OMAFA & DFO Administrative Agreement

ORGANIZATIONAL OVERVIEW

1. Introduction

Dairy Farmers of Ontario (DFO), in addition to being the regulator and sole delegated authority for the marketing of milk in Ontario, is also the Delegated Authority responsible for administering and enforcing the Designated Legislation, which are the provisions of the *Milk Act*, including provisions of Regulation 761 related to cow's milk. DFO is accountable to the Minister and the Ontario Ministry of Agriculture, Food and Agribusiness (OMAFA), which is responsible for DFO's fulfilment of its Statutory Mandate.

DFO is guided by our mission, vision and values rooted in the foundation of supply management, as well as who we serve (producers, processors, consumers). DFO's mission is to provide leadership and excellence in the production of Canadian milk, and DFO's vision is toward a dynamic profitable growing Canadian dairy industry. Our commitment is to serve with integrity, collaboration and accountability.

Ontario dairy contributes more than $8.7 billion to the province's gross domestic product and supports over 91,000 jobs. Every day more than 10,000 Ontario dairy farmers and their families commit to producing high-quality milk on 3,153 dairy farms across the province, from which more than 3.1 billion litres of milk is delivered to processors every year.

This report will summarize DFO's accomplishments for 2024-25 with regards to its commitment to administer, enforce and meet all provision of Regulation 761 of the *Ontario Milk Act* delegated to them in relation to cow's milk. DFO's stated goal is to consistently meet or exceed all outcomes and measures required as defined in the delegated portions of Regulation 761. This is done to ensure that Raw Milk Quality (RMQ) in Ontario continues to meet the needs of consumers. The provisions pertain to Farm Premises, the Bulk Tank Milk Grader (BTMG) Certification Program, Raw Milk Quality and Sample Testing, Penalty Application and Compliance Hearings.

2. Mandate

Dairy Farmers of Ontario is the regulator and sole delegated authority for the marketing of milk in Ontario. Our accountability to the Ontario Farm Products Marketing Commission and the Ministry of Agriculture, Food and Agribusiness remains steadfast. As the largest sector of Ontario agriculture, we continue to support a dynamic, profitable, growing Canadian dairy industry for the benefit of all Ontario producers collectively.

3. Mission

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

4. Vision

A dynamic, profitable, growing Canadian dairy industry.

5. Values

Leadership: We lead by committing to continuous personal and organizational development.

Respect: We listen, accept differences and work together.

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

Integrity: We are consistent in our actions and values.

Teamwork: We help each other succeed through collaboration.

Fairness: We ensure equitable application of rules and benefits.

Accountability: We hold ourselves and each other responsible for delivering results.

6. Overview of Organization

Dairy Farmers of Ontario is a marketing board incorporated under the *Milk Act* as a not-for-profit organization. It was formed in 1965 as the Ontario Milk Marketing Board and became Dairy Farmers of Ontario in 1995 following the merger of the Ontario Milk Marketing Board and the Ontario Cream Producers' Marketing Board. In 1998, DFO became the sole designated authority to administer and enforce the provisions of the *Milk Act*, including provisions of Regulation 761 related to cow's milk in Ontario.

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7. Nature of Relationship between DFO and OMAFA

In its role as the designated authority responsible for administering the Raw Milk Quality Program as it relates to cow's milk in Ontario, DFO is accountable to the Ontario Farm Products Marketing Commission and the Ministry of Agriculture, Food and Agribusiness. DFO understands and supports OMAFA's responsibilities for oversight of DFO's activities specifically related to the enforcement of Reg. 761.

REPORT ON PERFORMANCE

Period: November 1, 2024 – October 31, 2025

1. Summary of Activities

The following activities were performed by DFO with respect to the administration and enforcement of the Designated Legislation and the exercise of regulation-making powers delegated to the Authority under section 19.1 of the *Milk Act* (currently described in O. Reg. 143/98) during the previous fiscal year:

Activities	Completed No.
Grade A inspections (initial and follow-up)	2,349
Inspections on tank trucks	240
Certification of BTMG New Certificates Recertification	 63 71
Evaluation of BTMG (routine & apprentice)	107 + 62 = 169

2. Financial Summary

As part of the audited financial statements of the Administrative Authority for the previous fiscal year, a specification of:

A: the total dollar amount received from milk quality penalties under section 55 of Regulation 761, or any successor legislation; &

B: the total dollar amount received from other fees, charges, penalties or costs established under section 19.1 of the *Milk Act*:

A. RMQ Penalties	
Bacteria	$97,685
Inhibitor	202,929
Abnormal Freezing Point (AFP)	61,293
Somatic Cell Count (SCC)	210,084
Subtotal	$571,991
B. Grade A	
Non-Grade A (NGA)	$124,242
Farm Inspection Fee*	62,000
Subtotal	186,242
TOTAL	**$758,233**

Note: *A farm inspection fee of $250 is charged for any additional inspection required over and above the routine bi-annual or a required reinstatement inspection.

C: the total costs of testing loads of milk for inhibitors:

Test	Cost of testing loads ($)
Inhibitors	$2,104,891

Note: All loads of milk are pre-screened for inhibitors prior to being accepted by a processor. DFO supplies tests kits to 75 processors for this purpose.

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D: the total losses from disposal of loads of milk for reasons related to non-compliance under the *Act*:

Reasons for disposal of loads	Total losses (L)
Inhibitors*	603,628
Quality**	468,386
TOTAL	**1,072,014**

Note: *Loads of milk that pre-screened positive for inhibitors and were rejected by the processor. These loads are not marketed and are disposed of.

**All loads are subject to grading by a Plant Milk Grader prior to unloading. Grading is done by sight and smell. Any rejection based on sight or smell is considered a quality rejection. Reasons for a quality rejection (as outlined in Regulation) include foreign matter, butter balls, high temperature, malty, rancid or other.

E: the total direct expenses incurred in administering and enforcing the Designated Legislation and exercising any regulation-making powers delegated under subsection 19.1 of the *Milk Act*:

Direct costs in support of administering and enforcing the Designated Legislation (inclusive of inhibitor screening costs) was $2,171,545 (2024 – $2,151,808).

Cost for sample transportation, sample management, sample supplies, and laboratory testing (after reduction for cost sharing with partners) was $2,774,798 (2024 – $2,201,821). OMAFA's contribution to the items through the Dairy Testing and Transport Funding Agreement is $458,160 (2024 - $458,160). Capital investments consisting of sample fridges and Time Temperature Recorders to support this activity was $91,685 (2024 – $56,028).

3: Performance Measures

A: Performance Statistics

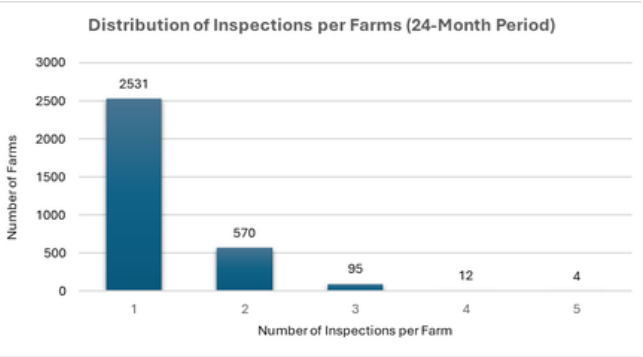
(1) Enforcement of Regulation 761

DFO conducts Grade A inspection to ensure compliance with *Milk Act* requirements. Appointed field persons conduct farm inspections at least once every two years. Inspections are performed more frequently as necessary to ensure consistent and continued compliance with regulatory requirements. In the 24-month period ending October 31, 2025, DFO completed 4,024 initial inspections, ensuring that 100% of Ontario's 3,212* licensed dairy farms received at least one inspection. Some farms received multiple inspections based on risk, history, and program requirements. This approach supports continued compliance with OMAFA oversight expectations and maintains a strong regulatory framework for milk quality and safety.

Period: November 1, 2023 - October 31, 2025

Item	Count
Total # of farms in the last 24 months	3,212*
Total initial inspections completed (24 months)	4,024
Average inspections per farm	1.25

*In October 2025, the number of active farms was 3,147. However, this inspection summary covers a 24-month period, during which some farms entered or exited the system. The total of 3,212 farms reflects the cumulative number of farms that required at least one inspection during the full 24-month reporting period.



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(2) Staff Training
DFO's goal is to conduct two training sessions per year for Field Service Representatives (FSRs). These sessions are designed to provide technical training to ensure FSRs are able to provide raw milk quality troubleshooting services to Ontario dairy producers.

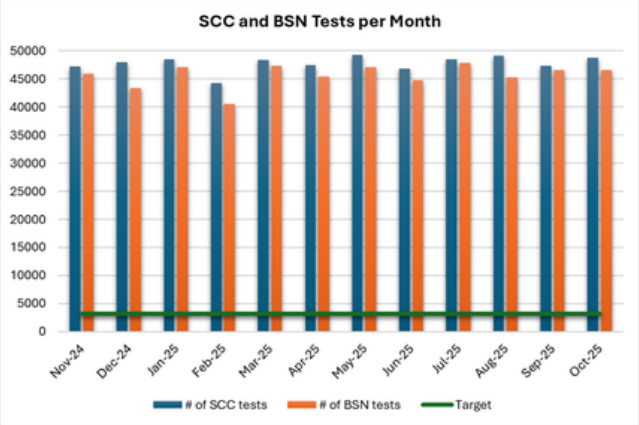
Date	Location	Topic
November 12-14, 2025	Mississauga, ON	Raw Milk Quality
May 21-22, 2025	Waterloo, ON	Raw Milk Quality
June 10-12, 2025	Kingston, ON	Raw Milk Quality

(3) Milk Testing and Sample Transportation

Sample Type	Requirement		Actual Completed	Target Achieved
SCC	1 per producer per month	37,764*	573,546	100%/ Exceeded
Bacteria	1 per producer per month	37,764*	547,561	100%/ Exceeded

*Requirement = 3,147 producers X 12 months = 37,764.

Milk quality and safety remain core priorities for DFO. To ensure the highest level of oversight, DFO conducts SCC and bacteria testing on every milk pickup, far exceeding the regulatory requirement of one test per producer per month. This enhanced testing approach is supported by expanded laboratory services that provide reliable, continuous monitoring of milk quality for all producers. By testing each pickup, DFO maintains strong quality assurance across the entire industry and ensures that milk entering the supply chain consistently meets the highest standards.



BTMG Certification and Re-Certification

Training Type	No. of Courses	No. of BTMGs Trained
New Certification	5	63
Recertification	11	71

A BTMG must complete a performance evaluation and pass a written and grading examination before a certificate is issued or renewed. Certificates are issued for a five-year period. DFO is committed to providing an adequate number of certification and recertification courses each year to address demand. The 16 courses in 2024-25 provided training and ensured that all BTMGs and candidates that applied had access to a course.

(4) Tank Truck Inspections (2024)

Inspection Type	No.
Full	236
Spot-Check	4

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To ensure trailers used to transport milk to processors are clean and well-maintained, DFO has a Tank Truck Inspection program that inspects trailers annually. There is no set frequency defined in the regulation with regards to Tank Truck Inspections, however, DFO views this as an important part of quality control.

In 2024, 79 per cent of the trucks were inspected. Out of the 63 trucks not inspected were 12 in Northern Ontario and 51 in Eastern Ontario. The inspection site in Eastern Ontario closed in 2023. The lack of an inspection site in the North and East makes it difficult to have these trucks inspected. In 2025, DFO will be conducting spot checks in Eastern Ontario.

B: Review of Legislation, By-Law and Policy Changes
There was one change made to DFO's "Raw Milk Quality Program Policies" booklet between November 1, 2024, and October 31, 2025. Effective December 1, 2024, the underlined provision was added:

Section A: Provincial Raw Milk Quality Program
2.2.5. Consequences if violative levels of inhibitors or foreign matter contamination are found

A producer(s) will also be responsible for all losses and costs of a load not marketed due to the presence of foreign matter, and will not be paid for the milk shipment, if the bulk tank sample is found to contain foreign matter. Excess water shall be considered foreign matter.

Explanation: DFO identified the need to clarify that, although water is a normal component of milk, excess or added water is not and should be considered as foreign matter with regards to milk quality. The previous foreign matter policy did not specifically define excess water as foreign matter. As such, historically there had been loads of milk with excess water that caused tank and/or silo rejections. In those situations, the offending producers may not have been liable for costs due to the lack of definition of excess water. This edited policy allows DFO to apply consequences in situations where a producer has caused a loss. A possible cause of excess water in milk is when bulk tank wash-water does not drain properly.

C: French Language Services
DFO has 97 French producers. This represents 3.08 per cent of producers. These producers receive all correspondence and services in French. Additionally, all programs and policies DFO provides are available in both official languages.

D: Complaint Handling Process
Any complaints regarding DFO's application of the legislation or challenge to a decision of the Director of Regulatory Compliance (DRC) are ultimately appealable to the Agriculture, Food and Rural Affairs Appeal Tribunal. Prior to that, however, DFO attempts to ensure that complaints and challenges are addressed in an efficient and logical manner in order to de-escalate and resolve issues, if possible, prior to the Tribunal process being initiated. Producers wishing to challenge a result or decision may do so by submitting a written challenge to DFO. The DRC will initiate an investigation based on the challenge. Depending on the nature of the challenge, the investigation could involve sample logistics, Time Temperature Recorder (TTR) data, University of Guelph Lab Services, Bulk Tank Milk Graders, DFO staff and Field staff. The purpose of the investigation is to verify if proper procedures were followed or if there are any grounds to allow the Director to confirm, vary or rescind a sample result or decision.

In situations where a complainant is likely to contact the Minister, DFO would advise OMAFA staff.

There was one significant producer challenge in 2024-25, which may escalate to the appeal process. DFO advised OMAFA staff of the circumstances of this case and the likelihood of escalation.

There was also one specific legal matter before the DFO Board that was not specifically related to Raw Milk Quality, however, in the spirit of knowledge sharing, OMAFA staff were advised by the DRC.

Additionally, there is one outstanding appeal from 2023-24 that has not yet been heard by the Farm Products Marketing Tribunal. This case is scheduled for early 2026 and OMAFA staff have been advised of the particulars.

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The following Challenges were received between November 1, 2024 - October 31, 2025. Each submission received an acknowledgement letter followed by a decision letter following the investigation.

Challenge Category	No. of Challenges	No. Granted	No. Denied
Inhibitor	1	0	1
Composition	2	2	0
Freezing Point	5	2	3
NGA	0	0	0
BSN	6	2	4
SCC	2	0	2
Other	0	0	0
TOTAL	**16**	**6**	**10**

Complaints that may impact dairy plants are investigated by Field Staff on farm to attempt to identify the source of the issue and correct it. The following rejected loads were investigated this year:

Reasons for Rejection	No. fron Nov. 2024 to Nov. 2025
Butter balls	2
Foreign matter	38
High temperature	6
Malty	2
Rancid	0
Other	3
TOTAL	**51**

E: Accessible Goods, Services, or Facilities
Dairy Farmers of Ontario is committed to excellence in serving all customers including people with disabilities. Our policy is based on the principles of independence, dignity, integration and equal opportunity for our customers.

Assistive Devices
We will ensure that our staff are trained and familiar with various assistive devices that may be used by customers with disabilities while accessing our goods or services (i.e. wheelchair lift, accessible entrance door, accessible washrooms on the ground floor).

Communication
We will communicate with people with disabilities in ways that take into account their disability.

Service Animals
We welcome people with disabilities and their service animals. Service animals are allowed on the parts of our premises that are open to the public.

Support Persons
A person with a disability who is accompanied by a support person will be allowed to have that person accompany them on our premises.

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Training for Staff
Dairy Farmers of Ontario provides training to all employees who deal with the public.

Last year DFO received zero inquiries or requests to provide accommodation for a member of the public to access goods, services or our facilities.

F: Corporate Governance
Information on Corporate Governance is available on the DFO website www.milk.org.

Board of Directors	https://new.milk.org/About-Us/Our-Team
Election & Appointment Process	https://www.ontario.ca/laws/regulation/760
Board Committees	The site lists specific committees, including: • Governance Committee • Audit Committee • Markets & Allocation Committee • Quota Committee • Research & Development Committee • Transportation Committee • Ontario Advisory Committee for Milk • P5 Quota Committee https://new.milk.org/About-Us/Our-Team
Code of Conduct	https://new.milk.org/PDF/Code-of-Conduct.pdf
Organization Chart	https://new.milk.org/PDF/Organization-Chart.pdf
Board Members & Biographies	Our Team - Milk
Board Executive Officers	https://new.milk.org/Industry-News
Head Office Contact	https://new.milk.org/Contact-Us

G: Financial Statements and Notes
Available as part of the DFO Annual Report published December 30, 2025, and available on the DFO website. www.milk.org.

H: Risk Management Plan
Dairy Farmers of Ontario has a process to identify, assess, and manage risks that may affect the organization's ability to achieve the objectives of the RMQ program. This process protects and serves all stakeholders and the public, mitigating risks, ensuring proactive control, and keeping identified risks at an acceptable level.

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At a high level, the DFO Risk Management Strategy (RMS) is driven by a top-down approach, and the DFO Board has ultimate responsibility for it:

- The DFO Board of Directors provides oversight of the organization's RMS and has established subcommittees, including the DFO Quality Assurance Committee, DFO Audit Committee, and DFO Governance Committee.
- The Board Subcommittees provide an avenue for reviewing information and for sound, reasoned policy development.
- The DFO Board of Directors ensures that policies and procedures are aligned across the organization's divisions, ensuring organizational consistency.
- The DFO Board of Directors has been receiving Training and Development in governance and risk management, with a specific focus on Enterprise Risk Management (ERM). This training included important Risk Principles, including Risk Takers, Risk Sensitive, Forward-Looking, New Opportunities, and Risk Appetite.

During the past year, DFO enterprise-wide risks were within tolerance, with many seeing mitigation actions by DFO to further reduce the risk. In the case where a risk was to exceed tolerance, DFO would advise OMAFA as soon as they were aware as it typically would do for other matters related to the administrative agreement.

When considering the RMQ program, the relevant DFO mitigation strategies are as follows:

Category	Mitigation Strategies
Addressing Industry Related Risks including foreign animal disease	• ·In 2024, 50 DFO employees participated in and successfully completed the IMS 100 – Introduction to Incident Management training offered by Fitzgerald & Co. and in 2025, four employees completed IMS 100 training and one DFO employee completed the IMS 200 training. • DFO has coordinated an IMS 200 – Basic Incident Management System for Initial Response training to select employees in Q1 of 2025-2026. • DFO team members continue to engage in industry committees that aim to coordinate responses in the case of a foreign animal disease or other industry emergency. • DFO participates in research initiatives which aim to identify solutions if an emergency were to occur. • In the event of an emergency, DFO would work with the appropriate municipal, provincial and federal entities to coordinate the response.
Ensuring Regulatory Compliance through Inspection, Investigation and Education	• DFO conducts regular and proactive inspections which meets and exceeds the requirements set out in the administrative agreement. • DFO reports at least annually to OMAFA on activities and advises OMAFA on adverse events on a proactive basis. • DFO provides education on the program to producers and industry through our communications channels including the Milk Producer magazine. • As a new initiative this year, DFO organized equipment dealer training which included troubleshooting on-farm quality issues and an overview of DFO RMQ activities.

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Category	Mitigation Strategies
Effective Succession Planning to ensure HR capacity and continuity of operations	• At an organizational level, succession plans are in place and incorporated into the DFO Strategic Plan. • All DFO policies (including corporate and HR) are in place and reviewed regularly. • All DFO team members undergo yearly evaluation through the Performance Management Program (PMP). • DFO supports DFO team and Board member development through training and development opportunities to ensure continued professional growth. • DFO maintains a comprehensive schedule for Field Services coverage.
Mitigating Financial Risk through possible reduction in revenues	• DFO maintains an operational surplus in their general fund with appropriate minimum, target, and maximum values to ensure ongoing business activities in the case of a reduction in revenues. • DFO Board has oversight and approves reports of financial status through the DFO Audit Committee.
Assessing Data Governance through proactive review of policies and practices	• DFO has cyber liability insurance and appropriate risk management in place to prevent breaches or interruption in service. • Critical data (including quality, and composition) is backed up (both through DFO and our Official Laboratory). • DFO has verified that the Official Laboratory has an emergency response plan ensuring on-going sample testing.