2022/2023

CANADIAN DAIRY COMMISSION

ANNUAL REPORT

In addition to being world-renowned for their excellence, Canadian milk and dairy products are recognized for their variety and high-quality. Enforcement of strict quality standards on dairy farms and in processing plants enhances this international reputation, along with a strong commitment to sound animal welfare practices and environmental sustainability.

TABLE OF CONTENTS

Our annual report is only available electronically.
Throughout the document, you will find links to websites that offer you more information on certain topics.

Contact Us

Canadian Dairy Commission
Building 55, NCC Driveway
Central Experimental Farm
960, Carling Ave.
Ottawa, Ontario K1A 0Z2

Telephone: 613-792-2000
Toll free: 1-866-366-0676
Email: cdc-ccl@cdc-ccl.gc.ca
Website: www.cdc-ccl.gc.ca

Commission staff is available to serve you in either official language, from 8am to 4:30pm Eastern time, Monday to Friday (statutory holidays excluded).

MISSION STATEMENT

To provide leadership to enhance the vitality of the Canadian dairy industry for the benefit of Canadians.

VALUES

Excellence | Integrity | Leadership | Respect

MANDATE

OF THE CANADIAN DAIRY COMMISSION (CDC)

Under the ***Canadian Dairy Commission Act***, the CDC's legislated objectives are:

- To provide efficient producers of milk and cream with the opportunity to obtain a fair return for their labour and investment; and
- To provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality.

REPORT FROM THE BOARD

On behalf of the entire organization, we are pleased to present the Canadian Dairy Commission's annual report for the 2022-2023 dairy year.

Within the pages of this report readers will find valuable information regarding the Canadian Dairy Commission's (CDC) role within the Canadian dairy industry, our mandate, activities, objectives and performance. Thanks to the professionalism of our dedicated team at the CDC, we experienced a year of positive accomplishments where we achieved key objectives and continued to build on our solid track record of sound financial management and quality delivery of programs and services for the industry.

In line with acknowledging the invaluable contributions of our CDC employees, the Board would like to recognize three outgoing members of the Senior Management Team. Hossein Behzadi worked as Executive Director, Audit and Evaluation for 25 years prior to his retirement last year and brought meticulous precision and calm reliable competence to all of his duties. Chantal Paul, Executive Director of Corporate Services joined the CDC more than 20 years ago. She has been a stalwart defender of our organization and an invaluable source of sage guidance for our entire team. And finally, Richard Rancourt, Deputy Director of IT, joined the CDC more than 30 years ago and offered an irreplaceable wealth of knowledge and expertise of all CDC programs. We wish Hossein, Chantal and Richard a well-deserved retirement after all these years of faithful dedication to the CDC and loyal service to the Canadian dairy industry.

The past dairy year had its share of challenges for the industry, including labour shortages, a continued inflationary environment and rising interest rates. The pressures of the economy are evident on the farm, at processing facilities and in the grocery aisle, where inflation has remained pervasively impactful for all Canadians.

Despite the challenging economic dynamic, markets and supply chains found some semblance of reestablished stability following the global upheavals as a result of the pandemic.

In addition to our continued commitment to transparency and communication efforts to support understanding of our role and processes, the CDC initiated an evaluation of our pricing consultation process soliciting valuable stakeholder feedback. Moving forward, the CDC Board will integrate this feedback in our considerations to assure best practices in a fact-based decisional environment.

The CDC team also dedicated their efforts to evaluating our government to business (G2B) program delivery services. The goal of this process is to simplify G2B interactions, leverage the potential of IT solutions and generate a positive business relationship environment. Updated services are expected to be launched in the coming dairy year.

The CDC team has led the charge in prioritizing dissemination of data regarding the challenge of meaningfully addressing structural surplus of solids non fat (SNF) in our industry while meeting consumer demand in our current environment of processor capacity. All stakeholders have clearly signaled their shared concern for this particular issue and have expressed the desire to find innovative solutions that capitalize on the opportunities which accompany this challenge.

To that end, the CDC has worked diligently to support and facilitate discussions between producers and processors as they consider strategic solutions to meet the challenges of structural surplus head-on.

The CDC continues to appreciate our collaborative and constructive relationship with Agriculture and Agri-food Canada and are proud to deliver two key industry programs on their behalf.

The Dairy Innovation and Investment Fund will be launched in autumn 2023 with a 10-year commitment of up to $333 million to provide Canadian dairy processors with non-repayable contributions to make investments to help the supply-managed dairy sector manage SNF. These investments will add processing capacity for SNF and promote the use of these components in value-added products.

The second iteration of the Dairy Direct Payment Program (DDPP) will begin in dairy year 2023-2024 and will be very similar to the first iteration of this program, including being administered by the CDC.

Right to left: **Shikha Jain**, Commissioner; **Benoit Basillais**, Chief Executive Officer; **Jennifer Hayes**, Chair

The objective of the DDPP is to support dairy producers in regards to market access commitments made under recent international trade agreements. The program will make available $1.2 billion over 6 years to account for the impacts of the Canada-United States-Mexico Agreement (CUSMA).

The CDC Board would like to express our sincere gratitude to all stakeholder partners and each of their respective professional teams who have worked constructively and collaboratively to make this year a success.

We are also extremely proud of the contributions made by the CDC and its employees who provide their expertise and insights daily to the dairy industry with efficiency, passion, and great dedication. It is with immense honour that we claim affiliation with an organization that is committed to the welfare, sustainability, innovation and promise of a better future for the dairy industry.

Benoit Basillais Chief Executive Officer	Jennifer Hayes Chair	Shikha Jain Commissioner

THE CANADIAN DAIRY INDUSTRY

Most dairy policy decisions are made by a federal / provincial committee called the Canadian Milk Supply Management Committee (CMSMC). This industry operates under a supply management system based on planned domestic production, pricing mechanisms and import controls. The Canadian dairy industry operates on a "dairy year" basis, which runs from August 1 to July 31. The dairy industry ranks third (based on farm cash receipts) in the Canadian agriculture sector, just behind red meats and grains and oil seeds.

Canadian milk and dairy products are not only known for their excellence, but they are also recognized for their variety and high-quality. Strict quality standards on dairy farms and in processing plants, along with a strong commitment to sound animal welfare practices and environmental sustainability contribute to this international reputation.

Milk Production

The dairy industry was a significant contributor to the Canadian economy during the 2022 calendar year. It generated farm cash receipts of **$8.23 billion**.

9,739 FARMS IN CANADA[1]

Employs approximately 16,665 operators and 26,388 paid employees[2]

TOTAL NUMBER OF DAIRY COWS

972,300[3] with an average of 100 cows per farm

ANNUAL PRODUCTION

Annual production of 41,543 kg of butterfat* per farm (for a total of 404.59 million kg BF nationally), a production per farm higher than that of the 2021-2022 dairy year.

*Milk production in Canada is expressed in kg of butterfat

1, 2, 3 - https://agriculture.canada.ca/en/sector/animal-industry/canadian-dairy-information-centre

MILK PROCESSING

Canadians have access to a wide range of quality and innovative dairy products. Canadian dairy processors are always working to improve the quality of their dairy products and bring new ones to the market. Canada produces over 1,450[4] varieties of cheese (cow, goat, ewe and water buffalo) and is recognized around the world for the quality of its products.

In 2022, the dairy processing industry generated $17.4 billion in products, or 11.1% of all sales of processed products in the food and beverage industry.

DAIRY PRODUCT CONSUMPTION

The Canadian dairy industry has some of the most stringent quality control standards in the world. Industry players work together to ensure Canadians have access to safe and quality dairy products.

Dairy consumption reflects the whole Canadian market including retail, hotels, restaurants, and institutions (HRI), and further processing. Over the last dairy year, consumers slightly reduced their consumption of milk and yogurt, and significantly reduced their consumption of butter. However, there was a slight increased consumption of cream and cheese overall (not at the retail level as described in the next section), along with very strong growth in the consumption of ice cream.

RETAIL SALES

Retail sales of dairy products in 2022-2023 decreased compared to last year for most categories. Demand for butter decreased by 4.4% at the retail level. Furthermore, table cream, milk and cheese retail sales decreased, respectively, by 2.8%, 2.0% and 0.9%. This decrease can be explained by the stronger retail sales of dairy products in the previous year because of the COVID-19 pandemic.

Additional information on milk production, the number of farms and cows, milk production by province, milk processing and dairy product consumption can be found at the *Canadian Dairy Information Centre*.

Industry

507 dairy processing plants (2022)[5]

Employs approximately 27,424 people[6]

[4] The CDC monitors the policies related to the production of cow's milk only. Most the of cheeses that Canada produces are manufactured with cow's milk.

[5] Overview of dairy processors in Canada - 2023 https://agriculture.canada.ca/en/sector/animal-industry/canadian-dairy-information-centre

[6] Employment by industry, annual - 2022 - www.150.statscan.gc.ca

The Canadian dairy industry has some of the most stringent quality control standards in the world. Industry players work together to ensure Canadians have access to safe and quality dairy products.

MILK PRODUCTION BY PROVINCE

(million kg butterfat)

Province	2021-2022	2022-2023
Newfoundland and Labrador	1.98	2.01
Prince-Edward Island	5.11	5.20
Nova-Scotia	8.56	8.93
New-Brunswick	6.68	6.96
Quebec	146.39	149.34
Ontario	128.35	132.30
Manitoba	17.15	17.16
Saskatchewan	12.29	12.38
Alberta	34.85	35.34
British-Columbia	34.6	34.97
TOTAL	**395.96**	**404.59**

GOVERNANCE

The *Canadian Dairy Commission* (CDC) is a Crown Corporation created in 1966 by the *Canadian Dairy Commission Act* and plays a central facilitating role for the dairy industry.

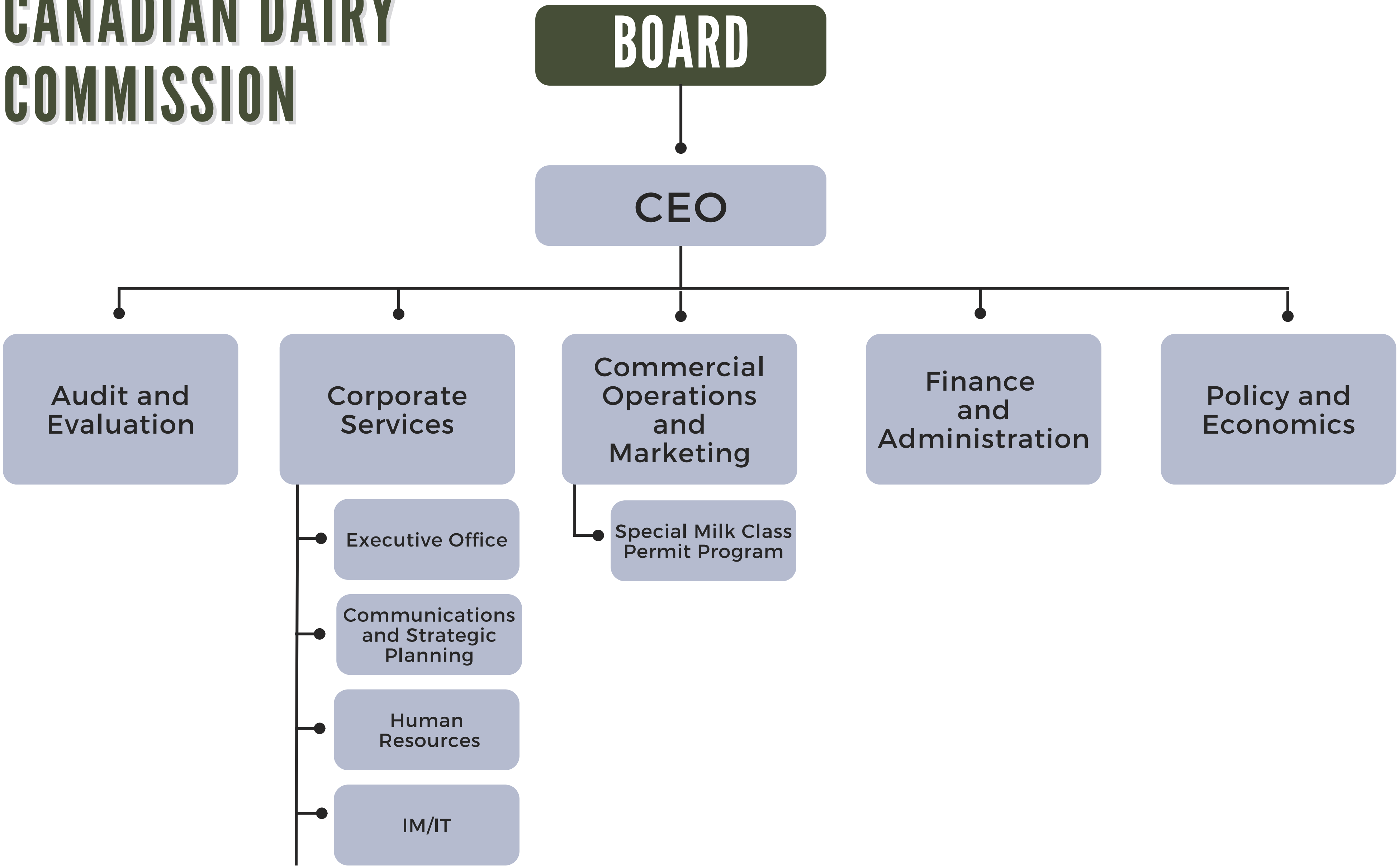
In addition to the *Canadian Dairy Commission Act*, the CDC is also governed by the *Financial Administration Act*, the *Federal Public Sector Labour Relations Act*, the *Dairy Products Marketing Regulations*, the *EEC Aged Cheddar Cheese Export Regulations* and the *Safe Food for Canadians Regulations*.

CDC AT A GLANCE

Created in 1966
81 employees (as of July 31, 2023)
Location: Ottawa
Website: www.cdc-ccl.ca/en

Administrative budget for 2022-2023 (dairy year): $11.2 million
Dairy year: August 1 to July 31

STRUCTURE OF THE CANADIAN DAIRY COMMISSION



GOVERNING BOARD

The governing board of the CDC is made up of a chairperson, a commissioner, and a chief executive officer (CEO). The Board members are appointed by the Governor in Council and fulfill their mandates either on a part-time or a full-time basis. The governing board is responsible for the overall stewardship of the organization.

BOARD MEMBERS

Benoit Basillais

Chief Executive Officer

Appointed on July 4, 2022
for a four year term.

Jennifer Hayes

Chair

Appointed on December 23, 2021
for a four year term.

Shikha Jain

Commissioner

Appointed on September 15, 2022
for a four year term.

COMMITTEES

BOARD COMMITTEES

Audit Committee
The Audit Committee ensures proper accountability over CDC operations as required by the *Financial Administration Act* (FAA).

Senior Management Team (SMT)
The Senior Management Team discusses the daily operations of the CDC and makes the required decisions.

MANAGEMENT COMMITTEES

Human Resources Advisory Committee
Its mandate is to provide advice to the SMT on human resources priorities and initiatives.

Internal Audit and Program Evaluation Advisory Committee
This committee develops internal audit and program evaluation plans for the review of CDC's systems, programs, and practices.

Risk and Security Committee
Its mandate is to assist the SMT in meeting the security requirements of the Government of Canada.

Occupational Health and Safety Committee (OHS)
The OHS Committee serves as an advisory body to the SMT for all matters relating to the health and safety of CDC employees.

Senior Management Team (SMT)

Front row: **Dimitre Dimitrov**, Deputy Director, IM, IT and Security; **Benoit Guertin**, Executive Director, Audit and Evaluation; **Chantal Paul**, outgoing Executive Director, Corporate Services; **Philippe Charlebois**, Executive Director, Corporate Services.

Back row: **Christine Boutin**, Executive Director, Commercial Operations and Marketing; **Priscilla Revolus**, Corporate Secretary; **Benoit Basillais**, Chief Executive Officer; **Chantal Laframboise**, Executive Director, Finance and Administration; **Matthew Gaudreau**, Executive Director, Policy and Economics.

CORPORATE GOVERNANCE

Planning and Reporting

In the fall of 2022, the Board approved the Annual Report and Financial Statements of the CDC for the 2021-2022 dairy year. On May 19th 2023, the Board approved the CDC's Corporate Plan[5] for the period starting in 2023-2024 and ending in 2027-2028. The Corporate Plan contains all the major directions of the corporation as well as its forecasted budgets and borrowing plan. It was approved by Treasury Board on June 22, 2023.

Audit and Evaluation

In 2022-2023, the CDC Audit & Evaluation Division completed a Risk Management Policy to provide guidance on the implementation of effective risk management practices at all levels of the organization. This policy will support strategic priority setting and resource allocation, support informed decisions with respect to risk tolerance, and improve results. The policy was approved by the Audit Committee in June 2023.

As part of the Three-Year Risk Based Audit Plan for 2022-2024, a quality assurance peer review of the Audit and Evaluation Division's activities took place in early December 2022. The report was approved by the Audit Committee in March 2023 and the implementation of the recommendations will begin in January 2024. The program evaluation of the Domestic Seasonality Programs (Plan A and Plan B) started in January 2023 and will be completed by the end of September 2023. The Audit & Evaluation Division is actively involved in the implementation of the CDC's new enterprise planning tool.

Annual Public Meeting

The CDC held a virtual annual public meeting on January 25, 2023. This meeting was open to the public and was attended by almost 200 people, most of whom were representatives of the dairy industry. It gave the CDC the opportunity to report on its financial statements and strategic objectives for the past and current dairy years and to answer any questions from participants.

5 The Canadian Dairy Commission's Corporate Plan is a confidential document. A summary is published following the Treasury Board's approval of the Corporate plan.

The Governing Board of the CDC is made up of a chairperson, a commissioner, and a chief executive officer (CEO). The Governing Board is responsible for the overall stewardship of the organization.

ACTIVITIES

The Canadian Dairy Commission (CDC) monitors changes in demand and adjusts the milk production quota to ensure Canadian markets are served in a timely manner. The CDC calculates the cost of milk production and annual milk price adjustments and decides on butter support price adjustments to promote fair compensation to efficient producers. It also encourages market development, provides audit services and supports the industry by leveraging its expertise, providing logistics services and administering various programs.

SUPPLY MANAGEMENT

Determining Demand and Quota

The CDC monitors trends in total requirements of butterfat and imports of dairy products monthly. The national production quota is also calculated monthly (total requirements minus imports of dairy products) to reflect changes in the demand for milk products. Production is monitored closely to make sure it stays within an acceptable range of the quota.

ADJUSTING SUPPLY

The Domestic Seasonality Programs for butter allow the industry to continue to offer a reliable supply of dairy products despite seasonal fluctuations in supply and demand. The industry has mandated the CDC to operate these programs in co-operation with the private sector. Generally, the CDC buys and stores butter in the spring and summer and sells it to processors in the fall. These purchases and sales are transacted at support prices. This year, it was necessary to rebuild private and CDC butter stocks using additional production over the national quota.

Total Requirements and Production

(million kg butterfat)

	Total Requirements	Imports	Total Quota	Total Production
2018-2019	385.67	4.95	388.12	379.05
2019-2020	395.50	7.22	388.28	382.20
2020-2021	410.74	12.82	397.92	396.04
2021-2022	412.18	15.17	397.01	395.96
2022-2023	416.76	17.70	399.05	404.59

CDC Inventory

	Opening Inventory	Purchases	Sales	Closing Inventory
		tonnes		
Butter (Plan A, B Imports)	8,705	14,795	14,594	8,906
Cheese (Plan C)	1,121	697	485	1,333

*CDC Inventory as of July 31, 2023

Plan C, a storage program for cheese similar to the Domestic Seasonality Programs for butter, helps to manage variations in supply and demand. Eligible cheeses under the program include cheddar, aged cheddar, mozzarella, and pizza mozzarella. The Plan C cheese program was designed to support the industry by purchasing cheese from processors who commit to repurchasing the product within a predetermined period. The cheese is bought and sold at the same price. Under this program, the CDC signs a storage agreement with cheese manufacturers who remain responsible for the storage of the product. The CDC provides a monthly payment to the processors to defray storage costs. The duration of the storage contract depends on the type of cheese.

Plan C may be activated under certain circumstances upon request from at least one provincial milk marketing board and approval by the Market Committee for a volume up to 5 million litres per occurence and a program limit of 20,000 MT of cheese per dairy year. During dairy year 2022-2023, Plan C was activated twice, once from December 2022 to January 2023 and again in May-July 2023, according to the initial terms and conditions established for the program.

Plan C will continue to be available under certain conditions to support the industry in times of milk surplus due to plant closures or reduction in processing activities.

IMPORTS

Under the terms of the World Trade Organization (WTO) Agreement on Agriculture, Canada has established tariff rate quotas (TRQ) for numerous dairy products. TRQs are the quantities of products that can enter Canada with little or no duty. With the support of the industry, the CDC has acted as the receiver of butter imports under the WTO TRQ through federal permits since 1995 and has directed this product to the further processing sector through butter manufacturers. The WTO TRQ for butter is 3,274 tonnes. Of this, approximately two thirds (2,000 tonnes) are specifically reserved for imports from New Zealand. During the 2022-2023 dairy year, the CDC imported its full WTO TRQ commitment of butter, including more than 2,000 tonnes from New Zealand.

PRODUCER RETURNS

Pricing

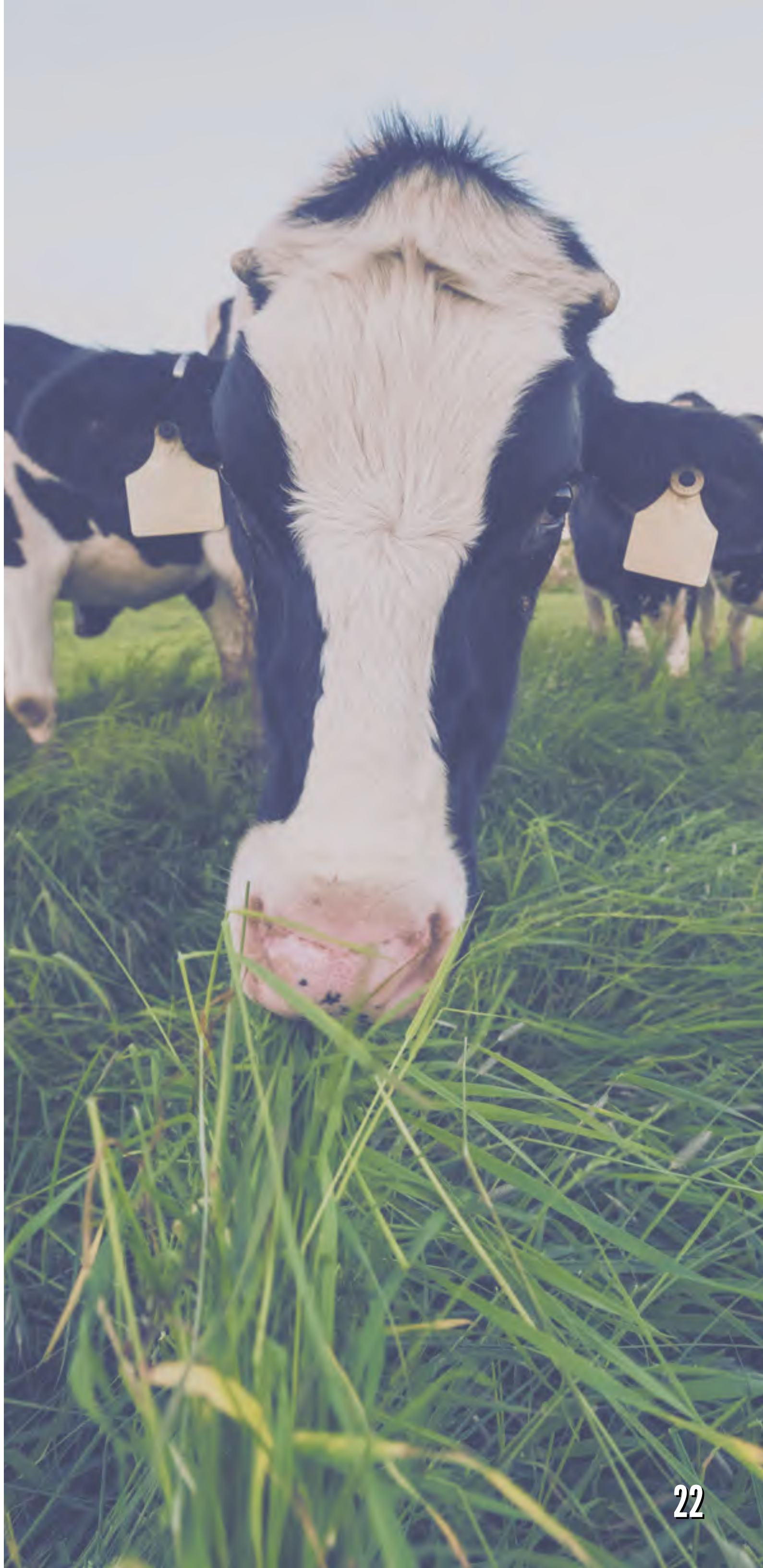
As part of the supply management system, the price that producers receive for their milk is regulated and varies depending on the end use of the milk.

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. The increase of the price of milk at the farm level that took place on September 1, 2022 was subtracted from the result of the pricing formula. Also, on February 1, 2023, the support price for butter increased from $10.0206 per kg to $10.2180 per kg.

In the last year, producers faced increases in feed costs, fertilizer costs, fuel costs, and interest rates. Disruptions to supply chains continue to put upward pressure on input costs. However, investments and productivity gains at the farm offset some of these increases.

The adjustment increased the price of milk used in the manufacture of dairy products such as milk, cream, yogurt, cheese and butter intended for the retail sector and foodservice industry by 2.2% on average. In addition, the CDC recognized an increase in processors' costs of 2.2% to offset the increasing costs of energy, packaging, labour and transportation. This increase in processors' costs only applied to butter sold by manufacturers in the context of the CDC's storage programs.

Click here for additional information on how the price of milk in set in Canada.



POOLING OF MARKETS AND PRODUCER RETURNS

In its role as a national industry facilitator, the CDC administers the three federal-provincial agreements that frame the sharing of revenues and markets among Canadian milk producers.

COMPREHENSIVE AGREEMENT ON POOLING OF MILK REVENUES (P10 AGREEMENT) & SHARING OF MARKETS

Producers across Canada share revenues from all milk.

For dairy producers, pooling revenues is a way to manage the financial risks associated with fluctuations in domestic markets. The pooling of revenues from milk sales enables producers to receive an average price per hectolitre or per kilogram of components, based on total sales.

The Comprehensive Agreement on Pooling of Milk Revenues (P10 Agreement) also provides a means for producers to share markets for the sale of milk to processors. In 2021-2022, the CDC initiated an update of the P10 Agreement in collaboration with provincial signatories to ensure that the text of the agreement reflects current practice. This process continued in 2022-2023.

REGIONAL POOLING AGREEMENTS

Regional pools are used to share various costs and programs that are specific to the regions. The CDC administers these agreements on behalf of the dairy sector. There are two regional pooling agreements in Canada: The Eastern Canadian Milk Pooling Agreement (P5) and the Western Milk Pooling Agreement (WMP).

NATIONAL POOLING

During the 2022-2023 dairy year, pooling of the P5 and the WMP worked jointly, as part of the P10 Pooling Committee, on national initiatives such as the Market Growth Program aimed at stimulating investment in Canada's dairy processing sector and adopted sharing policies related to skim milk. In addition, they worked on potential solutions to the structural surplus of solids non fat (SNF), on the transparency of the process for adjusting the price of milk on the farm, and on options to simplify the classification of dairy products. Finally, they showed great solidarity in ensuring coordination at the national level during several climate disasters across the country.

During the dairy year, the CDC supported the work of the P10 Committee through its role as a facilitator and thanks to its technical expertise.

INDUSTRY SUPPORT

Canadian Milk Supply Management Committee

The Canadian Milk Supply Management Committee (CMSMC) is the main national body for policy development and discussions in the sectors of dairy production and processing. It includes milk marketing boards and government representatives from all provinces and non-voting representatives from national consumer, processor, and producer organizations.

As chair of the CMSMC, the CDC provides ongoing leadership, advice, and analysis to the Canadian dairy industry, in close co-operation with national and provincial stakeholders. All decisions require the consensus from all provincial milk marketing boards.

Secretariat, IT and Translation Services

During the 2022-2023 dairy year, the CDC coordinated close to 145 meetings, webinars and conference calls and translated almost 570 documents in support of the regional pools, the CMSMC, and several working groups and national committees. After holding all its meetings on virtual platforms for several years due to measures put in place to fight COVID-19, the industry continued this approach for most of its meetings again this year, saving both time and money. In-person meetings are held as needed.

AUDITING

Most external audits cover companies participating in the Special Milk Class Permit Program (SMCPP). Risk assessment is used to identify high-risk companies among program participants. During the 2022-2023 dairy year, a total of 35 SMCPP audits were conducted, which is the same as the previous year. In conjunction with the SMCPP audits, the CDC audits companies participating in the Import for Re-Export Program (IREP), which is administered by Global Affairs Canada. However, due to lack of resources, fewer planned audits were conducted this year.

As of July 31, 2023, routine audit recoveries in the SMCPP totaled $29,200. These funds were returned to producers. These recoveries are lower than historical averages and will continue to be lower in the future as long-term participants better understand program requirements.

Audits for Milk Class 3(d) (Mozzarella for fresh pizzas) were performed and covered one franchise that represents a total of 68 restaurants. Targets will remain the same compared to prior years, as previous audits concluded that this was a low-risk area.

Joint milk utilization audits are underway with provincial auditors in British-Columbia and Ontario. A total of 9 joint audits were conducted in 2022-2023, which is higher than the CDC's projected target of 8. During the joint audits, the CDC contributed valuable expertise and supported harmonization of audit practices. Overall audit results were positive in this regard.

The CDC also performs the milk plant utilization audits on a cost-recovery basis in 8 provinces: Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Manitoba, Saskatchewan and Alberta.

Type of Audit	Auditee	Purpose of Audit
Revenue sharing	Provincial Boards	Verify completeness of pooled revenues from all 10 provinces.
Milk utilization	Processors	Verify accuracy and completeness of milk components reported in utilization classes and related programs (e.g., school milk program) in 8 provinces. (NL, PE, NS, NB, QC, MB, SK, AB)
Import for Re-Export Program (IREP)	IREP Participants	Verify compliance with program requirements on behalf of Global Affairs Canada.
Milk Class 3(d)	Distributors and restaurants using Mozzarella on fresh pizza	Verify compliance with class requirements.
Special Milk Class Permit Program	Distributors and further processors	Verify compliance with program requirements.

PROGRAMS

The Canadian Dairy Commission (CDC) administers several programs related to market supply and growth on behalf of the Canadian Milk Supply Management Committee (CMSMC).

Special Milk Class Permit Program

The CDC administers the Special Milk Class Permit Program (SMCPP) on behalf of the industry. The SMCPP was implemented in 1995 to allow further processors to remain competitive in the marketplace. Through this system, milk components (butterfat, protein and other solids) are made available at competitive prices to manufacture dairy ingredients destined for use in further processed products. Further processors can access these dairy ingredients by means of a Special Class permit issued by the CDC.

Class 5(a) permits are issued for cheese, class 5(b) permits are issued for all other dairy products, and class 5(c) permits cover dairy products used as ingredients in the confectionery sector. These permits can be used to source ingredients used in the manufacture of food products.

Further processors used their permits to buy the equivalent of 47.9 million kg of butterfat in the 2022-2023 dairy year, a decrease of 13% over the previous year. The decrease is mostly explained by less sales of Canadian butter for further processing. The number of active program participants on July 31, 2023, amounted to 1,776.

Class 3(d)

Class 3(d) was created to encourage restaurants to use Mozzarella on fresh pizzas. In 2022-2023, 1,168 restaurants joined the program, which is an increase over the 998 that registered the previous year. As of July 31, 2023, 10,439 restaurants were active program participants. The total amount of mozzarella used in the program for this dairy year was 44.6 million kg compared to 54.9[7] million kg used in 2021-2022.

Dairy Marketing Program

The CDC continues to encourage growth and innovation in the manufacture and use of dairy products and components through its Dairy Marketing Program.

In 2022-2023, the CDC was unable to travel to the Restaurants Canada trade show and other food science and industry events. Planning is underway for CDC employees to attend trade shows and industry events in dairy year 2023-2024. The CDC is updating its marketing tools accordingly.

[7] In the 2021-2022 Annual Report, it was reported that 51.4 million kg of Mozzarella was used in the program during that dairy year. The actual amount used was 54.9 million kg as stated above. Quantities are subject to fluctuation based on processor reporting. Processors frequently adjust their reporting up to 90 days after they have submitted their original data.

Nevertheless, the CDC continued to promote the Dairy Innovation Program, the Matching Investment Fund, Milk Class 3(d), the Special Milk Class Permit Program as well as other services the CDC offers to dairy processors and food manufacturers through virtual meetings and presentations.

Matching Investment Fund

The Matching Investment Fund (MIF) is designed to help eligible companies and food technology centres with product development initiatives that help stimulate demand for Canadian dairy products and ingredients.

In 2022-2023, the MIF received 10 applications. During the same period, one application was approved. Approved projects include activities such as consultation services, recipe formulation, product testing, and technology transfer.

Dairy Innovation Program

The Dairy Innovation Program (DIP) encourages the manufacture of new and innovative products on the domestic market. It allows for the addition of specific volumes of milk to provincial quotas to ensure that the milk supply needed to produce innovative products is available to successful applicants.

This dairy year, seven applications were received under the DIP. These projects represent a potential total utilization of 12 million litres of milk over three years.

During the 2022-2023 dairy year, dairy processing companies participating in the DIP across Canada used 24 million litres of milk to manufacture innovative cheeses and beverages in the provinces of Ontario, Québec, Manitoba and British Columbia.

Dairy Direct Payment Program

The Dairy Direct Payment Program (DDPP) provided compensation to Canadian dairy farmers for impacts of CETA and CPTPP. Funds amounting to $468 million were made available in the 2022-2023 fiscal year through direct payments to more than 10,000 Canadian eligible dairy producers with a valid dairy quota license registered with a provincial milk marketing board as of October 31 each year. AAFC mandated the CDC to administer the DDPP since the CDC works closely with the provincial milk marketing boards and has the expertise to deliver this program. Since 2019, the CDC has worked closely with Agriculture and Agri-Food Canada and provincial milk boards to ensure efficient and timely delivery of payments to producers under this program.

At the end of fiscal year 2022-2023, 96% of eligible dairy producers in Canada had registered and received their payment and 98% ($459.0 million) of the funds had been disbursed. This compares to 96% of producers and 98% ($460.3 million) of funds in 2021-2022.

The program ended March 31, 2023.

Dairy Direct Payment Program 2024-2030

The second iteration of the DDPP will begin in dairy year 2023-2024, and will be very similar to the first iteration of this program, including being administered by the CDC. The objective of the DDPP is to support dairy producers because of market access commitments made under recent international trade agreements. The program will make available $1.2 billion over 6 years to account for the impacts of the Canada-United States-Mexico Agreement (CUSMA).

Dairy Innovation and Investment Fund

In March 2023, the Government of Canada announced funding for the Dairy Innovation and Investment Fund (DIIF) of up to $333 million dollars over 10 years to support investments in processing capacity for solids non fat based (SNF) products.

The objective is to provide Canadian dairy processors with non-repayable contributions to make investments to help the supply-managed dairy sector better manage the structural surplus of SNF. These investments will add processing capacity for SNF or promote the use of these components in value-added products. The CDC will deliver this program on behalf of Agriculture and Agri-Food Canada (AAFC)

The DIIF will be launched in the fall of 2023.

PERFORMANCE AND GOALS

This section lists the Canadian Dairy Commission's (CDC) achievements for 2022-2023 as well as the goals it set for 2023-2024, including the objectives, performance indicators and results related to each.

ACHIEVEMENTS FOR 2022-2023

Despite some remaining challenges due to the COVID-19 pandemic, the CDC experienced a good year in 2022-2023 and achieved most of it's objectives.

SUPPORTING THE SUSTAINABILITY OF THE CANADIAN DAIRY INDUSTRY

5-year objective: In 2027, the CDC has supported the industry to develop value added markets for SNF.

Performance measure for 2022-2023	Target for 2022-2023	Results	% Complete
The CDC has helped the industry identify strategies for developing value-added markets for SNF and has supported the implementation.	3 strategies	Market Growth Program has been developed, which includes multiple strategies. Regular strategy discussions at Secretariat.	100%
The CDC has presented forecasts on demand for SNF to the industry every 6 months.	1 presentation in summer and 1 presentation in winter	Presentations and discussions with stakeholders happened more frequently than every 6 months	100%

CDC'S SUPPORT TOWARD THE DAIRY SUPPLY MANAGEMENT SYSTEM

5-year objective: In 2027, the Canadian supply management system continues to work optimally.

Performance measure for 2022-2023	Target for 2022-2023	Results	% Complete
A publication on market trends for industry and governments has been created and published online monthly.	Publication published monthly.	The Market Update was published monthly.	100%
The signatories have agreed on a final version of a new national revenue and market sharing agreement.	N/A	A new agreement has been drafted and consultations with signatories are ongoing	50%
The CDC was mandated by the CMSMC to start the modernization of the National Milk Marketing Plan (NMMP).	A new NMMP has been signed by the provinces and the CDC.	The CDC has not requested the mandate to modernize the NMMP from the CMSMC as work on the updated P10 Agreement is not completed.	0%
35 people registered for the online training modules.	35 registrations	70 registrations	100%
Three communications tools for Canadians were created and distributed.	3 tools	Process for the annual cost of production survey and pricing milk at the farm level document was published on the CDC website. A series of fact sheets on the CDC and on the dairy industry were published on the CDC website. A series of Infographics on the components of milk were published on the CDC website.	100%

CDC'S SUPPORT TOWARD THE DAIRY SUPPLY MANAGEMENT SYSTEM (continued)

Performance measure for 2022-2023	Target for 2022-2023	Results	% Complete
The support price for butter was reviewed and updated if needed. The new support price for butter is in effect if applicable.	Support price reviewed as needed.	The support price for butter was adjusted on February 1, 2023.	100%
Number of audits	179 MUA, 35 SMCPP, 8 joint audits, 3 IREP, 14 revenue sharing, 20 Class 3d, 2 internal audit and 1 program evaluation	Most of the activities were completed during the year, but due to lack of resources, not all the activities were completed.	95%
Monthly calculation and data transfers on target.	8 days maximum	Met every month	100%
Time from receipt of pooling data to quota allocation.	8 days maximum	Met every month	100%
Demand forecasts vs. actual demand	Within 2% of actual demand	Since January 2023, demand forecast is 0.7% above the actual demand on a cumulative basis. A revision may be required in Fall 2023 based on market trends.	100%
Import the WTO butter tariff rate quota	3,274 tonnes	3,274 tonnes imported	100%

PURSUIT OF ORGANIZATIONAL EXCELLENCE

5-year objective: In 2027, the CDC has the resources to deliver relevant programs and services.

Performance measure for 2022-2023	Target for 2022-2023	Results	% Complete
Level of staff satisfaction for the diversity and inclusion-related questions in the Annual Public Service Employee Survey remains above 85%.	Above 85%	Average level of staff satisfaction for the diversity and inclusion-related questions in the annual Public Service Employee Survey was 93%.	100%
A new staffing strategy has been developed and is implemented.	1 new staffing strategy	Strategy was developed and approved by Senior Management Team (SMT) and is in the process of being implemented.	85%
The CDC has organized three activities that contribute to the preservation of CDC's culture.	3 activities	Achieved	100%
Commercial operations partners have access to their data online.	50% of partners	The implementation of Odoo is behind schedule. Release will now be in spring 2024. However, progress has been made and most of the effort will be around customizing certain pieces and doing parallel runs.	50%
New applications for the Special Milk Class Permit Program are submitted online.	90% of new applications	The launch of the new applications portal has been delayed to 2023-2024. However, changes to simplify the application process have been put in place in 2022-2023.	0%
Weekly retail sales are automatically uploaded into a database and available for economic analysis to the CDC staff.	Weekly sales uploaded	Delayed due to contract renewal process. However, will be in place in late 2023.	0%

PURSUIT OF ORGANIZATIONAL EXCELLENCE (continued)

Performance measure for 2022-2023	Target for 2022-2023	Results	% Complete
The Green Committee made recommendations to improve the CDC's ecological footprint, which includes a recycling and composting program.	Composting and recycling program launched.	The program will be launched after the adoption of the policy.	0%
Green Policy is drafted and implemented.	Green Policy drafted and implemented.	The Green Policy has been drafted, and the Committee has been reconvened. Members will be responsible for reviewing the policy, which will then be submitted to the Senior Management Team for approval.	50%
The application process for the Special Milk Class Permit Program has been streamlined.	50% reduction in processing time	Target has been met	100%
The reconciliation process for the Special Milk Class Permit Program has been streamlined.	50% reduction in reconciliation time	Target has been met	100%

In 2022-2023 the CDC experienced a good year. The corporation and the industry have maintained a collaborative relationship; workforce numbers have stabilized and the administration of the various aspects of the supply management system is performed according to targets.

GOALS FOR 2023-2024

The CDC's performance objectives for 2023-2024 are based on the strategic themes and 5-year goals identified in its corporate plan.

Key Result Area

1. Supporting the Sustainability of the Canadian Dairy Industry

5-year Goals: In 2028, the CDC has contributed to creating conditions that encourage the development of value-added products and markets for SNF.

Strategy 1.1: Foster industry initiatives to rebalance the growth in demand for solids non fat (SNF) versus that for butterfat.

Year	Objectives	Performance Indicators	Targets for 2023-2024
2023-2024	Support industry initiatives to develop value-added markets for protein and other milk solids.	The CDC has succeeded in coordinating the launch of the new P10 program and is ready to receive applications.	Program launched
		The CDC has worked with Agriculture and Agri-Food Canada to design, launch and administer a program to support innovation and investment into projects to add value to SNF.	4 applications received
		The CDC has explored shorter-term solutions to the surplus of SNF as part of an overall strategy to manage the surplus of SNF.	Production of 2 feasibility studies

Strategy 1.2: Collaborate with partners across the dairy value chain in reducing the environmental footprint of the dairy sector.

Year	Objectives	Performance Indicators	Targets for 2023-2024
2023-2024	Support the industry in making dairy supply chains more efficient	The CDC has supported the industry to develop ecological strategies to eliminate food waste and find innovative ways to add value.	Consult with Dairy Farmers of Canada to see how the CDC can support them in reaching carbon neutrality by 2050. Consult with Dairy Processors Association of Canada to see how the CDC can contribute to reducing the environmental impact of this sector of the supply chain.

Strategy 1.3: Provide leadership to the industry as it adapts the supply management legal framework to current conditions

Year	Objectives	Performance Indicators	Targets for 2023-2024
2023-2024	Supply management rules are clear, up to date, and relevant.	Provinces have started the signature process for a new national revenue and market-sharing agreement.	The final version of the new agreement has been sent to the provinces for signature.
		A review of federal and provincial regulatory environments was completed to initiate regulatory modernization.	Review completed.

Key Result Area

2. Support for the Canadian Dairy Sector's Supply Management System

5-year Goals: In 2028, the Canadian supply management system continues to work optimally.

Strategy 2.1: Ensure that efficient producers receive a fait return for their labour and investments.

Year	Objectives	Performance Indicators	Targets for 2023-2024
2023-2024	Producers to receive fair returns.	The support price for butter was reviewed and updated if needed. The new support price for butter is in effect if applicable.	Support price was reviewed as needed.
	Number of audits:	161 MUA 35 SMCPP 9 Joint audits 3 IREP 10 revenue sharing 30 Class 3d 2 internal audits 1 program evaluation	161 MUA 35 SMCPP 9 Joint audits 3 IREP 10 revenue sharing 30 Class 3d 2 internal audits 1 program evaluation
	Timely and accurate revenue pooling calculations.	Monthly calculation and data transfers on target.	8 days maximum

Strategy 2.2: Ensure that Canadian milk production matches demand, including in unforeseen situations.

Year	Objectives	Performance Indicators	Targets for 2023-2024
2023-2024	Timely and sufficient supply of dairy products in the Canadian market.	Time from receipt of pooling data to quota allocation.	8 days maximum
	Timely and accurate allocation of quota to meet demand.	Demand forecasts vs. actual demand	Within 2% of actual demand
		Import the WTO butter tariff rate quota	3,274 tonnes

Key Result Area

3. Pursuit of Organizational Excellence

5-year Goals: In 2028, the CDC has the resources to deliver relevant programs and services.

Strategy 3.1: Improve how we attract, develop, and retain a complete, diverse and inclusive workforce with the necessary skills.

Year	Objectives	Performance Indicators	Targets for 2023-2024
2023-2024	An inclusive work environment that fosters staff development.	Level of staff satisfaction for the diversity and inclusion-related questions in the annual Public Service Employee Survey.	Above 85%
	Preservation of the CDC's organizational culture.	The CDC has organized three activities that contribute to the preservation of CDC's culture.	3 activities
		The CDC continues to advance GBA+ internally and within its programs in accordance with government guidelines.	GBA+ questions have been added to 2 CDC program guides.

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of the operating results and financial position of the Canadian Dairy Commission (CDC) for the year ending July 31, 2023, should be read in conjunction with the financial statements of the CDC enclosed and the annual report.

RESULTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Domestic Sales and Cost of Sales

For the year ended July 31

(in thousands)	2023	2022	$ change
Sales revenue	$ 142,497	$ 207,004	$ (64,507)
Cost of goods sold	$ 140,769	$ 203,767	$ (62,998)
Transport and carrying charges	$ 1,576	$ 2,082	$ (506)
Finance costs	$ 370	$ 200	$ 170
Gross profit (loss) on domestic sales	**$ (218)**	**$ 955**	**$ (1,173)**

The CDC purchases and sells butter to regulate the supply of dairy products in the domestic market throughout the year.

The CDC purchases butter in bulk under Plan A through the Domestic Seasonality Programs. This butter is sold to processors when domestic seasonal demand increases.

There was minimal activity in Plan A this year. The CDC sold 12 tonnes of Plan A butter compared to 126 tonnes in the previous year, which translated into a decrease in revenues of $0.99 million.

The CDC also purchases Plan B butter through the Domestic Seasonality Programs from processors who repurchase it within a predetermined period. For the 2022-2023 dairy year, the CDC sold 11,309 tonnes of Plan B butter compared to 20,315 tonnes in 2021-2022. The decrease of $68.15 million in revenue is mainly the result of lower purchases and sales of Plan B butter.

The CDC continues to import 3,274 tonnes of butter as part of Canada's commitments under the World Trade Organization (WTO) Agreement on Agriculture. This year, revenues from the sale of imported butter amounted to $30.62 million, which represents an increase of $4.63 million compared to last year. These products are purchased by the CDC at prevailing world prices, and they are predominantly directed to the further processing industry through butter manufacturers.

In the 2022-2023 dairy year, total revenues and cost of goods sold from sales decreased by $64.51 million and $63.0 million respectively, or 31% each, compared to the previous year. This is mainly explained by lower sales in the Domestic Seasonality Programs (Plan A and Plan B). This year, the CDC generated a loss on sales. This loss results from the Domestic Seasonality Programs activities and is partly offset by the imported butter activities. The loss from the Domestic Seasonality Programs represents the financing costs and the transport and carrying charges associated with these programs. Note that these costs continue to be entirely recovered from the marketplace and producers as part of the funding from milk pools.

Other Income

(in thousands) For the year ended July 31		2023		2022		$ change
Funding from milk pools	$	9,310	$	10,276	$	(966)
Funding from the Government of Canada	$	4,617	$	4,525	$	92
Professional services and other income	$	1,769	$	1,459	$	310
Total other income	**$**	**15,696**	**$**	**16,260**	**$**	**(564)**

Funding from milk pools represents the revenues obtained from producers and the marketplace to finance a portion of the CDC's administrative expenses, the cost of the annual cost of production survey, the carrying charges associated with CDC Plan A and Plan B butter stocks, the Plan C program expenses, and any recoverable industry committee expenses.

The funding decreased compared to the previous year mainly because of lower funding collected from the marketplace for carrying charges associated with Plan A and B butter stocks.

Funding from the Government of Canada represents funding received from parliamentary appropriations. The increase compared to last year is explained by additional parliamentary appropriations granted to fund increased salary expenses and the payment of accrued retroactive salary, following the implementation of new collective agreements.

Professional services and other income includes income relating to milk utilization audits, compensation received to administer the Dairy Direct Payment Program on behalf of Agriculture and Agri-Food Canada and interest revenue on funds held in trust by the Government of Canada. The increase in this year's professional services and other income is mainly because of interest revenues generated on deposits held in trust. All funds deposited by the CDC are first applied against any outstanding loans with the Government of Canada. Once all loans have been repaid funds are deposited to an account within the Consolidated Revenue Fund (CRF).

Operating and Administrative Expenses

For the year ended July 31

(in thousands)	2023	2022	$ change
Operating expenses			
Industry initiatives	$ 250	$ 717	$ (467)
Cost of production study	$ 992	$ 892	$ 100
Plan C program costs	$ 750	$ 1,218	$ (468)
Other charges (recoveries)	$ 544	$ 106	$ 438
Total operating expenses	**$ 2,536**	**$ 2,933**	**$ (397)**
Administrative expenses			
Salaries and employee benefits	$ 9,100	$ 8,164	$ 936
Other administrative expenses	$ 1,891	$ 2,057	$ (166)
Total administrative expenses	**$ 10,991**	**$ 10,221**	**$ 770**
Total operating and administrative expenses	**$ 13,527**	**$ 13,154**	**$ 373**

OPERATING EXPENSES

Industry Initiatives includes expenses relating to various CDC programs that provide benefits to the industry such as research, the Matching Investment Fund, and the Workforce Development Initiative. All programs had fewer expenses this year.

Cost of production study includes expenses relating to the annual survey on cost of production. The CDC uses the survey results when it sets the support price. The increase in costs is due to the expansion of the study to include additional farms and data.

Plan C program costs include storage, insurance and interest costs incurred for cheese purchased under this program. The decrease is because of less inventory under Plan C repurchase agreements being held throughout the year.

Other charges (recoveries) are mainly comprised of credits from the CDC's contribution to the cost of the production survey, charges incurred by the CDC on behalf of the milk pools, and bank charges from the milk pool account. It also includes unrealized gains or losses on outstanding foreign exchange contracts as at the Statement of Financial Position date, which vary in accordance with the fluctuations in exchange rates, as well as the carrying amount of outstanding foreign exchange contracts at the end of a given period. The increase is mainly due to the increase in meeting and interest expenses incurred on behalf of the milk pools.

ADMINISTRATIVE EXPENSES

Administrative expenses totaled $10.99 million this year compared to $10.22 million in the previous year. Salaries and employee benefits of $9.1 million make up the bulk of the administrative expenses. Other administrative expenses are mainly comprised of the depreciation on the right-of-use asset on the office lease, as well as professional and special services, and administrative support charges.

DISTRIBUTION TO PROVINCIAL BOARDS AND AGENCIES

Distribution to provincial boards and agencies represents the transfer of the surplus from the Domestic Seasonality Programs. As milk producers are responsible to finance these programs, any surpluses are transferred to the provincial milk marketing boards and agencies, who in turn redirect these funds to milk producers. The 2022-2023 transfer is $0.23 million, compared to $0.26 million last year.

KEY RESULTS OF STATEMENT OF FINANCIAL POSITION

Inventories

The value of inventories at the end of the year was $90.95 million, compared to an inventory value of $85.24 million at the end of the previous year.

Total CDC butter stocks at the end of the year were 8,906 tonnes, which represents an increase of 201 tonnes compared to last year.

Plan C repurchase agreements

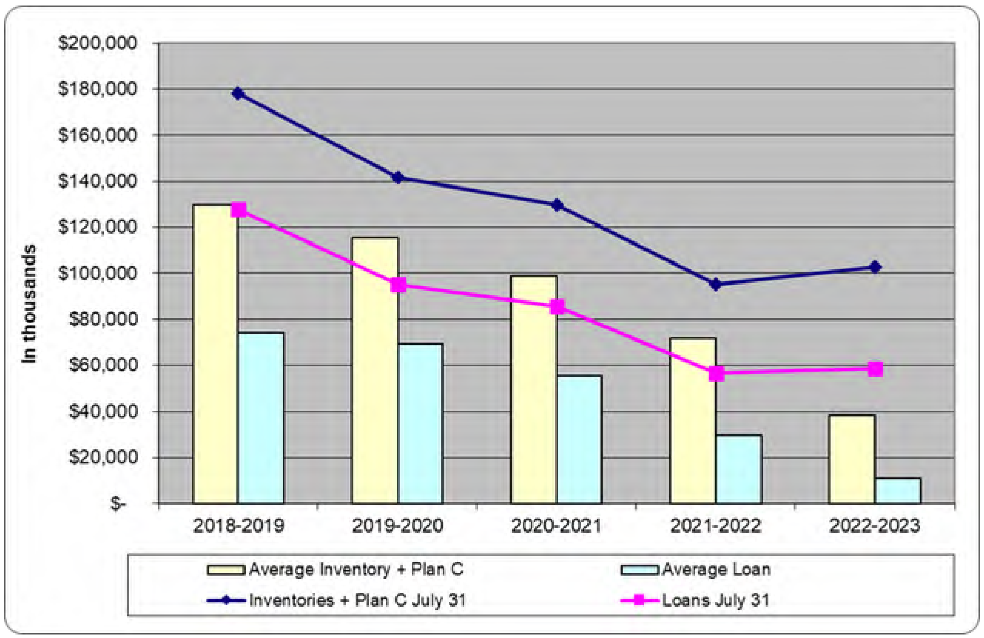
The CDC operates the Plan C storage and buy-back program for cheese on behalf of the CMSMC. When the program is active, processors may sell eligible cheese to the CDC through repurchase agreements that contractually obligate the processors to repurchase the cheese, at the same price and by a set date.

International Financial Reporting Standards (IFRS) require the CDC to account for these purchases as a financial asset as opposed to inventory, because transfer of control is not deemed to have occurred from an accounting standpoint. This financial asset is reported in "Plan C repurchase agreements" on the Statement of Financial Position. The cheese is held as collateral against the financial asset. As at July 31, 2023, the balance of outstanding Plan C repurchase agreements is $11.99 million compared to $10.09 million as at July 31, 2022. The quantity of cheese held as collateral for these repurchase agreements on July 31, 2023, totalled 1,333 tonnes.

LOANS FROM THE GOVERNMENT OF CANADA

There is a direct correlation between variations in the balance of outstanding loans from the Government of Canada and variations in the total balance of inventory and Plan C repurchase agreements because these assets are financed by the loans. The balance of loans from the Government of Canada increased from $56.64 million at the end of the previous year to $58.71 million at the end of the current year. The table below illustrates the correlation between the variations in the balance of outstanding loans and variations in the total balance of inventory and Plan C repurchase agreements over the last 5 years.

Comparison of Inventories and Plan C with Loans



RISK MANAGEMENT

As is the case for any business enterprise, the CDC is subject to risks in its ongoing operations. The CDC has identified the key risk factors to which it is exposed and has established policies and procedures to manage and mitigate these risks.

The CDC has prepared a Corporate Risk Profile which is reviewed and updated at least once per year by management.

It is updated during the year as needed with the latest review completed in February 2022 for dairy year 2022-2023 and March 2023 for dairy year 2023-2024. It identifies the key risks associated with CDC business and activities. It also evaluates the probability and potential impact of risk occurrences and defines mitigation measures to avoid or reduce risk. The organization's annual planning process is aligned with the Profile to ensure that higher-risk program areas and activities receive special consideration.

The Board and the Senior Management Team (SMT) share the responsibility for risk management. Each plays an integral role in the risk management process at the CDC.

The Board ensures that management identifies, monitors, and manages the CDC's corporate risks. It is responsible for providing a clear direction on risk tolerance and approving the Corporate Risk Profile. The Board is kept apprised of any changes to the risk profile through quarterly briefings.

At least once every quarter, the CDC Audit Committee monitors these risks as well as the progress in the implementation of the various mitigation measures. The SMT is responsible for assessing the CDC's key risk areas and ensuring that appropriate controls and other mitigation strategies are carried out to effectively manage these risks. This includes supporting risk awareness and communication throughout the organization.

Market risk is difficult to manage due to its unpredictability. The operations of the CDC are affected by many external factors such as world market conditions, developments in trade negotiations on agriculture, domestic market trends, and fluctuations in supply and demand. The CDC addresses these risks by instituting sound management practices, hiring and maintaining a competent and skillful workforce, and staying abreast of any market or political development that may affect its operations. The CDC manages the volatility of world markets by strategically buying imported butter by tender or competitive offers from reliable importers.

Credit risk is the risk of financial loss for one party due to another party failing to meet its financial obligations. The CDC manages its credit risk from customers by selling product on a "payment first" basis. Other strategies include carrying out business with creditworthy customers only. The CDC can also be exposed to credit risk when it holds foreign exchange contracts, which it manages by only entering into foreign exchange contracts with major Canadian financial institutions.

FUTURE ACCOUNTING STANDARD CHANGES

The *International Accounting Standards Board* has several projects underway, some of which may affect International Financial Reporting Standards (IFRS) applicable to the CDC. Management will continue to monitor all proposed and ongoing projects and consider whether any changes are expected to impact the CDC's reporting of financial information.

There are no new and revised IFRS accounting standards adopted by the CDC in the current dairy year. The new and revised IFRS accounting standards issued but not yet in effect are discussed in more detail in Note 3.

LOOKING TO THE FUTURE

In addition to contributing to the prosperity and viability of the Canadian dairy industry, activities of the CDC are aligned with the priorities in the CDC Chairperson's most recent mandate letter.

One of the main challenges that the industry will continue to face in the coming years is a significant increase in the surplus of solids non fat (SNF) on the Canadian market. The CDC will continue to provide support and leadership in proposing, analyzing and putting measures in place that will either reduce or help manage this surplus. For example, the CDC is working with AAFC to design, launch and administer the Dairy Innovation and Investment Fund (DIIF), a program to support innovation and investment into projects that add value to SNF. The CDC is also working with industry partners to create a suite of programs that will complement the DIIF and encourage investments in processing facilities.

Following the launch of these programs, the CDC will work with industry organisations on policies that may help reduce the production of SNF at the source.

As part of the government's strategy to combat climate change, Budget 2021 announced that Canada's Crown corporations would demonstrate climate leadership by adopting the Task Force on Climate-related Financial Disclosures (TCFD) standards, or more rigorous and acceptable standards as an element of their corporate reporting. In the next year, the CDC will begin its review of these standards to better understand its requirements and impacts. The CDC intends to start reporting on its climate-related risks in the 2024-2025 annual report.

Reducing Canada's greenhouse gas emissions and adapting to climate change remain urgent priorities for the Government. As a Crown corporation, the CDC will collaborate with partners across the value chain in reducing the environmental footprint of the dairy sector by making dairy supply chains more efficient and through the development of strategies to reduce food waste.

The CDC continues to be focused on ensuring that it has the people needed to support the dairy industry into the future. This includes improving how it attracts, develops, retains, and promotes a diverse and inclusive workforce and maintaining the CDC's positive and diverse organizational culture.

The CDC is also focused on taking advantage of the tools that technology can offer. As such, the CDC has embarked on moving its applications and databases to the cloud and on using a more modern application for its commercial operations. The Corporation is thankful for the expertise of Shared Services Canada and the Canadian Centre for Cyber Security for the monitoring of, and response to cyber threats. As it moves some services to cloud-based computing to better serve its partners and clients, the CDC is following all Treasury Board Secretariat directives to ensure safe operations.

Finally, in December 2022, the Treasury Board Secretariat announced the Direction on prescribed presence in the workplace. As of March 27, 2023, the CDC is fully compliant with the Direction. The CDC has ensured that all employees have the equipment and the accommodations required to provide quality services to the dairy supply chain while maintaining their safety and well-being, both while working in the office and teleworking.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Dairy Commission and all information in this Annual Report are the responsibility of management. Those statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments where appropriate. Financial information presented elsewhere in the Annual Report is consistent with the statements provided.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to CDC policies and statutory requirements. This process includes the communication and ongoing practice of the CDC's Code of Ethics.

The Audit Committee of the Canadian Dairy Commission, made up of the commissioners, oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The CDC's internal and external auditors have free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The financial statements of the CDC have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Benoit Basillais, CEO

Chantal Laframboise, Executive Director
Finance and Administration

Ottawa, Canada
September 26, 2023

The financial statements of the Canadian Dairy Commission and all the information in this Annual Report are the responsibility of management.

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Agriculture and Agri-Food

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canadian Dairy Commission (the CDC), which comprise the statement of financial position as at 31 July 2023, and the statement of operations and comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CDC as at 31 July 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 report. We are independent of the CDC 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. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance to the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 CDC'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 CDC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CDC's financial reporting process.

Auditor's Responsibilities to 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 these 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 CDC'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 Commission'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 Commission 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.

We 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.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canadian Dairy Commission coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canadian Dairy Commission Act* and regulations, the by-laws of the Canadian Dairy Commission, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Canadian Dairy Commission that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Canadian Dairy Commission's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canadian Dairy Commission to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Sophie Bernard, CPA
Principal
for the Auditor General of Canada

Ottawa, Canada
26 September 2023

The objectives of the CDC are to provide efficient producers of milk with the opportunity to obtain a fair return for their labour and investment, and to provide consumers with a continuous and adequate supply of dairy products.

Canadian Dairy Commission

Statement of Financial Position

(In thousands of Canadian dollars)

	For the year ended July 31, 2023	July 31, 2022
Assets		
Current		
Cash	$ 14	$ 3
Trade and other receivables		
Trade receivables	1,255	1,413
Advances to provincial milk marketing boards and agencies (Note 4)	11,082	8,362
Milk pools	1,619	1,496
Derivative asset - foreign exchange contracts	-	79
Inventory (Note 5)	90,954	85,243
Plan C repurchase agreements (Note 6)	6,508	4,104
	111,432	100,700
Non-Current		
Plan C repurchase agreements (Note 6)	5,484	5,986
Equipment	-	14
Intangible asset	20	49
Right-of-use asset (Note 7)	559	1,642
	$ 117,495	**$ 108,391**
Liabilities		
Current		
Bank overdraft (Note 8)	$ 11,082	$ 8,362
Trade and other payables		
Trade payables and accruals (Note 9)	18,507	15,086
Distribution to provincial milk marketing boards and agencies	230	260
Other payables	1,193	969
Deferred revenue (Note 10)	4	-
Loans from the Government of Canada (Note 11)	58,707	56,639
	89,723	81,316
Non-Current		
Lease liability (Note 7)	651	1,675
Equity		
Retained earnings	27,121	25,400
	$ 117,495	**$ 108,391**

Commitments (Note 16)

The accompanying notes are an integral part of these financial statements.

These financial statements were approved and authorized for issue on September 26, 2023.

Benoit Basillais
Chief Executive Officer

Jennifer Hayes
Chairperson

Chantal Laframboise
Executive director
Finance and Administration

Canadian Dairy Commission

Statement of Operations and Comprehensive Income (Loss)

(In thousands of Canadian dollars)

	For the year ended July 31, 2023	July 31, 2022
Domestic sales and cost of sales		
Sales revenue (Note 13)	$ 142,497	$ 207,004
Cost of goods sold	140,769	203,767
Transport and carrying charges	1,576	2,082
Finance costs	370	200
Gross profit (loss) on domestic sales	(218)	955
Other income		
Funding from milk pools (Note 13)	9,310	10,276
Funding from the Government of Canada (Note 13)	4,617	4,525
Professional services and other income (Note 13, 18)	1,769	1,459
	15,696	16,260
Total gross profit (loss) on domestic sales and other income	**15,478**	**17,215**
Operating expenses		
Industry initiatives	250	717
Cost of Production survey	992	892
Plan C program costs (Note 6)	750	1,218
Other charges (recoveries)	544	106
	2,536	2,933
Administrative expenses		
Salaries and employee benefits (Note 14)	9,100	8,164
Other administrative expenses	1,891	2,057
	10,991	10,221
Total operating and administrative expenses	**13,527**	**13,154**
Profit (loss) before distribution to provincial milk marketing boards and agencies	**1,951**	**4,061**
Distribution to provincial milk boards and agencies	230	260
Total comprehensive income (loss)	**$ 1,721**	**$ 3,801**

The accompanying notes are an integral part of these financial statements.

Canadian Dairy Commission

Statement of Changes in Equity

(In thousands of Canadian dollars)

	For the year ended July 31, 2023	For the year ended July 31, 2022
Retained earnings, beginning of the year	$ 25,400	$ 21,599
Total comprehensive income (loss) for the year	1,721	3,801
Retained earnings, end of the year	**$ 27,121**	**$ 25,400**

The accompanying notes are an integral part of these financial statements.

Canadian Dairy Commission

Statement of Cash Flows

(In thousands of Canadian dollars)

	For the year ended July 31, 2023	For the year ended July 31, 2022
Cash flows from (used) in operating activities		
Cash received from customers and others	$ 145,073	$ 207,983
Cash paid to suppliers and others	(158,763)	(199,460)
Cash receipts from provincial milk boards and agencies for pooling	6,467	13,044
Cash distributed to provincial milk marketing boards and agencies	(260)	(3,300)
Cash receipts from the Government of Canada	4,617	4,525
Interest income received	446	-
Interest paid on loans and the lease liability	(223)	(114)
Cash receipts from Plan C repurchase agreements	4,368	13,789
Cash paid for Plan C repurchase agreements	(6,270)	(4,948)
Net cash flows from operating activities	**(4,545)**	**31,519**
Cash flows from (used) in financing activities		
New loans from the Government of Canada	78,333	138,031
Loan repayments to the Government of Canada	(76,265)	(167,213)
Principal payments on the lease liability	(232)	(344)
Net cash flows used in financing activities	**1,836**	**(29,526)**
Net cash inflows (outflows)	**(2,709)**	**1,993**
Net cash (bank overdraft) at beginning of the year	(8,359)	(10,352)
Net cash (bank overdraft) at the end of the year	**$ (11,068)**	**$ (8,359)**
Components:		
Cash	$ 14	$ 3
Bank overdraft	(11,082)	(8,362)
Net cash (bank overdraft)	**$ (11,068)**	**$ (8,359)**

The accompanying notes are an integral part of these financial statements.

Since the introduction of supply management, the CDC has administered support prices and the national marketing quota. Each year, the CDC sets the support price for butter and skim milk powder after consulting industry members.

July 31, 2023
(In thousands of Canadian dollars, unless otherwise indicated)

1. Authority and objectives

The Canadian Dairy Commission (CDC) was established in 1966 through the *Canadian Dairy Commission Act*. It is a federal Crown corporation named in Part I, Schedule III and Schedule IV to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. It is an agent of His Majesty the King in right of Canada and reports to Parliament through the Minister of Agriculture and Agri-Food.

The objectives of the CDC are to provide efficient producers of milk with the opportunity to obtain a fair return for their labour and investment, and to provide consumers with a continuous and adequate supply of dairy products. To achieve its objectives, the CDC works closely with the Canadian Milk Supply Management Committee (CMSMC), which it chairs, as well as with provincial governments and provincial milk marketing boards and agencies. This collaboration is framed by federal-provincial agreements.

The CDC is partly funded by parliamentary appropriations. This is supplemented by funding from milk producers and the market, as well as by the CDC's own commercial operations.

Directive on Travel, Hospitality, Conference and Event Expenditures

In July 2015, the CDC was issued a directive (P.C. 2015-1104) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the CDC's Corporate Plan. As at July 31, 2023, the CDC continues to meet the requirements of this directive.

2. Basis of preparation

Statement of compliance

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The financial statements were approved and authorized for issue by the CDC Board on September 26, 2023.

Basis of presentation

The financial statements are prepared on a historical cost basis, as set out in the accounting policies below, except as permitted by IFRS and otherwise indicated within these notes.

Reporting period

The CDC reports on a dairy year basis which starts August 1 and ends July 31.

Key sources of estimation uncertainty and critical judgements

The preparation of financial statements in accordance with IFRS requires management to exercise judgement and make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Areas where management has exercised judgement and made significant use of estimates and assumptions are discussed below.

Revenue from the Dairy Direct Payment Program

The Government of Canada has committed to compensation payments to eligible dairy producers through the Dairy Direct Payment Program (DDPP) for the market access concessions made under certain trade agreements. The total compensation payments committed by the government is $345 million in 2020, $468 million in 2021, $469 million in 2022, and $468 million in 2023. As part of the program, the CDC is mandated by Agriculture and Agri-Food Canada (AAFC) to administer the DDPP for these four government fiscal years. AAFC provides administrative funding to the CDC on a cost recovery basis to fund the administration of the program.

As an agent administering the program on behalf of AAFC, revenue recognized by the CDC from the DDPP is limited to entitled administrative funding. The program ended on March 31, 2023.

Timing of satisfaction of performance obligations and incremental costs in contracts with customers

The CDC's contracts each contain a single performance obligation, the majority of which are satisfied at a point in time within a year. The CDC has four contracts with a performance obligation satisfied over time, which include the following:

- *Administration of the pooling agreements:* management has assessed that the satisfaction of this performance obligation is achieved on a monthly basis as pooling calculations are conducted.
- *Administration of the Dairy Direct Payment Program:* management has assessed that the satisfaction of this performance obligation is achieved over time as the CDC incurs recoverable administration costs. As the program ended on March 31, 2023, the revenue was fully recognized.
- *Two of the CDC's audit contracts :* management has assessed that the satisfaction of this performance obligation is achieved over time as the audit services are performed continually throughout the year.

Given that the CDC's contracts' performance obligations are satisfied within a year, the CDC recognizes the incremental contract costs as an expense when incurred.

Classification of Plan A & B Butter

Under section 9(1) of the *Canadian Dairy Commission Act*, the CDC operates domestic seasonality programs which include the purchase of Plan A and B butter. Plan A butter is purchased from processors that are not contractually obligated to repurchase the product, while Plan B butter is purchased from processors who are contractually obligated to repurchase the product at the prevailing support price at the end of an agreed upon period of time. Although the CDC customarily honours processors' requests to repurchase the Plan B butter, the CDC is not contractually obligated to sell the product back to the processors. Additionally, the CDC bears the significant risks of ownership when it holds the product, including theft and damage.

Given the CDC has a present ability to direct the use and obtain substantially all of the remaining benefits of the asset and bears the significant risks of ownership of the asset, management has concluded that control over the product is transferred to the CDC. Therefore, the CDC recognizes the Plan B butter purchased as inventory.

Reporting of the building lease

The CDC has a lease contract as a lessee on a building used for office accommodation and storage space. In concluding that the contract is or contains a lease, management made judgements in its assessment of whether the lease conveys the right to control the building, as demonstrated when the lessee has the right to obtain substantially all of the economic benefits and the right to direct the use of the asset.

The most significant items where estimates and assumptions are made by management are outlined below:

Allowance for inventory write-down

Management determines the allowance for inventory write-down through the use of assumptions. The net realizable value of inventory on hand at year-end is estimated using the price of milk on the international market as well as the price of existing contracts at or around year-end. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the Statement of Operations and Comprehensive Income (Loss) of the period in which they become known.

July 31, 2023
(In thousands of Canadian dollars, unless otherwise indicated)

Measure of Plan C repurchase agreements

Under section 9(1) of the *Canadian Dairy Commission Act*, the CDC operates programs which include the Plan C repurchase agreements, for which a description is provided in Note 6 - Plan C repurchase agreements.

Due to its financial arrangement's nature, IFRS requires the CDC to account for the Plan C repurchase agreements as financial assets. Management has used judgement to establish the valuation technique applied to measure the fair value of the Plan C repurchase agreements at initial recognition, as well as the discount rate applied as part of the discount rate adjustment technique.

Functional and presentation currency

These financial statements are reported in Canadian dollars, which is the functional and presentation currency of the CDC.

3. Significant accounting policies

Cash

Cash includes funds on deposit at financial institutions.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The classification and subsequent measurement model of financial instrument categories are described below.

Classifications and subsequent measurements:

Cash	Financial asset measured at amortized cost
Trade and other receivables	Financial asset measured at amortized cost
Plan C repurchase agreements	Financial asset measured at amortized cost
Bank overdraft	Financial liability measured at amortized cost
Trade and other payables	Financial liability measured at amortized cost
Loans from the Government of Canada	Financial liability measured at amortized cost
Derivative financial asset and liability	Financial assets or financial liabilities measured at fair value through profit loss (FVTPL)

July 31, 2023
(In thousands of Canadian dollars, unless otherwise indicated)

Financial assets and financial liabilities measured at amortized cost

Financial assets and financial liabilities measured at amortized cost are measured using the effective interest method.

Plan C repurchase agreements

The Plan C repurchase agreements are accounted for as financial assets. They are measured at fair value at initial recognition as it is different from their transaction price. The CDC calculates the fair value of the financial asset by applying the discount rate adjustment technique. The effective interest method is applied for subsequent measurement.

Derivative financial instruments

The CDC uses derivative financial instruments such as foreign exchange forward contracts to counter the adverse changes in foreign exchange related to purchases denominated in foreign currencies, including anticipated transactions, as well as to manage its cash balances and requirements. The CDC does not use freestanding derivative financial instruments for trading or speculative purposes. The CDC does not designate its foreign exchange forward contracts as hedges of underlying assets, liabilities, firm commitments or anticipated transactions and accordingly, does not apply hedge accounting.

The derivatives are initially recognized at fair value and are subsequently measured at FVTPL at the end of each reporting period. Changes in fair value are recorded as gains or losses in “Other charges” on the Statement of Operations and Comprehensive Income (Loss). A derivative with a positive fair value is presented as a financial asset while a derivative with a negative fair value is presented as a financial liability on the Statement of Financial Position.

Transaction costs

All transaction costs in respect of financial instruments classified as and subsequently measured at amortized cost are capitalized in the period in which they are incurred including at initial recognition. All transaction costs in respect of financial instruments classified as financial assets or financial liabilities measured at FVTPL are expensed in the period in which they are incurred.

Impairment

For trade and other receivables, any impairment provision must be measured applying the simplified approach for trade receivables as their payment terms do not include significant financing components. Under the simplified approach, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

For Plan C repurchase agreements, as the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses.

July 31, 2023
(In thousands of Canadian dollars, unless otherwise indicated)

Inventory

Inventory is reported at the lower of cost, which is the purchase cost, or the estimated net realizable value. Cost is determined on a first-in, first-out basis except for Plan B butter inventories where cost is determined based on specific identification. Write-downs to net realizable value are reversed when there is a subsequent increase in the value of inventory up to a maximum of the purchase cost. The reversal is recognized as a reduction to cost of sales and an increase to the net realizable value of inventory in the period in which it occurs.

Equipment

Equipment is reported at cost less accumulated depreciation. Cost includes all measurable expenditures directly attributable to the acquisition and installation of the equipment.

Depreciation is reported in “Other administrative expenses” on the Statement of Operations and Comprehensive Income (Loss) and begins when the equipment is available for use by the CDC. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset less estimated residual value as follows:

Generator	10 years
Computer equipment	3-5 years

Equipment is reviewed annually for indications of impairment or changes in estimated future economic benefits. If such impairment or changes exist, the carrying value is adjusted accordingly.

Intangible asset

Software

Internally developed application software is reported at cost less accumulated amortization. Cost includes all measurable expenditures directly attributable to the development of the software including employees’ salaries, consultant fees and other identifiable costs specific to the project.

Depreciation is reported in “Other administrative expenses” on the Statement of Operations and Comprehensive Income (Loss) and is calculated on a straight-line basis over its estimated useful life of ten years.

Software is reviewed annually for indications of impairment or changes in estimated future economic benefits. If such impairment or changes exist, the carrying value is adjusted accordingly.

Leases - as a lessee

At inception of a contract, an assessment is performed to determine whether a contract is, or contains, a lease. If it does, the CDC would recognize a right-of-use asset and lease liability on the Statement of Financial Position at the commencement date of the contract. A right-of-use asset represents the lessee's right to use the underlying asset for the lease term and a lease liability represents the lessee's obligation to make the lease payments in exchange for the right to use the underlying asset.

The CDC does not recognize a right-of-use asset or lease liability for a lease with a term of 12 months or less or a lease for which the underlying asset is of low value, in which cases the lease payments are recognized as an expense on a straight-line basis over the term of the lease.

Building lease

The lease contract on the building used for office accommodation and storage space is reported through a right-of-use asset and corresponding lease liability.

The carrying amount of the right-of-use asset on the office lease is reported at cost less accumulated amortization. Cost comprises the amount of the initial measurement of the lease liability.

There were no lease payments made in advance or accrued lease payments relating to the lease immediately before the date of initial application, lease incentives received or initial direct costs, that otherwise would have been considered in the initial measurement of the right-of-use asset. The right-of-use asset is reviewed annually for indications of impairment. If impairment exists, the carrying value is adjusted accordingly.

The carrying amount of the lease liability is reported at the present value of the future lease payments, discounted using the CDC's incremental borrowing rate as at the date of initial recognition, increased to reflect the interest on the lease liability and reduced to reflect the lease payments made as at the date of the financial statements.

Depreciation on the right-of-use asset and the interest on the lease liability are both recognized in "Other administrative expenses" on the Statement of Operations and Comprehensive Income (Loss). Depreciation is calculated on a straight-line basis over the term of the lease. The interest rate on the lease liability is the same as the discount rate used at initial recognition of the lease liability.

Distribution to provincial milk marketing boards and agencies and recovery from provincial milk marketing boards and agencies

The CDC administers the Domestic Seasonality Program and the Plan C repurchase agreements throughout the year. Any operating surplus or deficits generated by these programs are respectively returned to or recovered from the provincial milk marketing boards and agencies on an annual basis at year-end. In both cases, they are reported on the Statement of Operations and Comprehensive Income (Loss) in the year that they are determined. In the event of an operating surplus at year-end, the return is reported under "Distribution to provincial milk marketing boards and agencies". For an operating deficit, the recovery is reported under "Recovery from provincial milk marketing boards and agencies".

Revenue from contracts with customers

Sales revenues

Domestic sales of butter are recognized as revenue at a point in time when control of the product is transferred to a customer. Control is typically transferred when the product is loaded into the customer's transportation equipment at the CDC's warehouse facilities – the customer being responsible for the transportation of the product. The transaction prices are based on the Canadian support price or other prices established by the CDC.

Payments received in advance for the sale of butter not yet transferred to the purchaser as at the end of the reporting period are reported in "Deferred revenue" on the Statement of Financial Position.

Funding from milk pools

As acting agent in carrying out administrative functions of the Comprehensive Agreement on Pooling of Milk Revenues (a federal-provincial agreement), the CDC collects and redistributes producer market returns on behalf of the provincial milk marketing boards and agencies. For these services, the CDC receives from dairy producers an annual fixed fee which offsets the costs associated with the administration of the agreement. Furthermore, the CDC is reimbursed for estimated carrying charges for normal levels of butter inventory and for other direct costs, including carrying charges for surplus butter inventories and Plan C repurchase agreement costs. Funding from milk pools is recognized as revenue over time, which typically occurs on a monthly basis when pooling calculations are completed, and producer market returns are collected and redistributed among the provincial milk marketing boards and agencies.

Professional Services

Income from professional services includes revenues from audit services and revenues from administrative services rendered as part of the Dairy Direct Payment Program (DDPP).

The CDC has two different types of audit service contracts. The first type of contract requires the audit report to be delivered to satisfy the performance obligations. The revenue is recognized at a point in time when the audit reports are delivered. The second type of audit service contract requires the CDC to provide audit services over the span of the dairy year to satisfy the performance obligations. The revenue is recognized equally over the dairy year. The transaction price for audit services is based on individual service contracts.

As an agent in carrying out administrative functions of the DDPP, the CDC prepares and issues payments on behalf of Agriculture and Agri-Food Canada (AAFC). In exchange for rendering these services, the CDC is entitled to administrative funding from AAFC to offset the costs incurred while administrating the program. Revenues from administrative services are recognized over time at an amount equal to recoverable administrative costs incurred.

Performance obligation

The CDC has elected to apply the practical expedient to not disclose the information about its remaining performance obligations at the end of the reporting period given they are part of contracts that have an original expected duration of one year or less.

Funding from the Government of Canada

Funding from the Government of Canada is appropriated by Parliament to cover certain administrative expenses. The funding is recognized as revenue in the period the expenses are incurred.

Cost of sales

All butter sold was purchased by the CDC at either the Canadian support price or at other prices established by the CDC, depending on the intended resale markets, except for a portion of butter imported by the CDC at international market prices. These costs are recognized as expense under cost of sales when the sale of goods is recognized as revenue.

Other expenses

All other expenses are recognized in the period in which they are incurred. Estimates for accruals are made at the end of each reporting period.

Foreign currency translation

Transactions in currencies other than Canadian dollars are recognized at the prevailing exchange rate at the date of the transaction. At the end of each reporting period, any trade payables denominated in foreign currencies are adjusted to reflect the prevailing exchange rate on that date.

Exchange differences resulting from the settlement of transactions denominated in foreign currency, as well as exchange differences resulting from the adjustment of any trade payables denominated in foreign currency at the end of the reporting period, are recognized in “Cost of goods sold” on the Statement of Operations and Comprehensive Income (Loss).

Employee benefits

Pension benefits

Eligible CDC employees are covered by the public service pension plan (the “Plan”), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the CDC to cover current service cost of the Plan. Pursuant to legislation currently in place, the CDC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the period when employees have rendered service and represent the total pension obligation of the CDC.

New and revised IFRS accounting standards issued, but not yet effective

The below amendments to the standards issued by the International Accounting Standards Board (IASB) are effective for various annual reporting periods beginning on or after January 1, 2023, and have not yet been adopted by the CDC. The CDC is currently assessing the possible impact of these amendments on future financial statements.

Classification of Liabilities as Current or Non-Current (IAS 1 - Presentation of Financial Statements

In January 2020, the IASB published an amendment to IAS 1 relating to the classification of current and non-current liabilities. This amendment is effective for annual reporting periods beginning on or after January 1, 2024. When this amendment is adopted, a liability is to be classified as non-current if the entity has a “right” to defer settlement “at the end of the reporting period” irrespective of the entity’s intention to defer its settlement. The amendment defines *settlement* as follows: “for the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability.”

July 31, 2023
(In thousands of Canadian dollars, unless otherwise indicated)

Disclosure of Accounting Policies (IAS 1 - Presentation of Financial Statements of IFRS Practice Statement 2)

In February 2021, the IASB published an amendment to IAS 1 and IFRS Practice Statement 2 relating to the disclosure of accounting policies. This amendment is effective for annual reporting periods beginning on or after January 1, 2024. The wording in the standard was changed from requiring the disclosure of significant accounting policies to requiring the disclosure of material accounting policies in the notes to the financial statements. Further guidance is provided to identify accounting policies that are deemed material. In the IFRS Practice Statement 2, a “fourstep materiality process” was included to help apply the changes to the standard.

Definition of Accounting Estimates (IAS 8 - Accounting policies, changes in accounting estimates and errors)

In February 2021, the IASB published amendments to IAS 8 to replace the definition of a change in accounting estimates with a new definition of accounting estimates. This amendment is effective for annual reporting periods beginning on or after January 1, 2023. Accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendment is intended to help financial statement preparers distinguish between changes in estimates and changes in accounting policies.

4. Advances to Provincial Milk Marketing Boards and Agencies

Advances are made to certain provincial milk marketing boards and agencies to help them cash manage the monthly timing difference between when they pay producers within their province and when they receive their cash distribution resulting from the monthly pooling calculation of milk revenues.

Eligibility to receive an advance, as well as the maximum allowable advance, are based on a methodology approved by the Canadian Milk Supply Management Committee (CMSMC). The advance is provided using the line of credit established for this purpose (see Note 8 – Bank overdraft).

5. Inventory

The CDC’s inventory includes butter purchased under the Domestic Seasonality Program, and butter imported by the CDC under the World Trade Organization (WTO) Agreement on Agriculture.

Inventory:

			As at:	
	July 31, 2023		July 31, 2022	
	in $	in tonnes	in $	in tonnes
Plan B butter	$ 90,954	8,906	$ 85,117	8,692
Other butter	-	-	126	13
Total net realizable value	$ 90,954		$ 85,243	

(In thousands of Canadian dollars, unless otherwise indicated)

Inventory expensed in the period ended July 31, 2023 was $140.77 million (July 31, 2022: $203.77 million) and is reported on the Statement of Operations and Comprehensive Income (Loss) in cost of goods sold.

6. Plan C repurchase agreements

Under section 9(1) of the *Canadian Dairy Commission Act*, the CDC operates programs which include the Plan C storage and buy-back program for cheese (Plan C repurchase agreements). The program consists of repurchase agreements to initially purchase cheese from a processor up to an agreed quantity at a pre-established purchase price, and temporarily storing the product for a set period of time, after which the processor is contractually obligated to repurchase the product.

Although legally the cheese is purchased and owned by the CDC, an activity that is consistent with permissible use of government loans under the *Canadian Dairy Commission Act*, IFRS requires the CDC to account for the Plan C repurchase agreements as financial arrangements and must therefore be reported as financial assets, as opposed to inventory. This financial asset is reported in “Plan C repurchase agreements” on the Statement of Financial Position. No domestic sales revenue is reported when Plan C cheese is repurchased.

The following represents a reconciliation of the current and non-current portions of Plan C repurchase agreements as presented on the Statement of Financial Position based on their maximum repurchase dates as at:

	July 31, 2023	July 31, 2022
Current	$ 6,508	$ 4,104
Non current	5,484	5,986
Balance as at July 31, 2022	$ 11,992	$ 10,090

All non-current Plan C repurchase agreements will be repurchased by June 2025.

Program expenses are recognized in “Plan C program costs” on the Statement of Operations and Comprehensive Income (Loss) and is fully recoverable through funding from milk pools.

7. Right-of-use asset and lease liability

The CDC’s only right-of-use asset and lease liability pertain to a building under a lease contract with the Government of Canada. The building is used for its office accommodation and storage space. The lease renewal option for the building lease came into effect on April 1, 2022, which extends through March 31, 2027. As of April 1, 2023, an amendment was made to the current lease contract, amending the lease payment amounts and schedule.

(In thousands of Canadian dollars, unless otherwise indicated)

The following represents a reconciliation of the opening and closing balance of the right-of-use building:

Balance as at August 1, 2022	$	1,642
Depreciation charge for the year before lease modification		(235)
Carrying amount as at March 31, 2023		1,407
Lease modification on March 31, 2023		(797)
Balance as at April 1, 2023		610
Depreciation charge for the year after lease modification		(51)
Carrying amount as at July 31, 2023	$	559

The following represents a reconciliation of the opening and closing balance of the building lease liability:

Balance as at August 1, 2022	$	1,675
Interest expense before lease modification		14
Lease payments before lease modification		(247)
Balance as at March 31, 2023		1,442
Lease modification on March 31, 2023		(797)
Balance as at April 1, 2023		645
Interest expense after lease modification		6
Lease payments after lease modification		-
Balance as at July 31, 2023	$	651
Current		243
Non-current		408
Balance as at July 31, 2023	$	651

The total cash outflow for the building lease liability for the period ended July 31, 2023 was $0.25 million (July 31, 2022: $0.37 million), including principal and interest payments. The total expense relating to short-term leases or leases for which the underlying asset is of low value, is not material.

8. Bank overdraft

The CDC has established a line of credit with a member of the Canadian Payments Association. This line of credit was authorized by the Minister of Finance up to a maximum of $50 million with its intended use of advancing funds to the provincial milk marketing boards and agencies. The line of credit is provided in the form of a bank overdraft. As at July 31, 2023, the established credit limit from the bank is $25 million (July 31, 2022: $25 million). This loan is due on demand and bears interest calculated at the prime rate of 7.20% per annum as at July 31, 2023 (July 31, 2022: 4.70%).

9. Trade payables and accruals

Trade payables and accruals include:

	July 31, 2023		July 31, 2022	
Trade payables	$	6,416	$	2,113
Accruals		12,091		12,973
Total	$	18,507	$	15,086

(In thousands of Canadian dollars, unless otherwise indicated)

10. Deferred revenue

Deferred revenue is comprised of payments received in advance for the sale of product not transferred to the purchaser as at the end of the reporting period.

Revenue recognized in the period that was included in deferred revenue at the beginning of the reporting period is nil (July 31, 2022: $0.92 million).

11. Loans from the Government of Canada

Loans from the Government of Canada's Consolidated Revenue Fund are available to finance operations, up to a maximum of $350 million (July 31, 2022: $450 million). Note however that the combined total outstanding borrowings at any time for the Loans from the Government of Canada and from the Bank overdraft (discussed in Note 8 – Bank overdraft) cannot exceed $350 million (July 31, 2022: $500 million).

Individually, the loans mature one year after the funds are advanced. Principal and interest are paid regularly during the year when funds are available. Changes in Loans from the Government of Canada are due to cash flows from and used in financing activities, which is reflected in the Statement of Cash Flows.

Interest on the loans is calculated at the normal rates established for Crown corporations by the government and based on the latest available yields on comparable term Treasury bills plus one eighth of one percent at simple interest. Interest rates and interest expense were as follows:

	For the year ended:	
	July 31, 2023	July 31, 2022
Interest Rate		
Low	1.60 %	0.17 %
High	5.16 %	2.82 %
Interest Expense	$ 422	$ 245

12. Capital management

The CDC's capital management framework ensures sufficient liquidity to settle financial obligations and adequate funding for programs that benefit the dairy industry. The CDC does not utilize any quantitative measurements to monitor its capital, but the CDC adjusts its capital management framework on an ongoing basis as amounts fluctuate during the year. There were no adverse changes made to the capital management framework or its definition thereof.

The CDC's capital structure consists of loans from the Government of Canada (see Note 11) and retained earnings. As at July 31, 2023, these accounts totalled $58.71 million (July 31, 2022: $56.64 million) and $27.12 million (July 31, 2022: $25.40 million) respectively. The CDC is not subject to any externally imposed capital requirements.

(In thousands of Canadian dollars, unless otherwise indicated)

13. Disaggregation of revenue

The CDC derives its revenue from the following segments:

	For the year ended: July 31, 2023		For the year ended: July 31, 2022	
Domestic sales				
Plan A butter	$	118	$	1,105
Plan B butter		111,762		179,908
Imported butter		30,617		25,991
Domestic sales revenue	$	142,497	$	207,004
Milk pools				
Funding for administrative expenses	$	4,520	$	4,520
Funding for Plan A and Plan B butter and Plan C cheese carrying charges		3,344		4,699
Other recoverable expenses		1,446		1,057
Funding from milk pools	$	9,310	$	10,276
Professional services and other income				
Administrative services	$	353	$	366
Audit services		970		1,093
Interest income		446		-
Professional services and other income	$	1,769	$	1,459
Funding from the Government of Canada	$	4,617	$	4,525
Total revenue	$	158,193	$	223,264

14. Salaries and employee benefits

Salaries and employee benefits includes:

	For the year ended: July 31, 2023		For the year ended: July 31, 2022	
Salaries expense	$	7,536	$	6,750
Pension contributions		983		878
Medical insurance expense		310		290
Other expenses		271		246
Total	$	9,100	$	8,164

Pension plan

Substantially all CDC employees are covered by the public service pension plan (the “Plan”). Given the Plan is sponsored by the Government of Canada, the President of the Treasury Board of Canada sets the required employer contributions, which are based on a multiple of the employee’s required contribution. The general contribution rate effective for the period ended July 31, 2023, was on average 1.01 times the employee’s rate (July 31, 2022: 1.01 times the employee’s rate).

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service multiplied by the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

July 31, 2023
(In thousands of Canadian dollars, unless otherwise indicated)

15. Financial instruments

Fair value hierarchy and fair value techniques of financial instruments

Financial instruments reported at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs to valuation techniques used to measure fair value.

The fair value hierarchy, which for the CDC only applies to derivative financial instruments, has the following levels:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs are unobservable inputs for the asset or liability (i.e. not based on observable market data).

The fair value measurement of financial derivative assets and liabilities, specifically the "Derivative asset – foreign exchange contracts" and "Derivative liability – foreign exchange contracts", were classified as level 2 of the fair value hierarchy as at July 31, 2023, and July 31, 2022. The fair value measurement of foreign currency forward contracts is based on the prevailing exchange rate at the end of the reporting period.

All other financial instruments that the CDC holds are reported at amortized cost. The fair value of these financial instruments approximates their carrying amount due to their short-term maturity or nature.

In the normal course of operation, the CDC is exposed to the following risks, which are managed and mitigated with corresponding policies and procedures:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The CDC is exposed to this risk when purchasing goods through its normal international commercial operations. The CDC mitigates this exposure by only contracting in US and Canadian dollars. Also, the CDC uses foreign exchange forward contracts to lock future exchange rates on certain foreign currency exposures.

This is done to stabilize the impact of exchange on future cash flows resulting from the purchase of goods on existing contracts requiring payment in US dollars.

As at July 31, 2023 and July 31, 2022, the exposure to currency risk was not material.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The line of credit, for which interest varies as a function of prime, and loans from the Government of Canada, for which interest varies as a function of the yield on comparable Treasury bills, expose the CDC to a cash flow risk. The changes in interest rates in the last year have not had a material impact on the CDC due to the low levels of government loans throughout the year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The CDC is not significantly exposed to this type of risk.

Liquidity risk

Liquidity risk is the risk that the CDC will not be able to meet its financial obligations as they fall due. As at the Statement of Financial Position date, other than some of the Plan C repurchase agreements, all of the CDC’s financial instruments are current and the CDC has a current ratio equal to 1.24 (July 31, 2022: 1.25). In managing liquidity risk, the CDC has access to additional borrowings for commercial operations from the Government of Canada in the amount of $ 291.29 million (July 31, 2022: $393.36 million), as well as $13.92 million (July 31, 2022: $16.64 million) on its line of credit for the pooling of market returns, both as at July 31, 2023. The combined total outstanding borrowings at anytime from these two sources cannot exceed $350 million (July 31, 2022: $500 million), meaning that the overall access to additional borrowings, combined for commercial operations and for pooling of market returns, is $280.21 million as at July 31, 2023 (July 31, 2022: $435.00 million).

Credit risk

Credit risk is the risk of financial loss for one party due to another party failing to meet its financial obligations.

The CDC manages the credit risk from trade receivables by selling product on a “payment first” basis. The CDC considers the credit risk associated with other receivables not material given those amounts are withheld from amounts owed back to the provincial milk marketing boards and agencies. As at July 31, 2023, and July 31, 2022, the CDC does not have an allowance for doubtful accounts and all trade and other receivables are current.

July 31, 2023
(In thousands of Canadian dollars, unless otherwise indicated)

The CDC manages the credit risk from Plan C repurchase agreements by only entering into agreements secured by the right to the cheese, and agreements that provide recourse to the CDC if the processor fails to meet its repurchasing obligation. Additionally, losses arising from the Plan C repurchase agreements, if any, are guaranteed by the provincial milk marketing boards and agencies through a decision by the Canadian Milk Supply Management Committee (CMSMC). As at July 31, 2023, and July 31, 2022, the CDC does not have a loss allowance for Plan C repurchase agreements given no credit loss is expected within the next 12 months.

The CDC is exposed to credit risk when it holds foreign exchange forward contracts. This exposure is limited to the notional amount of Derivative asset or liability – foreign exchange contracts when held. The CDC manages this risk by only entering into foreign exchange forward contracts with major Canadian financial institutions. To date, no such counterparty has failed to meet its financial obligation to the CDC.


16. Commitments

Industry Initiatives

Industry initiatives are initiatives that provide benefits to the industry, such as the Matching Investment Fund and the Workforce Development Initiative.

Matching Investment Fund

The CDC funds and administers the Matching Investment Fund which provides non-repayable contributions to Canadian-registered companies or food technology centres for product development, on an investment matching basis. As at July 31, 2023, the CDC has outstanding contractual commitments of up to $0.02 million (July 31, 2022 $0.07 million).

Workforce Development Initiative

The Workforce Development Initiative encourages productivity, competitiveness, and innovation in the Canadian dairy industry by supporting the education and recruitment of a qualified workforce. As at July 31, 2023, the CDC has outstanding contractual commitments of $0.15 million (July 31, 2022 $0.30 million).


Butter purchase commitments

As at July 31, 2023, the CDC has commitments to purchase predetermined quantities of butter. These commitments amounted to approximately $0.40 million (July 31, 2022: $4.35 million) and will be fulfilled by August 2023.

WTO Tariff Rate Quotas for butter

The Government of Canada establishes tariff rate quotas (TRQ) for a number of dairy products, limiting the quantity of product that can enter the country with little or no duty. As part of the terms of the WTO Agreement, Canada is committed to providing minimum annual market access opportunities for butter totalling 3,274 tonnes. Since 1995, subject to renewal each quota year (August to July), the CDC is mandated by the Minister of International Trade to ensure that this butter TRQ, established in response to the 1994 WTO Agreement, is fully used and that the imported butter is redistributed to the Canadian food sector through butter manufacturers.

As at July 31, 2023, the TRQ on butter is entirely used for quota year 2022-2023. The CDC is committed under the same conditions for quota year 2023-2024 and the allocation under this butter TRQ remains at 3,274 tonnes. The financial impact of this commitment for the next period is affected by the price variability between countries and type of eligible butter products, as well as the foreign exchange rates.

The total cost to purchase imported butter for the period ending July 31, 2023, was $29.66 million (July 31, 2022: $22.96 million).

17. Related party transactions

Government of Canada Entities

The CDC, as per the *Canadian Dairy Commission Act*, is an agent of His Majesty the King in right of Canada.

The CDC is related in terms of common ownership to all other Government of Canada departments, agencies and Crown corporations. The CDC enters into transactions with these entities in the normal course of operations and at normal trade terms. These related party transactions are reported at their exchange amounts.

Under IAS 24 – *Related Party Disclosures*, the CDC is exempt from certain disclosure requirements relating to transactions and outstanding balances with:

- a government that has control, joint control or significant influence over the reporting entity and;
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Accordingly, the CDC discloses limited information regarding transactions entered with the Government of Canada and its departments, and with all federal Crown corporations not considered to be individually or collectively significant.

The CDC's transactions with government-related entities that were individually significant relate to Loans from the Government of Canada (Note 11) and Funding from the Government of Canada.

All other transactions with government-related entities are individually and collectively insignificant for the reporting periods.

Key management personnel

The CDC's key management personnel are the members of the Commission's Board and the directors.

No loans or similar transactions with key management personnel are outstanding as at July 31, 2023, or July 31, 2022. There were no transactions of this nature during either period.

Post-employment benefit liability for key management personnel reported under "Other payables" on the Statement of Financial Position amounts to $0.05 million as at July 31, 2023 (July 31, 2022: $0.05 million).

Compensation of key management personnel for the reporting period is $1.67 million (July 31, 2022: $1.51 million).

18. Reclassification

The CDC has changed the presentation of "Professional Services" in the Statement of Operations and Comprehensive Income (Loss). The line item has been changed to "Professional Services and Other Income" in order to accommodate for interest income from funds on deposit at financial institutions and with the Government of Canada. Therefore, "Professional Services and Other Income" under the current presentation includes income earned for audit services, administrator services and interest income. A breakdown of "Professional Services and Other Income" is provided in Note 13. As this revenue stream was added in the current year there is no comparative data for July 31, 2023.

CANADIAN DAIRY COMMISSION

WWW.CDC-CCL.GC.CA