

Economic Overview of the Ontario Dairy Processing Sector

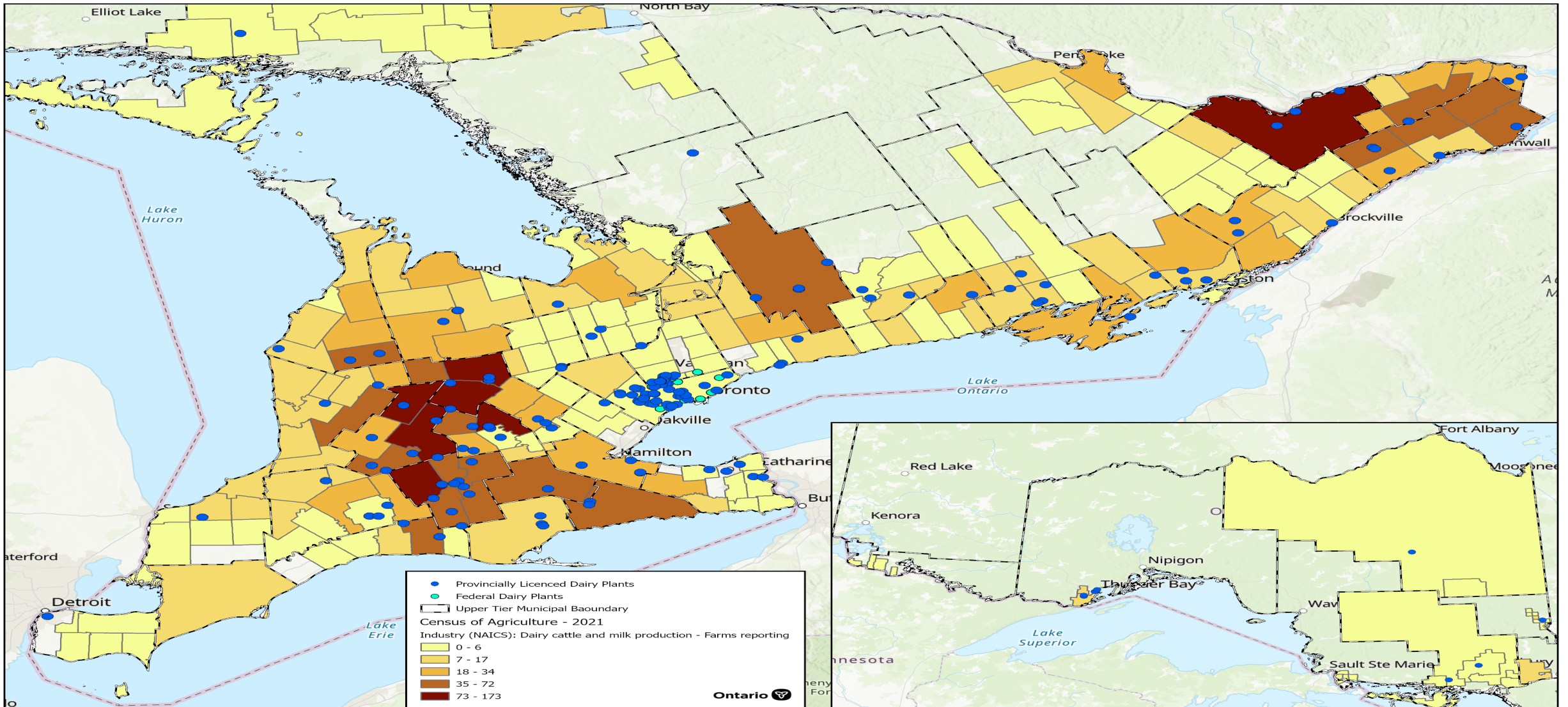
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Dairy is one of Ontario's true local food systems



Dairy Processing is key to that local food system

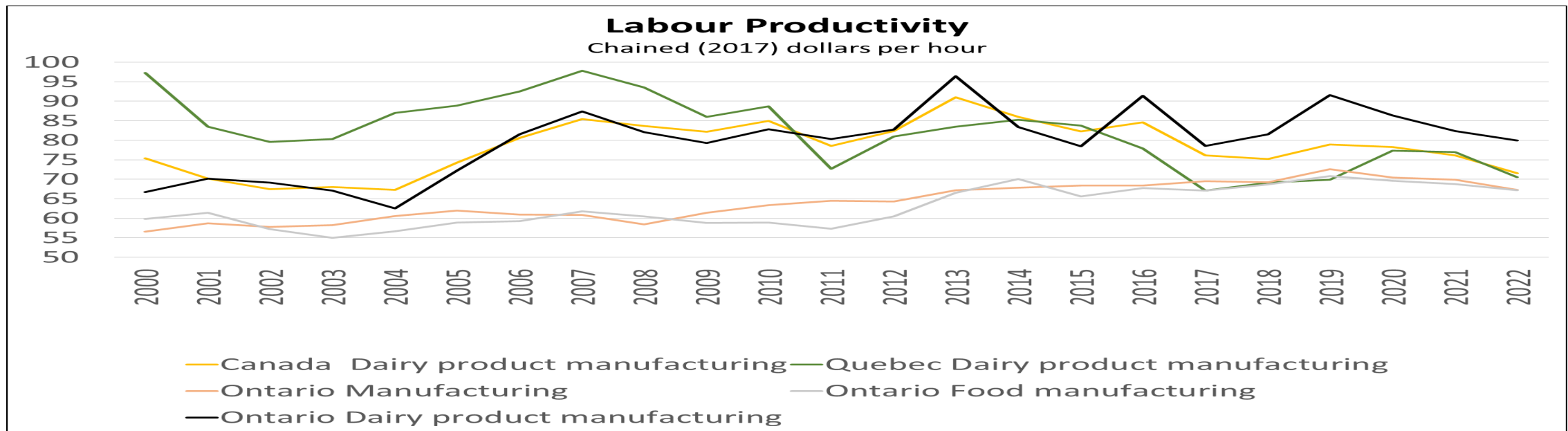
- 223 locations in Ontario – 55% outside of the GTA.
- All of the largest plants with greater than 500 employees are outside GTA.
- Due to the highly regional nature of dairy processing much of the \$2.77 billion in farm level milk production produced in 2023 is processed close to home.
- This supports 11,847 dairy processing jobs across Ontario and channels over \$1.9 billion annually in salaries and wages back through local economies.

Dairy Processing isn't just local it's a key economic driver provincially and nationally

- Dairy processors represent 5% of total food manufacturing locations across Ontario but generate 11% of provincial food manufacturing GDP and 12% of employment.
- Ontario dairy processors generated \$1.36 billion in direct GDP in 2023 which was down 0.2% from 2022 and up 42% from 2000.
- Ontario dairy processors employed 11,847 in 2023, up 10% from 2022 as the sector continued adjusting production levels after COVID.
- Ontario dairy processors are also Canada's largest in terms of sales (37%), GDP (46%) and employment (41%).

Productivity Growth in agri-food is key to economic growth

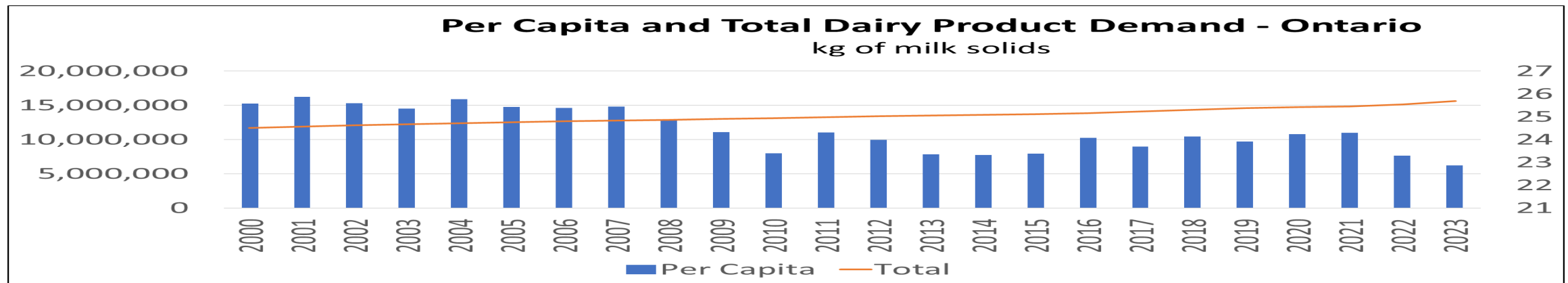
- There are widespread concerns about Canadian productivity and since 2000, overall Canadian productivity has grown 22%.
- Since 2000, Ontario food manufacturing productivity has grown 13%.
- Since 2000, Ontario dairy processing productivity has grown 26%.



Source: Statistics Canada

Dairy product demand is a clear growth sector despite falling per capita demand

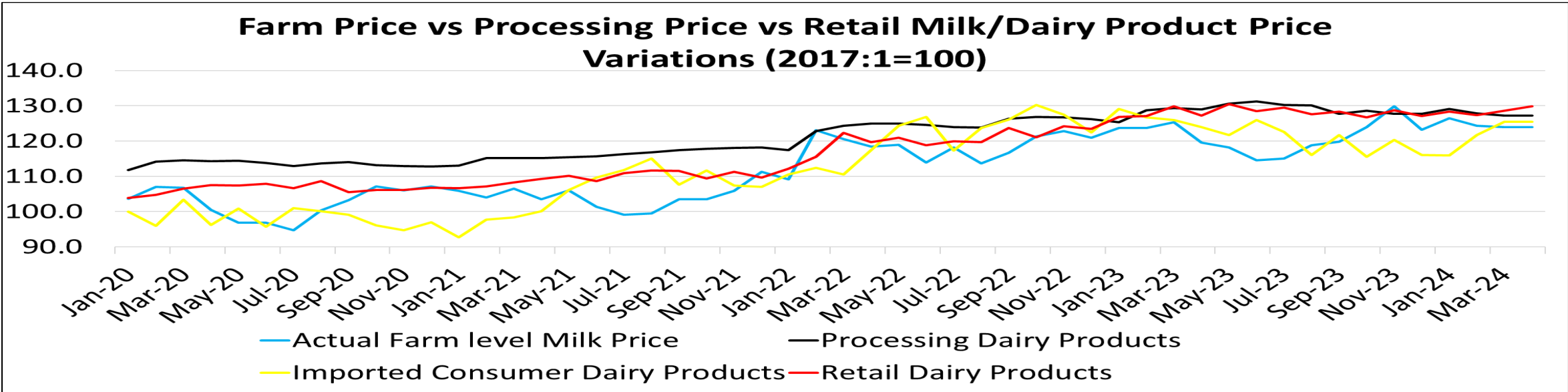
- In 2023 – Ontario total demand for dairy products grew 3.1% despite per capita demand falling 1.8%
- Since 2000, per capita demand:
 - For all dairy products has fallen over 10%.
 - Has risen at least 30% for some products such as variety cheese, yogurt and butter.
- Since 2000, total demand
 - For all dairy products has risen 19%.
 - Has risen at least 50% for some products such as cheddar and variety cheese, yogurt, all creams and butter.



Source: Statistics Canada and OMAFRA estimates

Dairy product demand is a clear growth sector despite long term retail price increases

- Since start of COVID:
 - Farm level milk price has risen 20%
 - Ontario processor price has risen 14%
 - Dairy import price has risen 26%
 - Overall dairy retail price has risen by 25%

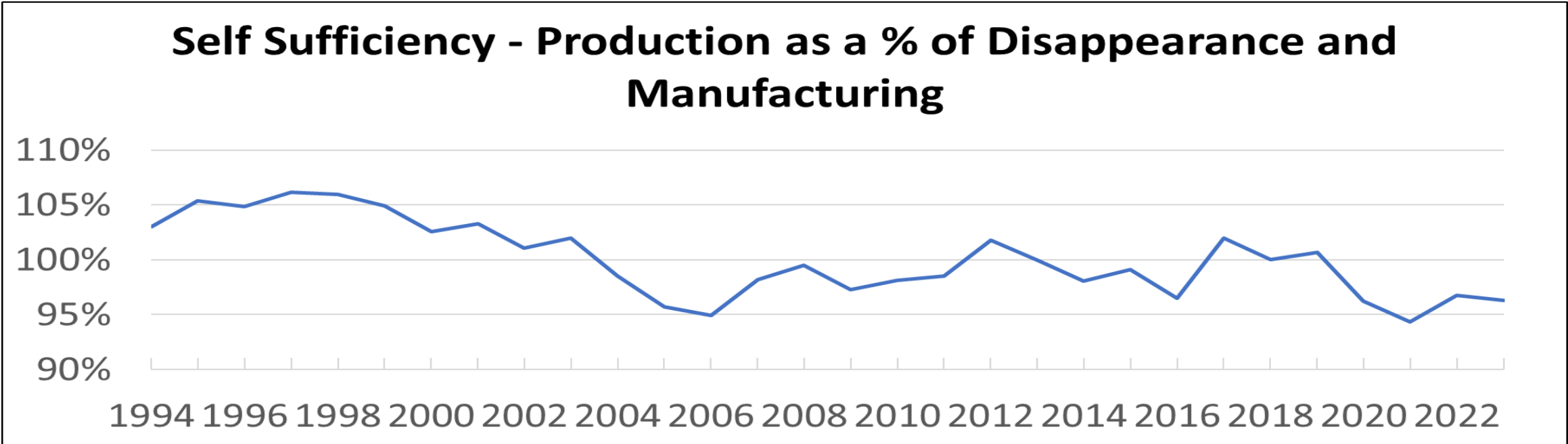


Source: Statistics Canada and OMAFRA estimates



Dairy Processors drive self-sufficiency in Canadian dairy products

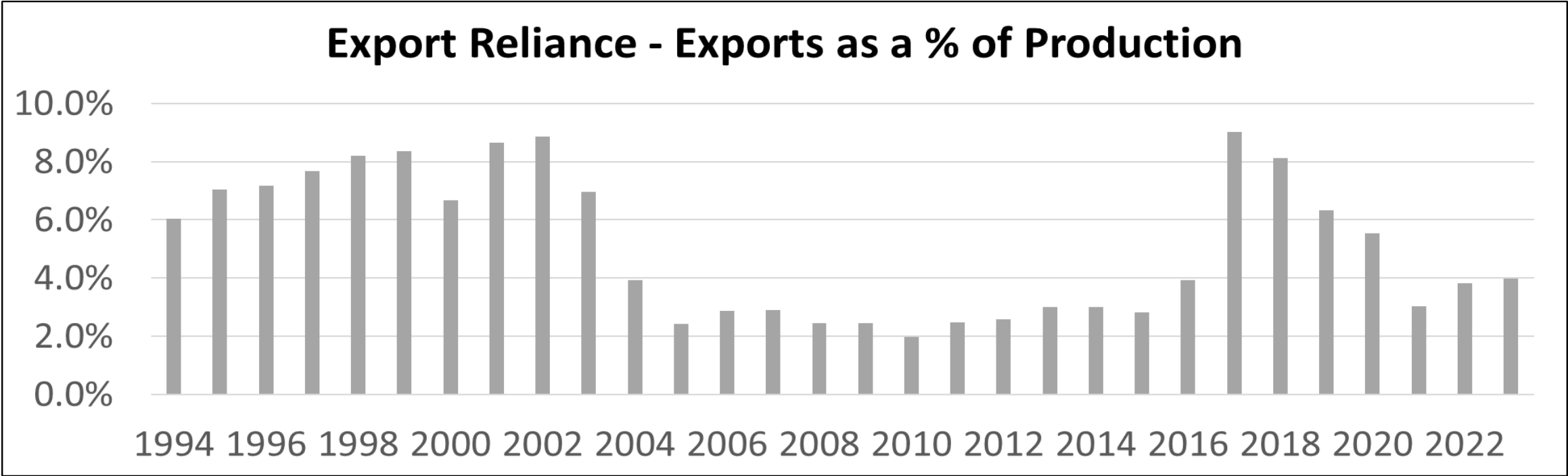
- In 2023 – Canada produced 96% of its domestic dairy needs – total of 832,000 tonnes of dairy products on a milk solids basis.
- Self-sufficiency has been falling since post – 1994 high of 10% in 1998.
- Historical high of 120% over several years shortly after formation of supply management.



Source: Statistics Canada and OMAFRA estimates

Despite WTO limits exports have been important

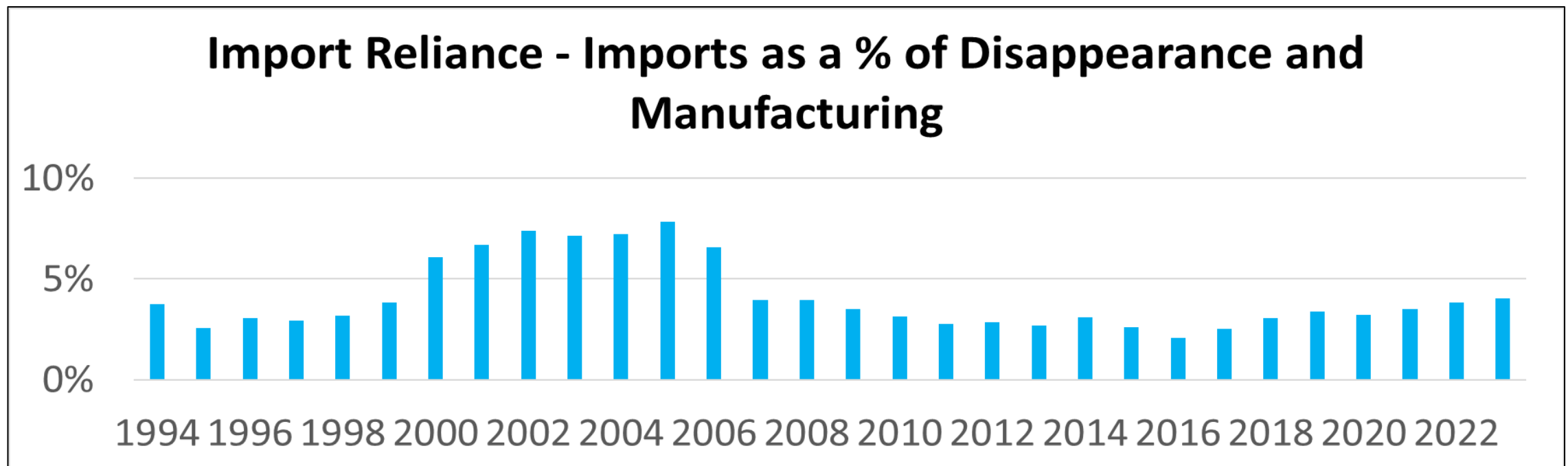
- In 2023 – Canadian exports of controlled dairy products comprised roughly 4% of domestic dairy production – total exports of 33,000 tonnes of dairy products on a milk solids basis.
- Since post – 1994 - high of 9% in 2017.



Source: Statistics Canada and OMAFRA estimates

Controlled imports are key to managing self-sufficiency

- In 2023 – Canadian imports of controlled dairy products fulfilled roughly 4% of domestic dairy needs – total imports of 31,300 tonnes of dairy products on a milk solids basis.
- Since post – 1994 high of 7.5% in 2005.



Source: Statistics Canada and OMAFRA estimates

Ontario is a disproportionate importer of controlled dairy products

- Ontario dairy processors produce about 37% of national production.
- In 2023 – Ontario imported 63% of total Canadian dairy imports by volume.
 - Ontario businesses imported 68% of controlled dairy imports done within access commitments.
 - Ontario businesses imported 61% of the controlled dairy imports done as over access commitments – paying tariff.
 - Ontario imported 47% of non-controlled dairy products.
- Reflects Ontario dairy processor role in national dairy distribution.
- May also reflect re-export activities.

Ontario is a disproportionate importer of controlled dairy products from the US

- In 2023 – 81% of Ontario total dairy imports by volume came from the US compared to 70% at Canada level.
 - Ontario businesses imported 78% of controlled dairy imports done within access commitments from the US compared to 68% at Canada level.
 - Ontario businesses imported 98% of the controlled dairy imports done as over access commitments from the US compared to 65% at Canada level.
 - Ontario imported 91% of non-controlled dairy products imports from the US compared to 70% at the Canada level.
- Reflects Ontario dairy processor role in national dairy distribution.
- May also reflect re-export activities.

Key Takeaways

- Dairy processors are a key part of local food systems across Ontario.
- The provincial and national economy benefit heavily from Canada's largest dairy processing sector.
- The sector has contributed to productivity growth which is driving the economy.
- Self-sufficiency in dairy production is an increasingly complex task given changing demand, product innovations, WTO export bans, and increased import access under trade agreements.
- A highly productive, growth oriented dairy processing sector has been, and will continue to be a key strength for Ontario's agri-food economy.

Appendix: Canada and Ontario Import Data

Canadian Dairy Imports

Calendar Year - 2023

HS Code / Product Description			Canada		Ontario		Ontario Share	
			2023		2023		2023	
			Kg	\$	Kg	\$	Kg	\$
Imports Under TRQ							%	%
Total Imports Under TRQ	Statistics Canada	Total Imports Under TRQ (Statistics Canada)	197,202,009	1,207,906,941	133,493,402	740,750,597	68%	61%
		Within Access Commitment (3)	182,463,752	1,138,437,251	124,550,057	682,660,589	68%	60%
		Over Access Commitment (4)	14,738,257	69,469,690	8,943,345	58,599,179	61%	84%
	GAC	GAC Global Dairy Imports Under Permit (1)	85,580,562	..				
		GAC Dairy Imports for Re Export (IREP)	90,217,699	x				
		Total Imports Under TRQ (GAC)	175,798,261	..				
Other Imports not Subject to TRQ								
Total Other Imports not Subject to TRQ (Statistics Canada)			62,401,189	294,455,931	29,356,139	178,622,237	47%	61%
TOTAL IMPORTS (Statistics Canada)			259,604,106	1,502,365,244	162,849,541	919,372,834	63%	61%

Canadian Dairy Imports

Calendar Year - 2023

HS Code / Product Description				Canada		Ontario		Ontario Share	
				2023		2023		2023	
Imports Under TRQ				Kg	\$	Kg	\$	Kg %	\$ %
Cheese	Statistics Canada	Fresh Cheese	Total Fresh Cheese	4,687,487	32,152,169	2,148,556	14,333,810	46%	45%
		Cheese,	Total Cheese, cheddar, grated or powdered, of	278,542	2,916,053	201,035	2,347,530	72%	81%
		Cheese, nes,	Total Cheese, nes, grated or powdered, of all	3,068,533	37,736,414	2,452,822	31,940,683	80%	85%
		Cheese,	Total Cheese, processed, not grated or	2,277,525	20,989,619	1,346,151	13,081,594	59%	62%
		Cheese, blue-	Total Cheese, blue-veined	1,206,487	19,417,544	618,870	9,021,194	51%	46%
		Cheese, cheddar	Total Cheese, cheddar	8,381,577	86,788,581	4,503,692	53,316,577	54%	61%
		Cheese,	Total Cheese, Specialty	35,871,377	440,819,451	14,838,734	159,917,802	41%	36%
		Total Cheese (Statistics Canada)			55,771,528	640,819,831	26,109,860	283,959,190	47%
	GAC		Total Cheese (GAC)	52,610,138					
Evaporated and Condensed Milk	Statistics Canada	Evaporated Milk	Total Evaporated Milk	752,441	1,136,552	691,912	975,875	92%	86%
		Total Evaporated and Condensed Milk (Statistics Canada)			756,092	1,148,754	693,008	979,393	92%
	GAC		Total Evaporated and Condensed Milk (GAC)	760,968	..				
Butter and Fats and Oils Derived From Milk	Statistics Canada	Total Butter and Fats and Oils Derived From Milk (Statistics		35,932,897	291,178,836	29,678,519	241,417,056	83%	83%
		Within Access Commitment (3)		35,683,354	287,496,726	29,438,549	237,807,918	82%	83%
		Over Access Commitment (4)		249,543	3,682,110	239,970	3,609,138	96%	98%
	GAC	GAC Global Dairy Imports Under Permit (1)		10,602,456	..				
		GAC Dairy Imports for Re-Export (IREP)		24,848,572	x				
Total Butter and Fats and Oils Derived From Milk (GAC)			35,451,028	..					

Canadian Dairy Imports

Calendar Year - 2023

HS Code / Product Description				Canada		Ontario		Ontario Share		
				2023		2023		2023		
				Kg	\$	Kg	\$	Kg %	\$ %	
Imports Under TRQ										
Buttermilk Powder	Statistics Canada	Total Buttermilk Powder (Statistics Canada)			23,779	123,717	22,636	113,028	95%	91%
		Within Access Commitment (3)			23,222	120,993	22,082	110,317	95%	91%
		Over Access Commitment (4)			557	2,724	554	2,711	99%	100%
	GAC	GAC Global Dairy Imports Under Permit (1)			7,485	..				
		GAC Dairy Imports for Re-Export (IREP)			..	x				
		Total Buttermilk Powder (GAC)			7,485	..				
Buttermilk (Other), Curdled Milk and Cream, Kephir and Other Fermented or Acidified Milk and Cream	Statistics Canada	Total Buttermilk (Other), Curdled Milk and Cream, Kephir and			788,657	3,273,380	757,225	3,026,594	96%	92%
		Within Access Commitment (3)			778,920	3,255,319	749,316	3,012,491	96%	93%
		Over Access Commitment (4)			9,737	18,061	7,909	14,103	81%	78%
	GAC	GAC Global Dairy Imports Under Permit (1)			206,811	..				
		GAC Dairy Imports for Re-Export (IREP)			28,349	x				
		Total Buttermilk (Other), Curdled Milk and Cream, Kephir and Other Fermented or Acidified Milk and Cream (GAC)			235,160	..				
Cream	Statistics Canada	Total Cream (Statistics Canada)			8,691,474	36,533,672	4,336,301	17,874,669	50%	49%
		Within Access Commitment (3)			8,619,703	36,375,812	4,309,945	17,824,981	50%	49%
		Over Access Commitment (4)			71,771	157,860	26,356	49,688	37%	31%
	GAC	GAC Global Dairy Imports Under Permit (1)			8,340,751	..				
		GAC Dairy Imports for Re-Export (IREP)			439,159	x				
		Total Cream (GAC)			8,779,910	..				

Canadian Dairy Imports

Calendar Year - 2023

HS Code / Product Description						Canada		Ontario		Ontario Share		
						2023		2023		2023		
						Kg	\$	Kg	\$	Kg %	\$ %	
Imports Under TRQ												
Dairy Spreads	Statistics Canada	Dairy Spreads	0405.20.10.00	Dairy spreads, within access commitment	18	37	16	30	89%	81%		
			0405.20.20.00	Dairy spreads, over access commitment	531	1,323	306	810	58%	61%		
		Total Dairy Spreads (Statistics Canada)				549	1,360	322	840	59%	62%	
		Within Access Commitment (3)				18	37	16	30	89%	81%	
		Over Access Commitment (4)				531	1,323	306	810	58%	61%	
	GAC		GAC Global Dairy Imports Under Permit (1)							
			GAC Dairy Imports for Re-Export (IREP)		..	x						
			Total Dairy Spreads (GAC)							
	Ice Cream and Edible Ice Products	Statistics Canada	Total Ice Cream and Edible Ice Products (Statistics Canada)				775,446	6,437,918	432,970	3,132,161	56%	49%
			Within Access Commitment (3)				635,186	5,644,415	356,227	2,814,732	56%	50%
Over Access Commitment (4)				140,260	793,503	76,743	317,429	55%	40%			
GAC		GAC Global Dairy Imports Under Permit (1)		592,765	..							
		GAC Dairy Imports for Re-Export (IREP)		..	x							
		Total Ice Cream and Edible Ice Products (GAC)		592,765	..							
		Statistics Canada	Total Milk (Statistics Canada)				67,382,314	55,152,292	48,462,813	41,296,646	72%	75%
	Within Access Commitment (3)				63,222,322	54,206,514	48,453,614	40,745,886	77%	75%		
	Over Access Commitment (4)				4,159,992	945,778	9,199	550,760	0%	58%		
	GAC		GAC Global Dairy Imports Under Permit (1)		8,561,081	..						
			GAC Dairy Imports for Re-Export (IREP)		54,470,610	x						
			Total Milk (GAC)		63,031,691	..						

Source: Global Affairs Canada, Statistics Canada and OMAFRA estimates



Canadian Dairy Imports
Calendar Year - 2023

Imports Under TRQ			HS Code / Product Description	Canada		Ontario		Ontario Share	
				2023	2023	2023	2023	2023	2023
			Kg	\$	Kg	\$	Kg %	\$ %	
Products Consisting of Natural Milk Constituents	Statistics Canada	Total Products Consisting of Natural Milk Constituents (Statistics Canada)	5,739,932	36,518,397	5,039,688	31,096,366	88%	85%	
		Within Access Commitment (3)	5,723,433	36,409,057	5,024,026	30,992,688	88%	85%	
		Over Access Commitment (4)	16,499	109,340	15,662	103,678	95%	95%	
	GAC	GAC Global Dairy Imports Under Permit (1)	3,952,372	..					
		GAC Dairy Imports for Re-Export (IREP)	1,074,092	x					
Total Products Consisting of Natural Milk Constituents (GAC)		5,026,464	..						
Milk Protein Substances	Statistics Canada	Total Milk Protein Substances (Statistics Canada)	12,653,402	107,192,253	11,020,509	95,076,286	87%	89%	
		Within Access Commitment (3)	4,173,423	54,777,658	3,962,581	52,090,914	95%	95%	
		Over Access Commitment (4)	8,479,979	52,414,595	7,057,928	42,985,372	83%	82%	
	GAC	GAC Global Dairy Imports Under Permit (1)	3,108,175	..					
		GAC Dairy Imports for Re-Export (IREP)	..	x					
Total Milk Protein Substances (GAC)		3,108,175	..						
Skim Milk Powder	Statistics Canada	Total Skim Milk Powder (Statistics Canada)	2,231,217	7,726,085	1,713,476	5,985,985	77%	77%	
		Within Access Commitment (3)	2,222,610	7,701,526	1,707,228	5,968,342	77%	77%	
		Over Access Commitment (4)	8,607	24,559	6,248	17,643	73%	72%	
	GAC	GAC Global Dairy Imports Under Permit (1)	305,701	..					
		GAC Dairy Imports for Re-Export (IREP)	1,321,921	x					
Total Skim Milk Powder (GAC)		1,627,622	..						
Whey Powder	Statistics Canada	Total Whey Powder (Statistics Canada)	2,066,572	2,823,805	1,724,637	2,314,634	83%	82%	
		Within Access Commitment (3)	2,063,540	2,809,863	1,721,757	2,809,863	83%	100%	
		Over Access Commitment (4)	3,032	13,942	2,880	13,942	95%	100%	
	GAC	GAC Global Dairy Imports Under Permit (1)	1,273,696	..					
		GAC Dairy Imports for Re-Export (IREP)	816,274	x					
Total Whey Powder (GAC)		2,089,970	..			0%	#VALUE!		
Whole Milk and Cream Powders	Statistics Canada	Total Whole Milk and Cream Powders (Statistics Canada)	3,554,919	14,089,436	3,064,436	12,008,657	86%	85%	
		Within Access Commitment (3)	3,542,362	13,958,114	3,053,084	11,885,196	86%	85%	
		Over Access Commitment (4)	12,557	131,322	11,352	123,461	90%	94%	
	GAC	GAC Global Dairy Imports Under Permit (1)	655,237	..					
		GAC Dairy Imports for Re-Export (IREP)	1,182,814	x					
Total Whole Milk and Cream Powders (GAC)		1,838,051	..						
Yogurt	Statistics Canada	Total Yogurt (Statistics Canada)	834,139	4,889,577	437,002	2,469,092	52%	50%	
		Within Access Commitment (3)	813,324	4,784,819	425,127	2,394,560	52%	50%	
		Over Access Commitment (4)	19,907	102,386	11,875	74,532	60%	73%	
	GAC	GAC Global Dairy Imports Under Permit (1)	390,022	..					
		GAC Dairy Imports for Re-Export (IREP)	248,812	x					
Total Yogurt (GAC)		638,834	..						