 2021. The updated code is scheduled for release at the beginning of 2023.

Information on the code of practice revision is available on NFACC's website at [www.nfacc.ca](http://www.nfacc.ca).

## RESEARCH

DFO's research activities are divided into three areas: dairy farm efficiency and sustainability; animal health and welfare and milk composition, quality and safety.

### RESEARCH PROJECTS & ACTIVITIES

The table below summarizes DFO's activities regarding production research:

PROJECT/AREA	SUMMARY
<b>DAIRY FARM EFFICIENCY AND SUSTAINABILITY</b>	
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.
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.
Dairy farmer stress and occupational health (mental and physical) related to farm management, barn design, automation, and animal welfare	The research has several objectives. First, it aims to test the hypothesis that there are differences in dairy farmer stress, occupational health and physical health between housing types and milking systems. Second, it will explore other farm-level factors associated with farmer health. Finally, it will identify how cow health is related to farmer health.
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.  This year, DFO is financially supporting Ms. Juanita Echeverry-Munera with her proposed study regarding the welfare of surplus calves while improving productivity, sustainability and economic return on Canadian farms. She will carry out a research project that aims to explore strategies to optimize colostrum and milk feeding strategies of purebred and crossbred dairy beef calves to maximize economic return, understand nutritional strategies to maximize growth and reduce health challenges in dairy beef calves at calf-raising facilities and feedlots, and evaluate the economic impact of such strategies to maximize health of dairy beef calves.
Evaluating the effects of inclusion of dewatered skim milk and cheese whey on performance of dairy cows	The overall objective of the proposed project is to develop a cost-effective dewatering method for waste skim milk and cheese whey with the intent of feeding the dewatered solids to dairy cows. The design and optimization of a dewatering system will focus on the use of calcium bentonite adsorption and physical separation. The success of this project in dewatered skim milk and whey for animal feeding represents a "win-win" scenario; diversion of products that might otherwise be a waste, and improved economic outcomes for dairy and beef farmers, along with dairy processing facilities.
<b>ANIMAL HEALTH AND WELFARE</b>	
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.
Finding solutions to alleviate gastrointestinal health in dairy cows and calves	Excessive gastrointestinal inflammation and reduced barrier function are potential risk factors for metabolic maladaptation to lactation in dairy cows and high morbidity during the preweaning period of dairy calves. This proposal aims to determine the efficacy of a specific probiotic yeast in diminishing the detrimental effects of GIT inflammation and barrier dysfunction during the transition and preweaning periods—both marked by a high incidence of metabolic and digestive disorders compared to any other time in a cow's life.
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.
Characterizing neonatal calf mortality	The goal is to determine the current level of occurrence of perinatal mortality and important risk factors that could be addressed to decrease mortality.



## PROJECT/AREA

## SUMMARY

<b>Bulk tank milk disease surveillance program</b>	<p>DFO and OMAFRA are funding a two-year project to conduct infectious disease surveillance through bulk tank sample testing.</p> <p>Testing of the second bulk tank milk sample from each producer will be done in Lactanet's laboratories for four emerging diseases. The results of the first bulk tank milk sample were shared with individual producers. Those results provided information on the health status of each Ontario herd and the opportunity to improve biosecurity plans where needed.</p>
<b>Knowledge translation and transfer (KTT) project to support dairy producers in improving dairy cattle welfare</b>	<p>Using the data collected annually by the proAction data on each farm, and a synthesis of 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.</p>
<b>MILK COMPOSITION, QUALITY AND SAFETY</b>	
<b>Antimicrobial stewardship solutions for a sustainable dairy industry</b>	<p>The Ontario Research Fund – Research Excellence (ORF-RE) approved Dr. David Kelton and Dr. Stephen LeBlanc's proposal on antimicrobial stewardship solutions for a sustainable dairy industry.</p> <p>The objectives of the 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.</p>
<b>Elevated free fatty acids in Ontario bulk tank milk</b>	<p>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. A post-doctoral scientist was retained to head this project. FFA results will be shared with producers on their milk quality daily results.</p>
<b>Bulk tank fatty acid profile to improve dairy farms</b>	<p>Monitoring fatty acid (FA) profile 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.</p> <p>In collaboration with Lactanet and PLQ, 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.</p>
<b>Research Chair in Dairy Microbiology</b> <b>Dr. Gisèle LaPointe,</b> <b>Department of Food Science,</b> <b>University of Guelph</b>	<p>The 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 chair is to integrate knowledge across the value chain—from producer and processing to consumer health. Dr. Gisèle LaPointe will lead a five-year, a \$6.1-million initiative in dairy microbiology involving nearly 50 U of G researchers and students, as well as five leading partners.</p>
<b>Dexamethasone depletion study in cattle: milk and edible tissue study</b>	<p>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.</p>
<b>Grants-in-aid</b>	<p>DFO allocates \$120,000 per year to grants-in-aid for several university and college undergraduate students engaged in dairy research.</p>



## 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, 2021 to Oct 31, 2022, the transportation charge to producers increased by \$0.43/hL compared with the previous year. This is a net result of transportation costs increasing by \$0.30/hL and transportation revenues decreasing by \$0.13/hL over the same time frame as shown in the following table (rounded to the nearest 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
November 2020 to October 2021	\$2.91	\$0.08	\$2.83
November 2021 to October 2022	\$3.21	\$(0.04)	\$3.26
YOY variance	\$0.30	\$(0.13)	\$0.43

The \$0.30/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	0.09	Labour and equipment increases in rate formula
Fuel	0.24	Increase in fuel and maintenance costs
Operations	(0.03)	Decrease in overall kilometres travelled to deliver milk
Net Decrease	0.30	Net change in transportation costs

The \$0.13/hL decrease in transportation revenues is net result of individual components shown below.

#### TRANSPORTATION REVENUE (YOY VARIANCE)

Transportation Cost Recoveries	YOY Variance (\$/hL)	Description
P5 Pooling	(0.120)	Significant decrease in P5 pooling transfers to Ontario
EDPU charges, niche and organic	(0.005)	Minor decrease in total revenues from niche, organic and every day pick up (EDPU) charges combined

## COMMUNICATIONS

DFO's Communications team is responsible for advocating for producers' interests and protecting DFO's brand reputation through public relations, 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.

### MEDIA COVERAGE

DFO had an active year in the media in several key areas, including milk price increases, the provincial election and other industry and marketing initiatives. The Communications team proactively responded to media and, where possible, engaged and supported newly trained DPC members to provide authentic, local viewpoints to further enhance the industry's image and brand in media stories, at community events and through GR activities. This included getting the message out during the provincial election campaign in May. Communications and GR staff actively worked with DPCs to share our election asks in their communities and in their meetings with candidates.

DFO also submitted a series of op-eds to local news outlets throughout the campaign, carried out in co-ordination with DPCs. Local media interviews were scheduled to share the voices of local dairy farmers and build support for Ontario asks. As a result of these efforts, prominent and syndicated media coverage appeared across Ontario, most notably in *The Kingston Whig-Standard* and *Ottawa Citizen*.

The February and September milk price increases also generated moderate mainstream media activity. DFC and the CDC provided context that addressed factors affecting input costs and what the increase meant for dairy farmers, and DFO supported media trained DPCs to respond to producer and media inquiries.



## STAKEHOLDER COMMUNICATIONS

DFO's Communications team maintains more than 20 unique communications vehicles to share information with our main audiences—Board, DPCs and producers, industry stakeholders, DFO staff, government and the public.

Throughout the year, DFO continued to push more of its communications digitally, including launching a new monthly newsletter on markets, production and Ontario retail data and adjusting other publications to increase production efficiencies. Data from DFO's highest-read publication, a weekly newsletter sent to all dairy farmers every Friday, shows audiences are engaged with the content in a meaningful way, with a consistently above-average open rate of +60 per cent. Followers of DFO's LinkedIn page increased 8.3 per cent over the year, to more than 8,200. Content on this platform supports DFO's corporate brand and dairy producer pride, while building credibility for the Ontario dairy industry.

### TEXT BROADCASTING TECHNOLOGY AND METRICS

Text broadcasting technology is the process of sending mass text messages to a list of recipients and is a convenient way to keep the dairy industry in Ontario engaged and informed by providing information, updates and reminders. The technology was first utilized for the provincial election on three occasions. Messages were sent to producers with eligible phone numbers.

The first text was an invite to a townhall call held by DFO on the upcoming provincial election. There was a 66 per cent delivery rate and texts that weren't delivered were likely sent to either landlines or discontinued numbers. The response rate was 45 per cent, which is considered very good.

The second text was a reminder to join the townhall call and used as a follow-up to those who agreed to join from the initial text. This had a 100 per cent delivery rate.

The third text was a reminder of DFO's election asks and had a 69 per cent delivery rate, but required no response. Based on the numbers and response rates, this new method of communication can be considered a successful and useful tool for providing information, updates and reminders to producers.

Moving forward, DFO will continue to utilize this new form of communication.

## STRATEGIC COMMUNICATIONS

In the past year, staff worked with DFO's strategic communications agency, Argyle Communications, to establish DFO's overarching core narrative and

messaging to reinforce its purpose and industry identity. This critical, foundational work will serve to guide decision-making, underpin internal communications and provide a basis for DFO's positioning on priority topics. This will be used to develop a 360-degree PR strategy that will integrate the core narrative with consumer-facing and corporate responsibility messaging, as well as DFO's government relations agenda.

## DE&I SUMMARY

DFO's diversity, equity and inclusion (DE&I) working group spent the last year working on training initiatives and other activities to help make DFO an inclusive place where everyone feels welcomed, heard and seen, and that further emphasizes the importance of demonstrating respect, understanding and empathy. As part of DFO's commitment to acknowledge the legacy of residential schools and how it has impacted Indigenous communities in Ontario and throughout Canada, DFO staff came together on Sept. 30 to observe the second annual National Day for Truth and Reconciliation (NDTR). Staff were provided with official orange t-shirts to commemorate residential school survivors. The t-shirts were sourced from an Indigenous Ontario supplier, with a portion of the proceeds going to the Orange Shirt Society and Indigenous communities. As it enters the second year of its three-year strategy, the working group is looking to expand bias training with Board and staff, build on relationships with the local Indigenous community and further foster an inclusive environment at DFO's head office through multiculturalism-related activities.

## EVENTS

### RETURN TO IN-PERSON ACTIVITIES



With restrictions ending in early 2022, the team focused on planning for in-person programming. Events, such as DFO's spring policy conference in March and Canada's

Outdoor Farm Show and the International Plowing Match & Rural Expo in September, returned to regular programming and annual community events and fairs also returned, which kept dairy producer committees and dairy educators very busy at the local level.

### **2022 ANNUAL GENERAL MEETING (AGM)**

With COVID restrictions still in place, DFO once again hosted a virtual AGM on Jan. 19, 2022, for more than 350 guests, including producers and agricultural partners, who joined DFO's Board and staff. Notable moments included a greeting from Ontario's Minister of Agriculture, Food & Rural Affairs Lisa Thompson and Farm Products Marketing Commission chair Amy Cronin to open the meeting. Francis Parisien, NielsonIQ's senior vice-president of sales for small and medium businesses, was the guest speaker. Presentations focused on the industry's collaborative efforts to provide high-quality milk to Canadians, despite the challenges that continued during the pandemic.

### **SPRING POLICY CONFERENCE (SPC)**

With restrictions lifted, DFO hosted its first in-person meeting since March 2020. The 2022 spring policy conference took place over two days in March with slightly smaller attendance than in past years due to lingering venue restrictions. Board Chair Murray Sherk opened the program with a national update, recognizing the challenges the pandemic presented to the industry and welcomed a return to the "new normal". Interactive sessions on raw milk quality, the national dairy code of practice, proAction, sustainability and training and development rounded out the meeting.

### **FALL REGIONAL MEETINGS (FRM)**

Following two years of virtual meetings and feedback indicating October had become an increasingly busy month for dairy producers, DFO opted to move its fall regional meetings to November. The roadshow-style meetings were held through the third week of November in North Bay, Kemptonville, Belleville, Elora and Ingersoll, Ont.

### **DPC TOWNHALL CALLS**

DFO hosted two townhall calls between DFO's Board, DPCs and DFO staff. The purpose of these check-ins is to address current issues facing the industry and offer DPCs the opportunity to ask DFO staff and Board Members direct questions.

### **SPONSORSHIP**

DFO saw an increase in sponsorship requests in 2021-22 with the return of in-person events and meetings.

While many local DPC initiatives fall within the marketing pillars of culinary and MilkUP, nearly \$40,000 was spent across the province assisting DPCs with annual events, giveaways and partnerships. These included numerous fundraising events, Open Farm Days and Canada Day and Santa Claus parades, to name a few. An additional \$15,000 (est.) was used to sponsor industry events and meetings and fulfil food bank needs following the derecho in May. Continued education for consumers, producers and youth derives from the Toronto Stockyards Fund, which supports Farm & Food Care Ontario, 4H Ontario, Junior Farmers Association, AALP, Agscape and others. DFO also partnered with on-farm processors who celebrated their 10th anniversaries this summer.

### **TRAINING AND DEVELOPMENT**

Tasked with developing a framework for training and development offerings for Ontario dairy producers, this year, the subcommittee launched a new DPC Guidebook and offered webinar training with video modules for all DPCs to better understand their work in terms of producer engagement, consumer engagement and media and government relations. Media training sessions were held for a select group of DPCs in four locations across the province. These DPCs were then offered to journalists on a proactive and reactive basis to provide an Ontario dairy producer perspective.

The subcommittee also began creating a producer development program that would help future leaders in the dairy industry develop the network and experience needed. This work will continue into next year.

### **MILK PRODUCER**



This year saw a repackaging of *Milk Producer* magazine focused on bringing an Ontario producer voice to content, demonstrating at-home leadership in the Canadian dairy industry. The magazine carries a bolder,



more modern and fresh graphic design, with greater emphasis on people and a tighter focus on the issues that matter to Ontario producers. A new tagline, “The voice of Ontario dairy producers,” strongly reflects the magazine’s mandate. A reduction in the number of issues from 12 to eight and the introduction of a thematic approach have resulted in more space to provide perspective on news and policy and build support for important issues.

The launch issue, themed *The Politics of Dairy*, included stories on grassroots government relations and featured Ontario producers who have shown a commitment and passion for building awareness, engaging supporters and having influence in their communities. Interviews with federal and provincial agriculture ministers, Marie-Claude Bibeau and Lisa Thompson, appeared for the first time, demonstrating the respect government and industry hold for the magazine.

Other themes through 2022 included sustainability, an issue dedicated to Ontario’s young producers, nutrition, research and innovation. A special insert on corporate responsibility was distributed with the Early Winter edition of *Milk Producer*, in time for Christmas. The insert invited all DPCs to submit a brief writeup and photo of one community contribution event, allowing the magazine to highlight a few of the many ways producers give back to their communities.

Reader feedback on the rebrand was swift and positive. “This new format is a nice change,” wrote one producer. Another reader stated the Nutrition edition “was the best magazine he has seen in all his years”, while another producer said the same issue was “full of positive information on the benefits of dairy” and “a breath of fresh air and common sense.” *Milk Producer* remains profitable and a highly-sought advertising vehicle for dairy and agricultural suppliers with new advertisers, including Bubble Pumps, Cargill Animal Nutrition, Carlotte Ag and Scotiabank.

Pandemic-induced paper shortages, as well as a trend toward direct mail, contributed to increased paper demand and lingering high prices in 2022. These increases represented a tripling of paper costs at the printer. Though prices have begun to level off, the holiday season means another increase in demand for the printing industry. Prices are not expected to drop until 2023.

Circulation held strong in 2022, with 7,608 subscribers versus 7,658 in 2021.

As staff continue to look for new ways to deepen engagement and connection with producers and other

stakeholders, the digital space will be a focus for 2023. The *Milk Producer* website is being refreshed and will include advertising opportunities and a text-to-voice option on select stories. This will open new avenues for revenue and provide busy producers alternative ways to engage with the magazine.

## 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

DFO’s marketing remained focused on driving dairy consumption through various campaigns, tactics, channels and consumer touchpoints. Marketing teams were steadfast in ensuring they reached all audiences in Ontario to remind them of the relevance, taste and nutritional value of milk. Their efforts worked to reach a variety of audiences through impactful campaigns and partnerships while promoting the hard-working dairy farming families throughout Ontario.

### RELEVANCY

To maintain relevancy and stay top of mind with consumers, in 2022, DFO launched a new marketing campaign called “Everybody Milk”.

The “Everybody Milk” campaign focused on a simple core insight: everybody loves milk—93 per cent of Ontario households purchase it regularly. The love for milk is universal and there is an unignorable passion for milk that has always existed. Through the campaign, consumers are reminded of the prominence of milk in their lives, reinforcing relevancy and versatility and demonstrating how irreplaceable milk is with the aim of increasing milk consumption. “Everybody Milk” encourages Ontarians to celebrate their love for milk and enables future marketing efforts to ladder up to this overarching message.



The campaign was on air in fall 2022 with a holistic integrated campaign reaching a broad consumer base with various touchpoints, including TV. The campaign delivered 86 million impressions, reaching all consumers of milk in Ontario.

## EQUITY

DFO's "Equity" initiatives continue to build trust and an emotional connection with consumers through demonstrating shared values and showcasing that Ontario dairy farms are run by highly skilled local families. These initiatives aim to strengthen the understanding and perceptions of the Ontario dairy farming industry. Themes of multi-generational dairy farming families and pride in producing high-quality milk remain prominent in DFO's advertising. The Equity campaign reaches consumers through multiple touchpoints with "The Reminder" TV advertising being leveraged as the anchor. Research has validated this TV commercial delivers a positive impact on consumer perceptions of the dairy industry.



Additional elements include broadcast and content integrations on major networks and public relations, featuring real Ontario dairy farming families. The campaign is supported by a media plan reaching DFO's target audience: millennial parents. Having two strong phases in both the spring and summer seasons, the campaign delivered nearly 200 million impressions.

Dairy producer committees and individual producers alike have a strong presence in their local communities and are actively involved in grassroots activities and community events. Through spring and summer, Ontario dairy producers supported more than 35 events across Ontario, including agricultural events, spring/fall fairs, wine and cheese festivals, the International Plowing Match and Rural Expo, and many more.

## CORPORATE RESPONSIBILITY

Ontario's dairy farmers have always embraced a commitment to their communities. A key element of this commitment is their continued support of Ontario children's hospitals. In 2021, \$500,000 was donated to this important cause. To amplify the partnership with Ontario's children's hospitals and invite consumers and stakeholders to support those children spending their holidays in hospital, in December 2021, DFO once again launched its "Milk and Cookies" campaign. The "Big Believers" TV advertising extended this message while also reminding consumers of the importance of milk during the holidays by featuring the heart-warming family tradition of setting out milk and cookies for Santa Claus. The integrated campaign included public relations, out of home, digital and social media allowing DFO to rally Ontarians to help fill a digital milk glass by sending text messages of love and support to kids spending the holidays in hospitals across the province.



## NUTRITION

DFO aired its integrated media campaign for the "What Can't Milk Do?" platform, which aimed to get consumers to recognize milk's high nutritional value. This campaign reached consumers through multiple touchpoints in both spring and fall 2022. To further drive home the nutritional messaging, DFO launched three social and digital campaigns to keep the benefits of milk top of mind.



## “THERE’S ONLY ONE MILK”

The “There’s Only One Milk” campaign focused on getting millennial parents who feel the pressure to add dairy alternatives to their breakfast routine to see that “different and new” isn’t always better, and to reassure them real milk is the only milk they need for delicious and nutritious mornings. The campaign successfully drove the message that nothing compares to the taste and nutrition of dairy. A total of 65 per cent of consumers say they are “more likely to consume dairy” after watching this creative and 85 per cent found the creative to “standout.”

The complementary National Latte Day contest activation led to 500-plus consumer posts engaging with the contest, 9.1 per cent Instagram follower growth and 8.4 million impressions. DFO’s media strategy delivered the message when it resonated most with consumers, leading to 58 per cent more impressions across residential screens and 135 per cent more impressions on Pinterest than benchmarked.

## “IT STARTS WITH MILK”

This campaign demonstrated to consumers the foods they enjoy start with milk. All content started with an iconic “milk pour” to remind consumers milk always fulfils in the taste it brings, the recipes it leads to and the way it nourishes them. “It Starts with Milk” garnered more than 34 million impressions across social, digital and out-of-home tactics. Results show this campaign notably improved consumers’ perceptions of milk. After seeing the campaign, consumers perceived milk as a contemporary product and as a product with good value. Additionally, consumers showed a very strong likelihood to consume milk after interacting with this campaign.

## “15-A-DAY”



To remind consumers milk has always been a key contributor to their overall health and well-being, DFO launched the “15-A-Day” campaign, a parody of the vitamin subscription trend. Messaging emphasized that consumers don’t need fancy products, powders or

supplements to get a variety of nutrients because a glass of milk has the 15 essentials a body needs for strength, immunity, recovery and energy. The campaign drove more than 537,000 visitors to the “15-A-Day” microsite, averaging 107,400 visitors a week for the duration of the five-week campaign. Results proved milk’s claim that 15 essential vitamins and nutrients is a strong and relevant nutritional message to consumers.

## HCP PROGRAM

DFO continued to execute its new Health Care Professional (HCP) strategy designed to “influence the influencers” and build brand trust and milk loyalty among accredited health experts in Ontario. By surveying 135 professionals across health care disciplines, DFO gathered insights to leverage across various channels to gain HCP support and increase milk consumption among target audiences.

New partnerships were established to help deliver DFO’s nutritional messaging. In-clinic digital posters garnered more than 1.5 million impressions across 100 clinics and doctors’ offices in the greater Toronto area (GTA), as well as in London, Ottawa, Guelph, Kitchener-Waterloo and Cambridge, Ont. Posters were live in high-traffic and relevant time periods, including March break, back-to school (August-September) and cold and flu season (September-October).

*Hospital News* has been Canada’s health care newspaper since 1987, where health care professionals, administrators, patients and students are informed of current health care news, medical advancements and trends with a fresh perspective each month. DFO partnered with *Hospital News* to publish three nutrition-focused advertorials providing insight on the research behind the heart health benefits of milk, milk and colorectal cancer and the nutrient comparison of milk versus plant-based beverages. A total of 120,000 copies were distributed to hospitals and healthcare facilities across Ontario, an additional 42,000 were received by digital subscribers and 200,000 views were garnered from website publishing.

The *Canadian Medical Association Journal* (CMAJ) was selected as an optimum publication to reach Ontario physicians. Taking a digital approach, DFO featured nutritional ads in CMAJ’s electronic table of contents, which is emailed to 65,000 physicians, driving readers to visit the HCP landing page on milk.org. Additional ads were featured on the CMAJ website in September and October focusing on milk’s protein and calcium benefits.

This summer, DFO launched a new HCP landing page on milk.org to host and grow resources for HCPs.



DFO continues to stimulate awareness of milk's health benefits to health care providers through a hyper-targeted approach.

## MILKUP BRAND



MilkUP's strategy in 2022 was to expand its community and get a dairy-averse Ontario Gen Z audience to recognize the versatile role milk can play in their daily lives by creating a lifestyle brand worthy of their social media feeds and their fridges.

The digital "Pick-Me-Ups" campaign in January picked up the momentum of last year's pop-up market and, seeing Gen Z's tunes change from alternatives to milk, paved the way for the summer's "Big Moo'd Market" activation. DFO created a post-to-pay mobile outdoor market filled with dairy-inspired merchandise and milk-made local goods in partnership with local food vendors. The activation pushed key messaging, such as milk's deliciousness, convenience, versatility, nutrition and locality, in Toronto, Ottawa, London, Kingston and Hamilton, Ont. Halfway through the campaign, brand recall reached an all-time high of 38 per cent. Recallers and attendees were 20 percent more likely to consume more milk than general population.

### MILK CURRENCY METRICS, TOTAL VS. BIG MOO'D RECALLERS

	Total	Big Moo'd recallers	Difference
Consuming more among past month milk consumers	31%	51%	20%
Consuming more among total	23%	37%	14%

- 48 per cent increase in followers on Instagram (from ~7,100 to ~13,100)
- More than 1,000 main grid posts on Instagram under #bigmoodmarket
- More than 2.3 million views of the hashtag #bigmoodmarket

With dinner parties taking social media by storm, MilkUP leveraged the trend to create the first ever Gen Z-centric dinner club to educate, inspire and influence youth to start their own dairy-inspired dinner clubs. The MilkUP team, in conjunction with local makers, created purposeful and approachable "how-to" videos and a recipe book, and gave Gen Zs a chance to win a spot at the table at one of the "in-real-life" dinners, which took place in Toronto, Peterborough, Kitchener-Waterloo and Guelph, Ont.



### MilkUP Pro Sports Partnership and Live Nation

DFO marketing staff restructured and extended existing partnership agreements with Maple Leaf Sports & Entertainment (MLSE), with DFO securing the first-ever branded sweater partnership with the Toronto Maple Leafs. The beloved milk logo will be sported on all jerseys worn by players (at both home and away games) and on official jerseys bought by the public at Scotiabank Arena.



Along with MLSE Foundation and in partnership with a local artist, MilkUP refurbished a basketball court in



Woolner Park to give back to the under served West Toronto community and create a healthy youth hub.



Ottawa Senators and Live Nation contracts were also restructured to continue to tap into DFO's target audience. DFO was also able to leverage its "Guerilla Cube" and a new photo booth activation at 20 concerts and three festivals in the summer, without incremental investment.

### MilkUP Youth Sports Partnerships

DFO continues to grow its partnerships with the Ontario Minor Hockey Association (OMHA), Ontario Hockey Association (OHA), Ontario Basketball Association (OBA) and Ontario Soccer (OSA) as well as four Ontario Hockey League (OHL) franchises. This year, DFO added the Ontario Junior Lacrosse League (OJLL) to its partnership roster to branch out into a new Gen Z sports demographic. DFO had great success extending bursary programming from OMHA to OHA and OSA, where each organization will recognize and reward exceptional youth athletes who demonstrate leadership, perseverance, originality and heart, on and off the field or court.

### MilkUP DPC Partnerships

MilkUP focuses on empowering youth to reach their full potential. Grassroots participation is integral to the success of MilkUP and promoting dairy consumption. DPC MilkUP marketing is an excellent opportunity to promote the MilkUP brand across the province through Gen Z-aged sports teams and tournament sponsorships, arena signage, event activations and giveaways. DFO's goal is to increase brand awareness, foster community-based initiatives and consumer engagements, and build appreciation for local dairy.



## PROVOKING DAIRY MOMENTS

### Savour Ontario

This fiscal year, DFO's culinary brand, Savour Ontario, drove strong engagement among target audiences through four unique, seasonal programs focused on provoking dairy moments through local artisan cheeses. In November 2021, DFO launched session two of the LCBO and Henry of Pelham partnerships to promote local artisan cheese and wine pairings. The session focused heavily on highlighting delicious recipes and local Ontario cheese and wine pairings in a digital download format and necktags on select Henry of Pelham wines in LCBO stores. To further drive awareness and consideration, DFO partnered with renowned Chef Michael Bonacini for a PR activation with *Breakfast Television* featuring one of Chef Bonacini's Savour Ontario recipes using local artisan cheeses.

Building off the LCBO partnership, in April 2022, Savour Ontario launched its spring campaign, The Art of Local, driving awareness among core audiences that Ontario is home to great-tasting, world-class cheeses that are comparable to imported cheeses. The campaign featured local cheesemaker profiles and leveraged trending social media influencers to create recipes in addition to in-house curated recipes. The spring campaign tapped into new channels, such as TikTok and digital out-of-home, to further increase audience reach across the province. Digital out-of-home drove more than 14 million impressions and more than 6.8 million impressions were achieved on TikTok.



The summer 2022 campaign focused on reminding consumers the best summer moments are made with delicious, local dairy. Leveraging learnings from the spring campaign, a combination of TikTok content, local dairy maps and digital out-of-home boards were used to continuously remind consumers to "Savour Summer Moments" with local dairy. Repeating the same influencers from the spring campaign, the influencers visited different local dairy locations and developed summer-themed recipes that resonated with our target audiences.

In October 2022, Savour Ontario launched its fall campaign “Make it Legen-dairy,” which was focused on highlighting how consumers can take their meals from ordinary to legen-dairy by adding local, artisan cheeses and dairy to their dishes. This social media influencer-led campaign helped tie together the artisan cheese themes consumers saw throughout the year. Influencers developed recipe video content showing trending, convenient recipes that drove some of the highest engagement rates among the Savour Ontario audience.

**2022 Milk Calendar**

The 2022 edition of the iconic *Milk Calendar* marked a major milestone as DFO celebrated 45 years of dairy inspiration and an historic accomplishment in the legacy of cooking and baking with local dairy crafted on local family farms. The 2022 *Milk Calendar* emphasized the nostalgic roots and legacy of the *Milk Calendar* through 17 reimaged recipes from past editions.

As a beloved Canadian staple in homes across Canada, the launch of the 45th edition proved to be successful yet again with more than 51,000 net new subscribers.

**2023 Milk Calendar**



The 2023 *Milk Calendar* launched at the end of fiscal 2022 with huge success. In the first two weeks of the campaign, DFO had more than 100,000 sign-ups for the calendar, with 60,000 registering within the first 48 hours. This program brought in more than 14,000 new subscribers to DFO’s database in the first two weeks and demonstrates the value of the *Milk Calendar* program to drive significant demand and new subscriptions from consumers.

**MASTERBRAND “ALWAYS-ON” SOCIAL MEDIA**

In 2022, DFO focused on optimizing its strategy with a focus on short-form video and increasing efforts on TikTok, finding success in concentrating efforts on engaging video content.

- More than 16.1 million views of the hashtag #ontariodairy on TikTok
- 1,638 per cent increase in followers on TikTok (from 119 to 2,057)
- 19 per cent increase in followers on Instagram (from 14,800 to 17,700)

Throughout the year, DFO continued to nurture existing relationships and build new dairy advocates across social media through community engagement and influencers, maintaining higher-than-industry-average engagement rates throughout the year.



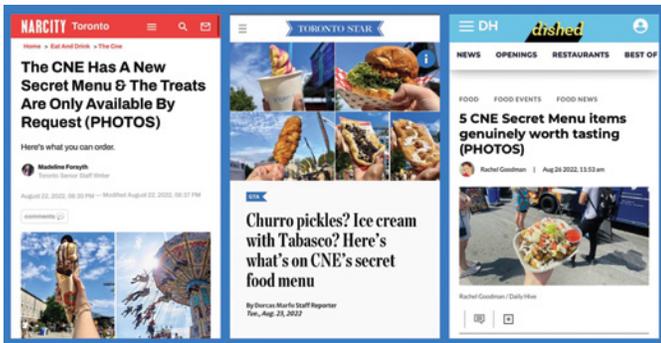
DFO’s “Always-On” content plan leans into core content pillars but also gives DFO flexibility to jump on cultural trending moments and capitalize on the trend to highlight dairy. This year, DFO participated in a number of trending cultural moments including butter boards and corn, which resulted in above-industry-average engagement rates and hundreds of thousands of views.



In fiscal 2022, DFO continued to increase awareness and consumption of Ontario dairy by creating positive consumer perceptions and making Ontario dairy the inspired food choice. This year, DFO presented the CNE Secret Menu, as part of the CNE food experience.



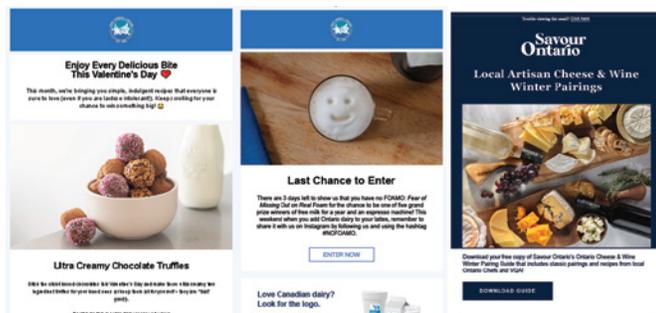
From ice cream to cheeseburgers, and everything in-between, the CNE is home to some of Ontario's favourite carnival foods. To celebrate these extraordinary treats, DFO sponsored the secret menu to provide exhibition-goers with mouth-watering foods made with high-quality, local Ontario dairy. This PR campaign generated 49 pieces of coverage and garnered more than 16.5 million impressions in total. DFO had 19 media stories that returned more than 10.8 million earned media impressions, and 29 social posts from media and influencer hosting, resulting in 870,504 earned impressions.



### CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

With more than 300,000 subscribers and growing, DFO's CRM email marketing program continued to drive dairy consumption with an engaged online community by delivering relevant content, such as coupon offers, delicious, dairy-forward recipes, contests and more.

Print-at-home coupons distributed through the monthly newsletter are provided in partnership with dairy processors and, through this collaboration, DFO offered thousands of dollars in savings to consumers over the last year. This program works to drive dairy consumption by offering loyal consumers money-saving coupons for their favourite dairy products.



### WEBSITE

This year, DFO's marketing team launched the first search engine marketing campaign for both the milk.org and savourontario.ca websites. Search engine marketing is the promotion of websites by increasing their visibility

in search engine result pages, such as Google, primarily through paid advertising. The goal is to increase DFO's presence on Google, increase targeted traffic to key landing pages, track website usage and allow for a better user experience on DFO owned and managed sites.

### YTD GOOGLE SEARCH ENGINE MARKETING

- 1 million-plus impressions
- 105,000 visits to milk.org and savourontario.ca
- 8,400 conversions

This year, DFO exceeded many of its benchmarks. The long-term strategy is to optimize the user experience and expand search engine optimization efforts, relying on analytics to encourage consumers to spend more time on DFO's websites.

On an ongoing basis, DFO continues to adjust and improve overall site usability and ensure content is updated and refreshed for a relevant and timely user experience.

### BUSINESS DEVELOPMENT

DFO continued its partnership efforts, leveraging the consumer reach each partner delivers to support consumption goals for Ontario dairy products. The spring saw a return to a live Restaurants Canada Show to interact with the foodservice industry and showcase several local dairy processors. At the event, DFO provided four scholarships to young chefs from various culinary schools, encouraging a positive role for dairy in the future of the industry.

Grocery clients, such as Metro, Longo's, Fortinos and Eataly, utilized in-store and online media advertising to collaborate with DFO to promote dairy to their loyal consumers. DFO tested e-commerce-specific promotions with both Walmart and Metro to take advantage of consumer trends to shop online for groceries. Other partnerships included support for specialty coffee items and premium ice cream with Tim Hortons and a new poutine launch at Pizza Pizza.



New this year, DFO launched its first ever in-store marketing campaign in October to promote local dairy. More than 1,000 major grocery stores across the province used point-of-sale materials, including shelf signage and recipe booklets calling on consumers to “Savour Local Dairy.” DFO achieved presence in both the traditional dairy case and the deli sections at the store level and used an online site to drive consumers to enter a contest to win free dairy for a year, where 10 lucky participants could earn coupons to redeem for free dairy products.



### START UP/SCALE UP INNOVATION PROGRAM

DFO’s Start Up/Scale Up program continues to help new dairy entrepreneurs enter the dairy processing industry through mentorship, specialist support and funding (if eligible). As part of the program, DFO facilitated three online webinars to help educate entrepreneurs about various topics, including building a dairy processing plant, managing start-up costs and developing a go-to-market strategy.

This year, DFO engaged with many new and existing program participants to guide them on their journey to launch and expand their business. A total of 11 grants were awarded to qualifying participants supporting their scale-up efforts, and two new, on-farm processors opened facilities, bringing the total number of on-farm processors across the country to 19. In October, DFO supported these local dairies with a social media campaign on Facebook and Instagram to engage consumers and drive them to their local establishments.

### SCHOOL PROGRAMS

DFO continued to establish and foster partnerships with schools and external providers to support the dairy industry through learning, sampling and giving.

In November 2021, Ontario schools were still reporting

operational challenges due to COVID-19. The school programs team continued to provide as much as they could digitally and through safe and acceptable measures. In May of 2022, a new website was launched highlighting all the programs and projects DFO offers to schools and students. Now, all school programs are found in one easy place whether you are a parent, teacher or school administrator. The site connects all DFO digital school program platforms and features an interactive map to assist in selecting a local dairy educator.



### ELEMENTARY SCHOOL MILK PROGRAM

The Elementary School Milk Program saw increased activity in the back half of the school year. Many schools believe in the nutritional value of milk and continued to provide programming; however, some schools struggled to continue the program without their external volunteers to run them. Through a partnership with KEV Group, DFO was able to track the following:

#### ESMP F22

Data is inclusive of Nov. 1, 2021 to Oct. 31, 2022

Servings	
Total chocolate milk servings	931,762
Total white milk servings	234,433
<b>Total servings</b>	<b>1,166,195</b>
Consumer	
Total students	71,946*
Total schools	1,861

\* Student data was not available for June, September and October, which affected the total amount of students shown.

To support the consumption of ESMP (Elementary School Milk Program), Milk Club was developed and soft launched in March 2022. The Milk Club app is designed as a supplement to the existing rewards program offered with ESMP and offers greater benefit to students by engaging with them away from home and in school. The app features modules that allow students to learn



through dairy education lessons and presentations, make student-friendly recipes with dairy products and upload their receipts for dairy purchases. Every activity rewards students with points they can redeem in the online store. In fall 2022, a fourth module was added called "Play", which features a new digital tycoon-style game called "Mooblox" built in the Roblox platform.



## VIRTUAL AND DIGITAL LEARNING

Educators continued to connect with classrooms across the province through presentations, both virtual and live, and the "Growing Up Dairy" correspondence program.

From Sept. 1, 2021, to July 1, 2022:

	Schools	Touchpoints	Students
Dairy educator presentations	545	2,728	58,344
Growing Up Dairy	271	440	9,465

The learning management system experienced slower activity due to educators gradually returning to live presentations. The system's 35 lessons received 15,046 views and 9,046 lesson visits were conducted since Nov. 1, 2021.

In October 2022, DFO launched a French-language version of the education website. French dairy educators worked very hard with the DFO team to adapt and translate all 35 lessons.

In addition, DFO's "Dairycraft" game continued to perform well. It has been downloaded 5,452,274 times as of Oct. 18, 2022.



## BREAKFAST PROGRAMS

DFO continued to support breakfast programs with the \$0.10 per serving rebate again this year to a maximum of \$200,000.00. The program tracked 1,769,638 servings of milk to 1,011,193 students in 899 schools across Ontario from Nov. 1, 2021 to Oct. 31, 2022.

## Consumer Education Events

The Royal Agricultural Winter Fair cancelled its live 2021 event and instead worked with partners to produce a series of live virtual tours on various farms targeting Ontario classrooms. DFO hosted a dairy tour on Nov. 5, 2021, with Ashley Brown at Browndale farm in Paris, Ont. The tour received the highest attendance of all the tours with 394 teachers and 7,878 students.

Dairy education's first live event since 2019 was the Canadian National Exhibition from Aug. 19 to Sept 5, 2022. While the booth was in the same location as always, DFO unveiled the new container milkhouse and freestall environment. Visitor traffic increased 10 per cent over 2019 numbers with more than 50 per cent of those visiting the new dairy farm.



After the CNE, the milkhouse was shipped to the Western Fair, which took place from Sept. 9 to 18, 2022, where it continued to educate the public. It was then sent back to Norwell Dairy Systems for a few modifications and was fully launched at the 100th anniversary of the Royal Agricultural Winter Fair, which took place Nov. 4 to 13, 2022.

## HUMAN RESOURCES

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

DFO continued to monitor and update COVID-19 protocols in response to government advice and guidance from Public Health Ontario. Every effort was made to keep employees, producers and stakeholders



healthy and safe, while continuing to perform duties. The ability to return to the office was initiated in May, and in-person events have continued to expand. Though DFO is hopeful to return to pre-pandemic activities and behaviours, it recognizes business and employee landscapes have changed, requiring greater responsiveness and agility to be competitive as an employer.

DFO's focus on strengthening a culture of accountability and customer service have been integral to performance management and succession planning strategies. Expanding the functionality of internal systems has enabled processes and data collection to be streamlined and more efficient. DFO has actively created opportunities for cross training and building in redundancies to ensure senior employees' knowledge and experience is captured before they retire.

As DFO endeavours to retain employees and recruit top talent as needed, it recognizes the need to stay on top of new trends in the work environment. DFO regularly explores these opportunities or potential changes and, if it is determined there will be an improvement to the existing work environment, will take them into consideration and communicate as part of the implementation process. DFO has taken this same approach with its recruitment and onboarding processes as employers compete to attract top talent.

## **BUILDING FACILITIES**

Regular maintenance and upkeep have been DFO's focus to maintain the good condition of the building and grounds. DFO continues to work closely with service providers and vendors to maintain a healthy environment, safe condition of the premises and minimize expenses.

## **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 86 per cent of total milk sales; however, their financial stability is very strong. The accounts receivable protection fund totaled \$5.05 million at the end of October 2022.

## **MILK UTILIZATION AUDIT SERVICES**

KPMG continues to provide milk utilization audit services. There are currently 77 plants and nine ice cream plants included in the audit scope.

## **MUV INC.**

The MUV system is a 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. When the MUV system was licensed to other provinces, DFO and the ODC agreed to incorporate the system to operate it as an independent entity. MUV Inc. is now managed by a separate board comprising ODC and DFO representatives. Updates to MUV software and systems continue to be implemented to add functionality for processors and reflect changes in policy.

## **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 2022 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 SERVICES**

*The ITS 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 2022. 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 year.

DFO is constantly incorporating improvements to the system based on staff and stakeholder feedback. These enhancements are scheduled and deployed during regular monthly maintenance cycles. Most recently, enhancements have been made to letters of direction



and assignments, tank truck inspections, over/under credit calculations, as well as the integration of new free fatty acid lab test results.

In addition, development of a new Quota Calculator is underway and is expected to be completed in early 2023.

## MILK COLLECTION HANDHELD COMPUTERS

All milk collection handheld computers were replaced by newer units in 2021. Further upgrades are currently being made to the software to incorporate more features, such as electronic seal log tracking.

## INFRASTRUCTURE & SECURITY



With the increased need for remote access and hybrid meetings, DFO put more focus on communication and collaboration tools. Implementation of a new phone system at head office is underway and is expected to be completed in early 2023. Also underway are enhancements to meeting room technologies to improve the overall meeting experience and facilitate the in-person and virtual meeting experience.

In an ongoing effort to increase the security envelope for DFO, changes were completed to the technology and workflows for services, such as VPN, webmail and data centres. 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 continuous improvements to network threat detection and prevention systems.

## 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 as well as Board matters, including Board governance, policy development review, internal controls and accountability measures. The team also holds the*

*positions of Corporate Secretary and Privacy Officer. Legal Services ensures DFO's decisions and policies are upheld before the Agriculture, Food and Rural Affairs Tribunal.*

## BOARD ELECTIONS

### DFO BOARD ELECTION RESULTS 2021

At DFO's board meeting held on Sept. 27, 2021, in accordance with Ontario Regulation 760, as amended, under the *Milk Act*, the Board approved Nick Thurler elected by acclamation to serve as the Board Member for Region 2. This is Thurler's third term on the Board. Roger Boersen was elected by acclamation to serve as the Board Member for Region 10. This is Boersen's first term on the Board. George Van Kampen was elected by ballot for Region 6. This is Van Kampen's first term on the Board.

Immediately following the adjournment of DFO's annual general meeting (AGM) on Jan. 19, 2022, the four-year term of the elected and acclaimed board members commenced.

## BOARD EXECUTIVE ELECTIONS

At a special board meeting held on Jan. 19, 2022, following DFO's 2022 AGM, DFO's Board elected its 2022 Board Executive. Murray Sherk, Board Member for Region 8, was re-elected as Chair; Nick Thurler, Board Member for Region 2 was re-elected as Vice-Chair; and Adam Petherick, Board Member for Region 4, was elected as 2nd Vice-Chair. Arlene Minott was re-appointed as Corporate Secretary to the Board. Rey Moisan was re-appointed as Treasurer to the Board.

## BOARD MEETINGS

DFO's Board fully returned to in-person meetings but continued to use the efficiencies of virtual meeting technology to increase the effectiveness of DFO Board committee meetings and special meetings. In 2021-22, Board members completed a four-part course delivered in partnership with Osgoode Hall Law School entitled: Adjudication Essentials for Regulatory Decision-Makers. The four-part course was designed to improve board decision-making in line with administrative law principles.

The Board meets every month for its two-day regular board meeting for a total of 12 regular board meetings annually (24 days). The Board also holds special board meetings to conduct urgent business or address time-sensitive issues. In 2021-22, the Board held 16 special board meetings.





# **2023 STRATEGIC PRIORITIES**

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



# 2023 STRATEGIC PRIORITIES

**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
- Cost of Production evaluation

**DYNAMIC GROWTH**  
Invest to grow the domestic market

- Aggressively invest to increase consumption
- Maintain high milk quality and consistency across farms
- Promote innovation in dairy
- Support investment in processing
- Garner government support
- Strengthen border management

**STEWARDSHIP**  
Nourish and strengthen communities

- Educate consumers on dairy nutrition
- Strengthen consumer confidence in producers and farm practices
- Embrace diversity and inclusion in dairy
- Be a recognized steward of sustainability

**ORGANIZATIONAL EFFECTIVENESS**  
Optimize performance and efficiencies

- Grow influence nationally
- Develop industry leaders
- Culture of accountability, continuous improvement 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





# FINANCIAL REPORTS

## 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, 2022
- 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, 2022, 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.

The logo for KPMG LLP, featuring the letters 'KPMG' in a bold, sans-serif font, followed by 'LLP' in a smaller font, all in black. A horizontal line is drawn underneath the text.

Chartered Professional Accountants,  
Licensed Public Accountants

Vaughan, Canada  
December 21, 2022



## Statement of Financial Position

October 31, 2022 with comparative information for 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 57,692,787	\$ 57,393,671
Accounts receivable (notes 2 & 19)	252,869,837	215,992,715
Prepaid expenses	2,445,369	2,291,231
	313,007,993	275,677,617
Investments (note 4)	3,041,484	5,041,484
Capital assets (note 5)	2,353,533	2,349,879
Intangible assets (note 6)	3,807,756	4,823,758
	\$ 322,210,766	\$ 287,892,738

## Liabilities and Fund Balances

<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 3, 7 & 8)	\$ 273,885,196	\$ 233,022,678
<b>Deferred capital contributions (note 9)</b>	677,103	804,059
<b>Fund balances</b>		
Unrestricted	15,938,828	16,026,611
Quota Exchange	952,695	952,695
Research	2,471,888	2,560,091
Accounts Receivable Financial Protection	5,049,544	5,008,822
Marketing and Business Development	23,235,512	29,517,782
	47,648,467	54,066,001
Commitments (note 18)		
Contingencies (note 21)		
	\$ 322,210,766	\$ 287,892,738

See accompanying notes to financial statements.

On behalf of the Board

Chair



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

Year ended October 31, 2022 with comparative information for 2021

	2022	2021
<b>Revenue</b>		
Administrative licence fees (note 11)	\$ 19,327,088	\$ 19,474,948
Raw Milk Quality program	884,912	1,046,961
<i>Milk Producer</i> magazine	412,487	585,096
Investment income (note 4)	470,114	159,783
ProAction/CQM program	50,706	80,209
Quota exchange administrative fees	90,251	71,308
Gain on disposal of capital assets	-	18,780
Assignment administrative fees	12,947	14,410
Other revenue (note 12)	451,059	373,563
	21,699,564	21,825,058
<b>Expenses</b>		
Administrative and policy development (note 14)	14,686,743	13,794,597
Payments to affiliates (note 16)	1,146,998	1,149,999
Raw Milk Quality program	2,706,915	2,015,661
ProAction/CQM program	30,996	86,785
Milk tests, central laboratory	1,020,913	964,482
Processor utilization audit	241,858	241,667
<i>Milk Producer</i> magazine	428,592	457,827
Dairy producer committees	478,643	364,442
Annual meeting	4,852	7,974
Depreciation	1,040,837	1,130,111
	21,787,347	20,213,545
Excess of revenue over expenses (expenses over revenue)	(87,783)	1,611,513
Unrestricted funds, beginning of year	16,026,611	14,415,098
<b>Unrestricted funds, end of year</b>	<b>\$ 15,938,828</b>	<b>\$ 16,026,611</b>

See accompanying notes to financial statements.



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

Year ended October 31, 2022 with comparative information for 2021

	2022	2021
<b>Sales</b>	\$ 114,643,680	\$ 63,551,040
<b>Cost of sales</b>		
ADD:		
Inventory (shortfall), beginning of year	(485,520)	284,400
Purchases	114,847,680	62,781,120
LESS:		
Inventory (shortfall), end of year (note 3)	(281,520)	(485,520)
	114,643,680	63,551,040
Excess of sales over cost of sales (cost of sales over 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, 2022 with comparative information for 2021

	2022	2021
<b>Revenue</b>		
Research fees (note 17)	\$ 1,545,431	\$ 1,557,303
Toronto Stock Yards Land Development (note 17)	159,973	157,893
Investment income (note 4)	47,914	23,409
	1,753,318	1,738,605
<b>Disbursements</b>		
Research projects (note 16)	848,800	749,231
Dairy Science Research Chair	200,000	200,000
Dairy Animal Health Research Chair	200,000	100,000
Scholarships and grants-in-aid	270,682	226,000
Ontario Dairy Farm Accounting Project	153,939	134,093
Toronto Stock Yards Land Development (note 17)	168,100	129,550
	1,841,521	1,538,874
Excess of revenue over disbursements (disbursements over revenue)	(88,203)	199,731
Fund balance, beginning of year	2,560,091	2,360,360
<b>Fund balance, end of year</b>	<b>\$ 2,471,888</b>	<b>\$ 2,560,091</b>

See accompanying notes to financial statements.



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

Year ended October 31, 2022 with comparative information for 2021

	2022	2021
<b>Revenue</b>		
Investment income (note 4)	\$ 90,438	\$ 44,386
<b>Disbursements</b>		
External administrator	49,716	48,918
	49,716	48,918
Excess of revenue over disbursements (disbursements over revenue)	40,722	(4,532)
Fund balance, beginning of year	5,008,822	5,013,354
<b>Fund balance, end of year</b>	<b>\$ 5,049,544</b>	<b>\$ 5,008,822</b>

See accompanying notes to financial statements.

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

Year ended October 31, 2022 with comparative information for 2021

	2022	2021
<b>Revenue</b>		
Market expansion fees collected (note 13)	\$ 43,274,325	\$ 43,606,115
Investment income (note 4)	614,281	278,475
	43,888,606	43,884,590
<b>Program Expenditures</b>		
Brand advertising and mass media	19,647,098	15,551,276
Consumer marketing	10,688,637	8,015,115
Community programs	3,119,105	2,969,014
Business development programs	4,214,440	5,765,836
National projects (note 16)	7,628,766	6,152,500
	45,298,046	38,453,741
Support costs (note 15)	4,410,482	3,790,544
Depreciation	462,348	337,778
	50,170,876	42,582,063
Excess of revenue over expenditures (expenditures over revenue)	(6,282,270)	1,302,527
Fund balance, beginning of year	29,517,782	28,215,255
<b>Fund balance, end of year</b>	<b>\$ 23,235,512</b>	<b>\$ 29,517,782</b>

See accompanying notes to financial statements.



## Statement of Cash Flows

Year ended October 31, 2022 with comparative figures for 2021

	2022	2021
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue)		
Unrestricted Fund	\$ (87,783)	\$ 1,611,513
Research Fund	(88,203)	199,731
Accounts Receivable Financial Protection Fund	40,722	(4,532)
Marketing and Business Development Fund	(6,282,270)	1,302,527
Items not involving cash		
Depreciation	1,503,185	1,467,889
Gain on disposal of capital assets	-	(18,780)
Amortization of deferred capital contributions	(126,956)	(84,638)
Change in non-cash working capital		
Accounts receivable	(36,877,122)	8,194,315
Quota inventory	204,000	(769,920)
Prepaid expenses	(154,138)	180,981
Accounts payable and accrued liabilities	40,658,518	(5,210,910)
	(1,210,047)	6,868,176
<b>Investing activities</b>		
Changes in investments	2,000,000	-
Purchase of capital assets	(490,837)	(772,296)
Proceeds on disposal of capital assets	-	18,780
	1,509,163	(753,516)
Increase in cash and cash equivalents	299,116	6,114,660
Cash and cash equivalents, beginning of year	57,393,671	51,279,011
<b>Cash and cash equivalents, end of year</b>	<b>\$ 57,692,787</b>	<b>\$ 57,393,671</b>

See accompanying notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

Year ended October 31, 2022

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) Cash and cash equivalents:

Cash and cash equivalents consist primarily of cash on hand and cash balances with banks and other institutions. An investment qualifies as cash and cash equivalents when it has a maturity of 3 months or less from the date of maturity.

#### (d) 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.

#### (e) 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.

**(f) 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. 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

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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.

**(g) 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 websites	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.

**(h) 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.

**(i) 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:

	2022	2021
Fixed income securities	\$ 3,000,000	\$ 5,000,000
Shares of producer co-operative	131	131
Investment in joint venture	41,353	41,353
	\$ 3,041,484	\$ 5,041,484

Fixed income securities are composed of a low volatility principal deposit note, at interest of 0.5% and matures on December 2, 2023 (2021 – two notes maturing December 2, 2022 and 2023).

### (b) Investment income:

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

	2022	2021
Interest income	\$ 1,222,747	\$ 506,053
Allocation to Research Fund	(47,914)	(23,409)
Allocation to Accounts Receivable Financial Protection Fund	(90,438)	(44,386)
Allocation to Marketing and Business Development Fund	(614,281)	(278,475)
	\$ 470,114	\$ 159,783

### (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 2021.

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

			2022	2021
	Cost	Accumulated Amortization	Net Book value	Net Book value
Land	\$ 506,203	—	\$ 506,203	\$ 506,203
Building and building improvements	3,532,143	2,696,519	835,624	938,493
Office furniture and fixtures	908,643	595,689	312,954	314,612
Computer hardware	2,579,135	2,326,164	252,971	200,269
Vehicles	1,206,809	761,028	445,781	390,302
	\$ 8,732,933	\$ 6,379,400	\$ 2,353,533	\$ 2,349,879

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 \$47,207 (2021 – \$51,699), Computer hardware of \$25,117 (2021 – \$31,135) and Building improvements of \$118,714 (2021 – \$129,396).

## 6. Intangible assets:

			2022	2021
	Cost	Accumulated Amortization	Net Book value	Net Book value
Computer software	\$ 4,893,633	\$ 1,619,717	\$ 3,273,916	\$ 3,867,225
Websites	1,268,078	734,238	533,840	956,533
	\$ 6,161,711	\$ 2,353,955	\$ 3,807,756	\$ 4,823,758

Intangible assets are held in the Unrestricted Fund, except for the following, which are held in the Marketing and Business Development Fund: Websites of \$533,840 (2021 – \$956,533).

Included in computer software are assets under construction totaling \$718,411 (2021 - \$718,411) relating to components of the new business software.

## 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.

	2022	2021
<b>Milk</b>		
Sales	\$ 2,756,563,769	\$ 2,496,201,412
Purchases	2,756,585,894	2,496,223,698
	(22,125)	(22,286)
Recoverable from producers, beginning of year	(36,397)	(14,111)
Recoverable from producers, end of year	(58,522)	(36,397)
<b>Transportation</b>		
Recovered from producers	99,383,606	90,621,876
Expenses	99,314,060	90,656,707
	69,546	(34,831)
Recoverable from producers, beginning of year	(73,454)	(38,623)
Recoverable from producers, end of year	(3,908)	(73,454)
<b>Total Recoverable from producers, end of year</b>	<b>\$ (62,430)</b>	<b>\$ (109,851)</b>

## 9. Deferred capital contributions:

	2022	2021
Balance, beginning of year	\$ 804,059	\$ 888,697
Amortization of deferred capital contributions	126,956	84,638
	\$ 677,103	\$ 804,059

These contributions relate to funds received through the Traceability Foundations Initiative (TFI) Contribution Agreement. 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 \$126,956 (2021 - \$84,638). 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:

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

### 12. Other revenue:

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

### 13. Marketing and Business Development:

Market expansion and promotional activities fees remained at \$1.40 per hectolitre.

### 14. Administrative and policy development expenses:

Administrative and policy development expenses are detailed as follows:

	2022	2021
Staff salaries and benefits (i)	\$ 9,778,434	\$ 9,519,674
Assistance from contractors and staff support (ii)	954,130	479,513
Board Members' per diems, allowances and travel, elections (iii)	864,160	680,090
Professional fees	691,601	846,987
Office (iv)	561,765	497,032
Hiring costs, staff travel, and meetings costs	414,805	292,019
Equipment rental and maintenance	406,658	379,028
Insurance	382,129	379,448
Office maintenance, utilities, taxes and rent	249,439	231,765
Communication programs and activities (v)	224,193	344,767
Calibration truck operations	159,429	144,274
	\$ 14,686,743	\$ 13,794,597

- (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 \$502,978 (2021 – \$470,390).
- (ii) 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 \$180,240 (2021 – \$143,760) for the development of the new business software and staff training costs of \$81,357 (2021 – \$61,277).
- (iii) Board members' per diems, allowances and travel include an annual honorarium for the Chair of \$67,155 (2021 – \$65,517), Vice-Chair \$34,248 (2021 – \$33,413), 2nd Vice-Chair \$22,833 (2021 – \$22,276) and other Board Members of \$13,941 (2021 – \$13,601). Board Members were paid per diem rates of \$320 (2021 – \$312) and a half-day rate of \$160 (2021 – \$156). Board Members' travel includes a travel allowance of \$1,680.
- (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:

	2022	2021
Staff salaries and benefits	\$ 1,020,100	\$ 963,989
Office maintenance, utilities, taxes and rent	83,146	77,255
Office expenses	69,405	40,452
	\$ 1,172,651	\$ 1,081,696

## 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 \$1,146,998 (2021 - \$1,149,999) in activity of the Unrestricted Fund, \$268,333 (2021 - \$260,001) in activity of the Research Fund, and \$7,628,766 (2021 - \$6,152,500) in activity of the Marketing and Business Development Fund.

## 17. Research fund:

- Research fees remained at \$0.05 per hectolitre on milk marketed by DFO.
- The Research Fund balance at year end includes an unspent allotment of \$105,599 (2021 - \$113,726) from the Toronto Stock Yards Land Development Fund. Spending of these funds is restricted for research and educational 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:

	2023	2024	2025	2026	2027
Marketing contracts	\$ 10,700,150	\$ 11,235,157	\$ 11,967,788	\$ 13,144,721	\$ 10,546,670
Research commitments	\$ 608,625	\$ 566,250	\$ 408,500	\$ 76,000	\$ —
	\$ 11,308,775	\$ 11,801,407	\$ 12,376,288	\$ 13,220,721	\$ 10,546,670

## 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 of \$45,948. During the course of the year, net costs of \$68,606 (2021 - \$56,232) were expensed in the Unrestricted Fund, and included in accounts receivable at year end are \$376,602 (2021 - \$345,844) due from MUV Inc..



**20. Credit facility:**

DFO's credit facility remains at \$35 million at a rate of prime less 0.8% (2021 – prime less 0.8%). DFO has not drawn on the credit facility as of October 31, 2022 and 2021.

**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.



## LIST OF ACRONYMS

Acronyms are commonly referenced throughout Dairy Farmers of Ontario's (DFO) 2021-22 Annual Report. To assist readers and avoid repetition in the text, the following is a list of these acronyms for easy reference.

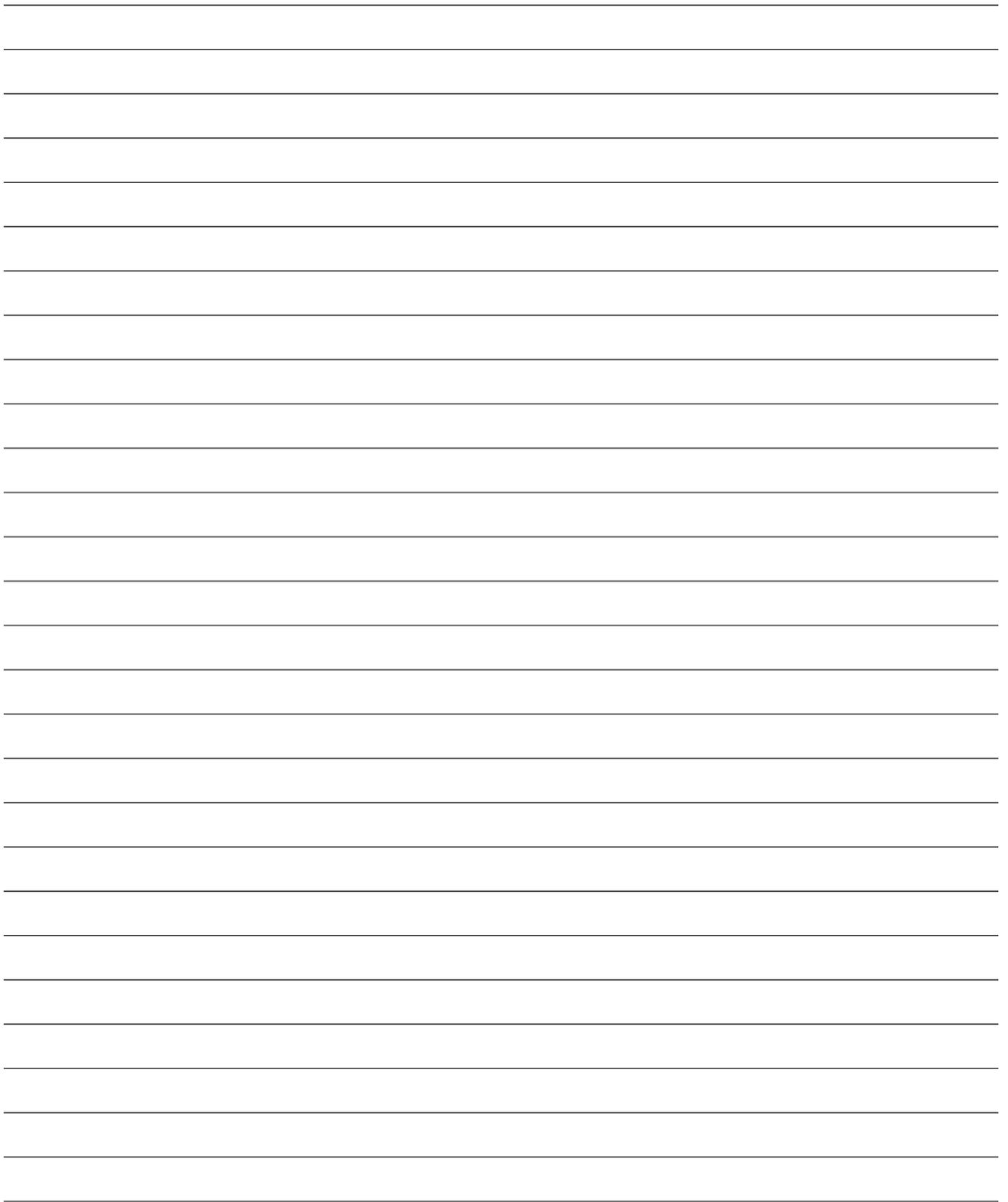
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<b>AFP:</b> Abnormal Freezing Point	<b>HCP:</b> Health Care Professional
<b>AGM:</b> Annual General Meeting	<b>HRI:</b> Hotels, restaurants and institutions
<b>AMR:</b> antimicrobial resistance	<b>MMS:</b> Milk Management System
<b>AMU:</b> antimicrobial use	<b>MTR:</b> Monthly Total Requirements
<b>BTMG:</b> Bulk Tank Milk Grader	<b>MUV:</b> Milk Utilization Verification
<b>Canada-UK TCA:</b> Canada-United Kingdom Trade Continuity Agreement	<b>ODC:</b> Ontario Dairy Council
<b>CAP:</b> Canadian Agricultural Partnership	<b>NEQAP:</b> New Entrant Quota Assistance Program
<b>CDC:</b> Canadian Dairy Commission	<b>NFAC:</b> National Farm Animal Care Council
<b>CETA:</b> Canada-European Union Comprehensive Economic and Trade Agreement	<b>NMP:</b> Nutrient Management Plan
<b>CMSMC:</b> Canadian Milk Supply Management Committee	<b>NPP:</b> New Producer Program
<b>CNE:</b> Canadian National Exhibition	<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>PLQ:</b> Les Producteurs de lait du Québec
<b>DPC:</b> Dairy Producer Committee	<b>RAWF:</b> Royal Agricultural Winter Fair
<b>EFP:</b> Environmental Farm Plan	<b>SCC:</b> Somatic Cell Count
<b>ESMP:</b> Elementary School Milk Program	<b>SCO:</b> School Cash Online
<b>FA:</b> Fatty Acid	<b>SPC:</b> Spring Policy Conference
<b>FFA:</b> Free Fatty Acid	<b>TRQs:</b> Tariff Rate Quotas
<b>FRM:</b> Fall Regional Meeting	<b>USTR:</b> U.S. Trade Representative
<b>FSR:</b> Field Service Representative	<b>WHO:</b> World Health Organization

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