

Report of the Board of Directors
Annual General Meeting
July 16, 2018
Quebec City, Quebec

On behalf of your Board of Directors, I'm pleased to present the Report of the Board. This is an opportunity to showcase the dedication of the Dairy Farmers of Canada (DFC) Board members to you, and to our dairy industry.

In addition to our provincial commitments, we devote time and energy to renewing and reinventing our national organization for the benefit of our members and the entire industry in a changing environment. In this context, the Board has undertaken a restructuring of DFC, with the goal to have the right structure in place to reflect the new financial reality of the organisation. We have also engaged in modernisation exercise leading to shaping DFC 2.0.

Meetings of the Board of Directors

Since the Annual Dairy Policy Conference, the Board of Directors has met shortly after the Conference in February, and again in March and June.

In March and June, the Board took time to lobby key MPs and senators, as well as ministerial staff on two issues that can cause serious economic impact on the dairy sector– the healthy eating strategy and trade. Pressing the politicians to understand the impact of Health Canada's Healthy Eating Strategy on Canada's dairy sector, members discussed key points made in DFC's submission to Canada Gazette, Part 1. The Board also shared its concern regarding the potential impact of the North American Free Trade Agreement renegotiations on Canada's dairy farmers.

In March, the Board received the visit of Brian Clow, Director, Canada-US Relations, from the Office of the Prime Minister, and other members of his team as well as the Chief of Staff of the Minister of Agriculture's office. Mr. Clow provided information and insight into the NAFTA negotiations.

At the June meeting, we welcomed the new chairman of the Canadian Dairy Commission, Mr. Serge Riendeau and Mary-Scott Greenwood, from Dentons US LLP, a Washington, D.C. government relations firm, provided insight on U.S. politics, NAFTA and the current Trump Administration.

The Board approved the transfers from reserves or 2017 budget to the 2018 budget in the total amount of \$3.57 million to complete projects that were started last year:

- proAction® Initiative
- Dairy Research Cluster 2
- A strategic campaign for NAFTA and the defense of supply management
- The website revamp of DFC organizational hub and the Teach Nutrition hub

The Board also approved the funding of the following new 2018 activities:

- Early Learning and Child Care Program (Good Beginnings)
- An action plan to influence the Healthy Eating Strategy



- Leadership training and change management

The board gave directions to staff on several policy and political issues, including the ask for strategic measures to encourage investments, following trade agreements that have a negative impact on the sector (CPTPP & CETA). The Board has debated the pricing question, recognizing in June that the spread between Cost of production and farm revenues was increasing and were at more than 3.5% apart. Following a conference call on July 9, the Board mandated the Executive Committee to ask a price adjustment to the CDC.

In other strategic direction, the Board provided guidance for the consultations by the Canadian Food Inspection Agency (CFIA) on a Canadian strategy to react to foreign animal disease, in particular foot and mouth disease. Prevent and mitigate entry into Canada remains the priority. DFC also participated to the consultation on the action plan related to antimicrobial resistance, which includes restriction of the use of antimicrobials.

In March, the Board discussed strategic issues that were highlighted in our market research, namely on the eating habits of Millennials. In June, the Board authorized the creation of a working group with the mandate to develop a strategy and a plan to address the threat of “lab-made” dairy protein substitutes. The Board feels this is important for all of us to understand how these issues intersect and have invited a few speakers to address this, this afternoon.

The Board has four active in four committees: finance and audit, promotion, proAction and research. Here is a brief update on their work.

Finance and Audit Committee

The Committee has met in February and in March. In February, the Board approved the 2018 Budget. In March, the Committee reviewed DFC’s Financial Statements for the year ended December 31, 2017 with the auditors. They indicated that the Statements presented fairly, in all material aspects, the financial position of DFC.

Promotion Committee

The Committee met in May to discuss a new approach to marketing, exploring two options. As part of deciding on this new approach, the promotion committee members actively consulted with provincial members and with processors, before making a recommendation to the DFC Board.

The Committee recommended that DFC further use the image of dairy farmers and the nutritional value of dairy products. DFC will therefore reposition its marketing and promotion activities in favour of a campaign highlighting farmer reputation, farm standards and nutrition value, to show what matters to most Canadians.



The Committee believes this type of campaign will reinforce and build awareness of what our logo stands for, highlighting the nutritious value of our products and positive attributes and commitment of dairy farmers. This generic approach will provide a strong base from which processors can build up their own campaigns, and we believe this will increase collaboration with our business partners.

The Board approved the repositioning of DFC's marketing and promotional campaigns. The Board also notes that DFC's summer campaign will highlight the protein content of dairy products on the nutrition value of dairy protein, reusing the "Strong People Get More out of Life" ad campaign of 2017, in the Atlantic provinces and Western Canada.

proAction® Committee

Since February, the Committee has met six times through webinars to advance the development of the program and give direction to technical groups, notably on biosecurity and animal care modules. **The working group for the Environment module remains engaged in discussions, having recently completed a risk analysis to inform their future work.**

The committee approved DFC funding applications to the Canadian Agricultural Partnership program, which supports initiatives designed to build public confidence. The government is supporting industry initiatives such as proAction, including traceability, and DFC greatly appreciates this support.

Canadian Dairy Research Council

The Council met on June 1st to review letters of intent submitted by researchers looking for funding for research projects in human nutrition and health as well as research chairs proposals in dairy production. The Council also reviewed a preliminary analysis of the **Canadian Dairy Research Expertise and the final reports of Dairy Research Cluster 2.**

The five-year **Dairy Research Cluster 2 program ended** March 31st. A total of 27 research activities related to the themes of Sustainable Milk Production, Dairy Genetics and Genomics, and Human Nutrition and Health were realised within an overall budget of \$20.24 M, including \$13.5 M from AAFC, \$5.27 M from DFC, \$750,000 from CDC and \$640,000 from CDN.

External Meeting Participation

The Board of Directors has representatives on several organizations in the agri-food industry including the Canadian Dairy Network (CDN). The latter requested that DFC send additional representatives to their Special Meeting of Members to approve by-law amendments required to officialise the partnership between CDN, CanWest DHI and Valacta. This special meeting took place on April 13, 2018.



In February, the Board approved the membership structure of the DairyTrace Advisory Committee, which has two DFC voting members, and approved the appointment of Daniel Gobeil in addition to Gert Schrijver.

The board also agreed with the recommendation of the board of BalanceCo to dissolve the organization.

I would like to point out to a number of meetings of importance of DFC President Pierre Lampron. He met several times with the Minister of Health, Ms. Petitpas-Taylor, as well as with the Minister of International Trade, Mr. Champagne, and the Parliamentary Secretary to the Minister of Agriculture, Mr. Poissant. In June, he met with Prime Minister Trudeau.

The President and other board members participated in the seventh round of NAFTA negotiations in February and met with various groups including the Teamsters, the American Sugar Alliance, CANILEC and Canadian government officials to get different perspectives on the negotiations. DFC Board members and staff have continued to attend other key meetings when there were no more official rounds. DFC President Pierre Lampron and DFC Vice-President David Wiens continue to be spokespersons on that matter.

Mr. Lampron attended the AGMs, workshops and board meetings of several members to listen and better understand the needs of members, to be more effective in continuing to work together to address important issues currently facing the industry.

Conclusion

As you have heard, your Board of Directors has been very busy these past few months promoting dairy farmer interests. As we are progressing through 2018, we will continue to represent you in the best way possible. We are always willing to discuss any concerns you may have. We wish you a productive meeting.

