The past year delivered unprecedented challenges. The COVID-19 pandemic was, and continues to be, a powerful reminder of the strength of the Canadian dairy system in harmonizing food production with the fluctuating demands of the marketplace. Dairy producers maintained their collective commitment to producing high quality milk and the industry evolved to ensure the continuity and stability of the dairy supply chain for Canadian consumers.

DFO progressed in-line with the defined goals of our Strategic Plan, driving operational efficiency and building a focus on sustainability – always mindful of our goal to build consumer confidence in local dairy as an inspired food choice.
220 trucks transporting milk in Ontario

3,071,319,615 litres of milk shipped in 2019-20

4.1% YOY increase in fluid milk market on a volume basis

1,126,194 servings of milk were provided through DFO’s Breakfast Program

1,037,000 litres of milk donated by local dairy farmers to Ontario food banks

75 dairy processing plants in Ontario

$2,433,534,340 farmgate value of milk sales

14,598,312 servings of fresh milk delivered to Ontario schools via the Elementary School Milk Program

10,000+ Ontario farmers and families are supported by their dairy farms

1,037,000 litres of milk donated by local dairy farmers to Ontario food banks

3,351 dairy farms in Ontario

10,000+ Ontario farmers and families are supported by their dairy farms

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75 dairy processing plants in Ontario

3,351 dairy farms in Ontario

4.1% YOY increase in fluid milk market on a volume basis

3,071,319,615 litres of milk shipped in 2019-20

$2,433,534,340 farmgate value of milk sales
99% of Ontario producers are registered in the proAction program.

128 veterinarians across Ontario were trained as proAction advisors.

In spite of unprecedented supply chain fluctuations, P5 dairy farmers met 99% of their quota requirements, right-sizing supply with market demand.

DFO donated $100,000 and an incremental 200,000 litres of milk during the COVID-19 pandemic, supporting 500,000 Ontarians in need.

102,696 loads of milk delivered across Ontario.

2,287 schools participated in the Elementary School Milk Program (ESMP) across Ontario.

2,287 schools participated in the Elementary School Milk Program (ESMP) across Ontario.

80 organic-certified producers.

15 new producers entered the dairy industry through the NPP and NEQAP programs.

99% of Ontario producers are registered in the proAction program.

2.3% increase in Raw Milk Quality Certificates issued.

102,696 loads of milk delivered across Ontario.

2,287 schools participated in the Elementary School Milk Program (ESMP) across Ontario.

80 organic-certified producers.

15 new producers entered the dairy industry through the NPP and NEQAP programs.
MISSION STATEMENT
To provide leadership and excellence in the production and marketing of Canadian milk.

VISION STATEMENT
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. They include:

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

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

Respect – We listen, accept differences and work together.

Integrity – We are consistent in our actions and values.

Teamwork – We help each other succeed through collaboration.

Fairness - We ensure equitable application of rules and benefits.

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

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68 2021 STRATEGIC PRIORITIES AND GOALS
The past year brought with it a new frontier of challenge, testing the strength of our Canadian dairy system and industry leadership. The system worked to its design, balancing supply against near constant fluctuations in demand, to deliver where Canadians needed us the most.
The last year has been one of many firsts.

The COVID-19 pandemic severely tested the strength of Canada’s supply chain in unforeseen and unprecedented ways. The ripple effects of the virus led to logistical challenges and shortages of priority commodities and supplies across the country and around the world.

While there is no minimizing the ongoing suffering and toll of this pandemic on people, businesses and economies around the world, there have been some encouraging signs for the future. Ontario’s dairy farmers responded to dramatic shifts in consumer demand as the pandemic forced a return to the basics, which for the first time in my dairy career, showed growth in fluid milk sales. As a farmer, I was inspired by the never-before seen collaboration and real-time solutions offered across the industry and I was proud to witness the strength and resilience of our supply management system when it was put to the test.

Through all of this, we continue to improve milk quality and dairy farming excellence. In August, new requirements for the proAction program’s environment module were approved by Dairy Farmers of Canada’s (DFC) Board, and, as we closed the year, 99 per cent of Ontario farms registered under the program.

Then, when dairy farmers began hearing the call for help from families across the province, an additional donation of $100,000 and 200,000 litres of incremental milk to Feed Ontario along with the over 1 million litres donated to food banks annually with our partners at the Ontario Dairy Council (ODC) and the Ontario Milk Transport Association (OMTA) was made.

The last year was also one of evolution. The implementation of the Canada-United States-Mexico Agreement (CUSMA) saw a completion to work with our industry partners to make the necessary changes to our system. The new national P10 Pooling Agreement was a landmark development that will enable the fair sharing of revenues and markets across Canada. Perhaps the greatest dividend of a P10 Pooling Agreement will be a unified industry working together to address the challenges presented by the pending global trade agreements.

On behalf of DFO’s Board of Directors, I would like to thank every dairy family in Ontario for their agility and hard work in meeting the year’s challenges and rising to its opportunities. We thank you for your trust and support as we continue to represent the interests of Ontario’s dairy farmers and actively work to evolve and strengthen Ontario’s dairy system.
In a year of uncertainty, Ontario’s dairy farmers found a way to stabilize and even thrive. It has been challenging and rewarding.

When we left the 2020 Spring Policy Conference on March 15, we headed into a new world of lockdowns, remote work, school cancellations, health and safety protocols, supply chain disruptions and grocery store line-ups. Since then, DFO’s business operations have pivoted from crisis response to a new ‘business as usual,’ and while so many aspects of our current situation are unfortunate and difficult, I’m proud of how the team seized the opportunity to prove our agility, demonstrate accountability and show our commitment to our partners.

Our IT team moved swiftly to ensure Board and staff could work remotely and producer services were uninterrupted. Our marketing plans pivoted to digital efforts that capitalized on the mass consumer switch to in-home everything. We boosted the frequency of communication to producers and immediately increased collaboration efforts with our national partners to map a way forward together. Our dialogue with government and cross-commodity partners helped plan for contingencies. We reviewed DFO processes, budgets and spending priorities to ensure the business moved forward in a fiscally responsible way.

Moving the business forward into 2021 means setting ambitious goals which exercise new muscles and reward innovative thinking. Our strategic plan is focused on growth of 2.5 per cent, with work laddering-up in five areas: production, pricing, demand, stewardship and organizational effectiveness. What does this work look like? We will increase the effectiveness of the milk allocation system and look at quota policies to enhance production management. We will continue to review internal governance and look at ways to increase productivity through technology. We will invest in growing and protecting our domestic market by promoting innovation in the dairy market, maintaining high milk quality and pushing for tighter border controls. We will continue to educate consumers on dairy nutrition and build consumer confidence while taking action on sustainability, and we will promote diversity and inclusion in the industry. You can read the details in the 2020-21 Strategic Plan on page 68.

The 2019-20 annual report is a story of strength, quality and evolution. The strength of our team, our system and our industry. The quality of the work we do day-in and day-out, through crises, market fluctuations and trade concessions. And the evolution of the way we think about our business, milk’s place in the hearts and minds of Canadians and our dairy system.

Our collective achievements over the last year have been accomplished in the face of global events which have forced a shift in so many areas of our business. As we look ahead to 2021, I am optimistic and remain committed to shared success.
1. **Bart Rijke**  
Ottawa-Carleton, Glengarry, Prescott and Russell

2. **Nick Thurler**  
(Vice-Chair)  
Dundas, Ottawa-Carleton and Stormont

3. **John Wynands**  
Frontenac, Grenville, Lanark, Leeds and Renfrew

4. **Adam Petherick**  
Hastings, Lennox & Addington, Northumberland and Prince Edward

5. **Don Gordon**  
City of Kawartha Lakes, Durham Region, Peterborough and York

6. **Bonnie den Haan**  
Dufferin, Peel, Simcoe and Wellington

7. **Albert Fledderus**  
Brant, Haldimand, Halton, Niagara, Norfolk and Wentworth

8. **Murray Sherk**  
(Chair)  
Oxford and Waterloo

9. **Vicky Morrison**  
Elgin, Essex, Kent, Lambton and Middlesex

10. **Henry Wydeven**  
Huron and Perth

11. **Mark Hamel**  
(2nd Vice-Chair)  
Bruce and Grey

12. **Steve Runnalls**  
Northern Ontario and Haliburton
Rey Moisan – Chief Financial Officer / Arlene Minott – General Counsel and Corporate Secretary
Cheryl Smith – Chief Executive Officer / Patrice Dubé – Chief Economics and Policy Development Officer
Shikha Jain – Chief Strategy and Administrative Officer
2019-20 HIGHLIGHTS

DFO develops a strategic and operational plan annually that reflects the organization’s strategic priorities, goals and objectives. Highlights of DFO’s fiscal achievements for 2019-20 include the following, with more detail in subsequent sections of the annual report:

Government Relations, Policy & Trade

- CUSMA entered into force on July 1, 2020. CUSMA will provide access equivalent to 3.9 per cent of Canadian milk production. The access provided by the three trade deals (CUSMA, CPTPP and CETA) amounts to more than eight per cent of Canadian milk production, with an estimated $450 million impact to producer revenues per year.
- In August 2019, the government announced a $1.75 billion compensation package to be paid out over eight years to mitigate the market losses related to CETA and CPTPP; $345 million was paid out in December 2019.
- The CMSMC has approved several initiatives over this fiscal year to help mitigate market impacts of COVID-19. The Canadian Dairy Commission (CDC) credit line, which was increased from $300 to $500 million annually by the federal government, was instrumental in financing the initiatives.
- The new national P10 Pooling Agreement was a landmark development that will enable the fair sharing of revenues and markets across Canada.

Milk Quality & Production Practices

- In 2020, a Raw Milk Quality Certificate was issued for 47.9 per cent of all producers. This is 2.3 per cent higher compared with the number of certificates issued in 2019.
- The provincial SCC weighted average in the 12-month period ending July 2020 was at 200,000 cells/mL or less during nine out of the 12 months.
- As of Oct. 31, 2020, 99 per cent of Ontario producers were registered under proAction.
- Following SPC, the Board considered DPC feedback and approved DFO’s proAction licence suspension policy which was announced in July 2020. The policy will take effect on Jan. 1, 2021.
- The number of SCC, bacteria, AFP and non-Grade A penalties decreased in the 12-month period ending October 2020, compared to the previous year.

Research

- DFO is exploring the feasibility of using milk silos to store milk on dairy farms. It is also working with the Ministry of Agriculture, Food and Rural Affairs (OMAFRA) to seek regulatory changes to allow milk measurement, collection and sampling from milk silos.
- The Dairy Cattle Health Research Chair’s research focuses on important aspects of dairy cattle health, welfare and biosecurity, including infectious diseases (Johne’s Disease, bovine viral diarrhea, leukosis), mastitis and on-farm milk quality, antimicrobial use and resistance (AMU and AMR), biosecurity (targeted at diseases of importance), locomotion (with focus on welfare and genetic improvement), metabolic diseases (ketosis) and reproductive health and efficiency.

New Marketing Initiatives

- DFO kicked off 2020 with the first iteration of the Milk & Cookies campaign, with the support of dairy processors, retailers and Mondelēz Canada (Oreo cookies) to help raise funds for SickKids and other Ontario children’s hospitals.
- In April 2020, DFO launched the Savour Ontario at Home social media campaign. This program ran throughout the spring and summer, growing key partnerships and bolstering this new brand with consumers.
- In July 2020, DFO initiated its first ever Customer Relationship Management (CRM) email and coupon program in conjunction with DFO’s business development initiatives.

Awards

- Milk Producer is once again a recipient of three 2020 APEX Awards. The magazine was awarded with a Grand Award - Magazines, Journals and Tabloids for the May 2019 issue, Award of Excellence - Feature Writing for the December 2019 cover story entitled “Small hearts believe big this holiday season” and Award of Excellence - Design and Layout for the November 2019 cover story layout.
- In recognition of DFO’s ongoing commitment to ending hunger, Feed Ontario announced DFO as a recipient of the Paul Memorial Award for 2020. DFO has supported food banks through Feed Ontario for the past 25 years. The award was presented on Nov. 14, 2020 at Farm & Food Care Ontario’s Virtual Harvest Gala.
QUALITY WITHOUT COMPROMISE

Canadian milk is produced to some of the highest standards in the world. Under the Canadian dairy system, even when faced with enormous pressure, dairy producers were able to deliver without compromising the quality and continuous improvement that define our industry.
ECONOMICS & POLICY DEVELOPMENT

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

Markets

Market Requirements

National total requirements have decreased by 0.1 per cent for the 12-month period ending October 2020. This compares to a total increase of 0.4 per cent in national supply for the same 12-month period.

P5 fluid quota decreased by 0.5 per cent, industrial milk requirements increased by 0.6 per cent and DIP requirements increased marginally to represent 0.1 per cent of total P5 quota during the dairy fiscal year. Total quota increased by 0.3 per cent over the past fiscal year based on the monthly total quota calculation for the 12-month period ending October 2020.

Total quota based in the Western Milk Pool (WMP) decreased by 0.3 per cent for the 12-month period ending October 2020. This was a result of a 1.9 per cent decrease in fluid BF requirements and a 0.7 per cent increase in industrial milk requirements.

Production

The P5 filled 99 per cent of its quota during the 2019-20 fiscal year. This was a result of quota-limiting policies implemented in spring 2020 to reduce production in the short term, which addressed issues with processing capacity and volatility in the market due to COVID-19. Quota is determined using a monthly calculation to ensure it is immediately aligned with current requirements. Under the monthly quota calculation, pools are penalized only if the national pool is above 1.25 per cent or below minus two per cent. The pool, or pools, responsible for the penalty are then determined and the penalty is based on the pools’ contribution to the national pool being outside tolerances. If a pool contributed to the national pool being over quota, it has six months to pay back the quantity of overproduction by under producing before a financial penalty applies. The national pool cumulative difference, or the pool credit position, was -2.02 per cent at the end of October 2020. The P5 pool’s cumulative difference was 1.77 per cent at the end of October 2020. The national pool was below the lower limit of two per cent, and there was a small adjustment for lost production credits as a result.

Sales for the retail market were very strong as of March 2020. The fluid market on a volume basis has experienced increases of 4.1 per cent on an annual basis. This is the first time in many years sales for fluid milk have increased at the retail level. Retail cream sales were up 11.3 per cent during the 2019-20 fiscal year; however, since retail is not the main market for cream, these increases have not offset declines in demand from food service. Butter sales increased by 13.1 per cent for most of the year. Cheese classes have also grew last year, with the entire category up 8.6 per cent. These retail market gains have been offset to some extent by declines in demand from hotels, restaurants and institutions. Yogurt also increased by 1.3 per cent over the fiscal year. Retail sales of dairy products are expected to remain strong.

In Ontario, production was 2.7 per cent higher than the last fiscal year on a volume basis. The fill rate in producer quota increased substantially in the fall with the elimination of the credit limitation and fall incentives which were issued. However, with the zero-day credit limitation in April and the two per cent quota decrease in May, production was reduced quite significantly in response to market changes. P5 producers had a credit position of -9.5 days in July 2019, which decreased to -11.2 days by the end of October. In Ontario, the credit position was -10.1 days in July 2019 and increased to -7.7 days by the end of the 2019-20 fiscal year, despite the credit limitation policy that was in effect from April to June.

Butter Stocks

At the end of October 2020, total industry butter stocks held by processors and the CDC were 27,600 tonnes. The P10 target for normal stocks is between 32,000 and 38,000 tonnes for July. Under the monthly quota reconciliation, pools that contribute to stocks being more than 40,000 tonnes or below 30,000 tonnes will have their quota adjusted. This reconciliation was not necessary this year since stock levels were considered normal. This is despite the additional stocks that were accepted during COVID-19 to help with milk supply and is a decline from butter stocks held in October 2019, of 31,800 tonnes.

Cheese Stocks

At the end of October 2020, total cheese stocks were 97,850 tonnes. This was a drop of more than 10,000 tonnes compared to stocks held in October 2019, of 107,900 tonnes. There was a decline despite the purchase of additional cheese stock through the stock program introduced to help with milk surplus as a result of COVID-19 in the spring.
HOW MILK IS USED

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLUID</td>
<td>30,337,883 kilograms of butterfat</td>
<td>24.4%</td>
</tr>
<tr>
<td>DIP</td>
<td>16,356 kilograms of butterfat</td>
<td>0.01%</td>
</tr>
<tr>
<td>MSQ</td>
<td>93,887,243 kilograms of butterfat</td>
<td>75.4%</td>
</tr>
<tr>
<td>DEP</td>
<td>300,268 kilograms of butterfat</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Pricing

The Feb. 1, 2020, milk price adjustment took into account the advance provided from the September 2018 adjustment. The calculation was based on the entire period from September 2017 to August 2019. Overall, the increase in Consumer Price Index (CPI) was 4.02 per cent, and the increase in COP was 7.85 per cent, for a total adjustment of 5.93 per cent, based on the pricing formula of 50 per cent change in CPI and 50 per cent change in COP. After the September 2018 adjustment which covered this period, the net increase for February 2020 is 1.93 per cent. This translates into an increase of about $1.47 per hL, or 1.8 per cent, in the P5 producer blend price.

Final COP results, which have been indexed to August, shows a decrease in the national COP of 0.65 per cent. The decline has been mainly influenced by the decline in feed and fuel costs in the first half of 2020. The national pricing formula is 50 per cent based on the change in COP and 50 per cent based on the change in CPI. The CPI increased by 1.15 per cent. Based on these results, the national pricing formula showed an increase of 0.25 per cent. However, because of various factors, including the pandemic, the usual pricing formula was not applied. The CDC instead held consultations and announced a two per cent increase in the price of milk for Feb. 1, 2021.

For the 12-month period ending October 2020, the within-quota component prices paid to Ontario producers averaged $10.7267 per kg for butterfat, $8.2709 per kg for protein and $1.5239 per kg for other solids ($79.32 per hL at the Ontario average composition). There was a one per cent increase in the producer blend price compared with the previous fiscal year, at a consistent composition.

On the world market, the price of SMP had been increasing to recent highs at the end of 2019 and the beginning of 2020. However, the pandemic and impact on markets, including the ability to export to China, caused a significant drop in the prices of dairy products this spring. Since then, the price of SMP has been slowly recovering as demand increases and markets start to recover.

PRODUCER RETURNS AND DEDUCTIONS ($ PER HL)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average gross per hectolitre</td>
<td>$78.490</td>
<td>$79.230</td>
</tr>
<tr>
<td>Deductions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>$2.735</td>
<td>$2.778</td>
</tr>
<tr>
<td>Market Expansion Fee</td>
<td>$1.500</td>
<td>$1.500</td>
</tr>
<tr>
<td>Administrative Licence Fee</td>
<td>$0.0625</td>
<td>$0.0625</td>
</tr>
<tr>
<td>CanWestDHI</td>
<td>$0.060</td>
<td>$0.060</td>
</tr>
<tr>
<td>Research</td>
<td>$0.050</td>
<td>$0.050</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>$4.970</td>
<td>$5.013</td>
</tr>
<tr>
<td>Average Net Price Per Hectolitre</td>
<td>$73.520</td>
<td>$74.217</td>
</tr>
</tbody>
</table>

* Within quota calculated using average Ontario component tests. Does not include Butterfat Premium paid to within SNF-Ratio Producers.
**Deduction rates shown are weighted averages where rates changed during the year.
Cheese prices have been greatly influenced by the pandemic. The drop in demand from food service caused a significant decline in the cheese price initially. The U.S. introduced a government buyback program to purchase additional product; however, this program, combined with the recovery in food service, caused prices to increase rapidly. The expectation is government buyback will slow in the coming months. The food service industry may also experience declines in the coming month. This will result in much more volatility in prices for these products.

Whole milk powder demand has been relatively strong from China, which has helped offset some of the other declines in market, especially for Oceania. Milk production is increasing in both Europe and the U.S.; however, demand for cheese and butter could be impacted by food service demand and the impacts of a recession in the coming months. Dairy product prices recovered since the very low prices seen earlier in 2020 however, some volatility is expected going forward due to uncertainty in demand.

There is no immediate threat of a potential tariff wall breach at current price levels.

### WORLD MARKET PRICES FOR DAIRY PRODUCTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
<td>4,600</td>
<td>4,800</td>
<td>4,100</td>
<td>3,780</td>
</tr>
<tr>
<td>SMP</td>
<td>2,300</td>
<td>2,400</td>
<td>2,900</td>
<td>2,400</td>
</tr>
</tbody>
</table>

**Effective Tariff Protection**
- Butter: 183%
- SMP: 104%

### WORLD MARKET PRICES FOR DAIRY PRODUCTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>3,300</td>
<td>3,700</td>
<td>4,100</td>
<td>4,900</td>
</tr>
<tr>
<td>Effective Tariff Protection</td>
<td>32%</td>
<td>46%</td>
<td>61%</td>
<td>94%</td>
</tr>
<tr>
<td>Milk</td>
<td>340</td>
<td>370</td>
<td>367</td>
<td>300</td>
</tr>
<tr>
<td>Effective Tariff Protection</td>
<td>52%</td>
<td>63%</td>
<td>61%</td>
<td>34%</td>
</tr>
<tr>
<td>Producer Price (standard milk)</td>
<td>C$41.68/hL</td>
<td>C$44.00/hL</td>
<td>C$46.00/hL</td>
<td>C$39.50/hL</td>
</tr>
</tbody>
</table>

- Effective tariff protection in the left column above is the landed price, including tariff divided by domestic price. This calculation indicates the per cent by which the related domestic product price could be increased before imported product would be competitive at the world price indicated in the table, while using the applicable exchange rate for the month in question (i.e., $Cdn/U.S. – $1.33 for January 2019, $1.31 for July 2019, $1.3087 for January 2020 and 1.3499 $Cdn/U.S. for July 2020);
- Butter, SMP and cheese prices above are averages of U.S. and New Zealand prices; tariff protection is less than indicated in table if calculated at the lower of U.S. or N.Z. prices, which can vary significantly from month to month;
- SMP is included in Class 7 as of February 2017 and Class 4a as of June 2020, so the effective tariff protection is only for historical comparison.

World dairy prices have a direct impact on special class milk prices and the blend price producers receive for their milk. The impact of world prices on the producer blend is about $0.36 per hL for every $100 USD per tonne change in the SMP world price. Special classes account for about 11.3 per cent of national butterfat production and 33 per cent of national SNF production.

### ONTARIO CLASS PRICES, EFFECTIVE JUNE 1, 2020

<table>
<thead>
<tr>
<th>Class</th>
<th>Product Description</th>
<th>Butterfat $/kg</th>
<th>Protein $/kg</th>
<th>Other Solids $/kg</th>
<th>Amount ($) per hL of SNF</th>
<th>Ontario Composition $/hl</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(a)</td>
<td>Fluid Milk and Beverages</td>
<td>$8.2926</td>
<td></td>
<td></td>
<td>$77.52</td>
<td>$111.48</td>
</tr>
<tr>
<td>1(b)</td>
<td>Fluid Creams</td>
<td>$8.2926</td>
<td></td>
<td></td>
<td>$63.29</td>
<td>$97.25</td>
</tr>
<tr>
<td>1(c)</td>
<td>New Fluid Cream Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2(a)</td>
<td>Yoghurts</td>
<td>$9.3702</td>
<td>$5.2619</td>
<td>$5.2619</td>
<td>$86.47</td>
<td></td>
</tr>
<tr>
<td>2(b)</td>
<td>Ice cream and Sour Cream</td>
<td>$9.3702</td>
<td>$5.7201</td>
<td>$5.7201</td>
<td>$90.66</td>
<td></td>
</tr>
<tr>
<td>3(a)</td>
<td>Fine Cheese and Curds</td>
<td>$9.3702</td>
<td>$12.9896</td>
<td>$0.9009</td>
<td>$85.39</td>
<td></td>
</tr>
<tr>
<td>3(b)</td>
<td>Cheddar and Cream Cheese</td>
<td>$9.3702</td>
<td>$12.5741</td>
<td>$0.9009</td>
<td>$84.05</td>
<td></td>
</tr>
<tr>
<td>3(c)</td>
<td>Variety Cheeses</td>
<td>$9.3702</td>
<td>$12.3528</td>
<td>$0.9009</td>
<td>$83.34</td>
<td></td>
</tr>
<tr>
<td>3(d)</td>
<td>Mozzarella for Fresh Pizza</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4(a)</td>
<td>Butter and Powder</td>
<td>$9.3702</td>
<td></td>
<td></td>
<td>As per CMSMC decision, determined monthly</td>
<td>$72.70</td>
</tr>
<tr>
<td>4(b)</td>
<td>Condensed/Evap Milk for Retail</td>
<td>$9.3702</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4(c)</td>
<td>New Industrial Products</td>
<td></td>
<td></td>
<td></td>
<td>Established as per the CMSMC 3(d) Program</td>
<td>$90.97</td>
</tr>
<tr>
<td>4(d)</td>
<td>Inventories, Plant Losses</td>
<td>$9.3702</td>
<td></td>
<td></td>
<td>$90.97</td>
<td></td>
</tr>
<tr>
<td>4(m)</td>
<td>Marginal Markets</td>
<td>$4.0950</td>
<td></td>
<td></td>
<td>As per CDC-issued permit details</td>
<td>$5.9333</td>
</tr>
</tbody>
</table>
from -0.59 to 0.17 per cent.

The above two changes have resulted in the cumulative difference for monthly total quota (MTQ) from August 2018 to May 2020 to change monthly total quota (MTQ) from August 2018 to May 2020 to change

The above two changes have resulted in the cumulative difference for monthly total quota (MTQ) from August 2018 to May 2020 to change

As a result of this most recent review, the following changes have been made:

- The MTR base was changed from 2014-16 to 2014-15;
- Import fill rates and seasonality curves have been revised to reflect historical data.

The above two changes have resulted in the cumulative difference for monthly total quota (MTQ) from August 2018 to May 2020 to change from -0.59 to 0.17 per cent.

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

Ontario finished the 2019-20 fiscal year with an SNF-to-BF production ratio of 2.2333, which is 2.2 per cent below the provincial target of 2.2840.

The no-pay ratio was 2.35 for November and December of 2019 and was adjusted down to 2.30 starting Jan. 1, 2020. The lower ratio was meant to better reflect the market for SNF. In the past fiscal year, 2,216 Ontario producers have been over the no-pay ratio at least once. Under the P5 SNF policy, $70.15 million was collected and paid out on BF to the 3,414 producers who were under-ratio in one or more months.

A further change to the SNF ratio policy was announced for implementation in Ontario for Feb. 1, 2021. The policy change is intended to have the producer payment policy better reflect the market for SNF. It will include the elimination of the butterfat premium, introduction of a new market ratio for SNF and changes to the distribution of dollars between butterfat, protein and other solids. The policy is expected to be implemented in all P5 provinces by Aug. 1, 2021.

### The CDC's Total Requirements Calculation and Forecasting Models

The CDC periodically reviews its total requirements calculation and forecasting models. As a result, the industry can now count on more efficient tools to help determine market size and amount of market growth potential that can be filled with domestic production from P5 and P4 pools. Having accurate and reliable models to measure and forecast total demand is crucial since the results are eventually converted into quota issued to producers to supply milk necessary to fill all market needs.

Over the past fiscal year, the CDC observed a need to further review the models for the following three reasons:

- A divergence observed between forecasted and real monthly total requirements (MTR) and import data;
- CUSMA implementation;
- Impacts on the Canadian dairy economy associated with the COVID-19 pandemic.

As a result of this most recent review, the following changes have been made:

- The MTR base was changed from 2014-16 to 2014-15;
- Import fill rates and seasonality curves have been revised to reflect historical data.

The above two changes have resulted in the cumulative difference for monthly total quota (MTQ) from August 2018 to May 2020 to change from -0.59 to 0.17 per cent.

In addition, the CDC has developed a new simplified COVID-19 model that is calibrated using the above changes.

The CDC is committed to continue monitoring the MTR and improve its import forecast. It will also continue to assess the impact of COVID-19 to better calibrate the simplified model in order to improve the forecasting model.

### National COVID-19 Programs

The CMSMC has approved several initiatives over this fiscal year to help mitigate market impacts of COVID-19. These initiatives include a combination of new and existing programs. The goal of the initiatives was to try and minimize disposal of milk and milk components, and allow processors to secure some dairy products to better meet demand when the economy reopens.

The following main initiatives were approved:

- **Plan A: Surplus butter purchases by the CDC.** This initiative allowed for the purchase of approximately 1,600 tonnes of butter;
- **Plan C: The Cheese Buy Back Program.** This new program was used to allow the CDC to purchase cheese from processors that was stored for a predetermined period. Participating processors had to buy back cheese at a predetermined price. A total of more than 2,000 tonnes of cheese have been sold to the CDC under this program;
- **Class 5d permits.** Approximately 2,000 tonnes of cheese have been manufactured under this initiative for the export market;
- **Class 4m animal feed permit.** This billing class has been reinstated as required by CUSMA. Permits for close to 9,000 tonnes of SMP were requested between June 1 to Oct. 31, 2020.

The CDC credit line, which was increased from $300 to $500 million annually by the federal government, was instrumental in financing the initiatives. The interest charges on the CDC credit line, the storage costs and the low market returns of the initiatives were financially supported by the national pool.

### Canada Royal Milk, fairlife and Bel Plant Developments

The Canada Royal Milk project, also known under the Chinese brand name Feihe, are part of the recent investments in ingredient and non-ingredient infrastructures that started operating in 2020. The Canada Royal Milk plant in Kingston, Ont., which will produce infant formula, started receiving milk for commissioning during January 2020. Part of the regular commercial operation has been delayed since the company is awaiting certification from Chinese customs. The official start date is expected to be in early 2021.

The new fairlife plant in Peterborough, Ont., built to produce fortified fluid milk products, started receiving milk for commissioning in July.
For the fiscal year ending Oct. 31, 2020, there were 3,351 dairy farms in Ontario, representing a decrease of 1.7 per cent from the previous year’s 3,410 dairy farms. These licensed dairy farms continued to support more than 10,000 Ontario farmers and their families and generated revenue of $2,433,534,340.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Producers</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3,504</td>
<td>$2,238,458,852</td>
</tr>
<tr>
<td>2019</td>
<td>3,410</td>
<td>$2,347,269,377</td>
</tr>
<tr>
<td>2020</td>
<td>3,351</td>
<td>$2,433,534,340</td>
</tr>
</tbody>
</table>

**New Entrant Quota Assistance Program (NEQAP)**
The 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 2020, 94 producers entered the industry through the NEQAP. The program continues to be well received, with less than 7 per cent exiting the program. For 2020, there were two organic and five conventional new entrants.

A review in 2019-20 of the P5 harmonized quota policies resulted in DFO approving quota policy changes to the P5 NEQAP. Effective with 2021 NEQAP applicants, the NEQAP has been revised to permit each successful applicant to initially acquire a minimum of 20 kg to a maximum of 30 kg of quota and to be loaned 20 kg of quota. The loan repayment start year remains at year 11, but the repayment schedule is revised to 0.1 kg per month (1.2 kg/year).

In addition, DFO’s Board decided effective with 2021 successful NEQAP applicants, NEQAP producers are not eligible to receive a parent to child top-up. Existing NEQAP producers would be grandfathered.

**New Producer Program (NPP)**
The NPP was introduced in August 2009 and is another program that assists producers entering the dairy industry, other than through the purchase of an ongoing farm operation or the NEQAP. The NPP may include producers who were previously licensed to produce and market milk. Since its inception, 135 producers have used the NPP to enter the industry, and 113 are currently shipping milk.

From Nov. 1, 2019, to Oct. 31, 2020, 27 applicants were added to the NPP queue, compared with 17 applicants added to the NPP queue from Nov. 1, 2018 to Oct. 31, 2019.

On Oct. 31, 2020, 101 applicants were in the queue compared with 110 in the queue on Oct. 31, 2019.
Raw Milk Quality

Grade A Inspections

As shown in the table below, during the 12-month period ending with October 2020, a total of 2,880 initial Grade A inspections were conducted.

<table>
<thead>
<tr>
<th>Classification</th>
<th>12-Month Period Ending October 2020</th>
<th>12-Month Period Ending October 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
</tr>
<tr>
<td>Grade A</td>
<td>2,618</td>
<td>90.9</td>
</tr>
<tr>
<td>Conditional Grade A</td>
<td>163</td>
<td>5.7</td>
</tr>
<tr>
<td>Non-Grade A</td>
<td>95</td>
<td>3.3</td>
</tr>
<tr>
<td>Unsatisfactory Non-Grade A</td>
<td>4</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>2,880</td>
<td></td>
</tr>
</tbody>
</table>

The percentage of inspections resulting in Grade A classification in the 12-month period ending Oct. 31, 2020 decreased from 91.4 per cent to 90.9 per cent as compared to last year. The percentage of non-Grade A classifications decreased from 3.9 per cent to 3.3 per cent. The percentage of conditional Grade A classifications increased from 4.6 per cent to 5.7 per cent.

While Grade A inspections have continued during the COVID-19 pandemic, a reduced number of inspections, prioritized by risk, were conducted during the initial stages.

In addition to inspections performed prior to scheduled proAction validations, Grade A inspections are also conducted based on risk. A farm’s risk level is determined by inspection classification history, penalty level of milk quality test results and complaints received by DFO regarding animal care issues or farm conditions. While additional inspections are based on risk, a farm can be inspected at any time without advance notice.

Raw Milk Quality Recognition Program

The table shows the number of producers who received a Raw Milk Quality Certificate issued in 2020 (for milk shipped in 2019) and in 2019 (for milk shipped in 2018), respectively. In 2020, a Raw Milk Quality Certificate was issued for 47.9 per cent of all producers. This is 2.3 per cent higher compared with the number of certificates issued in 2019.

<table>
<thead>
<tr>
<th>Quality Certificate</th>
<th>12-Month Period Ending October 2020</th>
<th>12-Month Period Ending October 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>455</td>
<td>421</td>
</tr>
<tr>
<td>General</td>
<td>1,182</td>
<td>1,180</td>
</tr>
<tr>
<td>No Certificate</td>
<td>1,782</td>
<td>1,911</td>
</tr>
<tr>
<td>Total</td>
<td>3,419</td>
<td>3,512</td>
</tr>
</tbody>
</table>

The number of inhibitor penalties slightly increased from 30 to 31, with all penalties being at first level.

In the period ending Oct. 31, 2020, the lowest provincial SCC weighted average was in April at 173,000 cells per millilitre. The month of August 2020 had the highest weighted average SCC at 217,000 cells/mL. The provincial SCC weighted average in the 12-month period ending July 2020 was at 200,000 cells/mL or less during nine out of the 12 months.

Milk Sample Testing

Sample Suitability
Sample suitability is largely impacted by cold chain maintenance. Samples must be maintained between zero and four degrees Celsius from the time they are collected to the time they are tested at the laboratory. This involves bulk tank milk graders (BTMG) ensuring samples are kept in cooler inserts filled with an ice-water mixture, managing sample depot refrigeration and maintaining the temperature in the refrigerated transport, courier transport and laboratory refrigerator.

In the 12-month period ending October 2020, sample suitability was as follows:

**SAMPLE SUITABILITY**

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Suitability</th>
<th>High and Low Suitability by Depot Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2019 to January 2020</td>
<td>98.6%</td>
<td>Emburn (99.8%) - Odessa (89.6%)</td>
</tr>
<tr>
<td>February 2020 to April 2020</td>
<td>99.2%</td>
<td>Goderich (100%) - Renfrew (94.8%)</td>
</tr>
<tr>
<td>May 2020 to July 2020</td>
<td>98.0%</td>
<td>Winchester (99.8%) - Maidstone (84.6%)</td>
</tr>
<tr>
<td>August 2020 to October 2020</td>
<td>98.2%</td>
<td>Goderich (100%) - Espanola (85.4%)</td>
</tr>
</tbody>
</table>

In 2020, DFO experienced localized issues with sample transportation caused by disruptions at courier companies. This created delays in the delivery of samples shipped by couriers from some depots in northern Ontario and Essex and Kent counties to the laboratory. DFO made alternate arrangements where possible to minimize reporting delays and sample loss. However, this proved to be challenging due to limited service choices in these areas.

**Analysis and Management Measures**

Over the past few years, DFO has implemented several measures to reduce the amount of damaged (unsuitable) samples. These measures are summarized below:

- Contracted a more reliable sample transportation company
- Upgraded refrigeration system in sample vans
- Installed battery backups at several depots where power outages often resulted in temperature-damaged samples
- Researched, validated and implemented improved coolers for samples transported via courier
- Improved access to depot time-temperature-recorder data (TTR) to identify and track sample storage issues faster and take prompt action, and deployed new TTRs
- Increased the number of weekly sample shipments from courier depots to the laboratory

These improvements have led to a high percentage of suitable samples at the provincial level. DFO is working on implementing measures to quickly identify and take action to address particular areas or producers that may have sample suitability rates below the provincial average.

**Considerations to Improve and Upgrade Milk Sample Testing**

In 2020, DFO considered making improvements to the sample transportation services via refrigerated vehicle as well as increasing the frequency of SME check. After considering the perspective provided at DFO’s fall regional meetings, a decision was made to maintain the current levels of sample transportation and bacteria testing.

**Rejected Loads Due to Quality**

As shown in the table below, a total of 38 loads were rejected due to quality during the 12-month period ending Oct. 31, 2020, compared with 29 in the previous 12-month period.

**ONTARIO LOADS DELIVERED & REJECTED**

<table>
<thead>
<tr>
<th></th>
<th>12-Month Period Ending October 2020</th>
<th>12-Month Period Ending October 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario Loads Delivered</td>
<td>102,696</td>
<td>101,593</td>
</tr>
<tr>
<td>Rejected Loads Due to Quality</td>
<td>38 (0.04%)</td>
<td>29 (0.03%)</td>
</tr>
</tbody>
</table>

The reason for rejection with highest incidence continued to be the presence of black specks (12 loads).

**Iodine Testing**

Load samples are first tested to determine iodine levels in milk delivered to processors. Bulk tank samples associated with loads exceeding a threshold of 300 micrograms per litre are then tested. The threshold for traceback was set at 300 mcg/L for load samples as a way of identifying farms with iodine levels greater than 500 mcg/L in their milk.

The 2020 iodine testing program started in March. By the end of October, 491 load samples were tested. Most of these loads, or 86.4 per cent, were in the normal range, while 12.8 per cent were in the elevated range (350 to 500 mcg/L), and 0.8 per cent in the high range (greater than 500 mcg/L). A total of 122 loads (24.8 per cent) were flagged for traceback testing, which resulted in 722 bulk tank samples tested. Of these, 112 had iodine levels in the high range.

The following three factors are associated with high iodine levels in milk:

- Higher iodine content in feed;
- Increased teat and udder coverage with iodine teat dip;
- Higher iodine levels in water.

**proAction program**

As of Oct. 31, 2020, 99 per cent of Ontario producers were registered under proAction. The remainder includes five producers with overdue
validations or who have been withdrawn from the program, in addition to new producers awaiting validation.

A total of 111 proAction penalties were assessed from Nov. 1, 2019, to Oct. 31, 2020.

To ensure the safety of producers and DFO staff, proAction activities were suspended in March 2020 due to the COVID-19 pandemic. The suspension resulted in approximately 550 pending validations and 450 pending self-declarations. Producers’ assigned validations months were rescheduled when proAction activities resumed in July 2020.

**proAction Licence Suspension Policy**

Ensuring every producer complies with proAction is very important to dairy industry stakeholders, particularly processors. While most Ontario producers are registered, several producers have either not attained or maintained proAction registration. This prevents DFO from assuring processors 100 per cent of the milk produced in Ontario is sourced from farms that meet proAction requirements. To address this, DFO initiated the development of a proAction licence suspension policy.

A draft policy was presented to DPCs for their input at the 2020 spring policy conference (SPC). Following SPC, the Board considered DPC feedback and approved DFO’s proAction licence suspension policy, which was announced in July 2020. The policy will take effect on Jan. 1, 2021.

Once the policy is implemented, producers who fail to achieve or maintain registration will have their licence and milk pickups suspended until reinstatement requirements are met. The suspension will start at the end of the sixth month following the assigned validation or self-declaration month (five months for self-declaration audits).

In addition, according to DFO’s *Quota and Milk Transportation Policies*, suspension of milk pickups will result in licence cancellation if a producer is out of production for 90 consecutive days.

The complete policy is included in DFO’s *Raw Milk Quality Program Policies* available on DFO’s website at www.milk.org.

**Independent Validations**

DFO has continued to work towards implementing independent proAction validations. To secure the best possible services at competitive prices, the service provider is being selected through a request for proposal (RFP) process. Implementation is targeted for spring or summer 2021.

**Biosecurity Rollout**

Biosecurity requirements became mandatory in September 2019. In preparation for implementation, DFO developed a training program that includes biosecurity requirements as well as several key animal care and welfare elements, such as down cattle management, animal-based measures and cull cow decisions. DFO’s funding application under the Canadian Agricultural Partnership program to offset part of the training costs was granted.

A total of 128 veterinarians across Ontario were trained as proAction advisors. From February 2019 to July 2020, proAction advisors held 1,819 classroom and 350 on-farm training sessions.

**Environment Rollout**

The proAction environment requirements were finalized following the completion of a national pilot project in spring 2020 and received DFC Board approval in August 2020. The list of requirements is as follows:

1. Do you have a valid environmental farm plan (EFP) to identify and address environmental risks on your farm?
2. Is your milking centre wastewater managed with proper storage or a regulatory approved treatment system?
3. Is your manure storage adequate to avoid contamination of surface and ground water and avoid spreading manure on frozen, snow-covered or saturated ground?
4. Do you manage nutrients on your farm to make optimal use of manure and fertilizer on land?
5. Have you completed the farm environmental questionnaire?

The above listed requirements become mandatory in September 2021.

While Ontario EFPs do not have an expiry date, under proAction, EFPs must have been completed or updated within the last 10 years. Producers who already have an EFP are encouraged to check the completion date and ensure they will meet the requirements for their validation.

In Ontario, EFPs are administered by the Ontario Soil and Crop Improvement Association (OSCIA). Information on how to update or obtain an EFP is available on OSCIA’s website at www.ontariosoilcrop.org.

**Code of Practice Review**

The animal care program under proAction is based on the 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 includes a public
comment period scheduled for spring 2021. The updated Code of Practice is scheduled for release in spring 2022.

Areas of focus for the revision process include cattle housing, opportunity for exercise and locomotion scores. Information on the Code of Practice revision is available on NFACC’s website at www.nfacc.ca.

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, 2019 to Oct. 31, 2020, the transportation charge to producers increased by $0.04/hL compared with the previous year. This is a net result of transportation costs decreasing year-over-year (YOY) by $0.01/hL, and transportation cost recoveries decreasing by $0.05/hL over the same time frame, as shown in the table below.

<table>
<thead>
<tr>
<th>Fiscal Year-to-Date</th>
<th>Transportation Cost ($/hL)</th>
<th>Transportation Cost Recoveries ($/hL)</th>
<th>Charge to Producer</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2018 to October 2019</td>
<td>$2.89</td>
<td>$0.16</td>
<td>$2.73</td>
</tr>
<tr>
<td>November 2019 to October 2020</td>
<td>$2.88</td>
<td>$0.10</td>
<td>$2.78</td>
</tr>
<tr>
<td>YOY variance</td>
<td>$(0.01)</td>
<td>$(0.06)</td>
<td>$0.05</td>
</tr>
</tbody>
</table>

The $0.01/hL decrease in transportation costs is a net result of individual components shown below, rounded to the nearest cent.

<table>
<thead>
<tr>
<th>Transportation Cost Recoveries (YOY Variance)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
</tr>
<tr>
<td>Inflation</td>
</tr>
<tr>
<td>Fuel</td>
</tr>
<tr>
<td>Operations</td>
</tr>
<tr>
<td>Net Decrease</td>
</tr>
</tbody>
</table>

Updated Transportation Policies

Section (d) of the Administrative Process for Two Bulk Tanks policy was updated on June 24, 2020, to achieve alignment with current quality testing protocols. The changes made appear in bold: "(d) All official quality test results from both the main licence number and administrative number will be used for penalty determination, and if a penalty is applied, it will be applied against the total monthly volume shipped under the main and administrative licence numbers."

The Farm Bulk Tank Valve policy was amended to include the following statement shown below in bold, which stresses the importance of using an adequate clamp for securing a valve to a tank:

"It is the responsibility of the producer to ensure the farm bulk tank outlet valve is securely attached to the farm bulk tank. A fold-over style clamp is not an acceptable means to secure a valve to a tank.

If the outlet valve on a farm bulk tank becomes free of the tank when the BTMG is in the process of picking up the milk, and milk is spilled, the producer will not be compensated for the value of that portion of milk that is spilled. The volume of milk lost will be determined based on the difference between the load volume stated on the milk collection report (MCR) and the volume received by the plant."

New Transportation Policy

As of Sept. 1, 2020, a new policy addressing the type of ladder required to access a bulk tank came into effect. This new policy clarifies the type of ladder required to access the bulk tank for grading and sampling milk and was created to help ensure the bulk tank milk grader (BTMG) is accessing the bulk tank to grade and sample milk as safely as possible.

It is the responsibility of the producer to ensure the type of ladder used to gain access to the bulk tank for grading and sampling purposes meets the following requirements:

1. Ladders and platforms must be installed in such a manner that they do not harm or have the potential to harm the health of any person or endanger the safety of any person;
2. Ladders and platforms must be securely attached to the bulk tank or be free-standing. If free-standing, the ladder must have a built-in platform;
3. Lean-to ladders are not a safe way of gaining access to the bulk tank for grading and sampling milk.

BTMGs may, under the authority of the provincial health and safety regulations, refuse to perform duties or provide services relating to the pickup of milk if they are concerned their safety is at risk.
Failure to provide a safe method of gaining access for bulk tank grading and sampling may result in the producer’s milk not being picked up.

**Milk Allocation**

In the fiscal year ending Oct. 31, 2020, Ontario dairy producers shipped 3,071,319,615 litres of milk.

DFO delivers milk to 78 plants: 75 in Ontario, two in Manitoba and one in Quebec. Milk is delivered to additional plants in the Montreal area as required to market surplus milk or to fulfill milk movement obligation (MMO) requirements. On a typical day, approximately 275 loads of milk are scheduled to plants. Larger plants receive milk daily, while smaller plants receive milk on an infrequent basis to meet their niche market.

**Skimming of Surplus Milk**

When the supply of milk exceeds the processing requirements of plants, surplus milk is sent to plants that have the capacity to separate the milk. The cream is retained by the plant to supply butter and cream markets, while DFO removes the skim milk for disposal.

In fiscal year 2019-20, DFO disposed of nearly 38 million litres of skim milk, which is equivalent to 1.4 per cent of total production.

<table>
<thead>
<tr>
<th>Month</th>
<th>Skim Milk Volume (Litres)</th>
<th>Whole Milk Equivalent Volume (Litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2019</td>
<td>477,988</td>
<td>533,335</td>
</tr>
<tr>
<td>December 2019</td>
<td>3,349,446</td>
<td>3,511,380</td>
</tr>
<tr>
<td>January 2020</td>
<td>6,499,330</td>
<td>7,237,582</td>
</tr>
<tr>
<td>February 2020</td>
<td>2,827,833</td>
<td>3,149,705</td>
</tr>
<tr>
<td>March 2020</td>
<td>3,769,653</td>
<td>4,195,691</td>
</tr>
<tr>
<td>April 2020</td>
<td>4,780,279</td>
<td>5,314,716</td>
</tr>
<tr>
<td>May 2020</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>June 2020</td>
<td>1,434,542</td>
<td>1,590,704</td>
</tr>
<tr>
<td>July 2020</td>
<td>2,064,863</td>
<td>2,285,893</td>
</tr>
<tr>
<td>August 2020</td>
<td>8,183,699</td>
<td>9,060,371</td>
</tr>
<tr>
<td>September 2020</td>
<td>4,810,588</td>
<td>5,347,684</td>
</tr>
<tr>
<td>October 2020</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Litres</strong></td>
<td><strong>37,998,021</strong></td>
<td><strong>42,227,061</strong></td>
</tr>
</tbody>
</table>

In previous years, DFO skimmed volumes of 44.71 million litres in fiscal 2018-19 and 71.57 million litres in fiscal 2017-18. Skimming volumes were high in August 2020 due to a strike at a large plant in Quebec from mid-July until early September. Surplus volumes from Quebec were transported to Ontario plants for processing, causing increased skimming in the province.

Skimming costs are pooled within the P5 pool.

**Allocation During COVID-19 Pandemic**

In March 2020 during the early stages of the pandemic, DFO saw a sharp increase in fluid milk orders from plants since consumers were stocking up on fluid milk, emptying store shelves.

Subsequently, in early April, there was a decline in plant orders as market demand declined significantly. DFO skimmed maximum volumes at plants to process surplus milk. When skimming capacity was reached between April 3 to 6, DFO had to exercise emergency measures and ceased milk pickups at selected farms, resulting in the disposal of 3,968,254 litres on farm, which represents 0.13 per cent of the annual production volume.

**Organic & Niche Markets**

DFO markets organic milk from 80 organic-certified producers to 18 organic-certified plants. Organic farms produced an organic volume of 37.44 million litres during the past fiscal year. Approximately 89 per cent of organic milk is processed into Classes 1 and 2 products, while the remaining 11 per cent is for use in Classes 3 and 4.

**ORGANIC & NICHE MARKETS**

| Organic Production - November 2019 to October 2020 | 37,443,281 litres |
| Marketed for Full Organic Utilization | 32,688,076 litres |
| Volume Marketed as Organic Cream & Conventional Skim | 2,405,500 litres |
| Volume Marketed as Conventional Milk | 2,352,705 litres |

**Five-Year History of Organic Milk Production and Utilization in Ontario**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Organic Production (Litres)</th>
<th>Volume Marketed Organic (Litres)</th>
<th>Volume Marketed Organic (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>30,786,964</td>
<td>26,062,985</td>
<td>84.7</td>
</tr>
<tr>
<td>2016-17</td>
<td>33,269,069</td>
<td>30,473,183</td>
<td>91.6</td>
</tr>
<tr>
<td>2017-18</td>
<td>34,503,525</td>
<td>34,214,246</td>
<td>99.2</td>
</tr>
<tr>
<td>2018-19</td>
<td>36,737,561</td>
<td>32,418,804</td>
<td>88.2</td>
</tr>
<tr>
<td>2019-20</td>
<td>37,443,281</td>
<td>32,688,076</td>
<td>87.3</td>
</tr>
</tbody>
</table>

**Other niche markets include:**

- Grass-fed
- Jersey
- Grass-fed organic
- Jersey grass-fed organic
- Brown Swiss
- Guernsey
- A2
- Ultra-kosher

Organic and other niche market loads are delivered on segregated trucks, with the additional transportation costs being covered by the receiving plant.
Plants

Plant Licensing
As part of the Ontario government’s Open for Business mandate, OMAFRA amended the Milk Act, Regulation 761 and Regulation 753, to support the economic success of the industry and reduce burdens while continuing to protect food safety.

The amendments eliminate prescriptive requirements that pose financial and operational barriers for smaller dairy processors, while protecting food safety, by:
1. Exempting dairy processors constructing or altering dairy plants that receive no more than 7,500 litres of milk per day from the requirement to construct an enclosed receiving room and an enclosed tank-truck wash station;
2. Exempting plants from licensing that only use pasteurized milk and milk ingredients to manufacture milk products, and only sell their products directly to consumers (i.e., not wholesale).

The new fairlife plant in Peterborough, Ont., built to produce fortified fluid milk products, started receiving milk for commissioning in July 2020 and continued the commissioning process throughout the fall of 2020.

Production at the Canada Royal Milk plant in Kingston, Ont., constructed to produce infant formula for export to China, started receiving milk in January 2020 with the aim of increasing production in 2021.

On-Farm Processing
There are 14 on-farm processors in Ontario processing 4,800,255 L for the 12 months ending Oct. 31, 2020. This number of on-farm processors has remained the same since 2015. It is expected that there may be new on-farm processors starting up in 2021.

Plant Metering & Sampling
There are 26 plants metering milk for payment purposes in Ontario, with a combined annual volume of 2.7 billion litres or 90 per cent of all milk shipped off farm. A total of 24 metering plants are also paying for their composition based on the load sample taken at the plant. Canada Royal Milk and fairlife both intend to start metering and sampling trials in late 2020 or early 2021.

Plant meters are verified for accuracy a minimum of once yearly for plants receiving up to 40 million litres of milk per year and twice per year for plants receiving more than 40 million litres per year.

Plant load sampling composition results are tracked and compared with corresponding weighted producer composition results for each load and are rejected and replaced with producer compositions if the deviation exceeds five per cent or if the plant is not following proper sample procurement procedures.

There is a difference of 0.22 per cent between meter readings and the total volume shipped from farms. This difference equates to 6.3 million litres annually, with a value of $5.4 million. Composition differences from farm to plant for butter, protein and other solids equate to an additional $300,000 annually.

Bulk Tank Calibration Program
DFO has operated a farm tank calibration program since 1978. Calibrating bulk tanks reduces plant meter volume losses and provides fair and equitable redistribution of processor payments to producers.

The measuring systems on two state-of-the-art calibration tractor trailer units employ a mass flow meter, which is verified for accuracy before and after each farm bulk calibration. Temperature compensation is used along with a proving standard that is traceable to the international standard.

The calibration units are in west-central and eastern Ontario. The unit in eastern Ontario also services the Maritimes on a cost-recovery basis for six to eight weeks every spring. The cost savings from the reduction of shortages in the Maritimes are pooled in the P5. In 2020, Maritime calibrations were cancelled as a result of COVID-19 restrictions. Thunder Bay, Algoma, New Liskeard and Sudbury area bulk tanks were calibrated as an alternate to the Maritimes. Maritimes calibrations in 2021 may be affected by COVID-19 as well.

New installations on robotic tanks and operations that milk three times daily are prioritized before they are commissioned due to the difficulty related to available time for performing calibrations and cooling issues. Staff have been investigating ways to increase the available time for performing calibrations on these types of operations and have decided that using a portable bulk tank cooling system to bypass the bulk tank being calibrated is the best solution. A bulk tank system has been secured and will be made operational on a trailer setup by spring 2021.

Dairy Research

Research Projects
The following are brief descriptions of new dairy research projects. The project descriptions are divided into three sections:
1. Dairy farm efficiency and sustainability;
2. Animal health and welfare;

Dairy Farm Efficiency & Sustainability

Organic Dairy Farming Research Priorities
DFO has been involved in determining research priorities for the Ontario organic dairy farming community. Through a survey of all organic producers and focus groups, priorities were identified and recommendations were made. Thirty-two surveys of 83 organic producers were analyzed. Twenty-five organic producers attended three focus groups. Top areas of focus included: pasture and grazing management, farm management and production economics, niche markets, farm efficiency and sustainability, organic extension services, soil health and milk quality. Other production-related issues from the survey included controlling flies and maximizing production with quality forages.
Alfred Organic Research Centre
Alfred College, or Ferme d'éducation et de recherche du campus d'Alfred (FERCA), has built a new barn with 104 milking stalls and the ability to create eight groups of 12 cows for research projects.

In order to establish efficient communication plans, DFO's Board approved a FERCA budget for liaison that will be used to promote FERCA's proposal to farmers, liaise with DFO more effectively, establish relationships with research partners and answer farmers’ questions about organic dairy. At DFO's request, FERCA is seeking partnerships with several research institutions and universities, including the University of Guelph and Lactanet, to have the right level of scientific expertise for research activities.

On-Farm Milk Silos
DFO is exploring the feasibility of using milk silos to store milk on dairy farms. Also, DFO is working with OMAFRA to seek regulatory changes to allow milk measurement, collection and sampling from milk silos.

Environmental Scan on Dairy Cattle Housing
The Board commissioned an environmental scan on policies and regulations related to dairy cattle housing in Canada and other jurisdictions around the world. The report was submitted to the Board in August 2020.

Environmental Scan on Milk Quality Policies
The Board commissioned an environmental scan on policies and regulations related to milk quality in Canada and other jurisdictions around the world. The reports were submitted to the Board in August 2020.

Surveillance Control Box to Reduce Risks of Farm Fires
PrevTech Innovations, a new company based in Quebec, has developed a control box that monitors the temperature and ground fault occurrences of main electrical panels. High temperature at the main electrical box and ground fault issues are early indicators of electrical fire risks. When an alarm occurs, the surveillance system immediately alerts the producer, electrician and PrevTech in real time via text message.

The PrevTech solution may be a practical and inexpensive way to reduce barn fire risks. DFO will evaluate and publish a report on the results of five new on-farm installations.

Wrap and Silage Covering Made from Biomaterials
Ontario farms produce almost 3,000 tonnes per year of plastic waste from bale wrap and silage film. This plastic is bothersome and costly to dispose. The objective of the research is to produce bale wrap and silage covering that meets farmers’ needs and is biodegradable after use to reduce plastic accumulation.

This research will use zein, a corn byproduct, to produce natural wraps, which would reduce plastic waste. The wrap will be tested in the lab and eventually in the field.

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. The program includes in-depth analyses of robust existing datasets, new research studies with practical outcomes and collaboration with an existing stakeholder working group. The goal is to improve farmer help-seeking to build the capacity to create impactful mental health services. 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.

The objectives of this research are to:
- Explore how climate change impacts mental health among Canadian farmers;
- Explore mental health of female farmers through a gendered lens;
- Explore the effectiveness of the farmer mental health program, In the Know, compared with Mental Health First Aid, a program designed for the general population;
- Develop a knowledge transfer targeted intervention aimed at improving service providers’ knowledge of Canadian agriculture and farmer-specific needs for mental health care.

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, such as individual animal and herd health, dairy cattle management systems, nutrition, economic aspects of milk production or processing and dairy product packaging and marketing.

DFO is supporting Shannon Cartwright on her project that studies the resilience of dairy cattle to climate change. Livestock is increasingly challenged by climate change. Many studies have shown heat stress during late gestation can affect calves’ birth weight and...
health. As the overall temperature of the climate continues to rise yearly, this will result in more problems for dairy cattle.

Several studies have shown cattle classified as high immune responders have significantly lower disease occurrence compared with those classified as average or low. The overall goal of this project is to determine resilience to climate change in dairy cattle that have an immune response phenotype with respect to immune parameters, fertility, health and production. This will be done using various cell culture experiments, as well as analyzing production and health data in relation to climate data.

**Animal Health and Welfare**

**Euthanasia and Down Cows on Dairy Farms**

In collaboration with Les Producteurs de lait du Québec (PLQ) and DFC, DFO approved a study to understand the perceptions, obstacles, constraints and psychological aspects surrounding down cow management and euthanasia.

The objectives of the study are to:

- Inventory on-farm practices producers follow;
- Identify obstacles and technical constraints surrounding pre-slaughter management and euthanizing cattle on farms;
- Determine approaches, methods or practices that would enable better management of these practices on farms.

**Dairy Calf Health Improvement in Ontario – Veterinarian Focus**

With funding from OMAFRA, DFO is collaborating with Veal Farmers of Ontario (VFO) in a two-year project to develop an education program for bovine veterinary practitioners. The goal is to improve animal health and welfare, as well as reduce morbidity and mortality of dairy calves destined for the dairy, veal or dairy beef industry. In addition to focusing on neonatal calves, attention will be given to dry cow management and its importance in improving calf health.

**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 diarrhea, leukosis), mastitis and on-farm milk quality, antimicrobial use and resistance (AMU and AMR), biosecurity (targeted at diseases of importance), locomotion (with focus on welfare and genetic improvement), metabolic diseases (ketosis) and reproductive health and efficiency.

**Describing and Characterizing Neonatal Calf Mortality on Ontario Dairy Farms**

The current levels of perinatal mortality in Ontario are unknown since the last survey to capture this information was completed nearly 15 years ago. As it results in pain and injury and represents significant economic loss, it is important to explore this issue to determine the current level of occurrence and important risk factors that could be addressed to decrease mortality.

The objectives of this project are to:

1. Describe the levels of perinatal and pre-weaning mortality in Ontario;
2. Determine factors associated with perinatal and pre-weaning mortality;
3. Document the common causes of mortality;
4. Develop a digital method to allow veterinary technicians to assist in determining the cause of death in neonatal calves.

**Bulk Tank Milk Disease Surveillance Program**

The spread of existing and new diseases from herd to herd in Ontario is a concern. While industry efforts, such as the proAction biosecurity module and the Ontario Johne’s control program, have focused attention on biosecurity practices, there is very little information about the prevalence or spread of important diseases among Ontario dairy herds.

The following are expected results and their significance to Ontario dairy producers:

- Gain an estimate of the current prevalence of important diseases in dairy herds in Ontario;
- Track change in prevalence and potential spread of new emerging diseases in Ontario;
- Inform herd owners and their advisers of their status regarding important diseases so biosecurity plans can be assessed and modified;
- Provide a long-term tool that can feed into national disease surveillance systems as proposed by the Canadian Animal Health Surveillance System (CAHSS).

**Milk Composition, Quality and Safety**

**Antimicrobial Stewardship Solutions for a Sustainable Dairy Industry**

In August 2019, Dr. Kelton and his team submitted an Ontario Research Fund – Research Excellence (ORF-RE) proposal on antimicrobial stewardship solutions for a sustainable dairy industry to the University of Guelph Office of Research and to DFO for consideration. The proposal was selected by the university as one of the projects to go forward for further submissions.

ORF-RE provides research institutions with funding to support the operational costs of major projects of strategic value to the province. The ORF-RE fund is an initiative of the Ontario Ministry of Economic Development, Job Creation and Trade.
The objectives of Dr. Kelton’s proposal are to help develop novel antimicrobial stewardship practices and explore practical strategies for Ontario dairy producers to prudently reduce the use of antimicrobials without compromising animal health. DFO would be contributing $529,000 over five years pending contribution from the ORF-RE. DFO is waiting for the final decision.

**Antimicrobial Stewardship and Selective Dry Cow Therapy**

Due to concerns with antimicrobial resistance, animal agriculture is under increasing pressure to reduce the use of antimicrobials. Therefore, researchers are reconsidering the practice of blanket dry cow therapy.

This project will assist in developing a proof of concept and pilot demonstrations, as well as disseminating information related to the best management practices for Selective Dry Cow Therapy (SDCT) in the Ontario dairy industry. The project will target dairy producers and bovine veterinarians. It is expected to result in a framework and recommendations that veterinarians, producers and the industry can utilize to create a consistent, credible and practical SDCT strategy and approach. Additionally, the project will assist Lactanet Canada in developing necessary tools and reports for producers and the industry to reduce antimicrobial use while maintaining animal health.

**Elevated Free Fatty Acids in Ontario Bulk Tank Milk**

In May 2017, Ontario began testing all bulk tank shipment samples from every farm for free fatty acids (FFA). Based on an initial assessment of the first year of tests, Dr. Kelton and his team found approximately 10 per cent of Ontario bulk tank samples exceeded the commonly used threshold of 1.5 millimoles per 100 grams of fat. FFA levels were lower in herds milked in a parlour compared with those milked in a tie stall or robotic barn. As well, FFA levels were lower in organic versus non-organic herds.

DFO requested developing a research plan to address the FFA issue. The plan includes a product-based research component that incorporates methods to better quantify FFA impacts on milk processing, as well as a farm-based research component that focuses on identifying feeding and milk handling practices that cause elevated FFA.

The proposal has two phases:

- **Phase 1 – 2020**: Researchers looked at the relationship between dietary fat sources and FFA. They also analyzed the relationship between milking systems and high levels of FFA to provide a summary of all Ontario dairy farm FFA data;

- **Phase 2 – 2021**: The objective is to confirm the relationships between lipoprotein lipase, FFA and foaming, and identify risk factors that could be managed to improve milk’s processing characteristics.

**Bulk Tank Fatty Acid Profile to Improve Dairy Farms**

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. Routine FA analysis can now be performed through mid-infrared analysis, quickly and inexpensively from FOSS instrumentation machines—the same instruments used at the University of Guelph’s laboratory.

The main objective of this project is to implement routine FA testing from bulk tank samples across Canada and provide tools along with benchmarks to maximize the potential utilization of this new indicator.

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, reporting and knowledge transfer to advise on future activities.

**NSERC-DFO Industrial Research Chair in Microbiology**

Dr. Gisèle LaPointe, Department of Food Science, University of Guelph

DFO contributes $200,000 per year for this research chair. The funds are matched by the National Sciences and Engineering Research Council of Canada (NSERC) – Industrial Research Chairs Grants. The research program of the NSERC-DFO industrial research chair in dairy microbiology aims to ensure the quality and functionality of dairy products through better control of microbial ecosystems. The approach of the NSERC-DFO chair is to integrate knowledge across the value chain, from producer and processing to consumer health.

**Dexamethasone Depletion Study in Cattle: Milk and Edible Tissue Study**

Dexamethasone is approved for use in Canada in beef cattle and lactating dairy cattle at varying dosage regimens as an oral powder and injectable 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. As such, the Canadian Food Inspection Agency (CFIA) requires no detectable levels in milk and edible tissues following use of dexamethasone in cattle.
This is problematic for veterinarians and their producer clients since no dexamethasone depletion data in milk or edible tissues exist upon which to base an appropriate withdrawal time to ensure human food safety and regulatory compliance.

The results of these studies will provide key stakeholders Canadian Global Food Animal Residue Avoidance Databank (CgFARAD™), DFO, Beef Farmers of Ontario, Veterinary Drugs Directorate of Health Canada, veterinarians and their producer clients) with critical dexamethasone drug withdrawal information in lactating dairy cattle and beef cattle that will help ensure human food safety. Additionally, these studies will enhance public confidence in Canadian food animal practices.

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

DFO allocates $120,000 per year to grants-in-aid for several university departments engaged in dairy research. Currently, the following departments are granted funds:

- $30,000 to the Department of Food Science;
- $60,000 to the Department of Population Medicine;
- $30,000 to the Department of Food, Agricultural and Resource Economics.

Projects conducted during summer 2020 using the grants-in-aid program included:

- Determining if there is potential for an increase in microbial count during storage of pasteurized milk;
- Enumerate and identify spore-forming bacteria from milk and silage obtained from Ontario farms;
- Use of dairy proteins in the formulation of processed meats;
- Supporting the dairy challenge program for senior undergraduate dairy students at the Ontario Agricultural College;
- Impact of nutritional management in robotic milking systems on milk fatty acid content;
- Identifying cow and herd level risk factors for elevated FFAs in bulk tank milk on Ontario dairy farms;
- Enhancing natural fertility in dairy cows through health and precision technologies;
- Does colostrum from high immune responder (HIR) cows promote added health benefits in dairy calves?
- How does starch content in starter impact calf gastrointestinal health and development during weaning?
- Conducting focus groups to determine dairy farmer perceptions of barriers to implementing pain control for disbudding and assessing response to training workshops;
- Support University of Guelph summer student writers in the program SPARK to create user-targeted research summaries of recently completed dairy research;
- Retail dairy pricing — understanding differences in different markets;
- Chocolate milk as a rapid recovery drink.

**COMMUNICATIONS & GOVERNMENT RELATIONS**

DFO’s Communications and Government Relations team is responsible for advocating for producers’ interests and protecting DFO’s brand reputation. The team manages government relations, producer communications — including DFO publications and Milk Producer magazine — media relations, crisis management, corporate events and DPC relations.

**Government Relations**

**Federal Matters**

Discussions with the federal government over the last year have focused on the implementation of CUSMA, full and fair compensation for CETA, CPTPP and CUSMA trade deals, border enforcement and impacts of the COVID-19 pandemic on the dairy sector. DFC and provincial milk marketing boards have worked together to represent the interests of dairy farmers across Canada. In many areas of common interest, producers also collaborated with DPAC and other agricultural commodity groups.

**Trade**

**CUSMA Implementation**

On April 2, 2020, the Canadian government notified the U.S. and Mexico it has finished the ratification process and was now ready to implement the provisions of the revised North American Free Trade Agreement. Canada was the third country to ratify the agreement, following the U.S. and Mexico. CUSMA entered into force on July 1, 2020. CUSMA will provide access equivalent to 3.9 per cent of Canadian milk production. The access provided by the three trade deals (CUSMA, CPTPP and CETA) amounts to more than eight per cent of Canadian milk production, with an estimated $450 million impact to producer revenues per year. This access is in addition to the 10 per cent market access already provided, for a total of 18 per cent of Canadian milk production. In addition, the CUSMA agreement required eliminating Classes 6 and 7, the reclassification of Classes 6 and 7 products into their end-use class, the adoption of the U.S. price for ingredients and the implementation of an export cap for skim milk powder, milk protein concentrate and infant food.

On June 15, 2020, the federal government announced interim Tariff Rate Quotas (TRQ) for CUSMA, with the majority of new TRQs going to processors. The announcement aligns with the joint position advocated by Dairy Producer Committee (DPAC) and DFC. The consultation on how Tariff Rate Quotas (TRQ) will be allocated in the longer term for dairy has been delayed by Global Affairs Canada (GAC) with a new implementation date of January 2022. DFC and DFO have had initial consultations with GAC prior to COVID-19. The interim TRQ under CUSMA, and even CPTPP, is consistent with the...
direction GAC seemed to be taking in the longer term, with emphasis on maximizing allocation to processors.

Issues surrounding CUSMA continue to be the primary ask by DFO in terms of federal government lobby. A strong advocacy effort had secured the support of the federal government to have the CUSMA come into force with the dairy year on Aug. 1, 2020. However, with short notice, the government announced CUSMA would be implemented earlier, on July 1, 2020. The impact to the dairy industry is significant since the first year of the trade deal would conclude July 31, 2020, and the second year would start on Aug. 1, 2020. This meant a short time frame for the first year’s import allocation and less time to prepare for the higher imports permitted in the second year. The losses to the dairy industry are expected to be significant. DFC and the provincial marketing boards advocated strongly to keep the originally intended date of implementation and expressed serious disappointment with the government after the official announcement was made.

DFC, for its part, is advocating for improvements to CUSMA through the implementation of administrative measures between signatories so that dairy export penalties apply only on exports to the U.S. and Mexico, not globally.

Full and Fair Compensation of CETA, CPTPP and CUSMA

In August 2019, the government announced a $1.75 billion compensation package to be paid out over eight years to mitigate the market losses related to CETA and CPTPP; $345 million was paid out in December 2019. As the first year of direct payments to producers ended on March 31, 2020, DFC and provincial boards have been asking the federal government to announce the timing and schedule of the remaining compensation for years two through eight of the program, in the form of direct payments to producers. Additionally, a formal pre-budget submission was made to the federal government to ask for a formal commitment on the following:

1. The government announce the remaining schedule of the CETA and CPTPP compensation package and commit all remaining funding come in the form of direct payments to producers;
2. The government announce the financial envelope and payments schedule for a full and fair CUSMA compensation package and commit the funding come in the form of direct payments to producers;
3. The government provide the Canada Border Services Agency (CBSA) and CFIA the resources and training they need to effectively enforce dairy import regulations at the Canadian border.

Following consent by the European Parliament and ratification by Canada, CETA has been in force provisionally since September 2017 but continues to await ratification by several of the European Union (EU) member states. The agreement is in place in Canada and provides access to the Canadian cheese market, equivalent to about 1.4 per cent of Canadian milk production.

In mid-November, the Canadian government announced that the Canada-United Kingdom (U.K.) negotiations on a transitional trade agreement following the U.K.’s departure from the European Union (EU) on Jan. 31, 2020, have concluded. As of Jan. 1, 2021, the U.K. will no longer have access to the two permanent cheese tariff rate quotas (TRQ) under CETA and will need to use existing EU World Trade Organization TRQ reserves for cheese to access the Canadian dairy market. The transitional agreement is expected to last three years, as negotiation for permanent free trade agreement will start in the upcoming year. As a result of this agreement, no additional market access has been granted to the U.K.

Mercosur

Another trade negotiation the industry is closely monitoring is the Mercosur-Canada trade negotiation. Mercosur is a South American trade bloc comprising Argentina, Brazil, Paraguay and Uruguay, representing a GDP of more than $3 trillion and a population of more 261 million. Negotiations started in March 2018. There has been no advancement on Mercosur discussions, which have been postponed due to COVID-19. It is unclear when formal discussions will resume.

CPTPP

The CPTPP entered into force on Dec. 30, 2018, in the first six countries to have ratified the agreement (Canada, Australia, Japan, Mexico, New Zealand and Singapore). The agreement entered into force between Canada and Vietnam on Jan. 14, 2019. For the remaining signatories, Brunei, Chile, Malaysia and Peru, CPTPP will enter into force 60 days after their ratification. CPTPP is a free trade agreement between Canada and 10 other countries in the Asia-Pacific region that, once fully implemented, will form a trading bloc representing 495 million consumers and 13.5 per cent of global GDP ratification. The U.K., China, Thailand, Indonesia, Columbia, South Korea and Taiwan have demonstrated interest in joining the CPTPP in the past; however, so far none of these countries have started the accession process.

CPTPP provides an access equivalent to 31 per cent of Canada’s milk production.

Federal Lobby Day

DFO Board Members and executives attended DFC’s federal lobby day on Feb. 4, 2020 in Ottawa. Joined by young delegates James Harbers (Dundas county), Dave Bryson (Bruce county) and Lindsey Cook (Waterloo county), DFO took meetings with approximately 40 Members of Parliament (MPs) from across Ontario delivering messaging on the implications of international trade deals on dairy, advocating for full and fair compensation for the trade deals and effective border management.
Federal Supports During COVID-19 Pandemic

In the early phase of the pandemic, DFC, with the support of the provincial milk marketing boards, conducted an assessment to determine the impacts of COVID-19 to the dairy sector. It was estimated that without considering a future ‘second wave’, the total monetary impacts of the pandemic on the dairy sector, including farm revenue losses and extraordinary costs, were approximately $300 million in 2020. Dairy farmers did not ask for direct financial support to offset these losses. The system’s ability to respond to rapidly changing demand, together with farmers sharing their collective losses, highlighted the strengths of supply management. When the pandemic first started, anyone involved in agri-food or supply was declared an essential service. The dairy industry was included in this category and deemed an essential service by the Government of Ontario as a vital part of the food supply chain in the province.

Dairy farmers worked with the CDC and federal government to position its storage programs for butter and cheese to help deal with surpluses in the system. The sector also worked with the CDC and all parties in the House of Commons to make modifications to the Canadian Dairy Commission Act, which increased the CDC’s borrowing capacity from $300 million to $500 million, a welcomed announcement in the event of future disruptions.

Provincial Matters

Provincial Animal Welfare Services (PAWS) Act, Bill 136

PAWS, Ontario’s new animal welfare legislation, was introduced on Oct. 29, 2019 and came into effect Jan. 1, 2020. The first fully provincial, government-based animal welfare enforcement system in Canada, the PAWS Act replaced the Ontario Society for the Prevention of Cruelty to Animals (OSPCA) Act and will enforce some of the strongest penalties in Canada for people who violate animal welfare laws.

DFO worked with the government and, along with other livestock agricultural groups, provided input to the animal welfare model and legislation.

Provincial Lobby Day

Representatives of DFO’s Board and executive attended at Queen’s Park on Feb. 20, 2020 for the 2020 provincial lobby day. Minister of Agriculture, Food and Rural Affairs Ernie Hardeman offered opening remarks at the breakfast reception and was joined by NDP Agriculture Critic John Vanthof and Green Party Leader Mike Schreiner. DFO arranged more than 40 meetings with politicians and staff to drive awareness on the importance of passage of Bill 156, the Security from Trespass and Protecting Food Safety Act, a balanced approach to food policy at provincial institutions, and the implications of international trade.

Security from Trespass and Protecting Food Safety Act, 2020, Bill 156

Throughout 2019-20, DFO actively engaged with its agriculture partners and the Ontario Federation of Agriculture (OFA) in support of Bill 156, the Security from Trespass and Protecting Food Safety Act, 2020. On June 17, 2020 the bill received royal assent then, following heightened animal rights activity at a pork processing plant in the Greater Toronto Area (GTA) the provincial government announced partial proclamation of the act in September. Working collaboratively with a cross-commodity group of agricultural partners, DFO provided a submission on the draft regulations for the act, expected in December 2020.

Provincial Supports During COVID-19 Pandemic

Following the federal government’s lead, Ontario declared a state of emergency on March 17, 2020. This prompted a surge in consumer buying at retail that resulted in a strain on the food supply system. Similar reverberations were felt across the country and around the world. In order to meet the quickly changing demand, DFO and its P5 partners took action to adjust production accordingly.

Regular communication protocols were established early between DFO and the Ontario Farm Marketing Commission, the Ontario Dairy Council (ODC) and other government and national industry partners.

On-farm protocols were developed to ensure the safety of producers, their families and employees, transporters and staff at processing plants. These new processes included a variety of health and safety tactics such as physical distancing, on-farm disinfecting procedures and the development of producer contingency plans to deal with any potential COVID-19 infection. DFO was clear in its position that producers who did not comply with the requirements would not have milk picked up from the farm, nor would they be compensated for that milk. Maintaining these standards in order to provide nourishing food for Canadians was, and remains, top priority for DFO.

In the early stages of the pandemic, the Ministry of Transportation enacted changes to the Highway Traffic Act, which would allow for more efficient and timely movement of milk across the province. On March 24, 2020 Transport Canada released an essential freight transport exemption to allow relief from the requirements established under federal Commercial Vehicle Drivers Hours of Service Regulations. These exemptions applied to all carriers employed or otherwise engaged in the transport of essential supplies and equipment to directly assist the emergency relief efforts to contain the COVID-19 outbreak and keep essential goods moving in all provinces and territories across Canada.
Open for Business: Red Tape Reduction
Reducing Ontario’s regulatory burden is an important part of the current government’s plan to help businesses and individuals benefit from economic growth. In 2019, it introduced the Better for People, Smarter for Business Act, that would reduce red tape and work to restore Ontario’s competitive advantage. DFO, ODC and OMAFRA have been in consultation with the Ministry to review and advise on opportunities to lessen the burden of doing business. That work will continue into 2021.

Crisis Management

COVID-19 Pandemic Communications
DFO worked closely with its industry and commodity partners, adapting rapidly and responding to COVID-19 related issues. Through DFC’s Issues Management Working Group (IMWG), a national staff committee, DFO and other provincial milk marketing boards collaborated on communication strategies, government relations planning and key messaging. DFO worked with FarmGate5 partners in sharing common challenges and coordinating key messages specific to the supply managed sector.

Throughout the pandemic, increased engagement and communication with producers was a priority. Information was shared and support was provided to producers in the following areas:

- Clarity on important aspects of how COVID-19 would impact their farms, families and supply of high-quality milk to consumers;
- Specific communications to producers including the following topics:
  - Key messages from Chair and CEO providing updates on overall situation;
  - Milk pick-up protocols;
  - The need for milk disposal on farm as an emergency measure;
  - On-farm protocols for disinfecting and dealing with visitors;
  - proAction program changes;
  - P5 decisions on production limits and fluctuations in demand;
  - Q&A documents that answered questions raised on regional calls held with DPCs;
  - DFO’s partnership with Feed Ontario highlighting the industry’s contributions;
  - Additional government COVID-related funding and COVID-19 resources to assist producers with impact of pandemic.

DFO launched a dedicated COVID-19 archive page for producers on DFO’s website, as well as an Ontario producer Facebook page, which allowed producers to share information and engage in two-way conversation in a private environment. DFO increased engagement with DPCs to keep them informed of DFO’s activities and ensure they are better equipped to share information with grassroots producers during the pandemic.

Media Relations During COVID-19
DFO communications staff monitor media daily and respond to media requests through media@milk.org. At the onset of the pandemic, DFO’s media strategy was adjusted to provide a daily media report to Board Members, DFO’s executive team, DPCs and select DFO staff. The daily scans provide links to stories covering the Canadian dairy industry and COVID-19, world dairy developments, government announcements and other noteworthy dairy-related news items.

DFO has largely followed a reactive media strategy in responding to media inquiries throughout the pandemic. All media requests are first vetted by the communications division. DFO also works closely with DFC to respond to media inquiries involving a national perspective.

Milk Disposal
The emergency measures taken for milk disposal across numerous provinces in April received attention in the media. At the height of the coverage, DFO handled upward of 50 media inquiries over a three-day period. DFO shared a media statement from CEO Cheryl Smith to respond to the issue, which was posted on DFO’s consumer website. DFO also highlighted how dairy’s supply management system helped dairy farmers to weather market fluctuations. On a national level, DFO announced how it worked with partners, including DFC, provincial milk marketing boards and government, to soften the impact of the reduced demand through national storage programs.

Issues Management Working Group (IMWG)
IMWG is the national working group of communications staff from each of the provincial marketing boards, including DFO. The group meets regularly and shares documents and/or best practices across the industry.

In February, the IMWG group met in person in Ottawa, Ont., to discuss strategies on a national level, including government relations, crisis management, key messages and media relations. Since then, the group has continued to meet virtually to collaborate on issues pertaining to the pandemic’s effects on the industry.

Publications & Communication Vehicles

Milk Producer Magazine

Advertising revenues continue to reflect the appreciation dairy farmers and industry partners have for Milk Producer magazine. DFO’s 2019 magazine readership survey concluded that the magazine continues to be well read by dairy farmers and industry professionals across Canada.
In order to continue improving magazine content, reader experience and workflow, adjustments were made with a view of incorporating feedback from the 2019 readership survey, and to make the production process more efficient and in line with best practices. A refreshed Milk Producer magazine launched in July 2020.

Milk Producer is once again a recipient of three 2020 APEX Awards. APEX is an annual awards program that recognizes excellence in graphic design, editorial content and the ability to achieve overall communications excellence.

The magazine was awarded with the:

- 2020 APEX Award for, “Publication Excellence for Magazines, Journals and Tabloids” for the one-to two-person produced category
- “Feature Writing Award” for the December 2019 cover story entitled, “Small hearts believe big this holiday season”
- “Design and Illustration Award” for the November 2019 cover story layout

LinkedIn

In September, DFO officially launched the organization’s refreshed LinkedIn page. A strategy and content plan were developed refreshed DFO’s goal to further develop its corporate brand and leadership role in the dairy industry.

LinkedIn has evolved to become a place to drive business results, raise brand awareness, promote career opportunities and educate customers and stakeholders, which is what DFO will strive to accomplish on its page. DFO’s LinkedIn voice and tone will be authentic, positive and approachable, and will aim to highlight the best of the dairy industry and opportunities for growth in Ontario and across the country for its audiences. The content will appeal to current employees, DFO’s Board and producer community, but also to job seekers, students, industry leaders and government.

Following its launch in September, an increase in activity and engagement through regular posts and conversation was noticed. DFO already has a decent following of more than 3,200 people and aims to increase that by sharing interesting and meaningful content.

Communications Audit

To gain a better understanding of the organization’s communications needs, in mid-2019, DFO embarked on a full audit of all its communications processes and vehicles, including all paper and digital assets.

Surveys and interviews with producers, DPCs, Board Members, DFO staff and industry stakeholders were conducted over several phases and full data analysis was completed by the end of the fiscal year. The audit will be used to influence the development of a communications plan for future implementation.

A comprehensive report is scheduled to be presented to the Communications and Government Relations committee for review and discussion, with recommendations going to the Board on how best to tailor and streamline the communications offerings to effectively and efficiently meet the needs of DFO’s audiences.

MMS Communications and Training Plan

The communications team is supporting the upcoming launch of DFO’s stakeholder website redesign, which will encompass a new industry page on the public facing website, DPC portal and comprehensive milk management system (MMS) for producer, processor and transporter access. An employee portal for DFO staff was launched in September on SharePoint.

As with any new process, communicating change is critical to launch success and adoption. DFO has developed a detailed communications and training plan to increase awareness of the new design and when it launches, communicate how the changes will affect different users and drive engagement and increase DFO’s online presence.

Enhanced DFO-DPC Communications

Board and DPC Calls

In April 2020, DFO hosted a series of regional conference calls with DPCs, updating them on current issues and topical matters related to the COVID-19 pandemic. The calls were well-received, and DFO decided to host three such calls every year. A subsequent call took place on Aug. 21, 2020.

Producer Communication Ambassador Program

To further strengthen relations with producers and reiterate transparency in communication, DFO initiated the formation of a Producer Communication Ambassador (PCA) program in late spring 2020. The PCA team, which includes DFO’s stakeholder engagement staff and nearly a dozen producers who are knowledgeable and connected to their communities, have regular check-ins to share topical information and discuss issues and questions from the field.

DPC and Producer Facebook Groups

In May 2020, and in response to an increase in producers inquiring about joining the DPC Facebook group, DFO launched a producer Facebook group to provide a private social media community that will enable two-way conversation with other producers while allowing for DFO information-sharing. Communications staff continually monitor online conversations on both pages and use these tools to disseminate important industry information.

Other Communication Improvements

New Monthly Markets Report

To respond to producers’ request for more timely and relevant markets and production information, including a snapshot of the fluctuating retail landscape, DFO developed a new report called Markets and Production Brief.

The report launched in September 2020 and will continue to be distributed around the 15th of every month via Constant Contact email, Weekly Dairy Farmer Update e-newsletter and with the Monthly Dairy Farmer Update newsletter.
DFO's content and methods of communicating are evaluated on a consistent basis. As part of continuous improvement, DFO added three or four curated media articles and video content to Weekly Update. This e-newsletter has also seen production changes to ensure it is sent at the same time every Friday, with a few exceptions.

Weekly E-newsletter Improvements

Milkline (IVR Phone System) Upgrade

In September 2020, DFO’s telephone recording system was upgraded to a web-based content management platform that allows staff to record messages in a more user-friendly and streamlined way. It also allows producers to select which items they listen to, and for each segment to remain available to producers for a longer period.

Events

2020 Annual General Meeting

DFO’s 2020 annual general meeting (AGM) took place from Jan. 14 to 16, 2020. Feedback for the event was very positive. Agenda topics were well-received, particularly the marketing segment featuring Kael Morrison, the 13-year-old son of the Morrison dairy farming family from Frankville, Ont. He spoke about his lengthy experience at SickKids hospital. A special cheque presentation also took place to recognize DFO’s $600,000 donation to SickKids Foundation and other children’s hospital foundations in Ontario as part of its Milk and Cookies campaign with Mondelēz, maker of Oreo cookies, and other partners, which ran during the Christmas season.

As well, new for 2020 was a marketing booth that featured interactive displays to highlight various marketing activations from 2019.

Two outgoing retiring Board Members were formally recognized—Sid Atkinson and Paul Vis—and former Board Member Will Vanderhorst, who was formally recognized at the 2019 Spring Policy Conference (SPC), was also acknowledged at the AGM. Shannon Cartwright, PhD student, was presented with the 2020 DFO Doctoral Research Assistantship award.

The platinum sponsorship for this year was Maple Leaf Sports and Entertainment. Gord Stellick, Canadian sports broadcaster and Brendan Shanahan, president of the Toronto Maple Leafs, were the gala dinner’s entertainment. They participated in a fireside chat during the banquet.

The annual report was also distributed at the AGM. The focus of the report was marketing and innovation, as well as sustainability. An electronic version was posted on DFO’s website and a hard copy was distributed in Milk Producer magazine’s January 2020 issue. As well, DFO presented an annual report video to capture key highlights of the report and activities throughout the year.

Survey respondents gave the 2020 AGM a perfect rate of satisfaction on the feedback survey: 60 per cent were very satisfied and 40 per cent were satisfied. All the presenters from DFO and industry were well received, as were the renovations to Fairmont Royal York hotel. One recurring comment in the survey was the request to implement a live streaming option for those unable to join in person. With the upcoming 2021 AGM going virtual, this request will be fulfilled and DFO will consider offering a remote option for future meetings.

Impact of COVID-19 on 2020 Events

Events DFO participates in annually were impacted greatly by the pandemic. The Canadian Dairy XPO (CDX) and Farm & Food Care Ontario’s Breakfast on the Farm were to take place during the first lockdown but were forced to cancel. Subsequently, the International Plowing Match (IPM) was postponed and is set to resume on Oct. 13 to 16, 2021, in Lindsay, Ont.

Canada’s Outdoor Farm Show (COFS) moved to a virtual format for 2020, following the success of its sister event, Ag in Motion, hosted in Saskatchewan. The multi-day show delivered interactive content from the field, giving participants a unique vantage point to see equipment and agricultural technology in a way not seen before.

Spring Policy Conference

DFO’s spring policy conference (SPC), which was the last in-person conference for the year, was held on March 10 to 12, 2020, at Nottawasaga Inn Resort in Alliston, Ont. The theme of SPC revolved around strengthening the dairy system in Ontario and throughout Canada.

Murray Sherk, Board Chair, spoke about the importance of dairy farms being consumer ready. He noted consumers are interested in how their food is produced, where it is coming from and animal care, referencing proAction as a program meant to provide this assurance. CEO Cheryl Smith shared her analysis of a, “dynamic, profitable, growing industry that demonstrates the importance, relevance and sustainability of our dairy system.”

Other topics discussed at the conference included accountability of marketing initiatives, DFO’s sustainability strategy, human resources update and 2019 budget analysis. A national partner panel comprised of chairs from provincial marketing boards also discussed opportunities and challenges in the dairy industry across Canada and the importance of collaboration.

Virtual Fall Regional Meetings

To align with government COVID-19 guidelines, fall regional meetings were held virtually on Oct. 14 and 15, 2020. Both meetings were well-attended and ample time was provided for the formal program and to address advance questions and open question period.
DPCs received materials, papers and presentations to review in advance of the meeting. This approach enabled better focus for a shorter virtual meeting and provided a more structured and comprehensive meeting experience for attendees. Feedback provided by attendees favoured the virtual experience, suggesting it could continue in the future.

**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. The team is responsible for marketing programs, campaigns, partnerships and initiatives across four key areas: marketing communications and strategy, business development, consumer programs and community programs and partnerships.

**Marketing Plans**

**Marketing Plans & Pivot for 2020**

DFO continued to expand on the foundational growth seen in 2018-19 maintaining its strategic plan focused on increasing consumption of dairy. The overall strategy in marketing and business development also continued to capitalize on an ROI-based approach to programs and execution.

Ongoing research into consumer habits and perceptions informed all program activities and the target millennial parent demographic was refined into multiple segments, which allowed for additional execution, targeting and performance tracking.

2019-20 brought the added complication of COVID-19, which required quick work across the board to pivot marketing activities for changing consumer behaviours and mindsets. Maintaining the momentum for milk consumption was the overarching goal as pivot planning took place.

The emergency measures of milk disposal during the pandemic caused a dip in sentiment toward brand equity. Pivot planning included a refocused effort to rebuild this trust through campaigns focused on farmer equity, innovation and community engagement in support of food banks and Ontario children’s hospitals.

Each marketing activity was built with target metrics and objectives that were tied to the overall goals of marketing and DFO’s overarching strategy. Fiscal 2020 was primarily focused on execution and setting benchmarks for future tracking, which was fully completed, while pivot plans due to the pandemic were executed.

**Marketing Communications, Public Relations & Social Media**

**Brand Strategy**

DFO continued to drive the core messaging strategy and supported execution plans through fiscal 2020. The following framework established in early 2019 remained in place and DFO is seeing strong results well into its second year.

<table>
<thead>
<tr>
<th>Make dairy the inspired food choice</th>
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<tbody>
<tr>
<td>Increase milk’s relevance</td>
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</table>

DFO’s two marketing communication objectives were put into action in many ways throughout 2020 and the research executed during the early stages of the pandemic indicated there was further opportunity to build on key messages (as opposed to shifting away or changing them).

As part of the strategic planning pivot on COVID-19, plans for fall milk campaigns were shifted to adapt to new production realities, and both plans (focusing on brand equity and milk itself) were communicated in parallel paths, versus one at a time, to capitalize on positive results of concurrent creative that had been developed.

**2019-20 Campaigns**

During the fiscal year, DFO planned and executed the following integrated campaign activities, which utilized a wide variety of applicable tactics and communications methods to convey core messages around dairy farmer values and milk.

**Holiday Milk and Cookies**

- DFO kicked off 2020 with the first iteration of the Milk & Cookies campaign, with the support of dairy processors, retailers and Mondelēz Canada (Oreo Cookies) to help raise funds for SickKids and other Ontario children’s hospitals;
- Using “Milk and Cookies” for Santa allowed DFO to lead the charge as a champion of belief to raise funds and awareness for
the help needed by children’s hospitals and the unique situation children and families find themselves in over the holidays;

- Creative running on TV, cinema, social media, parade float and billboard allowed DFO to capture attention, generate emotion and build awareness for an incredible cause;

- On social, parents were asked to help “small hearts believe big” by designing “Santa’s Perfect Milk Glass” with their children.

**Winter/early spring equity integrated campaign focused on local and family pride**

- Despite a combination of pandemic-related cancellations and an atypical creative development/production process, the winter equity campaign drew strong results and served as a worthy sequel to DFO’s first equity campaign in 2019;

- Out-of-home mass media creative on billboards and transit shelters localized the campaign for all Ontarians;

- DFO website and social media channels demonstrated the real generational stories of dairy farming across the province;

- DFO’s panel of year-long influencers were given a tour of an operating dairy farm to learn the realities and daily care that go into quality Ontario dairy.

**Spring milk and COVID-19 pivot focused on the versatility of milk**

- The spring milk campaign was the first formal follow up to DFO’s inaugural dairy milk campaign last fall with “What Can’t Milk Do?” (WCMD), featuring a follow-up “home version” that asked the same question.

- The campaign reused the original WCMD TV ad and brought a fresh take on the WCMD narrative that was told through radio, digital video and social media, among others;

- Though it came about suddenly in the form of a pivot, the spring milk campaign built on 2019’s success to deliver a hyper-contextual ode to milk’s versatility message by tapping into a sudden increase in milk relevance during the COVID-19 pandemic and building on learnings from the previous campaign.

- The results were very positive since the mix of a COVID-friendly creative approach, relevant messaging and steadfast media planning resulted in delivery across almost all tactics;

- Fun and nimble interactive content allowed at-home entertainment facilitated through influencers on DFO owned social channels and milk.org;

- Social media influencers received packages with dairy products to facilitate at-home versions of experiences they were missing during the early COVID-19 lockdown, while others cooked comfort recipes at home with their kids.

**Summer equity focused on local environmental sustainability messaging**

- With a focus on highlighting sustainable and technological farm innovation, DFO ran a series of focused ads (adaptive videos, banners and social) that showed people the progressive actions being taken to modernize dairy farms;

- The summer equity campaign was the first formal production executed with COVID-19 limitations and protocols, which were done in a seamless and safe way;

- Ontarians visiting the new landing pages on milk.org, were provided with additional in-depth information around animal care, sustainability and farm technology, while posts on the site reflected campaign messaging on DFO’s social media;

- DFO partnered with well-known technology journalist Amber Mac to produce engaging and high-quality content featuring on-farm technology. Through a one-on-one experience at Browndale Farms, Amber asked questions and created social content catered to her niche technology audience, positioning DFO as an innovator in the space;

- Simultaneously, DFO engaged a targeted roster of discerning influencers who had a tech focus and could also create content on Instagram that directly compared everyday technologies with on-farm dairy innovations.

**Fall milk focused on the essential nutrients in milk**

- In the most recent iteration of the WCMD campaign, DFO demonstrated milk’s nutritional density by featuring one of its 15 core nutrients and its individual benefits;

- The nutritional benefits of milk’s 15 core nutrients were communicated via mass media broadcast, digital, out-of-home and event podcast advertising;

- Individual social profiles were created for each nutrient and shared with followers through DFO’s Instagram channel;

- DFO also gave milk drinkers a break while educating them on the nutritional density of milk through a 15-page adult colouring book that highlighted each of milk’s 15 nutrients and their benefits.
DFO has seen continued growth around key positive perceptions and awareness with the core millennial parent audience in Ontario:

**Milk perceptions:** associations with milk as nutritious, delicious and versatile have reached new peaks in the summer.

**Equity perceptions:** pride, local and community reached new peaks in the summer, highlighting continued progress and perhaps renewed appreciation for local production amid the pandemic.

**Awareness:** recall and recognition of DFO advertising significantly increased in the winter and has held steady through the summer and about a third of Ontarians now recognizing DFO advertising.
Social Media

DFO’s existing @ontariodairy presence on Facebook, Instagram and Twitter continued to chart its course by constantly testing, learning and adapting to real-time feedback. The brand stayed true to its roots, building brand equity and showcasing the versatility of milk while experimenting with new avenues on Spotify, Snapchat and TikTok. The marketing team also expanded into two new brands in spring 2020 — Savour Ontario and MilkUP — each with defined audiences.

Savour Ontario's channels on Instagram, Facebook and Pinterest tap into the truly epicurious mind. The goal of this brand is to show people’s relationship with food and dairy encompasses an entire experience, including social and mental benefits. MilkUP’s presence on TikTok, Instagram and Twitter support the brand’s mandate to position milk as a foundational drink needed to support youth in reaching their full potential.

As a complement to DFO's social media, DFO also launched LinkedIn as a business-to-business channel. This channel discusses marketing, industry news and organizational successes.

In 2020, DFO continued to build an online community and establish Ontario and dairy pride through major actions and additional strategic tactics which created a voice and approach that will continue into 2021:

- **Amplified influencers**: DFO continued to leverage influencers to reinforce campaign content and speak to their target audience via content pillar priorities;
- **Introduced always on content**: 2019 social content supported campaign moments; in 2020 there was a shift to creating and including social content separate from campaigns;
- **Refined the audience**: 2020 activities merged farmer-centric and pride content with a visual identity and voice that would resonate with the millennial mom target;
- **Retained followers**: DFO continued creating content that is interesting, topical and relevant to the target audience. 2019 results and learnings were used to fine-tune content and continue to push for follower growth;
- **Created nimble content**: With the world facing unprecedented circumstances and challenges, DFO was able to create nimble content pillars to support and engage the community;
- **Defined an image**: In 2020, DFO created a social media style guide and playbook to ensure a cohesive brand look and put in place best practices. The style guide encompassed direction for tone, typography, colour palette, lifestyle, in-studio photography and treatment of graphic elements/animation styles.

While each channel has seen steady and continuous growth, no period saw more community support than the spring/summer of COVID-19. Consumers showed a universal appetite for virtual closeness and connection, and DFO quickly pivoted toward fulfilling that need, staying light and inspirational while keeping people informed during a tumultuous time.

As a result, audience growth and engagement outperformed DFO's past performance in every aspect on almost all channels with the organization's top content of all-time coming from an Ontario-wide call to show signs of solidarity. Following spring/summer, activity levels have remained above last year’s average with a surge again in the fall.

The chart below shows follower growth across DFO social media pages from February 2020 to end of fiscal.

<table>
<thead>
<tr>
<th>Follower Growth (February 2020 - October 2020)</th>
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<tr>
<td>Totals</td>
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<tr>
<td>Audience Gained</td>
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<td>Followers Gained</td>
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<td>Page Likes</td>
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<td>Followers Gained</td>
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<td>Followers Gained</td>
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The chart below provides impression metrics, or the number of times DFO content was displayed, on social media platforms from February 2020 to end of fiscal.

<table>
<thead>
<tr>
<th>Impressions (February 2020 - October 2020)</th>
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<tbody>
<tr>
<td>Totals</td>
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<td>Total Impressions</td>
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<td>Impressions</td>
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Public Relations

In 2020, DFO’s consumer public relations focused on a strategy of identifying and engaging trusted third-party sources to serve as brand advocates ranging from chefs and technology experts to parenting influencers.

Throughout the year, DFO worked with some of these third-party lifestyle experts to integrate dairy-inspired content into broadcast segments and supported campaigns for WCMD and Dairy Done Right, as well as seasonal moments such as national grilled cheese day.

DFO utilized strategic audience segmentation to identify and engage a year-long panel of social media influencers who generated dairy focused content, which could be used to support larger ad campaigns, as well as during seasonally relevant moments. Content generated by these social influencers was also used where possible on DFO-owned social channels to engage followers.
DFO also conducted a test and learn program to work with producers who are active content creators on social media. This ‘Farmfluencer’ program created complementary farmer-focused content to support campaigns and message themes. With positive results and high engagement with content, DFO will continue to explore this new strategy in 2021.

Using public relations provided additional insights and supported campaign execution throughout 2020 by using influencers and experts to creatively amplify the themes of each campaign.

**Public Website & CRM**

**DFO Website & Customer Relationship Management (CRM)**

DFO continued to develop its digital ecosystem, including updating milk.org, launching savourontario.ca and introducing a CRM program.

Updates to milk.org continued through 2020. Phase 2A launched in April 2020, including additional consumer content and information about how a dairy farm operates.

The milk.org update process involved additional administrative work to improve security, storage and data archiving. More than 11 DFO web properties were transferred into a single hub which, established additional secure data privacy and compliance. All existing DFO data were migrated into a single warehouse (Kentico) for a clean, consolidated database that feeds into the media data. Working with internal stakeholders, 300+ existing archives and PDF documents across DFO sites were reviewed and prioritized into a single industry documents system.

Since launching the updated DFO consumer website in November 2019, there has been a 23 per cent increase in website visits driven largely by media campaigns and social media.

Phase 2B, which is focused on content for industry stakeholders, will launch in conjunction with MMS in early 2021.

Phase 3 is the final update to the consumer website and is expected to launch in spring 2021. It will contain further content optimizations, including search engine optimization (SEO).

In August 2020, DFO launched savourontario.ca, a companion site of milk.org. The site is designed to be a platform for food ideas, experiences and expressions from some of the most influential talent and important voices in the culinary community. Savour Ontario also began to distribute bimonthly newsletters with complementary content designed to drive consumers to the site.

In July 2020, DFO initiated its first ever CRM (Customer Relationship Management) email and coupon program in conjunction with DFO’s business development initiatives. Processor partners including Arla, Agropur, Lactalis and Saputo are all participating in the program and offering coupons and relevant recipes. The initial results and feedback from consumers are strong. DFO is seeing email open rates of more than 50 per cent and click-through rates of 1.37 per cent, which are all above industry benchmarks.

**Consumer Programs**

**MilkUP**

In 2019-20, DFO focused on repositioning Recharge with Milk (RWM) to MilkUP, shifting its positioning from a post-workout recovery beverage to a foundational drink needed to support youth in reaching their full potential. This shift allows DFO to speak to the target audience of Generation Z (ages eight to 23, with 18 being the focus) with more meaningful, authentic stories and gives them a reason to consume milk daily.
The campaign reached Ontario youth through multiple marketing channels over three phases:

- **Phase 1 (Awareness):** Getting fans excited for the return of basketball through online videos and paid media placements.
- **Phase 2 (Engagement):** Encouraging Ontarians to showcase their best dunks with the #HomeCourtDunkoff TikTok challenge and using influencers to amplify the challenge on paid, owned and partner channels.
- **Phase 3 (Sustain):** Leveraging MLSE and TSN to create paid and organic content that continues to tell the #HomeCourtDunkoff story.

**MilkUP 2021 Campaign Planning**

Overall, the MilkUP seed phase and #HomeCourtDunkoff content performed strongly and surpassed most targets, in some cases by 260 per cent. The marketing team saw an opportunity with a highly-anticipated cultural moment that allowed natural milk integration into a younger demographic. Research suggests DFO’s MilkUP pivot campaign saw positive gains within specific demographic groups: male, older youth (15- to 18-year olds) and active in sport. Among this cohort, DFO saw a directional increase in brand recall, perception and claimed consumption.

This insight further reinforces the need to transition MilkUP from a sports brand to a youth lifestyle brand in order to appeal to a wider youth demographic. This transition will take time, effort and consistency, but the long-term results suggest there is the potential for lasting success.

DFO plans to continue to explore other youth passion points in fiscal 2021 and create content and partnerships that replicate the success seen related to sports. In 2021, consumers can expect to see an “always on” communications approach on social media, as well as a formal brand launch campaign in the early part of the year.

**MilkUP Grassroots Engagement Plans**

A three-phase approach was provided to DPCs in early 2020 outlining the MilkUP DPC/grassroots budget management transition. COVID-19 and the suspension of professional and amateur sports expedited this transition and DPCs saw their funding reallocated to support the digital #HomeCourtDunkoff pivot campaign this year.

**Culinary Program**

**Savour Ontario**

Off the tails of the launch of Savour Ontario, this summer saw the soft-launched savourontario.ca, a new local food and lifestyle content website. The new content marketing site features a mix of original content each month, including dairy-inspired recipes, Ontario chef, tastemaker, processor and restaurant profiles, entertaining ideas and thought pieces on how to live a local lifestyle. The website includes original content with support from local food partners and personalities including, but not limited to, Ontario chefs and Feast On venues, Culinary Tourism Alliance, Restaurants Canada, Taste Canada and the Ontario Wine Marketing Association.

**Savour Ontario at Home Campaign**

One of the positive consumer trends to emerge from the pandemic has been a return to in-home cooking. This trend provided the opportunity for the Savour Ontario brand to bring recipe content to consumers. In April 2020, DFO launched the Savour Ontario at Home social media campaign. This program ran throughout spring and summer, growing key partnerships and bolstering this new brand with consumers.

Program highlights:

- 45 Ontario chefs partnered to create at home content for Savour Ontario launch, posting six recipes per week on the new Savour Ontario Instagram, Facebook and Pinterest pages;
On Sept. 8, 2020, DFO officially launched the Savour Ontario brand, working with established media partners:

- **Food Network Canada**: Eight Ontario chef ambassadors shared culinary skills and a recipe on foodnetwork.ca and savourontario.ca, with 60-second broadcast vignettes featuring Ontario Cheese Ambassador Afrim Pristine and celebrity chefs Mark McEwan and Lynn Crawford airing on Food Network Canada.

- **Food & Drink**: The autumn issue of the magazine announced the official launch of Savour Ontario and featured an eight-page editorial spread with three unique, locally inspired cheese boards curated by Afrim Pristine, driving consumers to owned Savour Ontario web and social channels.

- **Media & PR**: Awareness and promotional advertising on social channels, including YouTube, as well as original content from a panel of social experts and inspired by Savour Ontario chef recipes was launched Sept. 8, 2020 and concluded Oct. 30, 2020.

In September 2020, DFO's Savour Ontario brand became the first-ever partner to be granted the right to market content via LCBO's myLCBO newsletter. The pilot program spanned four newsletters between September and December 2020 with the potential to continue the partnership in 2021.

### 2020 MILK CALENDAR DISTRIBUTION

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<td>Events</td>
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<tr>
<td>DPC &amp; Processors</td>
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<tr>
<td>Milk Producer &amp; MENU Magazine</td>
<td>38,500</td>
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<td>Longo's</td>
<td>161,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>387,850</strong></td>
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</table>
**Events**
The Royal Agricultural Winter Fair (RAWF) was held Nov. 1 to 10, 2019. The RAWF is a place where farmers from across Canada converge to network with others in the industry and celebrate innovations in cattle genetics and farm technologies. DFO once again hosted the education booth with live milking demonstrations at the Exhibition grounds in Toronto, Ont.

The show also featured cheese and butter competitions, cattle shows and plenty of food and entertainment. About 15,000 students and 280,000 visitors visited the fair over the 10-day period. During the milking demonstrations, guests participated in knowledge assessments through interactive quizzing. Results:

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<thead>
<tr>
<th>KNOWLEDGE ASSESSMENT</th>
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<tr>
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<tr>
<td>No knowledge</td>
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<td>Before</td>
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<tr>
<td>Increase/ decrease</td>
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**Canadian National Exhibition (CNE)**
The 2020 Canadian National Exhibition was canceled for the first time since World War II due to the COVID-19 pandemic and associated government restrictions.

**Community Partnerships**

**Dairy Education Program**

The 2019-20 school year was a disruptive one for students and their families as labour disputes and work-to-rule campaigns affected major school boards across the province from September 2019 to February 2020.

The COVID-19 lockdown followed in March and in April students began online learning with a view to completing the academic year. This development effectively stopped DFO’s in-school programs, including the elementary school milk program (ESMP), dairy education and the breakfast program.

Through the spring and summer, the province made significant changes to the delivery of education, which had a direct impact on school programs. The Ministry of Education laid out clear expectations for school boards and DFO focused on delivering a customized program that met these expectations and continued to grow the program. To this end, DFO expedited the development of a digital Learning Management System (LMS) available for use in elementary and secondary classrooms as of September 2020.

The DFO education team continues to closely monitor Ministry of Education directives and policy changes; however, educator hiring was paused until educators are permitted back in the classroom. They continue to receive monthly emails and attend quarterly meetings.

**Changes to Dairy Education Program Reporting**

At the 2020 SPC, DFO presented a plan to assist DPCs with the administrative function of managing their local dairy education program, while digitizing resources to help modernize and grow the program. Dairy educators continue to be local ambassadors for the industry and are encouraged to work closely with their DPCs, using them as a resource and continuing advocacy in the classroom and at local events. Hiring, deployment and reporting is handled by the school programs team at DFO. These changes in reporting structure have been fully implemented.

**Learning Management System (LMS)**

The LMS is a digital learning platform available to teachers across Ontario and features 20 lessons from kindergarten to grade 12. These lessons are all rooted in the Ministry of Education curriculum expectations making them a valuable tool for teachers and an excellent path for the dairy industry’s positive story. Each lesson was built to support learning objectives, whether used in a virtual or in-person classroom. These digital resources can be found at edu.milk.org. The site launched on Aug. 31, 2020. Promotion of the platform took place through email campaigns and is featured on the TVO in the Classroom website.

**Education Programs by the Numbers**

The school programs team continues to focus on innovative ways to connect to students and classrooms through virtual and digital opportunities. Working with dairy educators to support learning, wherever it happens, is the foundation of the program though it is unlikely educators will be back in classrooms before fall 2021. COVID-19 school closures ended the program on March 16, 2020, which had significant impact on outreach:

<table>
<thead>
<tr>
<th>2019-20 SCHOOL YEAR-END REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of schools</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>563</td>
</tr>
</tbody>
</table>

Year over year variance:
-63% -79% -58%
The launch to digital programs from Sept. 1, 2019 to July 1, 2020

**Average LMS Course Views by Level**

<table>
<thead>
<tr>
<th>Level</th>
<th>Avg. Course Views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>107</td>
</tr>
<tr>
<td>Junior</td>
<td>35</td>
</tr>
<tr>
<td>Intermediate</td>
<td>23</td>
</tr>
<tr>
<td>High School</td>
<td>107</td>
</tr>
</tbody>
</table>

**Dairy Education Presentations by Level**

<table>
<thead>
<tr>
<th>Level</th>
<th>Number of Presentations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>1,381</td>
</tr>
<tr>
<td>Junior</td>
<td>540</td>
</tr>
<tr>
<td>Intermediate</td>
<td>251</td>
</tr>
<tr>
<td>High School</td>
<td>22</td>
</tr>
</tbody>
</table>

The volume of presentations by grade given by DFO educators for the dairy education program was aligned with the volume of average course views by level on the LMS platform. The majority (60 per cent) of presentations were given to primary schools across Ontario, which was also the most popular course level on the LMS, accounting for 57 per cent of average views per course.

The LMS has been an effective tool to maintain connection with Ontario students and will continue to support dairy education when educators are able to return to the classroom. A significant jump in secondary school courses indicates this is a new path for increased penetration in high schools.

**TVO**

On Aug. 31, 2020, DFO became the first ever external educational resource provider featured on TVO platforms. TVO has been a go-to resource for at home supplementary programming during the pandemic and has become an online learning tool of choice for teachers. This exciting opportunity links TVO into DFO’s own digital platform of 20 lessons, which will allow parents and educators direct access to the DFO dairy education programming.

As of Oct. 31, 2020, TVO In the Classroom generated 14,634 total views and 204 click-throughs to the DFO LMS.

**Elementary School Milk Program (ESMP)**

When schools closed in March due to COVID-19, ESMP ended. At closure, the program was running in 2,287 schools across Ontario.

Data reported from September to March with 722 schools and 120,074 students reporting:

**SEPTEMBER TO MARCH (PROGRAM SUSPENDED DUE TO COVID-19 FROM APRIL TO END OF FISCAL)**

| Total white milk consumed          | 6,851,685 |
| Total chocolate milk consumed      | 7,746,627 |
| Average number of students per school | 347       |
| Average number of white milk sold per school | 2,996     |
| Average number of white milk sold per school, per day | 24        |
| Average number of chocolate milk sold per school | 3,387     |
| Average number of chocolate milk sold per school, per day | 27        |
| Average number of milk cartons sold per day across all schools | 6,383     |
| Average cost of white milk         | $0.78     |
| Average cost of chocolate milk     | $0.79     |

In August 2020, DFO entered into an agreement with KEV Group to use the popular SchoolCashOnline platform to deliver ESMP. This will improve the statistical reporting of the program, make it easier to administer for schools and grow the program to 90 per cent of all Ontario schools by the end of the three-year contract. Due to the pandemic and restrictions in schools, ESMP expects a decrease of 31 per cent in volume in the 2019-20 school year.

**Minecraft Education: Dairycraft**

Capitalizing on the popularity of the video game Minecraft (which sees 126 million monthly active users), DFO developed its own educational version – Dairycraft, available on the Minecraft: Education Edition platform. This free online learning resource will serve as an ongoing resource available at virtual fairs and events, such as the Royal Agricultural Winter Fair (RAWF). The content is designed to bring core concepts from the Ontario curriculum to life in one of the most popular gaming environments with four- to 18-year-olds. This initiative was planned and developed in fiscal 2020 and will be formally launched in November of fiscal 2021.

**Nutrition Advocacy**

COVID-19 presented unique challenges for Ontario families. People spent more time at home cooking for themselves and their families and became increasingly conscious of health and well-being.
In partnerships with health and wellness influencers at the start of the pandemic, DFO’s marketing team created content that helped consumers make the most of their “new normal.”

The content of this campaign focused on four topical themes:

- **Rebalance Breakfast**: milk is low-GI, high in protein;
- **Avoid Empty Calories**: milk is nutrient dense;
- **Stretch Food Budgets**: quality of protein in milk;
- **Support a Healthy Immune System**: fact versus fiction: why vitamin D matters and the benefits of milk protein.

Paid and organic content was shared on influencers’ Instagram feeds and digital assets (websites, blogs and YouTube channels). To further advocate the dairy nutrition story, DFO partnered with trusted food and nutrition experts in Ontario to sponsor segments on local morning shows and news outlets.

**Fall Breakfast Better Campaign**

With Ontario grappling with a new version of “back to school,” a second wave of COVID-19 and flexible working options, the ‘next normal’ is here. Consumers had great breakfast habits during the lockdown and DFO wants to do what it can to preserve those habits by leveraging a unique proposition for dairy and prevent consumers from returning to skipping breakfast patterns.

The Breakfast Better campaign was developed to help fix broken breakfast patterns by providing fast and accessible solutions to everyday situations. Adding nutrient-dense dairy to a healthy breakfast is the fastest way to help stay fuller and more focused.

This innovative campaign offered expert advice and delicious meal ideas, inspiring and demonstrating how to create protein-rich breakfasts at home by simply adding dairy protein to meals. The campaign saw the birth of the Breakfast Better Board, a panel of health and wellness experts and influencers that have come together to help Ontarians start their day off right. Through early November 2020, the campaign shared tips and tools across digital media, PR, social media and broadcast integration opportunities into some of the top morning shows, such as Breakfast Television and daytime shows like CityLine.

**Corporate Social Responsibility Program**

The objective of DFO’s CSR program is to make an impact across the province and create a significant amount of goodwill with millennial moms by focusing efforts on kids and hunger. Childhood hunger is a very real issue in Ontario, with one in three food bank users under the age of 18. DFO can meaningfully create impact by providing them with the nutritional density of milk, helping fill some of the nutritional gaps within their day-to-day nutrition and long-term health. Fiscal 2021 will see the formalization of the CSR program with a launch partner and communications plan.

**Food Banks**

For the past 25 years, DFO and producers have supported food banks through Feed Ontario. When the COVID-19 pandemic began, organizations like DFO had a desire and a responsibility to do more to help those in need. Recognizing this, in April, DFO made a cash donation of $100,000 and joined its partners to add up to 200,000 litres of incremental milk – on top of the more than one million litres donated to food banks annually with the ODC and the Ontario Milk Transportation Association. This helped support more than 500,000 people during the outbreak.

DPCs and grassroots producers contributed to the cause and pushed to deliver additional support across the province, especially in rural Ontario. To do this, DFO found a partner in The Gay Lea Foundation and together donated a further 62,000 litres of milk to 60 rural Ontario food banks, thanks to additional support from Sysco. The generosity of DPCs continued with about half of all committees providing cash and product donations for local organizations and long-term care homes.

In recognition of DFO’s ongoing commitment to ending hunger, Feed Ontario announced DFO as a recipient of the Paul Memorial Award for 2020. DFO has supported food banks through Feed Ontario for the past 25 years. The award is being presented on Nov. 14, 2020 at Farm & Food Care Ontario’s Virtual Harvest Gala. Named for the late farm leader who founded Ontario Pork’s Donate-A-Hog program in 1998, the Paul Mistele Memorial Award recognizes agricultural partners who have shown a significant and enduring commitment to ending hunger in Ontario.

**Student Nutrition Ontario**

On Nov. 1, 2019, DFO is launching an Ontario-wide milk rebate program in support of Student Nutrition Ontario (SNO) and its breakfast programs. It is DFO’s mission to provide nutritious dairy products to Ontario students at the best possible cost while ensuring the highest quality and food safety. DFO agreed to rebate 10 cents per serving of milk reported quarterly by the 14 SNO hubs across Ontario, up to a combined total of $500,000.

In March of 2020, all school-based initiatives, including SNO’s breakfast programs, stopped with school closures.

Between Nov. 1, 2019 and April 1, 2020, the program:

- was active in 837 schools;
- served 602,865 students;
- delivered 1,126,194 servings of milk.
As of April 2020, the program rebated $113,007. The breakfast program resumed in September and October and was reviewed in October for launch in fiscal 2021.

A significant drop in participation is expected as more students opt for virtual classrooms.

**Business Development**

**Effects of COVID-19**

COVID-19 has had a significant impact on the execution of partnerships as many partner organizations were simply focused on day-to-day operations in order to keep up with the fluctuating demand in the marketplace and ever-changing consumer and industry situations.

The near complete shutdown of the food service and hospitality industry early in the pandemic caused significant disruption impacting some of DFO’s business development plans. Despite the reopening of take-out and delivery options in early summer, the market has not rebounded back. DFO has continued open dialogue with its partners in the food service industry and is actively engaged with several restaurant chains to develop promotional opportunities when the time is right. Notably, DFO will continue to partner with Tim Hortons and Pizza Pizza early in fiscal 2021, recognizing the strength of these operators to message and reach consumers directly with a positive focus on dairy.

According to NPD Crest data, Ontario has been hit harder than other provinces with traffic in food service declining by 35 per cent versus a year ago for the months of April, May and June with declines of 56 per cent specific to full-serve establishments. Even Tim Hortons shows traffic declines of 37 per cent versus a year ago. As reflected in the chart below, all categories of dairy have experienced declines in servings over the prior year for the last quarter reported, ending June 30, 2020. Ninety per cent of dairy servings come from the Quick Service Restaurant (QSR) segment, which experienced a decline of 34 per cent in dairy servings during this time frame.

**2019-20 Partnership Highlights**

In August, DFO launched a promotion with Tim Hortons aimed at bringing the full “at home Tim’s experience” into the customer’s kitchen. Grocery chains that carried Tim Hortons products on-shelf promoted the pairing of 18 per cent cream and two per cent milk with Tim’s coffee products. With more consumers having coffee at home during the pandemic, it was a unique opportunity to promote the higher fat cream and milk products that make coffee from Tim’s so memorable.

**Start Up/Scale Up**

Efforts to support entrepreneurs in the dairy industry in Ontario continue with the innovation platform Start-Up/Scale-Up. The focus of this program is to provide guidance to all businesses at the “idea” stage all the way through to those that are ready to bring new products to market.

Since its inception in 2016, the program has grown from eight participants to 39 in 2020. That included 28 Start-Up and 11 Scale-Up. The goal is to continue to expand the network of businesses that contribute to the growth and development of the Ontario dairy industry, ultimately reaching more consumers with quality milk and dairy products.

All active program participants receive guidance, mentoring and support through the stages of their business launch and throughout 2020, DFO has awarded 10 matching grants to those that have “graduated” from the Scale-Up program.

One of this year’s grant recipients was Dairy Distillery in eastern Ontario. Dairy Distillery has recently launched a cream liquor product into the marketplace using 100 per cent Ontario cream as opposed to other products that import dairy or use alternatives. This product is also lactose-free and gluten-free, adding to the innovative claims.

Another example of success goes to Mountainoak Cheese, which saw the need to pivot its approach due to the pandemic. They purchased and installed a portion cutter for their cheese wheels to allow them to cut exact weight cheese portions. This has created a more efficient sought after product solution to expand their sales and distribution into the retail grocery sector.

**Retail & Food Service Partners**

DFO’s partnership with Longo’s that began in the spring of 2019 continued through summer 2020. DFO has recently finalized plans to promote dairy and local within its marketing programs for the balance of the year and into 2021.

DFO has also embarked upon a year-long partnership with Metro grocery stores to promote Ontario dairy at its 132 store locations across the province, as well as its online/digital media channels. DFO continues to highlight “local” to meet consumer interest.

**PLANNING, ORGANIZATIONAL DEVELOPMENT & HUMAN RESOURCES**

The Organizational Development and Human Resources team is responsible for strategic planning, organizational development, human resources, facilities management and administrative services.

**Strategic Planning**

DFO’s strategic planning session was held in June 2020, which was rescheduled from the usual April timing due to the COVID-19 pandemic. The session is typically in person with invited industry guests; however, it was held virtually this year, with Board Members and senior staff in attendance. From the session outcomes and Board direction, the 2021 strategic plan was drafted and then the operational plans and budget were developed. On Sept. 30, 2020, the Board approved the 2020-21 strategic plan.

In view of DFO’s foundational aim to strengthen the Canadian dairy system, DFO is taking a proactive approach in its plans to meet the needs of the changing domestic market and address evolving consumer interests. The changing domestic market results from increased market access due to trade concessions and shifts in the
demand of food service and retail as a result of the pandemic. These changes are causing less certainty in market demand and creating new opportunities with changing consumer behaviours. DFO’s customers, the processors, are facing challenges within the food supply chain with the strengthening powers of retail. Consumers’ social and environmental concerns are dictating their food choices and influencing government focus.

DFO continues to address industry risks and opportunities with a focused approach, as reflected in the strategic plan for 2021. With these considerations and direction from the Board, DFO staff developed the 2020-21 strategic plan, along with the operational work plan and preliminary budget.

Please see the 2020-21 Strategic Plan on page 68.

Organizational Development

COVID-19 Crisis Management

Immediately following 2020 SPC, the COVID-19 pandemic hit Canada. Within days, DFO recognized the challenges to the organization and the industry and struck a staff COVID-19 taskforce, composed of senior staff, to address the issues. For DFO’s COVID-19 taskforce, work started immediately with establishing protocols to protect the health and safety of producers and employees and ensure safe pick up of milk from farms. The task force’s activities included developing protocols, meeting the changing market requirements through managing milk supply, as well as developing national programs, program changes and suspensions, event cancellations, communication plans, media management, community supports and developing business contingency plans.

DFO’s Board met weekly during this time and DFO’s Board and staff worked closely with national and provincial partners, including DFC, provincial milk marketing boards, processors, transporters, ag commodity partners, government and retailers. The industry faced numerous challenges including the instability of various markets, an oversupply during a drastic decline in market requirements due to food service closures, disruptions in the food supply chain causing grocery stock issues, and the need of emergency milk disposal. The industry worked together to meet the challenges as optimally as possible. As a result, health and safety protocols for the supply chain, the management of milk supply to the changing demand and milk quality was effectively managed, responsibly meeting the industry’s responsibilities and needs.

In addition to dealing with the many issues of the pandemic, the taskforce created business continuity plans in preparation for potential situations that may cause significant disruption to operations. Plans were created for staff shortages and operational disruptions, milk processing disruptions, rejection of services, service partner closures, such as lab closures, red zones and emergency plans, such as cull cow issues.

The industry worked very well together to meet the challenges of the pandemic and continued to supply safe, high-quality milk. Details of various activities can be found in all sections of this year’s annual report.

Sustainability Strategy

DFO views sustainability as a priority and as a key factor in the industry’s future. DFO recognizes the importance of this topic through its contributions as global citizens. Sustainability is defined through three pillars: social, economic and environmental.

DFO started with preliminary research on international criteria and frameworks, consumer views and industry examples, which was presented to DPCs at SPC. DFO developed an internal assessment tool, a sustainability report card, which outlines all current activities under international sustainability categories. Through this internal scan, various bodies of research were used to identify the current status against each activity.

At the strategic planning session in June 2020, Board and senior staff members gave their perspectives on the importance and feasibility of each activity through a survey. The survey results provided DFO with a gauge on where the organization’s opportunities and potential barriers are from an internal perspective. As the next step, DFO will develop a formal sustainability strategy.

DFO is setting up a sub-committee of the Board to make recommendations on the development of sustainability plans. Prior to formally starting on the next steps, DFO is exploring working with DFC and other provincial partners in recognition of the importance of having a co-ordinated approach and in effort to reduce duplication of efforts.

DPC Support

A DPC session was held at SPC in March to discuss DFO’s relationship with DPCs and explore ways to improve the communication between the organization and committees. Topics that were covered during the session were as follows:

- The role of the DPC member;
- DPCs’ relationship with DFO’s Board;
- Information sharing from DFO to DPCs;
- Governance and structure;
- The new training and development sub-committee.

A summary report of the session and the Board’s commitments on actions it will take were communicated to DPCs in May 2020.

A summary of DFO’s recent commitments to DPCs include:

Regional calls: Standing DPC regional calls will be scheduled three times a year (winter, spring and summer) to provide DFO updates and address DPC questions.

Sub-committees: The use of sub-committees as a governance structure was approved and will function similar to a working group or task force, addressing a specific business topic.

DPC confidentiality agreements: DFO instituted confidentiality agreements for DPCs. Compliance with this agreement is now a requirement to be a DPC member.

Budget visibility: DFO instituted an advanced budget paper and budget presentation as regular standing items at FRMs. This practice ensures DPCs have visibility of the budget and presents a formal opportunity to ask questions prior to Board approval of the budget at the October Board meeting.

Training and Development Sub-committee

A newly formed training and development sub-committee (TDSC) was established in spring 2020. Its purpose is to identify training and development opportunities for producers to enhance industry leadership, engagement and succession. The TDSC will develop a producer training framework to be presented as recommendations to the Governance Committee and further to the Board for approval.
Once the purpose is fulfilled, the TDSC will dissolve. Members of the committee constitute:

Two Board Members:
- John Wynands, Region 3
- Vicky Morrison, Region 9

Four producers-at-large:
- Deb Knapton
- Steph Towers
- Joel Stam
- Peggy Brekveld

As well as two staff members.

Producers-at-large were selected through an application process. A kick-off meeting was held in August 2020.

**Producer Consultations**

DFO's producer consultation process continued to provide valuable feedback to the organization throughout 2020. Confidential feedback collected from producers on industry and organizational issues is collected into a report that is presented to DFO board and staff. Feedback is analyzed, and recommendations are considered as they relate to daily operations and developing DFO's strategic plan. Due to the pandemic, scheduled on-farm consultations were delayed and resumed in July 2020 and concluded in October 2020.

In April 2019, DFO revised the process to reduce the number of farm visits and increase the number of focused producer consultations. Increasing the number of smaller, focused producer consultations allows DFO to obtain feedback on specific or topical issues. In 2020, small group consultations included:

- DFC's euthanasia project, the identification of barriers to conducting on-farm euthanasia including potential psychological affects on farm owners and staff. The research report will be finalized in 2021;
- Development of survey methodology for DFO's Communication Audit and held DPC focus groups. Activities also included analysis and reporting of data collected from Board, DPC, DFO staff and producer surveys.

**Human Resources**

Throughout 2020, DFO continued to evaluate the organization's business needs and invested efforts into having a skilled workforce to deliver on its strategic goals and operational accountabilities. As workforce changes take place, DFO strategically restructures and attracts talent to effectively meet its objectives.

As of Oct. 31, 2020, DFO had 101 employees. During fiscal 2020, 16 hiring processes were completed. A full staff complement of the new marketing and business development division was in large part completed in 2020 as part of a multi-year hiring plan.

DFO congratulates Joan McCarrel on her retirement from DFO on Jan. 3, 2020 after 32 years of service to Ontario producers. She ended her career in the position of milk allocation officer. In addition, DFO congratulates Darrell Windsor for his 40+ years of service, most recently in the position of transportation officer.

**New Careers Section on DFO's Consumer Website**

In the continued effort to attract top talent and present the organization as a top company to work for, DFO developed a new careers section on DFO's website. The section includes career-related content describing the organization and industry, corporate values, the types of professional positions DFO employs and details about the work environment to inform prospective candidates about DFO.

The new careers section advertises currently available positions and general applications so candidates can seamlessly send applications to DFO's HR department through the website. DFO's career information on the website and easy-to-use application submission forms further establish DFO as an employer of choice.

**DFO's New Employee Portal**

DFO's systems are constantly updated and improved to ensure staff can work effectively and efficiently. DFO developed its new employee portal over the summer. Content from the legacy site was streamlined and updated, making internal resources, information, publications and new external links readily available in the same place for staff to access. The employee portal is hosted on DFO’s existing SharePoint platform, which will also make it easy for administrators to keep the content current and quickly add items.

DFO's employee portal has also been programmed to be the landing page for staff when they first log onto their computers. As the sharing of information is critical, this change will go a long way to ensure employees are kept informed and up to date on news that affects DFO and the industry. Being able to share news about upcoming events and employees will also strengthen engagement and relationships among colleagues. The employee portal launched on Sept. 21, 2020.

**Managing Operations During the COVID-19 Pandemic**

As DFO's SPC ended in March 2020, Board and staff faced unprecedented challenges that came with the pandemic. DFO immediately put measures in place to protect the health and safety of employees, Board Members and producers. Working with partners and experts, safety and sanitizing protocols were created and implemented per government guidelines for employees and on-farm.

The office continued to remain open during the pandemic; however, employees were strongly encouraged to work from home to ensure a safe number of employees in the office, per the government’s guidelines. DFO continuously shared information to employees to keep them abreast of relevant COVID-19 related information,
including how to identify COVID-19 signs, as well as how to reduce its spread and official instructions for many procedures, such as self-isolating if necessary and sanitizing surfaces.

DFO conducted an employee survey to better understand how employees were coping with newer work conditions. The survey covered topics of productivity, safety and feelings of isolation. Results were shared at an all-staff meeting held in June and helped inform management on the status of employee well-being. Employee productivity and the ability to continue operations remotely has been highly effective during the pandemic allowing for complete business continuance.

Communication with Board Members, employees and producers was DFO’s main focus while navigating the new normal, and it remains so as staff and producers continue to function and adjust according to current public health measures, with the goal to reopen Ontario businesses when it is safe to do so.

DFO conducted a staff engagement survey in 2019, which yielded above industry engagement results. This survey is an indication of employee sentiment and engagement with the organization. The survey included a section on employee retention. A total 85 per cent of DFO staff indicated they would recommend DFO as a great place to work. DFO continues to focus on engaging employees.

Building Facilities

As DFO built its marketing department and staff numbers increased, additional office space was required. Consideration to extra parking spaces and cafeteria services were considered when making plans to accommodate increased numbers of head office employees. At the same time, DFO also explored bringing off-site storage in house. A cost-benefit analysis was conducted to evaluate the options. The decision to part ways with Doherty Engineering Inc., DFO’s tenant, was made to utilize their space for internal purposes. Doherty left DFO on Sept. 1, 2020. DFO’s focus in terms of facilities is to review the use of all space throughout the building and property, and to finalize a plan to optimize the area and create efficiencies.

As part of the realities of the pandemic, new building protocols and measures were put in place to protect employee safety. Eligibility to enter head office, sanitizing stations, the elimination of cafeteria services, in-office protocols and limits on the number of people in the building and meeting rooms have been implemented. Additionally, masks have been secured for all employees and Board Members. DFO has prepared its facility to create a safe working environment for employees, all completed in accordance with government guidelines and adjusted to meet current public health measures.

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 90 per cent of total milk sales; however, their financial stability is very strong. The accounts receivable protection fund totaled $5.01 million at the end of October 2020.

Milk Utilization Audit Services

KPMG continues to provide milk utilization audit services as per the five-year term contract that began in 2016. There are currently 75 plants and 10 ice cream plants included in the audit scope.

MUV System

DFO and ODC jointly own 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. Updates to MUV continue to be implemented to add functionality for processors and reflect changes in policy. Modifications were made to the system to incorporate changes required by CUSMA.

Accounting Systems

DFO continues to evolve the 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 2020 with updated budgeting processes and initiation of automation projects for tracking of assets and vendor invoices. This enables DFO to have flexibility where work can be accomplished from different locations. The increased use of electronic document-sharing and signing allows for more business to be conducted remotely without significant impact to day-to-day operations, in addition to general increases to efficiency.

INFORMATION TECHNOLOGY

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

Milk Management System (MMS) Formerly Known as the Application Framework Project

Phased implementation of MMS began in early 2019 and continued through 2020. Integrations with external services, such as lab testing, transporter handhelds, and content management are in use and generating daily activity while synchronized with the legacy system. The external launch of MMS will begin in February 2021. This phase of the implementation will include the launch of DFO’s new stakeholder website, allowing producers, processors and transporters to use MMS and its refreshed content. The new stakeholder website was designed and developed with modern architecture to be more user-friendly and easier to navigate. The new technology built into the stakeholder website creates a more flexible security environment, allowing for increased opportunities for information sharing and seamless integration into newer online tools and services. It allows the IT team to continue evolving the site in a more efficient manner as updates are made. Further, the new stakeholder website is integrated with the consumer-facing website and allows for further enhancements.

Milk Collection Handheld Computers

A project to replace the milk collection handheld computers kicked off in late 2019. The phased production rollout of the new handhelds began in fall 2020 and will continue into the winter months.

CUSMA Implementation

Changes for the new CUSMA agreement were implemented simultaneously in DFO’s systems, as well as MUV in June 2020.

Productivity & Technology During COVID-19

During the early days of the pandemic in March 2020, like many other organizations, DFO staff were encouraged to work remotely when possible in order to limit contact and risk of infection. This placed an increased load on DFO’s infrastructure as staff had to quickly pivot to virtual environments. DFO was well positioned to take that necessary step having recently implemented a new virtual meeting and communication platform in Cisco WebEx. WebEx has been an effective tool for secure remote conferencing and hosting of events, such as board meetings, fall regional meetings and staff projects.

Independent of the COVID-19 pandemic, DFO completed an equipment refresh in 2020. This refresh exercise equipped all staff with working laptops, which is necessary for the temporary work-from-home environment. In order to fully pivot into this new environment, strategic decisions to increase the use of electronic document-sharing and signing allowed for much of the business to be conducted remotely without significant impact to day-to-day operations. DFO continues to add functionality as staff move toward invoice automation and electronic document repositories for finance. DFO’s new direction has provided alternatives ways to conduct business that will likely continue well after the pandemic ends since it allows for increased efficiencies and decreased costs in many circumstances.

LEGAL SERVICES & BOARD

The Legal Services team is responsible for legal services, including legislative and regulatory compliance, contract review and negotiation, litigation, legal support and advice; Board matters, including Board governance; policy development review; internal controls and accountability measures; and holds the positions of Corporate Secretary and Privacy Officer.

Board Retirements

Paul Vis, Board Member for Region 9, announced his resignation from the DFO Board, effective Jan. 16, 2020.

Sid Atkinson, Board Member for Region 4, announced his resignation from the DFO Board, effective Jan. 16, 2020.

Board Elections

Adam Petherick was elected to represent producers in Region 4 for a four-year term on the Board.

Murray Sherk was acclaimed to represent producers in Region 8 for his third term on the Board.

Steve Runnalls was acclaimed to represent producers in Region 12 for his third term on the Board.

Immediately following the adjournment of the DFO’s annual general meeting (AGM) on January 16, 2020, the four-year term of the elected Board members commenced.

Board By-Election

Paul Vis, Board Member for Region 9, announced his resignation from the DFO Board, effective Jan. 16, 2020. On Nov. 12, 2019, the ballot count for the by-election for Board Member in Region 9 was held in accordance with procedures detailed in Ontario Regulation 760, as amended, made under the Milk Act.

Vicky Morrison was elected to serve as Board Member for Region 9 for the remainder of the four-year term from 2017, which commenced immediately following the adjournment of DFO’s AGM on Jan. 16, 2020.
Board Executive

At a special Board meeting held on Jan. 16, 2020, DFO’s Board elected its 2020 Board executive. Murray Sherk, Board Member Region 8, was re-elected as Chair. Nick Thurler, Board Member Region 2 was elected as Vice-Chair. Mark Hamel, Board Member Region 11, was elected as 2nd Vice-Chair. Arlene Minott was re-appointed as Corporate Secretary to the Board. Rey Moisan was reappointed as Treasurer to the Board.

Board Meetings During COVID-19

During the initial months of the COVID-19 crisis, the Board increased the frequency of its meetings to weekly and later to biweekly. Each of these additional meetings were considered official meetings of the Board and complied with regulation and official protocols. These special Board meetings were held to address DFO’s needs during the crisis. All regular business of the Board was attended to and regular business needs were met. Virtual meetings and the use of technology may be used in the future as ways to improve efficiencies.

Number of Board Meetings

There have been 143 regular and special Board meetings over the course of four fiscal years.

REGULAR AND SPECIAL BOARD MEETINGS

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2017</td>
<td>29</td>
</tr>
<tr>
<td>2017-2018</td>
<td>27</td>
</tr>
<tr>
<td>2018-2019</td>
<td>33</td>
</tr>
<tr>
<td>2019-2020</td>
<td>54</td>
</tr>
</tbody>
</table>

LIST OF ACRONYMS

Acronyms are commonly referenced throughout Dairy Farmers of Ontario’s (DFO) 2019-20 Annual Report. To assist readers and avoid repetition in the text, the following is a list of these acronyms for easy reference.

- AFP: Abnormal Freezing Point
- AGM: Annual General Meeting
- ARA: Animal Rights Activist(s)
- BF: Butterfat
- BMP: Best Management Practice
- CDC: Canadian Dairy Commission
- CFIA: Canadian Food Inspection Agency
- CMSMC: Canadian Milk Supply Management Committee
- CETA: Canada and European Union Comprehensive Economic Trade Agreement
- COP: Cost of Production
- CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership
- CQM: Canadian Quality Milk
- CUSMA: Canada-United States-Mexico Agreement
- DDPIP: Domestic Dairy Product Innovation Program
- DEP: Dairy Export Program
- DIP: Dairy Innovation Program
- DPC: Dairy Producer Committee
- FES: Farm Evaluation System
- FFA: Free Fatty Acid
- hl: Hectolitre
- HMAP: P5 Harmonized Milk Allocation Policy
- IMWG: Issues Management Working Group
- IT: Information Technology
- kg: Kilogram
- MMS: Milk Marketing System
- MP: Member of Parliament
- MPP: Member of Provincial Parliament
- MUV: Milk Utilization Verification
- NAFTA: North American Free Trade Agreement
- NEQAP: New Entrant Quota Assistance Program
- NPP: New Producer Program
- ODC: Ontario Dairy Council
- OMAFRA: Ontario Ministry of Agriculture, Food and Rural Affairs
- OSPCA: Ontario Society for the Prevention of Cruelty to Animals
- PS: Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island
- PSQ: Plant Supply Quota
- SCC: Somatic Cell Count
- SMP: Skim Milk Powder
- SNF: Solids-Not-Fat
- SOP: Standard Operating Procedures
- SPC: Spring Policy Conference
- SPI: Stimulate Processing Investment
- TPP: Trans-Pacific Partnership
- TRQ: Tariff Rate Quota
INDEPENDENT AUDITOR’S REPORT

TO THE MEMBERS OF DAIRY FARMERS OF ONTARIO

Opinion
We have audited the financial statements of Dairy Farmers of Ontario (the Entity), which comprise:
- the statement of financial position as at October 31, 2020
- 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, 2020, 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.

Chartered Professional Accountants, Licensed Public Accountants
Vaughan, Canada
December 21, 2020
# Statement of Financial Position

October 31, 2020 with comparative information for 2019

## Assets

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 51,279,011</td>
<td>$ 58,910,288</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$ 224,187,030</td>
<td>$ 221,445,090</td>
</tr>
<tr>
<td>(notes 2 &amp; 18)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quota inventory (note 3)</td>
<td>$ 284,400</td>
<td>$ 212,160</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$ 2,472,212</td>
<td>$ 932,253</td>
</tr>
<tr>
<td></td>
<td>$ 278,222,653</td>
<td>$ 281,499,791</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term investments</td>
<td>$ 5,041,484</td>
<td>$ 5,041,484</td>
</tr>
<tr>
<td>(note 4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets</td>
<td>$ 7,869,230</td>
<td>$ 7,108,097</td>
</tr>
<tr>
<td>(note 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 291,133,367</td>
<td>$ 293,649,372</td>
</tr>
</tbody>
</table>

## Liabilities and Fund Balances

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and</td>
<td>$ 239,287,908</td>
<td>$ 235,448,934</td>
</tr>
<tr>
<td>accrued liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(notes 6 &amp; 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred capital</strong></td>
<td>888,697</td>
<td>888,697</td>
</tr>
<tr>
<td>contributions (note 8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund balances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$ 14,415,098</td>
<td>$ 12,983,501</td>
</tr>
<tr>
<td>Quota Exchange</td>
<td>$ 952,695</td>
<td>$ 952,695</td>
</tr>
<tr>
<td>Research (notes 16)</td>
<td>$ 2,360,360</td>
<td>$ 1,841,735</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$ 5,013,354</td>
<td>$ 4,999,795</td>
</tr>
<tr>
<td>Financial Protection</td>
<td>$ 28,215,255</td>
<td>$ 36,534,015</td>
</tr>
<tr>
<td>Marketing and Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development (notes 12)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 50,956,762</td>
<td>$ 57,311,741</td>
</tr>
</tbody>
</table>

## See accompanying notes to financial statements.

On behalf of the Board

Chair

[Signature]

1st Vice-Chair

[Signature]

2nd Vice-Chair

[Signature]
### Statement of Operations & Changes in Fund Balance-Unrestricted

Year ended October 31, 2020 with comparative information for 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative licence fees (note 10)</td>
<td>$19,204,328</td>
<td>$18,695,689</td>
</tr>
<tr>
<td>Investment income (note 4)</td>
<td>211,459</td>
<td>486,168</td>
</tr>
<tr>
<td>Raw Milk Quality program</td>
<td>1,229,793</td>
<td>1,271,260</td>
</tr>
<tr>
<td>proAction/CQM program</td>
<td>197,235</td>
<td>104,902</td>
</tr>
<tr>
<td>Assignment administrative fees</td>
<td>10,510</td>
<td>11,518</td>
</tr>
<tr>
<td>Quota exchange administrative fees</td>
<td>761,169</td>
<td>69,058</td>
</tr>
<tr>
<td><em>Milk Producer</em> magazine</td>
<td>536,926</td>
<td>596,524</td>
</tr>
<tr>
<td>Other revenues (note 11)</td>
<td>248,027</td>
<td>342,897</td>
</tr>
<tr>
<td>Gain on disposal of capital assets</td>
<td>30,404</td>
<td>39,000</td>
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<tr>
<td></td>
<td>21,744,851</td>
<td>21,617,016</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative and policy development (note 13)</td>
<td>13,941,056</td>
<td>13,396,779</td>
</tr>
<tr>
<td>Dairy Producer Committees</td>
<td>767,596</td>
<td>793,068</td>
</tr>
<tr>
<td>Payments to affiliates (note 15)</td>
<td>1,150,000</td>
<td>1,141,676</td>
</tr>
<tr>
<td>Raw Milk Quality program</td>
<td>1,705,656</td>
<td>1,705,204</td>
</tr>
<tr>
<td>proAction/CQM program</td>
<td>15,539</td>
<td>282,117</td>
</tr>
<tr>
<td>Milk tests, central laboratory</td>
<td>967,733</td>
<td>1,076,691</td>
</tr>
<tr>
<td>Processor utilization audit</td>
<td>271,241</td>
<td>232,126</td>
</tr>
<tr>
<td><em>Milk Producer</em> magazine</td>
<td>409,384</td>
<td>583,186</td>
</tr>
<tr>
<td>Annual meeting</td>
<td>238,625</td>
<td>281,918</td>
</tr>
<tr>
<td>Depreciation</td>
<td>846,424</td>
<td>676,516</td>
</tr>
<tr>
<td></td>
<td>20,313,254</td>
<td>20,169,281</td>
</tr>
<tr>
<td><strong>Excess of revenue over expenses</strong></td>
<td>1,431,597</td>
<td>1,447,735</td>
</tr>
<tr>
<td><strong>Unrestricted funds, beginning of year</strong></td>
<td>12,983,501</td>
<td>11,535,766</td>
</tr>
<tr>
<td><strong>Unrestricted funds, end of year</strong></td>
<td>$14,415,098</td>
<td>$12,983,501</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
Statement of Operations & Changes in Fund Balance-Quota Exchange
Year ended October 31, 2020 with comparative information for 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$ 97,368,960</td>
<td>$ 124,412,640</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory, beginning of year</td>
<td>212,160</td>
<td>222,480</td>
</tr>
<tr>
<td>Purchases</td>
<td>97,441,200</td>
<td>124,402,320</td>
</tr>
<tr>
<td></td>
<td>97,653,360</td>
<td>124,624,800</td>
</tr>
<tr>
<td>Inventory, end of year</td>
<td>(284,400)</td>
<td>(212,160)</td>
</tr>
<tr>
<td></td>
<td>$ 97,368,960</td>
<td>$ 124,412,640</td>
</tr>
<tr>
<td>Excess of sales over cost of sales (cost of sales over sales)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Fund balance, beginning of year</td>
<td>952,695</td>
<td>952,695</td>
</tr>
<tr>
<td>Fund balance, end of year</td>
<td>$ 952,695</td>
<td>$ 952,695</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

Statement of Operations & Changes in Fund Balance-Research
Year ended October 31, 2020 with comparative information for 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research fees (note 16)</td>
<td>$ 1,535,669</td>
<td>$ 1,495,190</td>
</tr>
<tr>
<td>Toronto Stock Yards Land Development (note 16)</td>
<td>152,992</td>
<td>147,665</td>
</tr>
<tr>
<td>Investment income (note 4)</td>
<td>29,503</td>
<td>39,945</td>
</tr>
<tr>
<td></td>
<td>1,718,164</td>
<td>1,682,800</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research projects</td>
<td>485,869</td>
<td>349,762</td>
</tr>
<tr>
<td>Ontario Dairy Farm Accounting Project</td>
<td>121,570</td>
<td>148,495</td>
</tr>
<tr>
<td>Dairy Science Research Chair</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Production Research by Dairy Farmers of Canada (note 15)</td>
<td>260,000</td>
<td>262,006</td>
</tr>
<tr>
<td>Toronto Stock Yards Land Development (note 16)</td>
<td>132,100</td>
<td>166,830</td>
</tr>
<tr>
<td></td>
<td>1,199,539</td>
<td>1,127,093</td>
</tr>
<tr>
<td>Excess of revenue over disbursements</td>
<td>518,625</td>
<td>555,707</td>
</tr>
<tr>
<td>Fund balance, beginning of year</td>
<td>1,841,735</td>
<td>1,286,028</td>
</tr>
<tr>
<td>Fund balance, end of year</td>
<td>$ 2,360,360</td>
<td>$ 1,841,735</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### Statement of Operations & Changes in Fund Balance-
**Accounts Receivable Financial Protection**
Year ended October 31, 2020 with comparative information for 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income (note 4)</td>
<td>$72,320</td>
<td>$117,402</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative assistance</td>
<td>58,761</td>
<td>61,756</td>
</tr>
<tr>
<td>Excess of revenue over disbursements</td>
<td>13,559</td>
<td>55,646</td>
</tr>
<tr>
<td>Fund balance, beginning of year</td>
<td>4,999,795</td>
<td>4,944,149</td>
</tr>
<tr>
<td><strong>Fund balance, end of year</strong></td>
<td>$5,013,354</td>
<td>$4,999,795</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

### Statement of Operations & Changes in Fund Balance-
**Marketing and Business Development**
Year ended October 31, 2020 with comparative information for 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market expansion fees (note 12)</td>
<td>$46,074,518</td>
<td>$44,858,284</td>
</tr>
<tr>
<td>Investment income (note 4)</td>
<td>516,287</td>
<td>951,761</td>
</tr>
<tr>
<td><strong>Program Expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer marketing</td>
<td>30,320,225</td>
<td>27,239,507</td>
</tr>
<tr>
<td>Community programs</td>
<td>4,629,927</td>
<td>2,716,768</td>
</tr>
<tr>
<td>Business development programs</td>
<td>5,357,524</td>
<td>3,242,752</td>
</tr>
<tr>
<td>National projects (note 15)</td>
<td>5,855,000</td>
<td>5,476,333</td>
</tr>
<tr>
<td><strong>Support costs</strong></td>
<td>5,048,194</td>
<td>3,437,518</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,428</td>
<td>-</td>
</tr>
<tr>
<td><strong>Excess of revenue over expenditures (expenditures over revenue)</strong></td>
<td>(4,633,493)</td>
<td>3,697,167</td>
</tr>
<tr>
<td>Fund balance, beginning of year</td>
<td>36,534,015</td>
<td>36,396,165</td>
</tr>
<tr>
<td>Less: Market expansion fee holiday - April 2020 &amp; November 2018</td>
<td>(3,685,267)</td>
<td>(3,559,317)</td>
</tr>
<tr>
<td><strong>Fund balance, end of year</strong></td>
<td>$28,215,255</td>
<td>$36,534,015</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### Statement of Cash Flows

Year ended October 31, 2020 with comparative figures for 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash provided by (used in)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenue over expenses (expenses over revenue)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted Fund</td>
<td>$1,431,597</td>
<td>$1,447,735</td>
</tr>
<tr>
<td>Research Fund</td>
<td>518,625</td>
<td>555,707</td>
</tr>
<tr>
<td>Accounts Receivable Financial Protection Fund</td>
<td>13,559</td>
<td>55,646</td>
</tr>
<tr>
<td>Marketing and Business Development Fund</td>
<td>(8,318,760)</td>
<td>137,850</td>
</tr>
<tr>
<td><strong>Items not involving cash</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>858,852</td>
<td>676,516</td>
</tr>
<tr>
<td>Gain on disposal of capital assets</td>
<td>(30,404)</td>
<td>(39,000)</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>-</td>
<td>(48,803)</td>
</tr>
<tr>
<td><strong>Change in non-cash working capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(2,741,940)</td>
<td>(27,724,571)</td>
</tr>
<tr>
<td>Quota inventory</td>
<td>(72,240)</td>
<td>10,320</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(1,539,959)</td>
<td>(247,104)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>3,838,974</td>
<td>2,136,372</td>
</tr>
<tr>
<td><strong>Change in cash</strong></td>
<td>(6,041,696)</td>
<td>(23,039,332)</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redemption of short-term investments</td>
<td>-</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>(1,626,081)</td>
<td>(731,328)</td>
</tr>
<tr>
<td>Proceeds on disposal of capital assets</td>
<td>36,500</td>
<td>39,000</td>
</tr>
<tr>
<td><strong>Decrease in cash</strong></td>
<td>(1,589,581)</td>
<td>1,307,673</td>
</tr>
<tr>
<td><strong>Cash, beginning of year</strong></td>
<td>58,910,288</td>
<td>80,641,948</td>
</tr>
<tr>
<td><strong>Cash, end of year</strong></td>
<td>$51,279,011</td>
<td>$58,910,288</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
NOTES TO FINANCIAL STATEMENTS

Year ended October 31, 2020

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

1. Significant accounting policies:

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

(a) Fund accounting:

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

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

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

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

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

(b) Revenue Recognition:

DFO follows the restricted fund method of accounting for revenue.

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

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

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

(c) Investment in joint venture:

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

(d) Financial instruments:

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

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, DFO determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount DFO expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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

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

(e) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. 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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and building improvements</td>
<td>5-20 years</td>
</tr>
<tr>
<td>Office furniture and fixtures</td>
<td>5-10 years</td>
</tr>
<tr>
<td>Computer software and hardware</td>
<td>3-7 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3-12 years</td>
</tr>
</tbody>
</table>

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.

During the year, DFO prospectively adopted the new accounting standard Section 4433, Tangible capital assets held by not-for-profit organizations of the CPA Canada Handbook – Accounting as of November 1, 2019, that requires DFO to follow the componentization guidelines of Section 3061, Property, plant and equipment of the CPA Canada Handbook, and the guidelines for the impairment of long-lived assets of Section 3063, Impairment of long-lived assets of the CPA Canada Handbook. The guidelines require capital assets to be separated into significant component parts and each component to be depreciated in accordance with their useful lives. Partial impairments on tangible capital assets will now need to be considered. The changes did not have a material impact on these financial statements.

(f) 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.

(g) 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. Significant items subject to such estimates and assumptions include the useful life of capital assets, accrued liabilities, and allocation of indirect costs. 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.

4. Investments

(a) Investments consist of:

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income securities</td>
<td>$ 5,000,000</td>
</tr>
<tr>
<td>Shares of producer co-operative</td>
<td>131</td>
</tr>
<tr>
<td>Investment in joint venture</td>
<td>41,353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 5,041,484</strong></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$829,569</td>
<td>$1,595,276</td>
</tr>
<tr>
<td>Allocation to Research Fund</td>
<td>(29,503)</td>
<td>(39,945)</td>
</tr>
<tr>
<td>Allocation to Accounts Receivable Financial Protection Fund</td>
<td>(72,320)</td>
<td>(117,402)</td>
</tr>
<tr>
<td>Allocation to Marketing and Business Development Fund</td>
<td>(516,287)</td>
<td>(951,761)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$211,459</strong></td>
<td><strong>$486,168</strong></td>
</tr>
</tbody>
</table>

(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 2019.

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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated Amortization</td>
</tr>
<tr>
<td>Land</td>
<td>$506,203</td>
<td>—</td>
</tr>
<tr>
<td>Building and building improvements</td>
<td>3,232,349</td>
<td>2,585,577</td>
</tr>
<tr>
<td>Office furniture and fixtures</td>
<td>811,179</td>
<td>498,010</td>
</tr>
<tr>
<td>Computer software and hardware</td>
<td>8,416,524</td>
<td>2,561,418</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,016,785</td>
<td>468,805</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,983,040</strong></td>
<td><strong>6,113,810</strong></td>
</tr>
</tbody>
</table>

Included in office furniture and fixtures is $42,174 (2019 – $42,365) and Computers software and hardware of $1,060,006 (2019 – nil) related to assets held in the Marketing and Business Development fund.

Included in computer software and hardware are assets under construction totaling $1197,352 (2019 - $4,675,224) relating to components of the new business software. Also included in computer software and hardware are assets under construction for the development of the company web site totaling $1,016,574 (2019 – nil).

6. 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.
7. Milk and Transportation Pool Operations:

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Milk</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>$2,433,658,190</td>
<td>$2,347,198,504</td>
</tr>
<tr>
<td>Purchases</td>
<td>2,433,531,764</td>
<td>2,347,269,377</td>
</tr>
<tr>
<td>Recoverable from producers, beginning of year</td>
<td>126,426</td>
<td>(70,873)</td>
</tr>
<tr>
<td></td>
<td>(140,537)</td>
<td>(69,664)</td>
</tr>
<tr>
<td>Recoverable from producers, end of year</td>
<td>(14,111)</td>
<td>(140,537)</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recovered from producers</td>
<td>88,642,418</td>
<td>86,440,171</td>
</tr>
<tr>
<td>Expenses</td>
<td>88,621,241</td>
<td>86,452,317</td>
</tr>
<tr>
<td>Recoverable from producers, beginning of year</td>
<td>21,177</td>
<td>(12,146)</td>
</tr>
<tr>
<td></td>
<td>(59,800)</td>
<td>47,654</td>
</tr>
<tr>
<td>Recoverable from producers, end of year</td>
<td>(38,623)</td>
<td>(59,800)</td>
</tr>
<tr>
<td><strong>Total Recoverable from producers, end of year</strong></td>
<td><strong>$ (52,734)</strong></td>
<td><strong>$ (200,337)</strong></td>
</tr>
</tbody>
</table>

8. Deferred capital contributions:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$888,697</td>
<td>$937,500</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>—</td>
<td>(48,803)</td>
</tr>
<tr>
<td></td>
<td>$888,697</td>
<td>$888,697</td>
</tr>
</tbody>
</table>

These contributions relate to funds received through the Traceability Foundations Initiative (TFI) Contribution Agreement. Under this Agreement, DFO partnered with a dairy processor and other processor to develop an electronic system that enables forward and backward traceability throughout the dairy sector. The Agreement provided DFO with $1,422,501, of which $1,237,500 of the contributions related to capital. These amounts are accounted for as deferred capital contributions and are amortized and recognized in income over a period of five 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 will begin amortization once the software is fully in use.

9. 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.

10. Administrative licence fees:

Licence fees remained at $0.625 per hectolitre for administrative purposes.
11. Other revenue:
Other revenue includes property rental income, administrative service fees charged to other third parties, and amortization of deferred capital contributions.

12. Marketing and Business Development:
Market expansion fees remained at a rate of $1.50 per hectolitre for market expansion and promotional activities.

13. Administrative and policy development expenses:
Administrative and policy development expenses are detailed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff salaries and benefits (i)</td>
<td>$8,950,282</td>
<td>$7,974,474</td>
</tr>
<tr>
<td>Professional fees</td>
<td>871,159</td>
<td>600,581</td>
</tr>
<tr>
<td>Board Members’ per diems, allowances and travel, elections (ii)</td>
<td>819,801</td>
<td>1,040,199</td>
</tr>
<tr>
<td>Assistance from contractors and staff support (iii)</td>
<td>739,587</td>
<td>563,315</td>
</tr>
<tr>
<td>Office (iv)</td>
<td>573,387</td>
<td>629,579</td>
</tr>
<tr>
<td>Communication programs and activities (v)</td>
<td>423,451</td>
<td>723,924</td>
</tr>
<tr>
<td>Hiring costs, staff travel, and meetings costs</td>
<td>413,635</td>
<td>702,285</td>
</tr>
<tr>
<td>Insurance</td>
<td>393,996</td>
<td>377,866</td>
</tr>
<tr>
<td>Equipment rental and maintenance</td>
<td>380,253</td>
<td>353,557</td>
</tr>
<tr>
<td>Office maintenance, utilities, taxes and rent</td>
<td>252,370</td>
<td>304,649</td>
</tr>
<tr>
<td>Calibration truck operations</td>
<td>123,135</td>
<td>126,350</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,941,056</strong></td>
<td><strong>13,396,779</strong></td>
</tr>
</tbody>
</table>

(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 $458,824 (2019 – $394,100).

(ii) Board Members’ per diems, allowances and travel include an annual honorarium for the Chair of $64,390 (2019 – $62,820), Vice-Chair $32,838 (2019 – $32,037), 2nd Vice-Chair $21,892 (2019 – $17,229) and other Board Members of $13,367 (2019 – $13,041). Board Members were paid per diem rates of $306 (2019 – $298) and a half-day rate of $153 (2019 – $149). Board Members’ travel includes a travel allowance of $1,680.

(iii) Assistance from contractors and staff supports includes consulting costs, clerical support, translation costs, and training costs. Included in the current year are information technology consulting costs of $102,940 (2019 – $70,140) for the development of the new business software and staff training costs of $90,110 (2019 – $143,035).

(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.
14. 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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff salaries and benefits</td>
<td>$791,663</td>
<td>$530,039</td>
</tr>
<tr>
<td>Office maintenance, utilities, taxes and rent</td>
<td>83,457</td>
<td>58,710</td>
</tr>
<tr>
<td>Office expenses</td>
<td>52,035</td>
<td>48,247</td>
</tr>
<tr>
<td></td>
<td>$927,155</td>
<td>$636,996</td>
</tr>
</tbody>
</table>

15. 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 $1,150,000 (2019 - $1,141,676) in activity of the Unrestricted Fund, $260,000 (2019 - $262,006) in activity of the Research Fund, and $5,855,000 (2019 - $5,476,333) in activity of the Marketing and Business Development Fund.

16. Research fund:
(a) Research fees remained at $0.050 per hectolitre on milk marketed by DFO.
(b) The Research Fund balance at year end includes an unspent allotment of $85,383 (2019 – $64,491) from the Toronto Stock Yards Land Development Fund. Spending of these funds is restricted for research and education purposes.

17. 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:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing contracts</td>
<td>$2,907,771</td>
<td>$2,734,891</td>
<td>$1,541,872</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Research Commitments</td>
<td>$666,979</td>
<td>$476,534</td>
<td>$225,000</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,574,750</td>
<td>$3,211,425</td>
<td>$1,746,872</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

18. Related party transactions:
DFO has invested in Milk Utilization Verification (MUV) Inc., a jointly controlled not-for-profit organization. DFO and Ontario Dairy Council jointly contributed their share of the MUV system, which is the web-enabled electronic application used by processors to declare how the milk they receive from their marketing boards is used for the purposes of billing and verification. The initial contribution was recorded at net book value on November 1, 2017 of $45,948. During the course of the year, net costs of $85,802 (2019 - $44,234) were expensed in the unrestricted fund, and included in accounts receivable at year end are $552,483 (2019-$434,948) due from MUV Inc.

19. Credit facility:
DFO’s credit facility remains at $35 million at a rate of prime less 0.8% (2019 – prime less 0.8%). The facility has not been drawn on during the year.
20. **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.

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus ("COVID-19"). The situation is constantly evolving, and the measures put in place are having a significant impact on economic and social matters. DFO continues to operate in line with recommendations of public health authorities. As at October 31, 2020, DFO did not have significant adjustments to reflect the possible future impact of COVID-19. Management is closely monitoring the situation and evaluating the impact of guidance and regulations implemented by medical and government bodies across the country. As this new information became available, management continued to evaluate the impact on the October 31, 2020 financial statements. As of the date these financial statements were approved, management has not identified any events which will have a negative financial impact on DFO.

21. **Comparative information:**

Certain comparative figures have been reclassified from those previously presented to conform with the financial statement presentation adopted in the current year.
2019-2020 HIGHLIGHTS

This past year (2019-20), dairy farmers have been tested by a slew of challenges, most notably the COVID-19 pandemic.

WORKING IN EXTRAORDINARY TIMES: THE COVID-19 PANDEMIC

The pandemic caused sudden, rapid fluctuations in demand for milk and dairy products, from an initial period of rush-buying at the outset to a decline in overall demand as consumers adopted new consumption patterns. Adjusting to the shifts in demand and reorienting the entire supply chain from one market to another was a major feat. Canadian dairy farmers are resilient, and thanks to Canada’s supply management system, we were able to rebalance production in a timely, coordinated way while limiting impacts on dairy farmers. Our sector fared better than many others in the Canadian economy, and in other countries where supply management does not exist, the impacts on dairy farmers were much more profound.

Supporting Canadians in Challenging Times

Collectively, dairy farmers across Canada donated more than $10 million in dairy products to food banks to support Canadians in need, over and above contributions made throughout the year. A $1 million donation from DFC was combined with federal government contributions to allow Food Banks Canada to purchase $3 million in quality dairy products for distribution in communities right across Canada, including northern Canada.

Mitigating the Impacts of COVID-19

DFC collaborated with DFO and other provincial organizations, as well as other stakeholders like processors and retailers, to have key functions and services in the dairy sector identified by the federal and provincial governments as essential services. We also encouraged the government to facilitate the entry of temporary foreign workers during the pandemic, who are needed on some farms. Our advocacy efforts paid-off when the government adopted, in mid-May, legislation to increase the borrowing capacity of the CDC from $300 million to $500 million, which will help address any future COVID-19 market disruptions should it be required.

Stimulating the Marketplace

Through our innovative marketing efforts, including the timely Here for Canada campaign, DFC helped reassure Canadians of the safety and quality standards behind Canadian milk and dairy products.

Through our innovative marketing efforts, including the timely Here for Canada campaign, DFC helped reassure Canadians of the safety and quality standards behind Canadian milk and dairy products.
The tests of the past year will help guide our evolution. The Ontario dairy industry came together to strengthen partnerships across Canada that value our purpose-built system designed to balance the needs of the market with the production of quality milk.
DFC also showed support for the beleaguered restaurants sector by participating in the Canada Takeout campaign and #TakeoutDay in conjunction with Restaurants Canada and other key partners.

OTHER AREAS OF ACTIVITY:

A tireless champion for dairy farmers

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

While the dairy sector had secured the support of parliamentarians to have CUSMA, Canada’s new trade agreement with the U.S. and Mexico come into force in conjunction with the beginning of the dairy year on August 1, the government unexpectedly ratified the deal during the pandemic, triggering a coming-into-force date that was earlier than anticipated (July 1, 2020). As a result of CUSMA and other trade agreements, Canada will have outsourced the equivalent of 18 per cent of our domestic dairy production to foreign countries by 2024.

DFC, with the support of dairy farmers, has been persistent in reminding government of the importance of compensation for lost market*. We have advocated that the balance owed to dairy farmers over the next seven years for CETA and CPTPP must be scheduled and made in the form of direct payments. We have also worked actively with politicians of all stripes to ensure the government honours its commitment to compensate dairy farming families fully and fairly for concessions made in CUSMA. This advocacy resulted in a renewed commitment to “full and fair” compensation in September’s Throne Speech, and DFC will be relentless in making sure the government remains true to its promise.

The government announced interim Tariff Rate Quotas (TRQs) for CUSMA following consultations with industry and DFC, establishing how the import access under CUSMA is allocated by product category to parties within the supply chain. The majority of these new TRQs have been allocated to processors, similar to the allocation of TRQs in place under CPTPP.

DFC continued to advocate that nutritious dairy products should be exempt from Health Canada’s proposed initiatives around front-of-package labelling and marketing to children. The federal government assured DFC that it will be consulted when these issues move forward. We continue to advocate that the government should consider the best-available science, which points to the broad health and nutritional benefits of dairy.

*Note: At the time of print, the 2020 compensation had not yet been announced, but we are cautiously optimistic that an announcement is imminent for this year’s compensation.

Marketing: A better-informed consumer

Consumption of dairy products, including the fluid milk category, has increased year-over-year. It is too early to conclude if this a temporary trend caused solely by shifts in consumption patterns...
in the wake of the pandemic, or if this increase is part of a more permanent trend sparked by the pandemic and augmented by marketing campaigns. DFC’s 2019-20 national marketing activities emphasized the forward-thinking values and practices embodied by Canadian farmers. DFC continued to leverage the strength of the Blue Cow logo and the proAction program to raise awareness of the benefits of Canadian milk and neutralize the erosion of attitudes towards dairy. Campaigns such as Dairy Farming Forward and Hey Dairy Farmer were undertaken to reframe dairy in millennials’ minds by highlighting farmers’ high production standards, forward-thinking innovations and stewardship of the environment. Our campaigns were also designed to dispel myths and misconceptions that affect consumer purchasing decisions.

Blue Cow Logo Effect

The Blue Cow logo continues to trend upward. More than 8,200 dairy products now feature the iconic Blue Cow, and nearly 20 million Canadians are now familiar with the logo. In terms of brand equity, it is now recognized as one of the top three most influential logos in Canada, according to Cohesion Strategies.

In early 2020, Lactalis Canada, one of the nation’s largest processors, announced its intention to include the Blue Cow logo on its leading cheese products made with Canadian milk. The Blue Cow logo is also being featured by some of Canada’s most influential vendors including Tim Hortons, Boston Pizza, Burger King, and GoodFood. In July, McDonald’s Restaurants of Canada joined the Blue Cow family by featuring it in their summer ice cream promotions.

proAction®: Telling our story

In 2019-20, proAction continued to evolve and improve. The new biosecurity module launched last fall, adding another set of good practices in preventing, reducing or eliminating the introduction of infectious disease on our farms.

In partnership with Laclanet Canada, DairyTrace was launched this fall, which will, for the first time, provide a true, pan-Canadian picture of the movements of dairy cattle. DFC worked throughout the year to make various stakeholders better aware of the comprehensive measures being undertaken on farms under proAction.

proAction forms the basis of DFC’s marketing and advocacy efforts and allows us to speak with confidence about our commitments in the areas of food safety, sustainability and animal care.

Research: Driving innovation

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

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

DFC’s national nutrition team continues to keep health professionals informed about emerging research and new support tools which reinforce the role of milk products in promoting health. Through symposiums, new resources, media interviews and various other initiatives, DFC remained a persistent force in reminding and educating Canadians about the valuable role dairy products play in the maintenance of good health, particularly in keeping our bones strong and healthy.

To access the full version of DFC’s 2019-20 Annual Report, published in July, please visit:
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

**PRODUCTION**  
Match supply to demand  
Revise quota policies to enhance production management  
Increase effectiveness of milk allocation system  
Examine alternate quota allocation models nationally

**PRICING**  
Secure a fair return for efficient producers  
Identify opportunities for optimal pricing structure

**DEMAND**  
Invest to grow and preserve the domestic market  
Strengthen border management  
Aggressively invest to increase consumption  
Promote innovation in the dairy market  
Increase milk quality and consistency across farms  
Garner government support through strategic partners

**STEWARDSHIP**  
Nourish and strengthen communities  
Educate consumers on dairy nutrition  
Build consumer confidence in producers and farm practices  
Promote diversity and inclusion in the industry  
Become a recognized steward of sustainability

**ORGANIZATIONAL EFFECTIVENESS**  
Optimize performance and efficiencies  
Foster opportunities to produce industry leaders  
Execute on DFO's succession strategy  
Review internal governance  
Make use of technology to increase productivity and efficiencies

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**2021 STRATEGIC PRIORITIES AND GOALS**

Strengthen the Canadian Dairy System

Producers | Processors | Consumers

Leadership | Trust | Respect | Integrity | Teamwork | Fairness | Accountability