

A high-quality photograph showing a stream of white milk being poured from a glass carton into a clear glass. The milk is captured mid-pour, creating a dynamic sense of movement. The background is a soft, out-of-focus light grey. The overall aesthetic is clean and fresh.

# ANNUAL REPORT 2023



# STRATEGIC PLAN

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

A dynamic, profitable growing Canadian dairy industry

Growth (quota, production and processing)



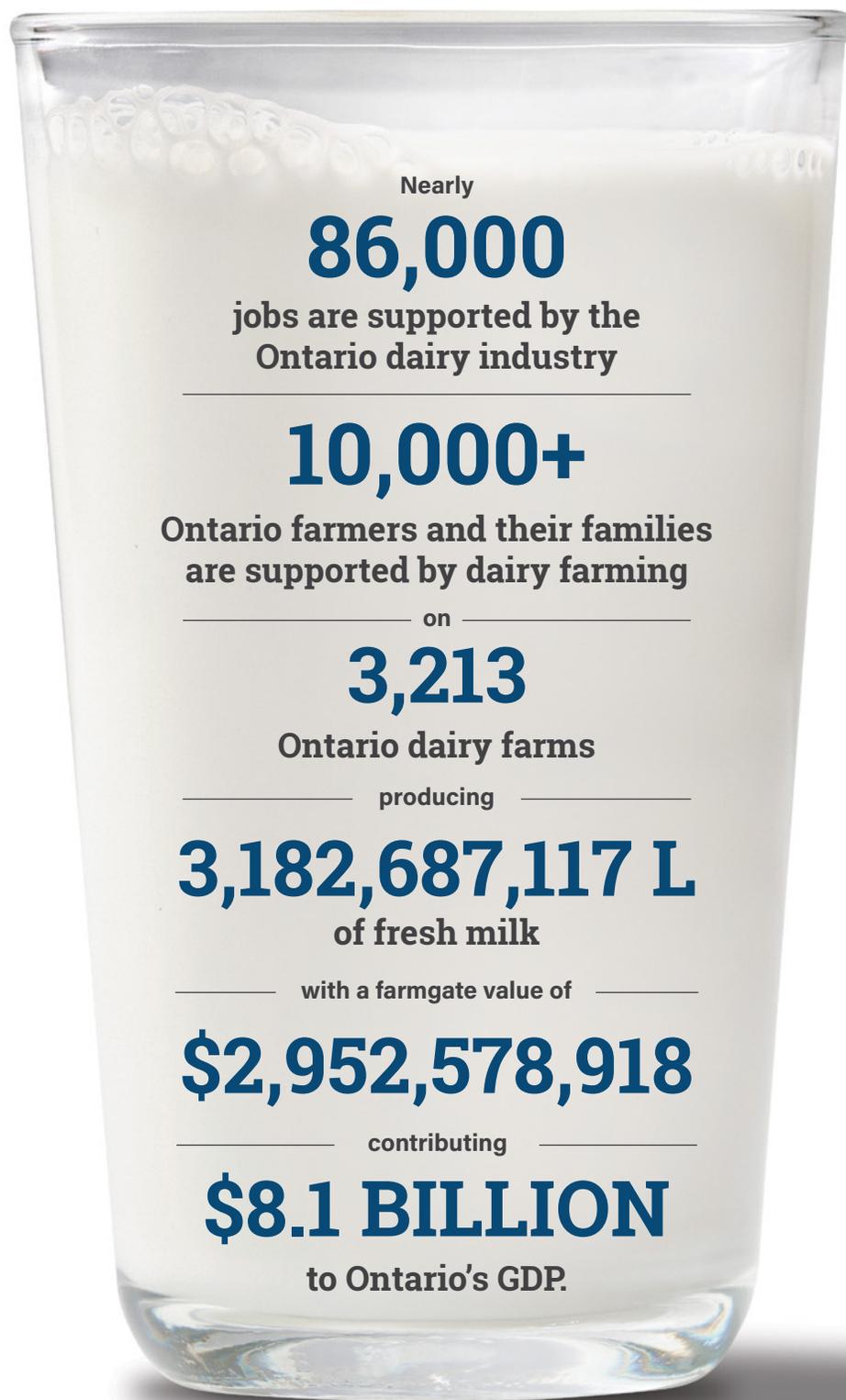
STRENGTHEN THE CANADIAN DAIRY SYSTEM

PRODUCERS | PROCESSORS | CONSUMERS

INTEGRITY | COLLABORATION | ACCOUNTABILITY

# ONTARIO DAIRY: LARGEST AGRICULTURAL SECTOR IN THE PROVINCE

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## OUR MISSION

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

## OUR VISION

A dynamic, profitable, growing  
Canadian dairy industry.

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OF THE 2023 ANNUAL REPORT  
(ENGLISH & FRENCH)

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"INDUSTRY RESOURCES" SECTION.



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

We are guided by our mission, vision and foundation of supply management, as well as who we serve—producers, processors, consumers—and how we serve—with integrity, collaboration and accountability.

Ontario dairy contributes more than \$8.1 billion to the province's gross domestic product and supports nearly 86,000 jobs. Every day, more than 10,000 Ontario dairy farmers and their families commit to producing high-quality milk on 3,213 dairy farms across the province, from which more than three billion litres of milk is delivered to processors every year.

Providing leadership and excellence in the production and marketing of Canadian Milk...

We are Dairy Farmers of Ontario.

A photograph of a modern office interior. The top half of the image shows a blue wall with the text "PURE NATURAL WHOLESOME" in large, white, sans-serif capital letters. Below the wall, there is a seating area with three grey leather armchairs arranged around a white circular coffee table. A potted plant is visible in the background. The ceiling is white with recessed lighting and a dark metal railing is visible above the seating area.

PURE  
NATURAL  
WHOLESOME

# MESSAGE FROM THE BOARD CHAIR



**Our Canadian dairy system is unique in that it allows us to efficiently meet demand and provide fair outcomes and economic stability for our producers so they can invest in their farms and communities.”**

The world continues to be challenged with uncertainty and strife in many places. Wars in the Ukraine and Israel/Gaza, political unrest in other places and polarization create tension around the world. Climate change and our reaction to it is occupying much thought, action and resources as governments, organizations and individuals attempt to react and chart a course for the future. Inflation and high interest rates are causing economic challenges.

Amidst all this, Canadians need food on their tables in a stable, affordable way each day so they can carry on with their everyday lives. Those involved in the Canadian dairy industry work hard at all levels to make milk and nutritious dairy products available day in and day out, regardless of the weather or political climate. There are short-term challenges of matching supply to demand but also longer term forecasting and strategizing efforts on what is needed from the Canadian dairy industry for the future.

It is these longer term issues that leadership across this country has been attempting to address the past couple years. The Board and senior staff at Dairy Farmers of Ontario (DFO) have been an integral part of these discussions as we work in collaboration with other provincial boards, Dairy Farmers of Canada (DFC), the Canadian Dairy Commission (CDC), as well as processors and governments.

A major strategic challenge in satisfying consumer needs has been that growth in all milk classes has not been equal. There has been significant growth in demand for cream, butter and cheese in recent years, but processing and finding markets for all components—in a trade-restricted environment—has been on the minds of leadership as a challenge to solve.

A significant development occurred when producers requested the federal government allocate some of the compensation for market losses from the Canada-United States-Mexico Agreement (CUSMA) toward encouraging processor investments. The federal government set aside a \$333 million fund and this past year it announced modalities of the program. Along with this, producers and the CDC worked to create a Market Growth Program that will incentivize processors to invest in plants to process solids non-fat. The program was announced this past summer, and we are excited to see applications from processors have already come forward. I am very much anticipating what will result in the coming months and years from these initiatives.

Our Canadian dairy system is unique in that it allows us to efficiently meet demand and provide fair outcomes and economic stability for our producers so they can invest in their farms and communities. Protecting the health, vitality and sustainability of our sector is important today and for the next generation.

My 12-year tenure on the Board, five of which I served as Chair, is coming to an end. Being on the Board has given me the opportunity to develop many relationships and work collaboratively on numerous initiatives. I especially thank our CEO, Cheryl Smith, for taking on the challenge of leading DFO through some tumultuous times. Her dedication to the dairy industry has been a lifelong passion.

And finally, I thank each member of DFO's Board who taught me much throughout the years. We have made great progress on dealing with challenges of the moment by working together and thinking about what's needed for a dynamic, profitable and growing Canadian dairy industry for the future.

MURRAY SHERK  
BOARD CHAIR



# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



DFO delivered well on our mandate as the sole delegated authority and regulator of milk in Ontario. Our accountability to the Ontario Farm Products Marketing Commission and the Ministry of Agriculture, Food and Rural Affairs was upheld.”

Dairy Farmers of Ontario (DFO) achieved remarkable results in 2023.

DFO provides leadership and excellence in the production and marketing of Canadian milk year over year, and 2023 was no different. Upholding a strong Canadian dairy system is foundationally what drives our organization and our people.

DFO delivered well on our mandate as the sole delegated authority and regulator of milk in Ontario. Our accountability to the Ontario Farm Products Marketing Commission and the Ministry of Agriculture, Food and Rural Affairs was upheld. Further, significant progress was made in support of a dynamic and profitable growing Canadian dairy industry for the benefit of all Ontario producers collectively.

Guided by our mission, vision, target and foundational priorities in support of our system, as well as who and how we serve, we finished 2023 in a strong position.

This year, more than three billion litres of milk was collected from 3,213 dairy farms across the province with full attention to regulatory compliance and policy enforcement and billions of dollars of transactions were managed, all serving to strengthen our system.

Our continued focus on cost containment allowed us to efficiently deliver all these services while offsetting more inflationary increases than expected and ending the year well ahead on all budgets. On growth, all production and quota rates were positive. Considering the retail grocery market trends, Ontario’s value/dollar growth was strong and outpaced the rest of Canada (ROC). Additionally, volume/L/kg growth ended the year in a positive position, also outpacing ROC.

Additionally, DFO achieved remarkable success on several high-impact projects, including national initiatives, marketing innovations, logistics systems, quality program advancements and, most importantly, processing investment.

Milk and dairy products continue to dominate grocery consumption. Our marketing campaigns focused on speaking to the consumer with rewarding and engaging content that reminded them of their love for milk and its irreplaceability. An all-encompassing Everybody Milk campaign, a never-before-seen Moo’sium of Modern Milk and DFO becoming the first partner to appear on the Maple Leafs sweater with the Milk insignia, are all examples contributing to the organization’s ability to reach new heights when it comes to connecting with consumers and audiences.

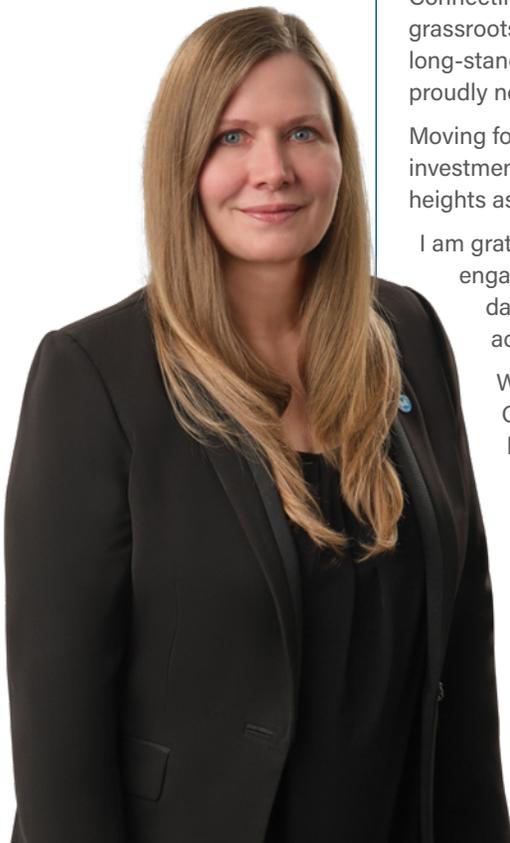
Connecting with Ontario communities is a priority for us. Through initiatives such as our grassroots sponsorships with local sports organizations, campaigns for children’s hospitals and long-standing partnership with Feed Ontario, DFO is an active member of the communities we proudly nourish.

Moving forward, the outlook for dairy is bright. With continued focus on value generation through investment in processing to support milk production growth, our dairy industry will grow to new heights as an economic driver for both Ontario and Canada.

I am grateful to the DFO team, which is made up of talented individuals who are dedicated, engaged and focused on delivering results every day. We are inspired by our love for dairy and determined as strong advocates for the Canadian dairy system. We have accomplished so much by working together.

We are fortunate to have a dedicated Board of Directors and have had the benefit of our Chair Murray Sherk’s leadership. As we celebrate his retirement, we also honour how his passion and commitment have moved the dairy industry forward. We are grateful for Murray’s years of service to DFO and all his contributions to Canada’s dairy industry, and wish him only the best in the future.

CHERYL SMITH  
CHIEF EXECUTIVE OFFICER



# BOARD MEMBERS



## REGION 10

**Roger Boersen**

Huron and Perth

ANNUAL PRODUCTION: **561,800,531 L**  
GDP CONTRIBUTION: **\$1,436,143,000**  
NUMBER OF PRODUCERS: **447**



## REGION 11

**Mark Hamel**  
(Vice-Chair)

Bruce and Grey

ANNUAL PRODUCTION: **223,165,079 L**  
GDP CONTRIBUTION: **\$570,483,000**  
NUMBER OF PRODUCERS: **277**



## REGION 6

**George Van Kampen**

Dufferin, Peel, Simcoe  
and Wellington

ANNUAL PRODUCTION: **402,688,443 L**  
GDP CONTRIBUTION: **\$1,029,401,000**  
NUMBER OF PRODUCERS: **481**



## REGION 8

**Murray Sherk**  
(Chair)

Oxford and Waterloo

ANNUAL PRODUCTION: **573,213,488 L**  
GDP CONTRIBUTION: **\$1,465,319,000**  
NUMBER OF PRODUCERS: **532**



## REGION 9

**Vicky Morrison**

Elgin, Essex, Kent, Lambton  
and Middlesex

ANNUAL PRODUCTION: **300,882,986 L**  
GDP CONTRIBUTION: **\$769,154,000**  
NUMBER OF PRODUCERS: **209**



## REGION 7

**Albert Fledderus**

Brant, Haldimand, Halton, Niagara,  
Norfolk and Wentworth

ANNUAL PRODUCTION: **162,084,439 L**  
GDP CONTRIBUTION: **\$414,341,000**  
NUMBER OF PRODUCERS: **169**



**REGION 12**

**Steve Runnalls**

Districts of Northern Ontario and Haliburton

ANNUAL PRODUCTION: **80,675,992 L**  
GDP CONTRIBUTION: **\$206,234,000**  
NUMBER OF PRODUCERS: **100**



**REGION 1**

**Bart Rijke**

Ottawa-Carleton (Twp. of Cumberland), Glengarry, Prescott and Russell

ANNUAL PRODUCTION: **282,835,905 L**  
GDP CONTRIBUTION: **\$723,019,000**  
NUMBER OF PRODUCERS: **262**



**REGION 2**

**Brian Burnett**

Dundas, Ottawa-Carleton (except for Twp. of Cumberland), and Stormont

ANNUAL PRODUCTION: **212,103,565 L**  
GDP CONTRIBUTION: **\$542,205,000**  
NUMBER OF PRODUCERS: **212**



**REGION 5**

**Don Gordon**

City of Kawartha Lakes, Durham Region, Peterborough and York

ANNUAL PRODUCTION: **112,392,130 L**  
GDP CONTRIBUTION: **\$287,311,000**  
NUMBER OF PRODUCERS: **168**



**REGION 4**

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

Hastings, Lennox and Addington, Northumberland and Prince Edward

ANNUAL PRODUCTION: **118,927,787 L**  
GDP CONTRIBUTION: **\$304,019,000**  
NUMBER OF PRODUCERS: **154**



**REGION 3**

**John Wynands**

Frontenac, Grenville, Lanark, Leeds and Renfrew

ANNUAL PRODUCTION: **153,258,455 L**  
GDP CONTRIBUTION: **\$391,777,000**  
NUMBER OF PRODUCERS: **202**

# OUR TEAM

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**Cheryl Smith**  
Chief Executive Officer



**Rosa Checchia**  
Chief Marketing &  
Communications Officer



**Arlene Minott**  
General Counsel &  
Corporate Secretary





**Kristin Benke**  
Chief Business Officer



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



**Rey Moisan**  
Chief Financial Officer



# ECONOMIC DRIVER



**DAIRY IS THE LARGEST SECTOR OF ONTARIO AGRICULTURE, CONTRIBUTING MORE THAN \$8.1 BILLION TO THE PROVINCIAL GDP.**

*Dairy Farmers of Ontario Business Team Members (L-R): Top: Kristin Benke, Catherine Mastropierro, Loraine Baker-Richards, Uma Para Bottom: Marissa Gareau, Ann Blom, Carol Mascaro Not pictured: Alicia Rego and Donna Hawryshko*

*DFO works tirelessly for a strong dairy sector. Every day, our Business, Economics, Policy, Government Relations, Production and Logistics teams deliver directly on our mandate as a regulator and the sole delegated authority for the marketing of milk in Ontario.*

*Careful attention is placed on balancing the supply of quality milk with fluctuating demand while ensuring producers receive fair payment for efficient production. We are focused on delivering the provincial raw milk quality program and DFO's field services representatives are producers' first point of contact. Milk transportation and allocation must run smoothly and efficiently so processors get their milk on time and consumers continue to enjoy the high-quality dairy products they've come to expect every day.*

## POLICY & BUSINESS, ECONOMICS

### MARKET REQUIREMENTS

National total requirements have increased by 1.2 per cent for the 12-month period ending October 2023. This compares to an increase of 2.2 per cent in national supply for the same 12-month period.

P5 fluid quota increased by 4.3 per cent, industrial milk requirements decreased by 0.4 per cent, including dairy innovation program (DIP) and milk

access for growth requirements which increased over the previous calendar year. Total quota increased by 0.8 per cent over the previous year based on the monthly total quota calculation for the 12-month period ending October 2023.

Total quota in the western milk pool (WMP) increased by 0.5 per cent for the 12-month period ending October 2023. This was a result of a 2.8 per cent increase in fluid BF requirements and a 1.0 per cent decrease in industrial milk requirements.



**101.9%**

**OF QUOTA FILLED IN 2023**



*Dairy Farmers of Ontario Chief Executive Officer Cheryl Smith*



*Dairy Farmers of Ontario Business Team Members  
(L-R) Carol Mascaro and Catherine Mastropierro*

### **Production**

The P5 filled 101.9 per cent of its quota during the 2022-2023 fiscal year. Production in the P5 has been strong through the spring with P5 quota filling quota and using credits. Quota is determined using a monthly calculation to ensure quota is immediately aligned with current requirements. Under the monthly quota calculation, pools are penalized only if the national pool is above 1.25 per cent or below minus two per cent. The national pool cumulative difference, or the pool credit position, was -0.45 per cent at the end of Oct 2022. The P10 pool was over-quota by 264,040 kg for the month of July and the P5 pool was solely responsible for this over quota. The P5 has six months to payback (under produce) the over quota credits, after which point an over quota penalty will apply.

Sales for the national retail market have continued to flatten out over the last year when compared to previous year's during COVID. However, this compares with strong sales during the COVID-19 lockdown and demand has also been influenced by changes in consumer spending due to rising inflation. It's important to keep in mind the retail market is only a part of the market that contributes to total requirements and that there were significant declines in demand from hotels, restaurants and institutions (HRI) during the COVID-19 lockdown.

In Ontario, production was 2.9 per cent higher than the last fiscal year on a volume basis, or up 3.5 per cent on a butterfat basis. The credit position in Ontario increased slightly over the dairy year from -1.29 days in November 2022 to -0.6 days in October 2023.

### **Butter stocks**

As of October 2023, total industry butter stocks held by processors and the CDC were 26,857 tonnes. This is an increase of 5,747 from the stock levels held in October 2022. The P10 target for normal stock levels for July is between 32,000 and 38,000 tonnes. The current stock forecast has stocks within the normal stock levels for July 2024.

### **Cheese stocks**

At the end of October 2023, total cheese stocks were 99,191 tonnes. This was an increase of 1,295 tonnes compared to stocks held in October 2022. Stock levels include the purchases of additional cheese stocks through the Plan C stock program introduced to help with surplus milk.

## Producer Quota

There was a two per cent quota increase effective, Jan. 1, 2023. These increases were in response to relatively low butter stock levels and the relatively positive quota forecast for the coming year. There was one incentive day issued per month for May to July 2023. There had also been incentive days announced for the fall of 2023 of one day in August and November, and two days for September and October. Due to lower-than-forecasted market requirements, and sufficient butter stock levels, the fall incentives were reduced to one day for September and one day for October 2023. One incentive day for November 2023 was also added back in to better meet the demand in the fall. The P5 quota committee continues to monitor the production and market situation.

## Pricing

A 2.19 per cent increase was announced by CDC for implementation on Feb. 1, 2023. This increase was based on the national pricing formula less the advance of 2.5 per cent from September 2022. The price adjustment results in an increase in the farm gate milk price of \$1.74/hL.

For the 12-month period ending October 2023, the within-quota component price paid to Ontario producers averaged \$13.2881/kg for BF, the average within-quota component and market ratio component price was \$9.8468/kg for protein and \$1.0062/kg for other solids (\$93.05/hL at the Ontario average

composition). There was a 3.8 per cent increase in the producer blend price compared with the previous dairy year, at a consistent composition.

The price of most dairy products had reached recent highs through most of 2022. There have been several factors, including shortages and logistics issues, which led to higher prices on the world market. However, in 2023 there has been a decline in the price of most dairy products as a result of softer demand. The decline in world price over the last 12 months has an impact on the blend price for Canadian producers. Nationally, 12 per cent of the butterfat market is in Class 5, which is based on world prices for cheese and butter, and 26 per cent of the SNF is based on, or influenced by, the world price. Given the significance of these markets, every \$100/tonnes increase in the SMP price results in an increase of \$0.30/hL. Over the past year, the world price resulted in an approximately \$3.00/hL decrease in the blend price.

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

Ontario finished the 2022-23 fiscal year with an SNF – to BF production ratio of 2.1934, which is 4.0 per cent below the provincial target of 2.2840, and 0.6 per cent below the SNF to BF ratio of 2.2058 in the previous year.

The two-tier SNF payment policy was implemented to have producer payment better reflect the value of SNF from the market. The policy was reviewed by the P5 quota committee and as a result of a continued need to better align SNF production with demand for SNF,



*Dairy Farmers of Ontario Policy Development and Economics Team Members (L-R) Patrice Dubé and Constantin Urtilescu*



**2%**  
QUOTA INCREASE

**TOTAL OF 6**  
INCENTIVE DAYS IN 2023



the no-pay ratio was lowered to 2.20 from 2.25 effective Feb. 1, 2023 in Ontario. The market ratio price was also adjusted to better reflect the value of the SNF market for SNF above 2.0. Effective Aug. 1, 2023, the market ratio price was adjusted to 70 per cent of the class 4a price for protein, and the other solids price was set at 70 per cent of \$0.90/kg, or \$0.63/kg of other solids.

## GOVERNMENT RELATIONS

### TRADE

#### CUSMA second dairy TRQ panel

The final public report was made public on Nov. 24, 2023. All four principal categories of claims made by the U.S. have been rejected by the panel. Therefore, the current TRQ administration policy will remain in effect in Canada.

#### CPTPP dairy TRQ panel

The Panel established to hear New Zealand's challenge to Canada's dairy tariff rate quota (TRQ) administration under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) issued its final report on Sept. 5, 2023. The main aspect of Canada's TRQ administration the Panel found inconsistent with Canada's obligation under the CPTPP is the existence of a separate reserve (import quota set aside in a pool) to be utilized by specific industry stakeholders (i.e. processors), which is a similar finding to the first panel under CUSMA.

#### U.K. and CPTPP accession process

On July 16, CPTPP parties officially welcomed the United Kingdom as the agreement's 12th member. The U.K. will have access to dairy TRQs already available to all CPTPP members. No new access has been granted. The U.K. has 18 months to ratify the agreement.

#### Canada-U.K. trade negotiations

In the latest round of negotiations held the week of Sept. 11, 2023, the U.K. reiterated its request for cheese market access. Canadian officials expressed to the U.K. that Canada remains in its position that it will not provide any new access for cheese.

In addition to market access, officials noted the U.K. reiterated its request to include animal welfare provisions in the agreement. On animal welfare, the U.K. persists in seeking incorporation of language closely resembling the language in their bilateral agreements

with New Zealand and Australia. Canada maintained its stance that such a chapter is not up for negotiation. DFC and other agricultural groups continue to seek that no animal welfare chapter should be included in the final agreement.

### **Government Relations (Federal Matters)**

Discussions with the federal government have focused on, but have not been limited to, advocating for Bill C-282, strengthening border enforcement, securing funding for a foot-and-mouth disease vaccine bank, supporting green technology on farms, protecting the use of dairy terminology, exemptions for nutritious dairy products from front-of-package labelling and marketing to kids, and on the creation of a grocery code of conduct.

Dairy Farmers of Canada (DFC) is also closely monitoring the Canada-U.K. free trade negotiations to ensure no domestic market access is granted and that Canadian sovereignty is preserved in areas such as sustainability, animal welfare and the administration of the supply management system. In many areas of common interest, DFC collaborates with Dairy Processors Association of Canada (DPAC), the other supply-managed associations and other agricultural commodity groups.

DFC, DFO and the provincial milk marketing boards continue to work together to represent the interests of dairy farmers across Canada. In many areas of common interest, producers collaborated with DPAC and other agricultural commodity groups.

### **Dairy Innovation and Investment Fund**

The federal government launched the Dairy Innovation and Investment Fund on Sept. 29, 2023. The fund will provide \$333 million toward processing infrastructure. Of the \$333 million, \$127 million is allocated to Ontario. Eligible applicants are for-profit organizations, including corporations, co-operatives and partnerships and are Canadian dairy product manufacturers who process milk. Only projects involving milk from cows are eligible.

A separate fund of \$105 million for processing modernization was also announced and all sectors under supply management are eligible to apply.

### **Government Relations (Provincial Matters)**

DFO continues to work closely with the Ontario Farm Products Marketing Commission, Ontario Dairy Council (ODC), Ontario Ministry of Agriculture, Food and Rural

Affairs (OMAFRA) and other national stakeholders, such as DFC, on matters of interest for the industry.

### **DFO participated in the following events:**

- **Provincial lobby day and reception** – DFO met with numerous MPPs during its provincial lobby day. A reception was held with government officials and their political staff at Queen’s Park in the legislative dining room. The event had strong attendance, and many discussions took place on the collaborative effort between Ontario’s dairy industry and government. There was strong support from MPPs for the dairy industry on the issues discussed.
- **Coronation event at Queen’s Park** - a Taste of Ontario area was created at the event that showcased food from the province. DFO was provided with a booth and, thanks to donations from Saputo and Fairlife, white and chocolate milk were distributed to attendees along with swag provided by DFO.
- **International Plowing Match** - the event provided an opportunity for DFO Board and staff to have informal conversations with government officials and their staff.

### **Provincial Objectives**

These are the four main provincial objectives DFO has focused on with government:

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



**\$127 Million**  
**ALLOCATED TO ONTARIO DAIRY**  
**PROCESSING INFRASTRUCTURE**



*Dairy Farmers of Ontario Production Team Members (L-R) Angela Maningas, Alex Hamilton, Robert Matson, Ashley Wannamaker, Jeff Hyndman, Kateryna Dmytrakova, Guy Séguin Not pictured: Joanna Yalcinkaya*

## 2023 QUOTA SALES ON THE EXCHANGE



*Dairy Farmers of Ontario FSRs (L-R) Mike Arent, Tony MacDonald, Wes Emmott*

## PRODUCTION & LOGISTICS

### Quality Assurance and Regulatory Compliance

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

### Quota transfer trends

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

The following chart summarizes quota transfers on the quota exchange and through ongoing dairy operations from November 2022 to October 2023, compared with November 2021 to October 2022.

### QUOTA TRANSFER

Type of transfer	Nov. 2022 to Oct. 2023	Nov. 2021 to Oct. 2022	Percentage change
Quota sold on the exchange (kg)	4844	4785	1.2
Producers selling total quota	74	70	5.7
Producers selling partial quota	238	175	36.0
# of ongoing farm transfers	17	31	-45.2

As a result of low volumes of quota being offered for sale, as per policy, the August 2023 quota exchange was cancelled. In January 2022, there was sufficient quota offered for sale to satisfy the initial allocation round to existing producers and for the New Entrant Quota Assistance Program applicant but there was not enough quota to satisfy the bid for the New Producer Program applicant.

### New Entrant Quota Assistance Program (NEQAP)

NEQAP was introduced in August 2009 to assist new entrants entering the dairy industry, with production to start in 2010. From March 2010 to October 2023, 116 producers entered the industry through NEQAP. The program continues to be well received, with approximately eight per cent exiting the program.

### New Producer Program (NPP)

Introduced in August 2009, the NPP allows new producers to enter the dairy industry, via means other

than through the purchase of an existing farm operation or NEQAP. Since its inception, 148 producers have used the NPP to enter the industry and 134 are currently shipping milk.

Effective June 1, 2021, DFO’s Board decided to review the NPP program. During the review process, the Board temporarily suspended the addition of new NPP applicants to the queue and collection of the advance deposit of \$10,000 from NPP applicants. Those applicants who had already submitted the \$10,000 deposit were permitted to continue through the program as per the previous process.

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

**Raw milk quality and penalties**

Somatic cell count (SCC) is an important indicator of milk quality and animal health, which has shown steady improvement during the period ending September 2023. The provincial SCC weighted average remained below 200,000 cells/millilitre throughout the year. The lowest provincial SCC weighted average was in February and March at 161,000 cells per mL. August 2023 had the highest weighted average SCC at 191,000 cells/mL.

During the same period, the bacteria provincial average ranged from 21,000 IBC/mL in October and November 2022 to 29,000 IBC/mL in July 2023.

As shown in the table below, in the 12-month period ending September 2023, the number of SCC, bacteria, freezing point and inhibitor penalties increased while non-Grade A penalties decreased.

**RAW MILK QUALITY PENALTIES**

Raw Milk Quality Area	Number of Penalties	
	12-month period ending September 2023	12-month period ending September 2022
SCC	231	155
Bacteria	81	62
AFP (Abnormal Freezing Point)	195	159
Non-Grade A	63	122
Inhibitors	23	18

**Grade A inspections**

As shown in the table below, during the 12-month period ending in September 2023, a total of 2,023 initial Grade A inspections were conducted. From these inspections, 88.7 per cent resulted in Grade A classification. This is a four per cent increase compared with the same period last year. Higher compliance levels are a positive sign, particularly in an environment where most initial inspections are unannounced.





## 4% INCREASE IN GRADE A CLASSIFICATIONS ON ONTARIO DAIRY FARMS



Dairy Farmers of Ontario FSRs (L-R) Jean-Guy Séguin, Heather McFarlane, Karen Thomson, Wes Emmott



## 1.7% INCREASE IN RAW MILK QUALITY CERTIFICATES ISSUED TO ONTARIO DAIRY FARMS

### GRADE A INSPECTIONS

Classification	12-month period ending September 2023		12-month period ending September 2022	
	#	%	#	%
Grade A	1,794	88.7	2,042	84.7
Conditional Grade A	180	8.9	265	11.0
Non-Grade A	48	2.4	104	4.3
Unsanitary Non-Grade A	1	0.0	1	0.0
<b>Total</b>	<b>2,023</b>		<b>2,412</b>	

### Raw Milk Quality Recognition Program

The table below shows the number of producers who received a Raw Milk Quality Certificate for milk shipped in the 2022 and 2021 calendar years, respectively.

### RAW MILK QUALITY CERTIFICATES

Quality Certificate	Quality Certificates Issued in 2023 (for milk shipped in 2022)		Quality Certificates Issued in 2022 (for milk shipped in 2021)	
	#	%	#	%
Gold	638	19.4%	557	18.1%
General	841	25.5%	841	25.1%
No Certificate	1,817	55.1%	1,981	56.8%
<b>Total</b>	<b>3,296</b>	<b>100%</b>	<b>3,343</b>	<b>100%</b>

Raw Milk Quality Certificates were issued for 44.9 per cent of all producers in Ontario for milk shipped in 2022. This is 1.7 per cent higher compared with the number of certificates issued for milk shipped in 2021.

### Milk sample testing

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

In the 12-month period ending October 2023, sample suitability was 98.1 per cent, ranging from 99.8 per cent in the Goderich sample depot to 93 per cent in the Guelph sample depot. Two major causes of suitability issues during this period were depot fridge breakdowns and power outages.

## Transportation charge to producers – fiscal year-over-year (YOY)

From November 2022 to October 2023, there was a \$0.24 increase in the transportation charge to producers on a per hL basis compared with the previous year. This is a net result of transportation costs increasing YOY by \$0.19 per hL and transportation revenues decreasing by \$0.05 per hL over the same timeframe as shown in the table below rounded to the nearest penny.



*Dairy Farmers of Ontario Logistics Team Members (L-R)  
Chris Laskaris, Janet Wallace and Supreet Kahlon*

## TRANSPORTATION COST, REVENUE & CHARGE TO PRODUCERS

Fiscal Year-to-Date	cost per hectolitre		
	Transportation Cost	Transportation Revenue	Charge to Producer
November 2021 to October 2022	\$3.21	\$(0.05)	\$3.26
November 2022 to October 2023	\$3.40	\$(0.10)	\$3.50
YOY variance	\$0.19	\$(0.05)	\$0.24



*Dairy Farmers of Ontario Logistics Team Members (L-R) Chris Laskaris, Janet Wallace, Peter Mann, Paul Risebrough, Supreet Kahlon, Gagandeep Khinday, Scott Thompson, Vanessa Beaven **Not pictured:** Andre Martineau, Cecil Avey, Hayley Ehmann, Jack Zakaria, Mark de Hueck, William Law and Greg Gray*



Dairy Farmers of Ontario Logistics Team Members  
(L-R) Mark de Hueck and Paul Risebrough



AS OF SEPT. 30, 2023, A TOTAL OF

**99%**

**ONTARIO PRODUCERS WERE REGISTERED UNDER PROACTION.**



DFO Calibration Truck

The \$0.19 per hL increase in transportation costs is a net result of individual components shown below, rounded to the nearest penny.

#### TRANSPORTATION EXPENSE (YOY VARIANCE)

Transportation Expense	YOY Variance (\$/hL)	Description
Inflation	\$0.10	Labour and equipment increases in rate formula
Fuel and Maintenance	\$0.05	Increase in fuel and maintenance costs
Other	\$0.05	Administrative adjustments
Operations	\$(0.01)	Efficiencies gained in network (larger load sizes)
<b>Net increase</b>	<b>0.19</b>	<b>Net change in transportation costs</b>

The \$0.05 per hL decrease in transportation revenues is a result of the following rounded to the nearest penny:

#### TRANSPORTATION REVENUE (YOY VARIANCE)

Transportation Revenue	YOY Variance (\$/hL)	Description
P5 Pooling	\$(0.02)	Decrease in P5 pooling transfers to Ontario
Other revenue	\$(0.03)	Decrease in transportation revenue due to corrections made

#### proAction program

As of Sept. 30, 2023, a total of 99 per cent of Ontario producers were registered under proAction. The rest includes producers with overdue validations or who have been withdrawn from the program, as well as new producers awaiting validation.

Since the proAction suspension policy came into effect in January 2021, there have been four producers who had their milk pickups suspended.

#### Independent validations

In January 2021, DFO announced it signed a contract with Lactanet to provide proAction services.

ProAction Lactanet staff include two proAction co-ordinators and nine validators.

From Oct. 1, 2022, to Sept. 30, 2023, Lactanet conducted a total of 1,734 full validations and approved 1,504 self-declarations.

## Field Services

Field services representatives (FSRs) continue to apply the provincial Raw Milk Quality program, including Grade A inspections. There remains an increased focus on quality investigations with additional technical training being provided to the team throughout the year. FSRs continue to be producers' first point of contact for quota matters, policy clarification and proAction questions. Additionally, FSRs are responsible for investigating animal care concerns, enforcing DFO policies and following up on Holstein Canada Cattle Assessments in the dark red zone. A slight decrease in the total number of initial Grade A inspections was expected and is the result of an increased number of quality investigations that were completed since the implementation of the new field service plan in 2022.



*FSRs continue to be producers' first point of contact for quota matters, policy clarification and proAction questions.*

## Code of Practice Review

The proAction animal care program is based on current requirements of the *Code of Practice for the Care and Handling of Dairy Cattle*, which was first issued in 2009. In 2019, the National Farm Animal Care Council (NFACC) initiated a revision of the code of practice. The process included a public comment period done in late 2021. The updated code was publicly released on Mar. 31, 2023. All new code requirements will take effect at least a year after that date. The revised code was endorsed by DFC's Board of directors.



*Updated code was publicly released on Mar. 31, 2023*



*Dairy Farmers of Ontario Field Services Representatives (FSRs) Team Members (L-R) **First row:** Jean-Guy Séguin, Betty-Anne Elliott **Second row:** Dan Biggs, Karen Thomson **Third row:** Jeff Hyndman, Paul Cornell **Fourth row:** Wes Emmott, Adam Lefebvre, Heather McFarlane, Andrew McDonald, Paul Norris, Mike Arent **Fifth row:** Alex Hamilton, Scott Hartle, Ross Crawford, Jeannette Herrema, Emily McDonald **Front:** Tony MacDonald*



# \$2.2 MILLION

**IN RESEARCH FUNDING CONTRIBUTED BY DAIRY FARMERS OF ONTARIO**

All Ontario producers have received a copy of the 2023 version and DFO has advised producers of the changes to the Code through various communication channels.

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

## RESEARCH

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

### RESEARCH PROJECTS AND ACTIVITIES

ITEM	Actual
DFO's Contribution to Research	\$2.2 Million
Number of Ongoing Research Projects (Ontario)	>60
Number of Ongoing Research Projects (DFC)	45
Number of Research Institutions (Ontario)	5
Number of Research Institutions (Canada)	>30
# of Undergraduate Students	>25
# of Graduate Students, and Post Doctoral Scholars (Ontario)	>120
# of Graduate Students, and Post Doctoral Scholars (DFC)	>160
# of Ontario Dairy Farms Involved	>3,200
# of Canadian Dairy Farms Involved (including Ontario)	>5,000
# of Partners Involved	>40



**IN 2023, FOR EVERY \$1 PRODUCERS INVESTED, THEY RECEIVED \$9 IN TOTAL INVESTMENT.**

In 2023, for every \$1 producers invest, they receive \$9 in total investment.

### DFO INVESTMENT IN CURRENT ONTARIO RESEARCH PROJECTS (ON A PER YEAR BASIS)

DFO Cash and In-Kind in Research Projects  
 Total Value of Research Projects on a Yearly Basis



# DYNAMIC GROWTH



**GUIDED BY THREE STRATEGIC PILLARS, DFO'S MARKETING TEAM FOCUSES ON DRIVING CONSUMPTION OF MILK.**

*Dairy Farmers of Ontario Marketing, Dairy Education and Resources Team Members Names (L to R): **First row:** Joanne Yeung, Julieta Mandelbaum, Raman Battu **Second row:** Kim Romany, Audrie Bouwmeester, Laura Bordini, Lily Bennett, Sandy Hunt, Muriel Silva, Julie Granger **Third row:** Emma Vickers, Jennifer McCulloch, Julia Kuziw, Alicia Sumar, Rosa Checchia, Dawn Stewart, Thanusha Tharmakulasingam and Bitu Farhang*

*Every day, high-quality milk from Ontario dairy farms is transformed into dairy products consumers love. Reminding Canadians of their love of milk, educating them on the health and nutritional benefits of dairy, reinforcing high production standards and telling our local stories are all important priorities for DFO.*

*It is why DFO's marketing team remains focused on driving consumption of milk and dairy and is guided by three strategic pillars: increase milk and dairy's relevance, strengthen industry perceptions and reembrace milk and dairy.*

*Communications steps in to ensure all facets of internal and external activities align with DFO's strategic priorities. The team provides support to various initiatives on important topics to producers and DPCs and ensures consistency with key messaging, media relations and stakeholder engagement.*

## MARKETING

### INCREASING MILK AND DAIRY'S RELEVANCE

DFO launched the second wave of the "Everybody Milk" campaign, which ran for several weeks between February and April, with the aim of maintaining relevance with consumers and driving consumption.

The key insight behind the campaign is everybody loves milk – 92 per cent of Ontario households purchase it regularly. This love for milk is universal

and the campaign celebrates this passion for milk through fun, energetic and meaningful content. Anchoring the campaign is the TV commercial, which was aired for the second time since it was developed. Consumer research from this second airing confirms consumers who recall the TV ad show a significant boost for all campaign diagnostic metrics: increased consumption (+14%), more positive perceptions (+18%), and stands out vs. other ads (+16%).

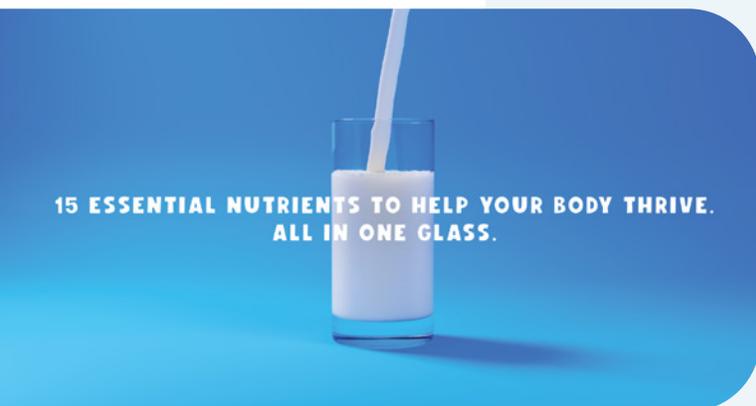
Unique to this campaign was the addition of billboards that featured social media messages from consumers sharing their love for dairy.



*Everybody Milk*



*Dairy Farmers of Ontario Marketing Team Members (L-R)  
Joanne Yeung, Kim Romany, Lily Bennett and Raman Battu*



All campaign elements served to remind consumers of the prominence of milk in their lives, reinforcing relevancy, versatility and irreplaceability. This campaign kicked off the year, laying the foundation for “Everybody Milk” as the main consumer communication for all other campaigns going forward (from nutrition to equity), ensuring all campaigns have a cohesive and memorable consumer message, “Everybody Milk.”

### **Nutrition**

To remind consumers of the nutritious goodness of milk, DFO embarked on several campaigns that spoke to a glass of milk’s nutritional benefits, which proved milk is central to not only the delicious foods everyone loves but how its nutritional value contributes to a healthy lifestyle. The key nutritional insight of ‘15 essential nutrients in one glass of milk,’ was delivered through social and digital campaigns and a new integrated creative campaign.

In the New Year, nutrition focused on health and wellness and motivated Ontarians to stick to a nutritional habit they were already familiar with: drinking milk. The campaign exceeded benchmarked reach by over 20 per cent; and resulted in 77 per cent of consumers saying they are more likely to consume dairy after viewing the ads.

The spring was an opportunity to remind consumers of dairy’s ‘original milk’ status in lieu of frequent imitation in the milk aisle. This led to the launch of social media posts and influencer content to demonstrate only dairy milk is milk. In four weeks, the social stunt garnered 14 million impressions across social platforms.

In the fall, a new integrated creative campaign launched to remind Ontarians how nutritious milk is, with a campaign called “Milk Glass,” which focused on the nutritional messaging of ‘15 essential nutrients all in one glass, while reminding consumers milk is for every body.

### **Health Care Professional (HCP) Program**

Through a targeted approach, the HCP program continued to work toward building affinity and credibility of milk with HCPs by demonstrating its proven nutritional benefits. Throughout the year, physicians, registered dietitians and pharmacists were educated about the importance of milk (and dairy) as a simple nutrition solution within reach.

Another HCP program associated the nutrition benefits of milk and the role it plays with addressing disease or

health issue(s) commonly seen by HCPs among their patients. An in-clinic presence was built by delivering factsheets and brochures to 5,000 clinics and doctors' offices across the province, educating the nutritional significance of milk. Complementary digital ads in-clinic garnered more than 15 million impressions.

A partnership with *Hospital News* allowed DFO to publish two nutrition-focused advertorials providing insight on the research behind milk's unique nutrient blend. About 120,000 copies of the advertorials were distributed to hospitals and healthcare facilities across Ontario, 42,000 sent to digital subscribers and 200,000 views were garnered from website publishing. Additionally, podcast ads with *Canadian Medical Association Journal (CMAJ)* were used to drive key nutritional messaging to 65,000 Ontario physicians.

This year, DFO launched a new partnership with the Ontario Pharmacists Association consisting of editorial content written by a pharmacist and a counseling tool to help dispel misconceptions of milk/dairy products in relation to prescription drug interactions. This content was amplified to 8,500+ pharmacists biweekly between July and October.

### **Milk Calendar**

The 2023 Milk Calendar continued to drive consumer engagement resulting in a 10 per cent increase to the DFO brand subscriber list.

### **Culinary Program**

Culinary's focus this year leaned into local Ontario influencer and chef partners to showcase the irreplaceability of milk in relevant food moments. This approach was applied to the culinary always-on tactics across social media resulting in 15 million impressions throughout the year.

The Summer Is Made with Milk campaign reminded consumers their favourite summer food moments are only made possible with milk. This campaign generated more than 50 million impressions through social media, out-of-home and PR activation tactics.

Heading into fall, DFO launched a mini-series called Milk Masters that showcased six popular Ontario chefs competing in a cooking competition where they created delicious dairy-inspired recipes for three well-known judges. The winner received a donation that would go to a local food charity of their choice. This content series premiered on CTV.ca in early November.



**5,000**

**CLINICS AND DOCTORS' OFFICES  
ACROSS ONTARIO WERE GIVEN  
FACTSHEETS AND BROCHURES TO HELP  
EDUCATE THEIR PATIENTS ON THE  
NUTRITIONAL SIGNIFICANCE OF MILK**





**24**  
ON-FARM PROCESSORS  
IN ONTARIO

**13**  
START UP/SCALE UP  
INNOVATION PROGRAM  
GRANTS AWARDED BY DFO  
IN 2023



**7 MILLION**  
DAIRYCRAFT DOWNLOADS  
ON MINECRAFT EDUCATION  
PLATFORM SINCE ITS  
INCEPTION



**180,000**

STUDENTS HAVE INTERACTED WITH DAIRY  
EDUCATORS THROUGH LIVE PRESENTATIONS  
AND IN THE GROWING UP DAIRY  
CORRESPONDENCE PROGRAM

### Start Up/Scale Up Innovation Program

Innovation is an integral part of the dairy industry's growth. DFO supports and engages with entrepreneurs providing guidance, mentoring and grants to both on-farm processors and new entrants as they innovate in a complex category. There are now 24 on-farm processors across Ontario with several more in the initial and developmental stages who collectively are developing new products that showcase local dairy. In 2023, 13 grants were awarded as participants in the program have successfully moved into production and distribution of their innovations.

### School Programs

Through 46 educators, the Dairy Education team was present in every county and in-person visits are close to pre-pandemic levels. DFO continued to innovate and provide educators with new resources and materials focused on Dairy Goodness.

Digital resources in [edu.milk.org](http://edu.milk.org) and [edulait.milk.org](http://edulait.milk.org) continued to meet the needs of individuals and classrooms unable to have an educator visit, and the addition of YouTube provided another resource matching the Ontario school system's curriculum. The YouTube channel also created more dairy farming information for teachers to access and use in their classrooms and for kids to explore on their own whether at school or at home.

DairyCRAFT has had more than seven million downloads since its inception and remains an engaging tool to share the world of dairy farming.



Dairy Farmers of Ontario Dairy Education Team Members (L-R) Sandy Hunt, Dawn Stewart and Audrie Bouwmeester

Through the Elementary School Milk program and Breakfast Rebate program, 1.8 million students have enjoyed nearly four million servings of milk in Ontario schools.

There are more than 8,000 members of Milk Club logging 5,433 hours of milk engagement.

### Consumer Education

In 2022, the Royal Agricultural Winter Fair celebrated its 100th anniversary. DFO was one of the title sponsors and nearly 300,000 visitors attended to experience the new layout and location.

The 2023 CNE had more than 1.6 million visitors. Dairy was the busiest commodity display in the agriculture building building. DFO also sponsored the Ambassador of the Fair competition.

### STRENGTHENING INDUSTRY PERCEPTIONS

#### Farmer Equity

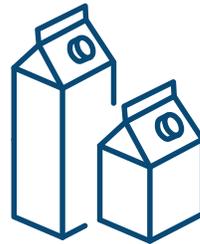
The spring and fall farmer equity campaigns aim to build trust and an emotional connection with Ontario dairy farmers through shared values; reinforcing a positive image for the industry and increasing consumption.

The spring execution leveraged “The Reminder,” a TV commercial and new farmer-centric social video showing an authentic representation of dairy farming families, while building the connection between dairy farmers and Ontario consumers.

The campaign reached a mass Ontario audience, with more than 70 million impressions. After watching the ad, there was a +16 per cent boost among recallers claiming to increase their milk consumption.

The fall campaign helped build a strong emotional connection between Ontarians and dairy farmers, showcasing the milk found in their daily lives is produced by local dairy farming families who have a passion for their work and care about producing high-quality milk. This message was amplified broadly and delivered more than 80 million impressions during a key consumption season.

## 1.8 MILLION STUDENTS



**HAVE RECEIVED NEARLY 4 MILLION SERVINGS OF MILK THROUGH DFO'S ELEMENTARY SCHOOL MILK PROGRAM AND BREAKFAST REBATE PROGRAMS**



*Dairy Farmers of Ontario Marketing Team Members (L-R) Emma Vickers, Alicia Sumar and Julie Granger*



## +16%

**OF RECALLERS REPORTED CONSUMING MORE DAIRY AFTER WATCHING “THE REMINDER” TV COMMERCIAL**



Proudly donating to SickKids and other Ontario children's hospitals.

### Milk and Cookies

The ritual of leaving milk and cookies out for Santa means hope, excitement and above all, magic. This year's Milk and Cookies campaign focused on the importance of milk in this ritual, while demonstrating Ontario dairy farmers' ongoing commitment to supporting patients and families over the holiday season through a \$500,000 donation to The Hospital for Sick Children (SickKids) and other Ontario children's hospitals in Hamilton (McMaster Children's Hospitals), London (Children's Hospital) and Ottawa (CHEO).

The five-week campaign drove more than 116 million impressions during a competitive holiday season when many brands are vying to make a lasting impression on consumers. Brand tracking results indicate recallers of the ad campaign have a positive impact to their view of dairy (63 per cent) and are more likely to consume more dairy after watching (45 per cent).

### Masterbrand "Always On" Social Media

As DFO continues to adapt and keep pace with social media trends and best practices, 2023 marked the launch of an evolved social media strategy that helped keep dairy top of mind for consumers on Facebook, Instagram and TikTok.

The average number of engagements per post went up 36 per cent, with farmer content becoming some of DFO's top performing content for the year. Impressions also soared 62 per cent for the year, with the help of efficient boost spending to the posts.

Community management ensures where possible, the @ontariodairy channel provides educational opportunities and builds relationships with followers and key influencers. A regular rotation of influencers authentically incorporates dairy to their broader audiences.

Through 21 influencers and 72 pieces of content this year, the average engagement rate was 11.6 per cent vs. the industry average of 0.6 per cent.

In an increasingly competitive social media landscape, DFO outpaced the industry average in follower growth and engagement year over year, meaning content is resonating with more people, and followers are showing continued interest by joining DFO's community of dairy lovers.



**+36%**

**AVERAGE ENGAGEMENTS PER POST**

**11.6%**

**AVERAGE ENGAGEMENT RATE  
(VS INDUSTRY AVERAGE OF 0.6%)**

**+62%**

**SOCIAL MEDIA IMPRESSIONS YOY**

### Email Marketing Program

DFO's email marketing program continues to see growth by keeping audiences engaged monthly with delicious dairy-forward recipes, exclusive Ontario coupon offers, contests and more. As part of ongoing improvements, a new email platform was introduced in the fourth quarter, allowing more curated subscriber content for the robust consumer base.



**300,000+**

**CONSUMERS REACHED THROUGH EMAIL MARKETING PROGRAM**

### Website

In its second year of Search Engine Marketing (SEM), DFO surpassed all its previous benchmarks set out in the first year. This has resulted in increased clicks to DFO's website, which increased 231 per cent versus last year and the cost of each click decreased by 36 per cent versus last year, showing the efficiency and effectiveness of optimizations.



**231% INCREASE**

**IN WEBSITE CLICK TRAFFIC, WITH 36% DECREASE IN COST PER CLICK**

### Business Development

DFO continues to work with retailers, foodservice and processors with partnership marketing initiatives reaching their customers to drive dairy consumption in Ontario.

DFO launched new in-store marketing materials across 1,000 major grocery stores. With grocery retailers, in-store tactics and online advertising were leveraged to promote dairy to retailers' loyal consumers, ensuring milk remained top of mind at the point of purchase.



**1,000**

**GROCERY STORES CARRIED IN-STORE ONTARIO DAIRY MARKETING MATERIALS**

Other partnerships included support for the new Tim Hortons branded flavoured creamers, hot specialty beverages made with Ontario milk and the Tim Hortons Holiday Dream cookie paired with milk.

### REEMBRACE MILK & DAIRY

MilkUP's strategy in 2023 was to expand the community and help Ontario's Gen Z audience recognize the versatile role milk can play in their daily lives.

The Breakfast Club activation provided Gen Zs and millennials a healthy dairy breakfast customized to their individual needs. This paved the way for the first of its kind - Moo'seum of Modern Milk, an immersive and memorable experience that resonated with the community's passion points (food and art). The campaign's success led to a pop-up in Ottawa. It was DFO's most visited activation ever with more than 14,000 attendees in both locations combined, which garnered almost 35 million impressions on Instagram and 65.3 million views on the TikTok hashtag. The lines to get in Ottawa's activation spanned 2.5 hours.



**14,000+**

**MOO'SEUM OF MODERN MILK ATTENDEES GARNERED 65.3 MILLION CAMPAIGN VIEWS ON TIKTOK HASHTAG & 35 MILLION CAMPAIGN IMPRESSIONS ON INSTAGRAM**



**+50%**

**INCREASE OF IMPRESSIONS TO DATE  
ON MILKUP'S SOCIAL MEDIA PAGES**



**11.1 BILLION**

**TORONTO MAPLE LEAFS SWEATER  
PATCH IMPRESSIONS (\$11 MILLION  
DOLLAR MEDIA VALUE)**

### **MilkUP Social Media**

MilkUP's social media strategy resonates with Gen Z while focusing on relevant cultural moments. With this approach, DFO participated in trends and published the highest volume of social media content (+69 per cent compared to 2022) with a 50 per cent increase of impressions to date.

### **MilkUP Pro Sports & Lifestyle Partnership**

The Toronto Maple Leafs continue to gain traction through the sweater patch with 11.1 billion impressions netting out in a media value of \$11 million for the 2022-2023 season and many moments of consumption in-venue took place.

The partnership with the Ottawa Senators broadened to include messaging in-venue, a new branded soft-serve ice cream concession stand and Milk Zone - one of the most exciting and affordable areas in Canadian Tire Centre to help make hockey more accessible.

The National Basketball Association (NBA) partnership helped restore a basketball court that marks the first official Women's National Basketball Association (WNBA)-themed court in Canada. The court design features the iconic logos of the WNBA and DFO's youth lifestyle brand MilkUP.

This summer with Live Nation, MilkUP showed up with a fully new activation - a digital photobooth - connecting Gen Zs to DFO's online community. DFO popped up at Budweiser stage during 25 Gen Z-centric shows where guests took photos under the milk splash.



*Dairy Farmers of Ontario MilkUP Team Members (L-R) Julieta Mandelbaum, Jennifer McCulloch, Laura Bodini, Thanusha Tharmakulasingam Not pictured: Julia Kuziw*

## Youth Sports Partnerships

Partnerships with Ontario Hockey League (OHL), Ontario Minor Hockey Association (OMHA), Ontario Hockey Association (OHA), Ontario Soccer (OSA) and Ontario Basketball Association (OBA) continue to evolve. This year, to support all Dairy Producer Committees (DPCs), the OHL sponsorship now includes a league-wide partnership spreading across all 17 markets for the season. This allows DFO to create consistency for MilkUP messaging to be present throughout the province.

## MilkUP DPC Partnerships

The DPC program continues to grow with a record high 44 DPC groups engaging all year. DPCs promoted consumption in their local communities through sport-related activities and supported more than 80 MilkUP rink boards across Ontario. The improved and popular activation kits have been used at more than 50 events this year.

Through youth partnerships and DPC involvement, milk messaging is now reaching more than one million kids/youth across the provinces and more than 10,000 kids are sporting the milk patch.

## COMMUNICATIONS

Through the last fiscal year, the Communications team continued to formalize processes that allow for more effective communications planning and support and provided strategic communications counsel to other departments. Communications plans were created for cross-divisional initiatives that required producer, DPC and stakeholder engagement, including the second round of the disease surveillance project, launch of free fatty acid testing, revised quota calculator, proAction updates, launch of the updated *Dairy Code of Practice for the Care and Handling of Dairy Cattle*, and industry research activities and investments.

Communications tools include:

- Weekly Update digital newsletter
- Privately accessed producer dashboard
- DPC and producer Facebook pages
- Milkline automated phone service
- Dairy Farmer Update monthly mailed newsletter
- Industry news on milk.org
- Annual Report
- Board Highlights



**1 MILLION+**

**ONTARIO KIDS/YOUTH REACHED  
THROUGH YOUTH PARTNERSHIPS  
AND RECORD ENGAGEMENT OF**

**44**

**DPC GROUPS ACTIVATING  
WITH MILKUP**

## NUMBER OF FOLLOWERS

(AS OF DECEMBER 2023)

**ONTARIO DAIRY**

**@ONTARIODAIRY**

**TIKTOK**

4K

**INSTAGRAM**

20.8K



**MILKUP**

**@MILKUPONTARIO**

**TIKTOK**

17.8K

**INSTAGRAM**

19.5K



*Dairy Farmers of Ontario Communications Team Members (L-R) Pat Logan and Theresa Rogers*



These resources are used to disseminate information to producers and DPCs when and how they need it most and are continually refined to ensure DFO continues to meet producers' needs as communication practices evolve.

### **Milk Producer Magazine**

*Milk Producer* magazine continued to evolve in 2023, in the spirit of serving producers with industry-best content and design. The magazine has returned to a monthly publishing schedule and now includes the Dairynomics monthly market report in the print edition in addition to being available on [milkproducer.ca](http://milkproducer.ca).

Along with more research and farm management articles, other content has emphasized small and rural producers, the day-to-day management of the farm and animals, as well as relevant regulatory and industry news.

New this year was the launch of the website, which includes advertising opportunities and a text-to-voice option on select stories. The site has opened up new avenues for revenue and provided producers with alternative ways to engage with the magazine.

### **Public Relations and Issues Management**

The role of external communications is to support cross-functional teams with any public-facing communications, while also managing all aspects of media relations on behalf of the organization.

This function provides expertise and guidance on all external facing materials and messages for the public, which includes consumers, stakeholders, partners and media. Public relations supports strategic



*Dairy Farmers of Ontario Communications Team Members (L-R) Charzie Abendano, Pat Logan, Sharon Laidlaw, Theresa Rogers and Chantel Crockett*

communication priorities, as well as marketing campaigns and initiatives.

This year, an Issues Management Roadmap was developed to guide the organization when facing challenges internally and externally. The roadmap helps evaluate risk, while safeguarding the corporate brand during times of critical issues and crisis management.

### Stakeholder Engagement

DFO sponsored 18 events through its corporate sponsorship fund, and 33 producer-led events, over the past year. In addition, DFO annually supports the following organizations through the Toronto Stockyards Land Development Fund: 4-H Ontario – Leadership Programs and Dairy Sen\$e, Advanced Agricultural Leadership Program (AALP), AgScape Ontario, Farm & Food Care Ontario, Joint Dairy Breeds Committee, Junior Farmers Association and the Ontario Agricultural Hall of Fame.

### Training & Development Subcommittee

As part of an ongoing investment in skills and leadership excellence and continued professional development, DFO has earmarked \$50,000 for producers interested in enrolling in a course or program that benefits the dairy farmer organization or community. Approved applicants will be reimbursed 25 per cent to a maximum of \$1,500 per applicant, per year, of eligible program or course fees. All Ontario dairy producers or persons actively involved in a milk producing enterprise in the province are eligible.

## EVENTS AND MEETINGS

### Annual General Meeting

Jan. 17-19, 2023

DFO's 2023 Annual General Meeting hosted nearly 700 guests over three days. The meeting kicked off with a wine and cheese reception Tuesday evening, followed by a full day of programming on Wednesday, a recognition and awards dinner that night and a DPC-only session on Thursday morning. Topics of discussion included DFO's financial report, year-in-review and look ahead, ag industry overview and sustainability. For the first time, five quality awards were handed out to Citi Limits Farms Inc., Elliottdale Holsteins Ltd., Ontawa Farms Inc., Slits Dairy Farms Limited No. 2 and Zethill Farms Ltd.. DFO also handed out a Lifetime achievement award to Glen McNeil.



18

**DFO-SPONSORED EVENTS  
THROUGH ITS CORPORATE  
SPONSORSHIP FUND**

33

**PRODUCER-LED EVENTS, OVER  
THE PAST YEAR**



*Dairy Farmers of Ontario Research Team Member, Bita Farhang*



*International Plowing Match 2023*

## **Spring Policy Conference**

Apr. 3-5, 2023

The 2023 Spring Policy Conference was held in early April, due to meeting conflicts in March. More than 130 DPC members attended the three-day event at the Nottawasaga Resort in Alliston, Ont. The agenda included topics on the new dairy code of practice, processing investments, policy, quality, DPC operational budgets, in addition to division updates from DFO.

## **Industry Events**

### **Canadian Dairy Expo (CDX)**

Apr. 5 and 6, 2023

DFO and *Milk Producer* magazine hosted an info booth at the CDX and the DFO logo was included on staff and volunteer T-shirts.

### **Canada's Outdoor Farm Show**

Sept. 13 to 15, 2023

Board members, FSRs and other staff worked the DFO info booth in the TD Dairy Producer Pavilion for the duration of the show. A few giveaways remained after hosting very long lines at DFO's new prize wheel.

### **Farm & Food Care Ontario Breakfast on the Farm**

June 17 at Grazing Meadows Wagyu Hallahan Dairy Farm in Blyth

Aug. 26 at Ripplebrook Dairy Farm in Napanee

Oct. 21 at Laprise Farms in Chatham-Kent

### **International Plowing Match, Dufferin County**

Sept. 19 to 23, 2023

The 2023 International Plowing Match was held in Bowling Green, Dufferin County, across a few farms including two dairies, Sevenhills Holsteins, owned by the Overgauw Family, and Gilt Edge Farm, by the Illick family. The five-day event had more than 70,000 people attend to celebrate, experience and learn about rural living in addition to the plowing competitions. Ontario Premier Doug Ford and members of the Ontario legislature, along with DFO's Board and Executive team, attended on opening day. DFO's tent, hosted by Dufferin DPC and Kawartha Dairy, was busy with crowds. In addition to selling ice cream, Dufferin DPC handed out a free scoop to all elementary students attending, resulting in 3,259 complimentary cones, and a total of 284 tubs of ice cream served.

# ORGANIZATIONAL EFFECTIVENESS



*Dairy Farmers of Ontario CEO and Legal Services Team Members  
(L-R) Shilpa Mukund, Arlene Minott, Cheryl Smith, Chelsea Mehrotra*

*DFO is committed to continuous development and improvement, while optimizing performance and efficiencies in everything we do.*

*Whether it's about making enhancements to a program, integrating new policies into a platform, maintaining the office building or ensuring the Board has what it needs to make effective decisions, DFO's Board Services, Finance, Information Services Division and Human Resources teams are committed to keeping crucial systems in place to support DFO's mandate as the regulator providing leadership and excellence in the production and marketing of milk in Ontario.*

## LEGAL SERVICES AND BOARD

The Legal Services team ensures DFO's authority, decisions and policies are upheld before the Agriculture, Food and Rural Affairs Tribunal and the Canadian Justice System, and the team is also responsible for Board matters, including policy development review.

### DFO Board Election Results 2022

At DFO's Board meeting held on Sept. 27, 2022, in accordance with Ontario Regulation 760, as

amended, under the *Milk Act*, R.S.O. 1990, the Board approved John Wynands' election by acclamation to serve as the Board Member for Region 3. This is Mr. Wynands' second term on the Board. The Board approved Albert Fledderus' election by acclamation to serve as the Board Member for Region 7. This is Mr. Fledderus' third term on the Board. The Board approved Mark Hamel's election by acclamation to serve as the Board Member for Region 11. This is Mr. Hamel's second term on the Board.

Immediately following the adjournment of DFO's Annual General Meeting (AGM) on Jan. 19, 2023, the four-year term of the acclaimed board members commenced.

At DFO's Board meeting held on Mar. 7, 2023, in accordance with Ontario Regulation 760, as amended, made under the *Milk Act*, R.S.O. 1990 the Board approved the election of Brian Burnett by acclamation to serve as Board Member for Region 2, for the remainder of the four-year term commencing Mar. 28, 2023.

### Board Executive Elections

At a Special Board meeting held on Jan. 18, 2023, following DFO's 2023 AGM, DFO's Board elected its 2023 Board Executive. Murray Sherk, Board Member for Region 8, was re-elected as Chair; Mark Hamel, Board Member for Region 11 was elected as Vice-Chair; and Adam Petherick, Board Member for Region 4, was re-elected as 2nd Vice-Chair. Arlene Minott was re-appointed as Corporate Secretary to the Board. Rey Moisan was re-appointed as Treasurer to the Board.

### Board Meetings

DFO's Board has fully returned to in-person meetings but continues to use the efficiencies of virtual meeting technology to increase the effectiveness of DFO Board committee meetings and special meetings.

The Board meets every month for its two-day regular board meetings for a total of 12 regular board meetings annually (24 days). The Board also holds special board

meetings to conduct urgent business or address time-sensitive issues. In 2022-23, the Board held 11 special board meetings.

## FINANCE

### 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 84 per cent of total milk sales; however, their financial stability is very strong. The accounts receivable protection fund totaled \$5.2 million at the end of October 2023.

### Milk Utilization Audit Services

KPMG continues to provide milk utilization audit services. There are currently 87 DFO supplied plants and 10 non-DFO supplied plants included in the audit scope.

### Milk Utilization Verification (MUV)

MUV system is a web-enabled electronic application used by processors to declare how the milk they receive from their marketing boards is used for the purposes of billing and verification. When the MUV system was licensed to other provinces, DFO and ODC agreed to incorporate the system to operate it as an independent entity. MUV is now managed by a separate board comprising ODC and DFO representatives. Updates to



*Dairy Farmers of Ontario IT Team Members (L-R) Joel Blass, Aamer Mirza, Len Wilson, Jagrut Lad, Haileab Teklemichael, Vinayak Shanbhag, Umesh Patel, John Wilkinson, Bill Connolly and Jay Ahmed Not pictured: Amarjeet Singh*

MUV software and systems continue to be implemented to add functionality for processors and reflect changes in policy.

### Accounting Systems

DFO continues to evolve its accounting system. In 2023, the accounting software was upgraded to account for changing security requirements.

As part of a continuous improvement mindset, staff continued with automation of various processes in 2023. These automations will further the use of electronic document sharing and electronic approval processes, allowing more business to be conducted remotely without significant impact to day-to-day operations. This will increase the resilience of the organization and permit more efficient access to information.

## INFORMATION SERVICES DIVISION

### Milk Management System (MMS)

Enhancements to MMS are ongoing and are scheduled and deployed during regular monthly maintenance cycles. A new quota calculator was launched in June, and once fully responsive, it will perform well on both computers and mobile devices.

MMS development continues to focus on final development and testing billing and payment systems, along with integration into the accounting platform.

Additionally, a new platform for farm evaluations is in early development, and a project to improve or replace the milk allocation system is also underway.

A new Producer Emergency Contact module was launched in December 2023. This new module allows DFO to contact producers via text messages in the event of a crisis or emergency that affects their farm, region, the province of the industry.

### Infrastructure

Implementation of the new phone system at head office was completed in early 2023. The new system brings significant improvements in flexibility, reliability, ease of maintenance and cost savings to DFO.

Also, several enhancements to meeting room technologies were completed in 2023. The updates improved overall meeting experience and increased the ease of conducting in-person and hybrid meetings.



*Dairy Farmers of Ontario Finance Team Members (L-R) Rey Moisan, Lena Kolyesnikova, Jorge Puertas and Bhagyesh Patel*



As part of DFO's continuous improvement mindset, **various administrative processes have successfully been automated.** Electronic document sharing and approval processes are now in place to streamline remote workflows and access to information while increasing organizational resilience.



*Dairy Farmers of Ontario IT Team Members (L-R) Len Wilson, John Wilkinson, Jay Ahmed and Aamer Mirza*



DFO implemented a **new phone system** at head office to improve flexibility, reliability and ease of maintenance while reducing costs.



*Dairy Farmers of Ontario Human Resources Team Members  
L-R (Top) Jacob Biesiadecki, Carole Lewis, Frank Brasil, Dianne Champion (Bottom) Eva Lehman, Kiran Pal, Varsha Williams*



## Security

The security of the information technology infrastructure continues to be a focus and is continually being enhanced. The goal is to ensure DFO's systems are protected from threats and security is tested regularly. A secondary security objective is to ensure systems can be fully and efficiently recovered in the event of a disaster, and a project to update DFO's disaster recovery solution is underway.

## HUMAN RESOURCES

The work performed by each and every DFO employee is valued and contributes to our success. We strive to foster a culture of inclusivity, accountability, continuous improvement and customer service, ensuring DFO remains an employer of choice and is successful at attracting top talent.

Several events took place at the office throughout the year for all to attend. DFO's Diversity, Equity and Inclusion (DE&I) committee and Social committee were busy organizing and running a DE&I session, Multicultural/Canada Day BBQ, the third National Day for Truth and Reconciliation Observance and a number of fun lunch time activities.

In addition to team building, the health of employees remained a top priority. Each year, we review the experience and benefits offerings to ensure appropriate coverage. Several changes were negotiated this past year to improve mental health services and provide an enhanced employee assistance program. Offering strong benefit coverage has been essential to attracting talent and maintaining DFO's reputation as a preferred employer.

Lastly, succession planning continues to be a top priority for HR and efforts to plan and be prepared for promotions and retirements are critical. Given the specialty skills of positions, opportunities to cross-train employees and develop skills are continually explored in partnership with each department.

## Facilities Management

The building and grounds DFO's head office occupies are well maintained to preserve the condition and appearance. A regular maintenance schedule and required services are enlisted to meet our legal requirements as well as ensure the health and safety and comfort of DFO employees and guests.

# FINANCIAL REPORTS

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## 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, 2023
- the statement of operations and changes in fund balance - unrestricted, marketing and business development, research, accounts receivable financial protection and quota exchange 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, 2023, 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 “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our auditor’s 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 auditor’s 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 auditor’s report thereon, included in the annual report as at the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for KPMG LLP, featuring the letters 'KPMG' in a stylized, handwritten font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn underneath the text.

Chartered Professional Accountants,  
Licensed Public Accountants

Vaughan, Canada  
December 20, 2023

## Statement of Financial Position

October 31, 2023 with comparative information for 2022

<b>Assets</b>	<b>2023</b>	<b>2022</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 65,054,556	\$ 57,692,787
Accounts receivable (notes 2 & 18)	255,993,700	252,869,837
Prepaid expenses	855,241	2,445,369
	321,903,497	313,007,993
Investments (note 4)	41,484	3,041,484
Capital assets (note 5)	2,638,404	2,353,533
Intangible assets (note 6)	2,803,484	3,807,756
	\$ 327,386,869	\$ 322,210,766

## Liabilities and Fund Balances

<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 3, 7 & 8)	\$ 281,912,441	\$ 273,885,196
<b>Deferred capital contributions (note 9)</b>	550,146	677,103
<b>Fund balances</b>		
Unrestricted	20,363,081	15,938,828
Marketing and Business Development	15,765,867	23,235,512
Research	2,590,501	2,471,888
Accounts Receivable Financial Protection	5,252,138	5,049,544
Quota Exchange	952,695	952,695
	44,924,282	47,648,467
Commitments (note 17)		
Contingencies (note 20)		
	\$ 327,386,869	\$ 322,210,766

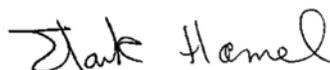
See accompanying notes to financial statements.

On behalf of the Board

Chair



Audit Committee Chair, 1st Vice-Chair



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

Year ended October 31, 2023 with comparative information for 2022

	2023	2022
<b>Revenue</b>		
Administrative licence fees (note 11)	\$ 21,492,228	\$ 19,327,088
Investment income (note 4)	1,996,819	470,114
Raw milk quality and ProAction programs	1,107,318	935,618
Quota exchange administrative fees	79,407	90,251
Gain on disposal of capital assets	42,500	-
<i>Milk Producer</i> magazine	-	412,487
Other revenue	2,707,392	464,006
	27,425,664	21,699,564
<b>Expenses</b>		
Administrative and policy development (note 13)	15,540,940	14,686,743
Raw milk quality and ProAction programs	2,827,740	2,737,911
Payments to affiliates (note 15)	1,144,001	1,146,998
Milk tests, central laboratory	1,112,767	1,020,913
Dairy producer committees	827,542	478,643
Annual meeting	331,973	4,852
Processor utilization audit	222,625	241,858
<i>Milk Producer</i> magazine	-	428,592
Depreciation	993,823	1,040,837
	23,001,411	21,787,347
Excess of revenue over expenses (expenses over revenue)	4,424,253	(87,783)
Unrestricted funds, beginning of year	15,938,828	16,026,611
<b>Unrestricted funds, end of year</b>	<b>\$ 20,363,081</b>	<b>\$ 15,938,828</b>

See accompanying notes to financial statements.

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

Year ended October 31, 2023 with comparative information for 2022

	2023	2022
<b>Revenue</b>		
Market expansion fees collected (note 12)	\$ 44,559,489	\$ 43,274,325
Investment income (note 4)	1,211,826	614,281
<i>Milk Producer</i> magazine	327,610	-
	46,098,925	43,888,606
<b>Program expenditures</b>		
Brand advertising and mass media	22,826,696	19,647,098
Consumer marketing	11,096,424	10,688,637
Community	3,195,030	3,119,105
Business development	2,453,917	4,214,440
National projects (note 15)	8,474,211	7,628,766
	48,046,278	45,298,046
Support costs (note 14)	5,053,455	4,410,482
Depreciation	468,837	462,348
	53,568,570	50,170,876
Excess of expenditures over revenue	(7,469,645)	(6,282,270)
Fund balance, beginning of year	23,235,512	29,517,782
<b>Fund balance, end of year</b>	<b>\$ 15,765,867</b>	<b>\$ 23,235,512</b>

See accompanying notes to financial statements.

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

Year ended October 31, 2023 with comparative information for 2022

	2023	2022
<b>Revenue</b>		
Research fees (note 16)	\$ 1,591,321	\$ 1,545,431
Toronto Stock Yards Land Development (note 16)	177,381	159,973
Investment income (note 4)	144,282	47,914
	1,912,984	1,753,318
<b>Disbursements</b>		
Research projects (note 15)	783,445	848,800
Scholarships and grants-in-aid	224,019	270,682
Dairy Science Research Chair	200,000	200,000
Dairy Animal Health Research Chair	200,000	200,000
Toronto Stock Yards Land Development (note 16)	176,000	168,100
Ontario Dairy Farm Accounting Project	138,838	153,939
Allocation of administration costs (note 14)	72,069	-
	1,794,371	1,841,521
Excess of revenue over disbursements (disbursements over revenue)	118,613	(88,203)
Fund balance, beginning of year	2,471,888	2,560,091
<b>Fund balance, end of year</b>	<b>\$ 2,590,501</b>	<b>\$ 2,471,888</b>

See accompanying notes to financial statements.

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

Year ended October 31, 2023 with comparative information for 2022

	2023	2022
<b>Revenue</b>		
Investment income (note 4)	\$ 266,121	\$ 90,438
<b>Disbursements</b>		
External administrator	63,527	49,716
	63,527	49,716
Excess of revenue over disbursements	202,594	40,722
Fund balance, beginning of year	5,049,544	5,008,822
<b>Fund balance, end of year</b>	<b>\$ 5,252,138</b>	<b>\$ 5,049,544</b>

See accompanying notes to financial statements.

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

Year ended October 31, 2023 with comparative information for 2022

	2023	2022
<b>Sales</b>	\$ 116,248,800	\$ 114,643,680
<b>Cost of sales</b>		
ADD:		
Inventory (shortfall), beginning of year	(281,520)	(485,520)
Purchases	116,261,280	114,847,680
LESS:		
Inventory (shortfall), end of year (note 3)	(269,040)	(281,520)
	116,248,800	114,643,680
Excess of sales over cost of sales	-	-
Fund balance, beginning of year	952,695	952,695
<b>Fund balance, end of year</b>	<b>\$ 952,695</b>	<b>\$ 952,695</b>

See accompanying notes to financial statements.

## Statement of Cash Flows

Year ended October 31, 2023 with comparative figures for 2022

	2023	2022
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue)		
Unrestricted Fund	\$ 4,424,253	\$ (87,783)
Marketing and Business Development fund	(7,469,645)	(6,282,270)
Research fund	118,613	(88,203)
Accounts Receivable Financial Protection fund	202,594	40,722
Items not involving cash		
Depreciation	1,462,660	1,503,185
Gain on disposal of capital assets	(42,500)	-
Amortization of deferred capital contributions	(126,957)	(126,956)
Change in non-cash working capital		
Accounts receivable	(3,123,863)	(36,877,122)
Quota inventory	12,480	204,000
Prepaid expenses	1,590,128	(154,138)
Accounts payable and accrued liabilities	8,014,765	40,658,518
	5,062,528	(1,210,047)
<b>Investing activities</b>		
Changes in investments	3,000,000	2,000,000
Purchase of capital assets	(743,259)	(490,837)
Proceeds on disposal of capital assets	42,500	-
	2,299,241	1,509,163
Increase in cash and cash equivalents	7,361,769	299,116
Cash and cash equivalents, beginning of year	57,692,787	57,393,671
<b>Cash and cash equivalents, end of year</b>	<b>\$ 65,054,556</b>	<b>\$ 57,692,787</b>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**Year ended October 31, 2023**

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 (I) 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 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.

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

#### **(b) Revenue Recognition:**

DFO follows the restricted fund method of accounting for revenue.

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

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

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

**(c) Cash and cash equivalents:**

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

**(d) Investment in joint venture:**

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

**(e) Financial instruments:**

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

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

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

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

**(f) Capital assets:**

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to DFO's ability to provide services, its carrying amount is written down to its residual value.

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

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

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

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

**(g) Intangible assets:**

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

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

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

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

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

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

**(i) Use of estimates:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and changes to fund balances during the year. Actual results could differ from those estimates.

**2. Accounts receivable:**

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

**3. Quota inventory:**

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

#### 4. Investments:

##### (a) Investments consist of:

	2023	2022
Fixed income securities	-	\$ 3,000,000
Shares of producer co-operative	131	131
Investment in joint venture	41,353	41,353
	\$ 41,484	\$ 3,041,484

In 2022, fixed income securities were composed of a low volatility principal deposit note, at interest of 0.5% and matured on December 2, 2023. In 2023, this is included in cash and cash equivalents.

##### (b) Investment income:

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

	2023	2022
Interest income	\$ 3,619,048	\$ 1,222,747
Allocation to Marketing and Business Development Fund	(1,211,826)	(614,281)
Allocation to Accounts Receivable Financial Protection Fund	(266,121)	(90,438)
Allocation to Research Fund	(144,282)	(47,914)
	\$ 1,996,819	\$ 470,114

##### (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 2022.

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:

			2023	2022
	Cost	Accumulated Amortization	Net Book value	Net Book value
Land	\$ 506,203	\$ —	\$ 506,203	\$ 506,203
Building and building improvements	3,564,968	2,791,835	773,133	835,624
Office furniture and fixtures	697,276	365,726	331,550	312,954
Computer hardware	2,165,921	1,811,116	354,805	252,971
Vehicles	1,347,688	674,975	672,713	445,781
	\$ 8,282,056	\$ 5,643,652	\$ 2,638,404	\$ 2,353,533

Capital assets are held in the Unrestricted Fund, except for the following, which are held in the Marketing and Business Development Fund: Office furniture and fixtures of \$40,874 (2022 - \$47,207), Computer hardware of \$85,247 (2022 - \$25,117) and Building improvements of \$105,156 (2022 - \$118,714).

## 6. Intangible assets:

			2023	2022
	Cost	Accumulated Amortization	Net Book value	Net Book value
Computer software	\$ 4,857,164	\$ 2,164,827	\$ 2,692,337	\$ 3,273,916
Websites	1,268,078	1,156,931	111,147	533,840
	\$ 6,125,242	\$ 3,321,758	\$ 2,803,484	\$ 3,807,756

Intangible assets are held in the Unrestricted Fund, except for the following, which are held in the Marketing and Business Development Fund: Websites of \$111,147 (2022 - \$533,840).

Included in computer software are assets under construction totaling \$723,286 (2022 - \$718,411) relating to components of the new business software.

## 7. Accounts payable and accrued liabilities:

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

## 8. Milk and Transportation Pool Operations:

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

	2023	2022
<b>Milk Value</b>		
Sales	\$ 2,952,611,702	\$ 2,756,563,769
Purchases	2,952,578,918	2,756,585,894
Recoverable from producers, beginning of year	32,784 (58,522)	(22,125) (36,397)
Recoverable from producers, end of year	(25,738)	(58,522)
<b>Transportation</b>		
Recovered from producers	108,194,236	99,383,606
Expenses	108,239,900	99,314,060
Recoverable from producers, beginning of year	(45,664) (3,908)	69,546 (73,454)
Recoverable from producers, end of year	(49,572)	(3,908)
<b>Total Recoverable from producers, end of year</b>	<b>\$ (75,310)</b>	<b>\$ (62,430)</b>

## 9. Deferred capital contributions:

	2023	2022
Balance, beginning of year	\$ 677,103	\$ 804,059
Amortization of deferred capital contributions	126,957	126,956
	<b>\$ 550,146</b>	<b>\$ 677,103</b>

These contributions relate to funds received through the Traceability Foundations Initiative (TFI) Contribution Agreement. The Agreement provided DFO with \$1,422,501, of which \$1,237,500 of the contributions related to capital. These amounts are accounted for as deferred capital contributions and are amortized and recognized in income over a period of 5 to 7 years to match the useful life of the related transporter handheld devices and the new business software. The component related to the new business software was put in use with the launch of the stakeholder website in February 2021. The amortization recorded in the current year for this component was \$126,957 (2022 - \$126,956). The component related to the transporter handheld devices was placed in use in 2014 and has been fully amortized as of 2019.

## 10. Management of capital:

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

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

## 11. Administrative licence fees:

Licence fees changed to \$0.675 per hectolitre for administrative purposes (\$0.625 per hectolitre in 2022).

## 12. Marketing and Business Development:

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

## 13. Administrative and policy development expenses:

Administrative and policy development expenses are detailed as follows:

	2023	2022
Staff salaries and benefits (i)	\$ 10,289,905	\$ 9,778,434
Assistance from contractors and staff support (ii)	605,900	954,130
Board Members' per diems, allowances and travel, elections (iii)	1,173,945	864,160
Professional fees	641,664	691,601
Office (iv)	524,736	561,765
Hiring costs, staff travel, and meetings costs	606,135	414,805
Equipment rental and maintenance	428,362	406,658
Insurance	434,291	382,129
Office maintenance, utilities, taxes and rent	261,328	249,439
Communication programs and activities (v)	413,855	224,193
Calibration truck operations	160,819	159,429
	\$ 15,540,940	\$ 14,686,743

- (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 \$565,133 (2022 – \$502,978).

- (ii) Assistance from contractors and staff supports includes consulting costs, clerical support, translation costs, and training costs.
- (iii) Board members' per diems, allowances and travel include an annual honorarium for the Chair of \$69,505 (2022 –\$67,155), Vice-Chair \$31,305 (2022 – \$34,248), 2nd Vice-Chair \$22,699 (2022 – \$22,833) and other Board Members of \$14,429 (2022 – \$13,941). Board Members were paid per diem rates of \$330 (2022 – \$320) and a half-day rate of \$165 (2022 – \$160). Board Members' travel includes a travel allowance of \$1,680 (2022 – \$1,680).
- (iv) Office expenses include amounts for stationery, supplies, subscriptions, postage, courier costs, and similar expenses. This includes materials and distribution costs for materials sent to producers from the various functions included in the Unrestricted Fund.
- (v) Communication programs and activities include the costs of producer and government communications, information brochures and the annual report.

#### 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:

	2023	2022
Staff salaries and benefits	\$ 650,004	\$ 1,020,100
Office maintenance, utilities, taxes and rent	85,942	83,146
Office expenses	67,035	69,405
	\$ 802,981	\$ 1,172,651

In the current year, indirect costs were also allocated from the Unrestricted Fund for services and salaries to support activities of the Research Fund in the amount of \$72,069 (2022 – nil).

#### 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 \$1,144,001 (2022 - \$1,146,998) in activity of the Unrestricted Fund, \$270,000 (2022 – \$268,333) in activity of the Research Fund, and \$8,474,211 (2022 – \$7,628,766) in activity of the Marketing and Business Development Fund.

#### 16. Research fund:

- (a) Research fees remained at \$0.05 per hectolitre on milk marketed by DFO.
- (b) The Research Fund balance at year end includes an unspent allotment of \$96,980 (2022 – \$105,599) from the Toronto Stock Yards Land Development Fund. Spending of these funds is restricted for research and educational 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:

	2024	2025	2026	2027	2028
Marketing contracts	\$ 11,997,657	\$ 12,760,690	\$ 13,759,989	\$ 10,549,622	\$ —
Research commitments	\$ 570,207	\$ 498,775	\$ 158,854	\$ 50,000	\$ —
	\$ 12,567,864	\$ 13,259,465	\$ 13,918,843	\$ 10,559,622	\$ —

## 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 of \$45,948. During the course of the year, net costs of \$70,908 (2022 - \$68,606) were expensed in the unrestricted fund, and included in accounts receivable at year end are \$470,612 (2022 - \$376,602) due from MUV Inc.

## 19. Credit facility:

DFO's credit facility remains at \$35 million at a rate of prime less 0.8% (2022 - prime less 0.8%). DFO has not drawn on the credit facility as of October 31, 2023 and 2022.

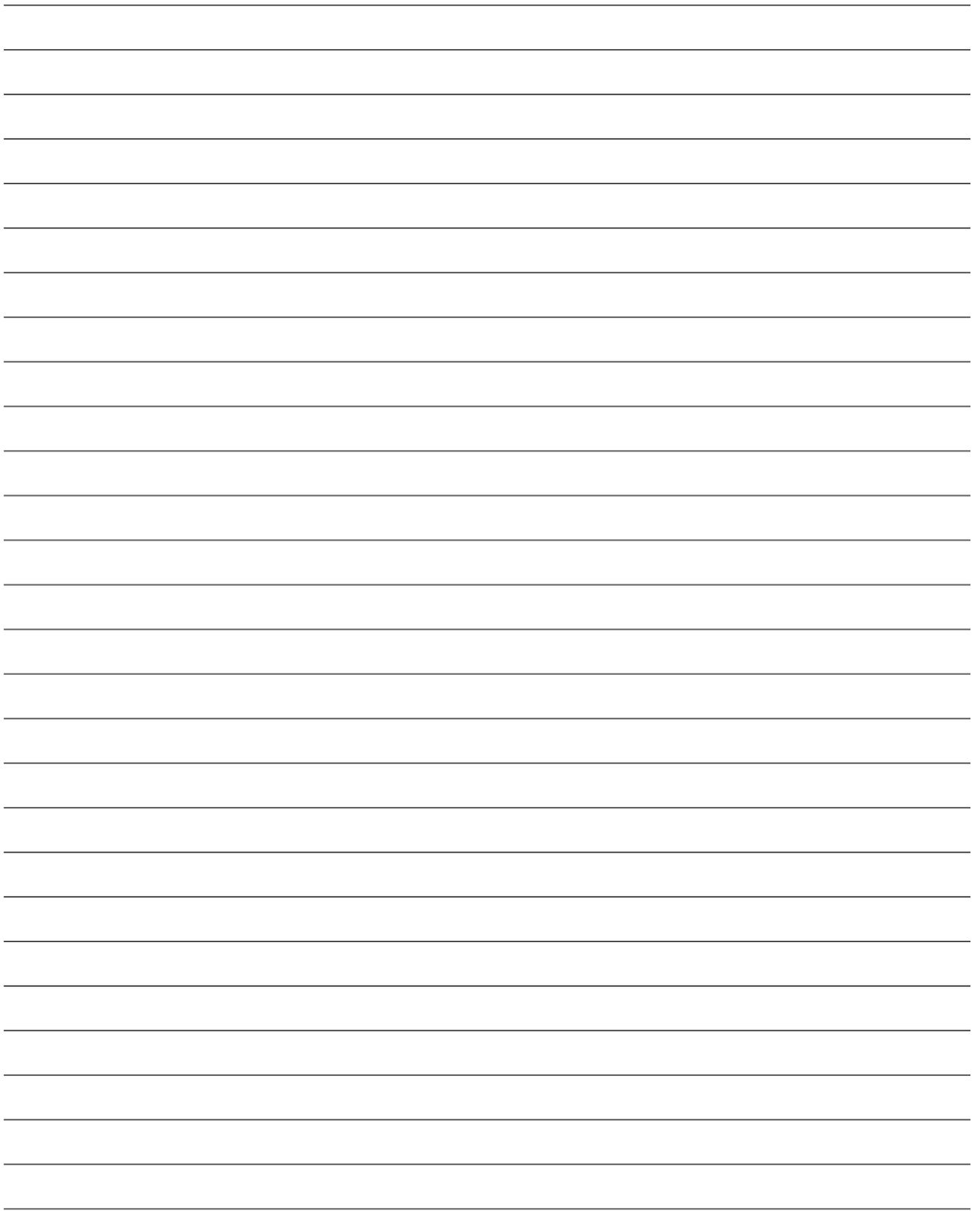
## 20. Contingencies:

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.

## 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.







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