



Canadian Dairy  
Commission

Commission  
canadienne du lait



# Ontario Dairy Council Annual General Meeting

**Benoit Basillais**

Canadian Dairy Commission

June 6, 2024

A light blue-tinted photograph of three cows in a field. One cow is in the foreground on the left, looking towards the camera. Two other cows are behind it, one in the center and one on the right, both looking towards the right. The background is a bright, overcast sky.

# **About the Canadian Dairy Commission**

# CDC at a glance

- Crown Corporation Established in 1966
- 81 employees
- Administrative budget for 2022-2023 (dairy year): \$11.5 million.
  - 40% from government
  - 60% industry (producers, marketplace, operations)

# Canadian Dairy Commission Board



**BENOIT BASILLAIS**

Chief Executive Officer



**JENNIFER HAYES**

Chair



**SHIKHA JAIN**

Commissioner

# Mandate

## **Fair compensation**

Provide efficient producers of milk and cream with the opportunity to obtain a fair return for their labour and investment.

- Net farm return for efficient producers

## **Efficient supply**

Provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality.

- Processors play a key role

# Support Price

- The CDC sets the support price for butter and plays a key role in setting farm milk component prices to ensure that efficient dairy producers receive a fair return
  - Cost of production Study
  - National pricing formula and exceptional circumstances

# Supply and Demand

- The CDC works closely with organizations along the supply chain to ensure that Canadians have a consistent supply of dairy products
  - Measures demand every month and adjust quota immediately.
  - Provides production and market forecasts to industry.
  - Monitors stock levels (plan A, B and C) & Imports butter (WTO).
  - Publishes monthly market bulletin <https://www.cdc-ccl.ca/en/node/937>

# Facilitation and Audits

## **Chairing, secretariat and analytical support for numerous industry committees.**

- 170 meetings (1 every 2 days)
- 750 documents in both official languages (information, analysis, options, etc.)

## **Audits**

- National Programs (around 60 audits)
- About 180 milk utilization audits on behalf of 8/10 provinces (excl. ON and BC)



# Program Administration

Producer and/or  
Marketing Boards

Dairy Direct Payment Program (2<sup>nd</sup> iteration – 2023-2024 to 2028-2029)

Revenue pooling among producers across the P10 & market sharing

Seasonality programs & Plan C

Special Milk Class Permit Program & 3(d)

Processor and  
market development  
programs.

Market Development and Innovation

Dairy Innovation and Investment Fund (new)

Market Growth Program - on behalf of CMSMC (new)

# Domestic Seasonality Programs

## Purpose

- When dairy production exceeds the needs of the Canadian market due to seasonality of demand, the CDC buys, and stores inventories of butter and cheese from manufacturers at pre-set support prices.

	Plan A	Plan B	Plan C
KEY PROGRAM STRUCTURE	CDC purchases butter and becomes owner; can resell to any butter manufacturer.	CDC purchases butter and becomes owner but resells to the same butter manufacturer.	CDC purchases cheese and becomes owner; the CDC signs a purchase/sales agreement and a storage agreement with the cheese manufacturer.

# Special Milk Class Permit Program (SMCPP)

## **Background**

- Created in 1995 by the CMSMC
- The CDC was mandated by the CMSMC to carry out the administrative requirements of the Program.
- **Purpose**
- Provide eligible further processors with the means to access Canadian manufactured dairy ingredients, at prices that will allow them to remain competitive in the marketplace.

## **Status**

As of May 31, 2024

- 1,795 permit holders, including further processors and distributors

# Special Milk Class Permit Program (SMCPP)

Class 5(a)	Class 5(b)	Class 5(c)
Cheese used by further processors in finished food products.	Dairy products (other than cheese) used by further processors in finished food products.	Dairy products (other than cheese) used by further processors in confectionery products.

## Pricing

- Classes 5(a) and 5(b): Calculated monthly based on US milk and dairy product prices (for Classes 3 and 4) announced by the USDA.
- Class 5(c): calculated using formula agreed upon by industry and CMSMC
- Prices are announced on the 15<sup>th</sup> of each month on the [Component Pricing](#) page of the CDC's website.

# Dairy Innovation Program (DIP)

## **Background**

- Created by the CDC on August 1, 2013, to replace the Domestic Dairy Production Innovation Program (DDPIP)

## **Purpose**

- DIP gives dairy processors access to milk required to produce innovative dairy products.

## **Status**

- There are currently 16 active DIP products receiving milk in four provinces from 10 dairy processors.
- A total of 162,731 hectolitres of milk and 145 MT of butterfat have been used in the DIP since August 1, 2023.

# Restaurants Class 3(d)

## **Background**

- Established by the CMSMC for the benefit of restaurants.
- A milk classification for Mozzarella cheese used in pizza prepared and cooked on site.

## **Purpose**

- Provides the terms and conditions under which milk at a reduced prices is made available to manufacture Mozzarella cheese.

## **Status**

As of May 31, 2024

- 134 Milk Class 3(d) Distributors and 24 Manufacturers
- 11,040 restaurants that are active Milk Class 3(d) program participants.
- Total amount of cheese: 40.6 MT of 3(d) cheese (August 2023 to April 2024).

# Matching Investment Fund (MIF)

## **Purpose**

- The MIF provides non-repayable contributions for product development on a matching investment basis.
- Designed to help eligible companies and food technology centres with product development initiatives that help stimulate demand for Canadian dairy products and ingredients.

## **Status**

- There are currently two active MIF projects approved in previous dairy years.

# Dairy Innovation and Investment Fund (DIIF)

## Background

Up to \$333 million non-repayable program over 10 years from AAFC.

- Delivered by the Canadian Dairy Commission on behalf of Agriculture and Agri-Food Canada.
- Funding for projects under DIIF is distributed among the regions.
  - Ontario: Approximate funding = \$127 million,
  - Maximum funding per project: \$75 million or the total funds available in the regions of the project, whichever is lower.

## Purpose

- Help the dairy sector modernize, replace and increase solids non-fat processing capacity.
- Minimize the disposal of skim milk.
- Target innovative investments that add value to solids non-fat.

## Status

- 18 complete applications received (Deadline: March 15, 2024).
- Next Steps:
  - Independent review by Committee of Experts (assess, score and rank projects)
  - Decision expected by Summer 2024



# Why focusing on skim milk and surplus milk?

## BF DEMAND

Cream, butter, cheese

100 kg BF



Milk Supply

100 kg BF

## SNF DEMAND

Milk, Yogurt, cheese

180 kg SNF



215 kg SNF

BF/ SNF ratio



MARKET SERVED

35 KG  
STRUCTURAL SURPLUS

# The Structural Surplus in Canada

- **Market driven (consumer demand)**
- **Main reason for triggering exceptional circumstances**
  - Surplus skim milk is marketed in lower class (4(m), etc.)
  - Negative impact on producer blend return
- **Insufficient processing capacity (4(a) product)**
  - Leftover skim milk is either given away or is put to marginal use - whether for energy in biodigesters, as feed, etc.
  - Challenge ability to meet demand in the future
- **A priority for the CDC and the industry**

# Market Growth Program (MGP)

## Background

- Nationally funded by provincial milk marketing boards.
- Delivered by the Canadian Dairy Commission on behalf of the CMSMC (July 2023).

## Purpose

- Accelerate and support investment to reduce the structural surplus of solids non-fat, support market growth; or
- Process milk in regions with significant skim milk surplus/processing deficiencies.

### **Stream I:** Pre-production funding Stream (Launched December 1, 2023)

- Supports the execution of studies during the planning stage of a processing plant investment.
- \$5 million per two-year cycle
- Maximum \$500,000 per applicant per two-year cycle
- 6 applications received to date

# Market Growth Program (MGP)

The CDC is working with the industry on the other two streams of the MGP, the Milk Supply Stream, and the Excess Capacity Stream.

**Stream 2: Milk Supply Stream**

Supports projects that generate net butterfat growth with a stable supply of milk

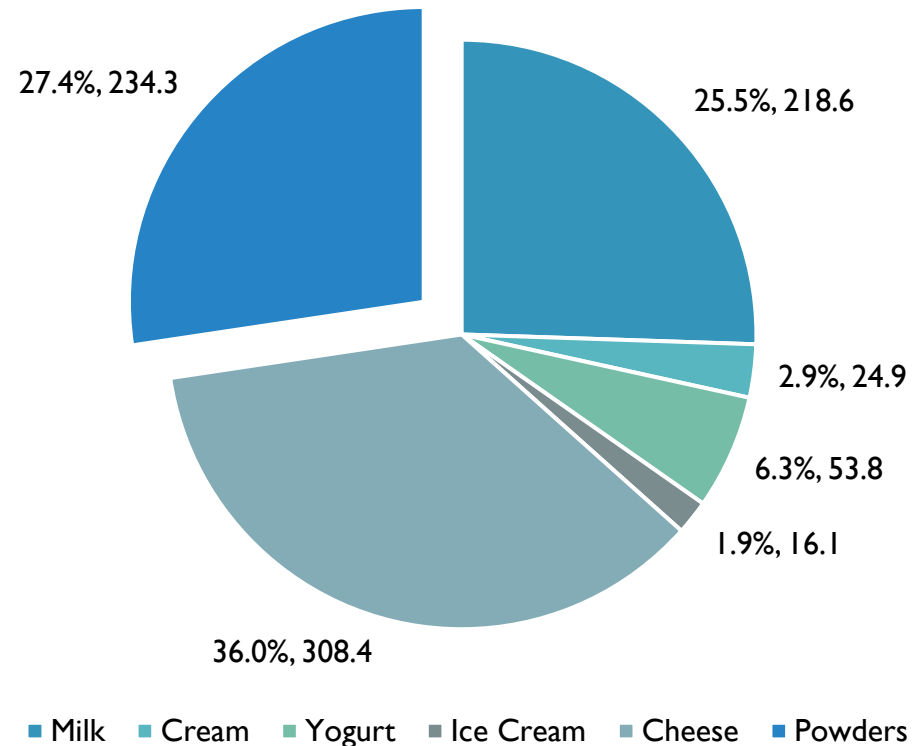
**Stream 3: Excess Capacity Stream**

Incentivizes investments in additional processing capacity for the valorization of solids non-fat surplus and the ad hoc milk surpluses that occur during a dairy year.

# What Are the Next Steps?

- **Stimulate SNF demand for dairy products**
  - Simplification of milk classification system
- **Plant of last resort**
  - Until MSVP is in place need a policy to manage surplus skim milk disposal
  - 1.9% of SNF in Canada in 2023

2023 SNF Utilization % Distribution and Total kgs





The image features three cows in a field. The top portion of the image is a solid blue gradient bar. Below it, the scene shows three cows: a large cow on the left, and two smaller calves on the right. The cows are in a field with a bright, hazy sky. The text "Looking forward?" is overlaid in the center-left area.

**Looking forward?**

# Opportunity and Volatility

## ○ Opportunities

- Global demand for BF continue to increase at a rate of 2% (Canada and Worldwide)
- Long term world conditions are favorable to the canadian dairy industry

## ○ Volatility

- Domestic (demand)
- International (price)
- Risk mitigation tools at all level of the supply chain

# A Comprehensive Approach for the Dairy Industry in Canada

- Ability to seize opportunities and address issues rapidly as they come:
  - Collaboration
  - Efficient process
  - Effective and strategic management of the supply management system





**Questions ?**



# CDC Proposed Strategy

## A Supply Chain Approach to Reduce and Manage the Surplus

