

CDC's Annual General Assembly

Remarks – Benoit Basillais

January 30, 2024

CHECK AGAINST DELIVERY

Thank you, Jennifer.

We, at the Canadian Dairy Commission, ensure that Canadians have access to dairy products that meet some of the most rigorous quality control standards in the world while allowing dairy producers to obtain a fair return for their work. Our mission statement, “To provide leadership to enhance the vitality of the Canadian dairy industry for the benefit of Canadians”, could not summarize better the core of the activities we undertake.

To ensure Canadians have a consistent supply of dairy products, we work closely with organizations along the supply chain, we measure demand every month and adjust quota immediately, we provide production and market forecasts to industry, we monitor stock levels, we hold frequent discussions with industry stakeholders, and we publish monthly market bulletins on our website.

We also calculate the cost of milk production, which allows us to adjust the farm price of milk and set the support price for butter. This promotes fair remuneration for efficient producers and encourages market development.

In October 2022, the CDC conducted the annual review of Canadian farm gate milk prices and various other costs used in administering the supply management system. As a result of the review and consultations with stakeholders, on February 1, 2023, the farm gate milk price increased by 2.2%, which translates to \$1.74/hl (less than 2 cents per litre). This increase was the result of the National Pricing Formula, a pricing mechanism that was determined by the industry. It considers dairy farmers' costs of production as well as the consumer price index. On November 1st, 2023, the CDC announced that the farmgate milk price adjustment

for 2024, an increase of 1.77%, was postponed to May 1, 2024. This decision was taken by the CDC following the invoking of exceptional circumstances to ease the negative impact of inflation on all levels of the supply chain, from the farm gate to the consumers.

During the 2022-2023 dairy year, the CDC coordinated nearly 145 meetings, webinars and conference calls and translated nearly 570 documents in support of regional pools, the Canadian Milk Supply Management Committee (CMSMC) and several working groups and national committees. We also conducted several types of audits, from external audits covering companies participating in the Special Milk Class Permit Program (SMCPP), to audits for Milk Class 3(d) (Mozzarella for fresh pizzas) to joint milk utilization audits with provincial auditors and milk plant utilization audits.

In addition, we administer programs related to market supply and growth on behalf of the Canadian Milk Supply Management Committee (CMSMC) and some on behalf of Agriculture and Agri-Food Canada, such as the Special Milk Class Permit Program, the Class 3(d) program, the Dairy Innovation Program, and the Dairy Direct Payment Program, among others.

We are determined to be open and transparent to ensure that Canadians understand the importance and benefits of the supply management system. We were delighted to learn that nearly 50 people registered for the CDC's online training on the dairy supply management system. This commitment to openness and transparency is also key in continuing to build on our relationships with our

stakeholders so we can find innovative ways to address the challenges the industry faces.

Some of our successes can be found in our efficiencies and effectiveness. For instance, to reduce the margin of error of our cost of production survey, we added farms; to provide a certain stability, we performed all pooling calculations on time; despite high world prices and challenges with supply chains, we imported Canada's tariff rate quota for butter, or TRQ for butter. Forecasting demand in a volatile market environment also proved quite the task. We managed to forecast it within 2% of actual demand at the end of the year. The CDC, in its role as facilitator of the three federal-provincial revenue and market sharing agreements, is also working closely with the provinces to update the P10 revenue pooling agreement. We are also continuing discussions to modernize the regulatory framework.

Internally at the Canadian Dairy Commission, this year marked the retirement of Chantal Paul, Executive Director for Corporate Services, Hossein Behzadi, Executive Director for Audit and Evaluation, and Richard Rancourt, Deputy Director for IM/IT, after more than 20 years of service. We already miss them.

All in all, we can say we had a busy and innovative dairy year. We are committed to supporting industry initiatives to rebalance the growth in demand for solids non fat (SNF) versus that for butterfat, to collaborate with partners across the dairy value chain in reducing the environmental footprint of the dairy sector, to provide leadership to the industry as it adapts the supply management legal framework to current conditions, to ensure that efficient producers receive a fair return for their labour and investments, to ensure that Canadian milk production

matches demand, including in unforeseen situations, and to Improve how we attract, develop, and retain a complete, diverse and inclusive workforce with the necessary skills.

I will be happy to answer your questions during the question-and-answer session that follows. I also invite you to consult the wealth of information available on our web site www.cdc-ccl.gc.ca including market updates, online modules, program information, annual reports, information on farmgate milk pricing, infographics, and more.

I will now turn the floor to Shikha Jain, Commissioner, to present the financial statements.

Thank you.