



Canadian Dairy  
Commission

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## **Quarterly Financial Report**

**First quarter of 2024-2025**



## Contents

Management Discussion and Analysis.....	3
1. Basis of Preparation .....	3
2. Results of Operations and Comprehensive Income (Loss) .....	3
3. Key Results of the Statement of Financial Position .....	5
4. Outlook against the Corporate Plan Summary .....	7
5. Parliamentary Appropriations.....	7
6. Risk Management .....	8
7. Significant Changes .....	8
Statement of Management Responsibility .....	9
Interim Condensed Statement of Financial Statements (unaudited).....	10
Notes to the unaudited Interim Condensed Financial Statements .....	14



# First Quarter 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 quarter ended on October 31, 2024, should be read in conjunction with the financial statements enclosed herein and the 2023-2024 Annual Report.

### 1. Basis of Preparation

This discussion was prepared in accordance with the *Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*. This narrative discussion is not intended to be a full Management Discussion and Analysis (MD&A). Disclosures and information in the Canadian Dairy Commission's 2023-2024 annual report are assumed to apply to the current quarter unless otherwise updated below.

The financial statements are unaudited and have been prepared in Canadian dollars in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) and the *Treasury Board of Canada's Directive on Accounting Standards: GC 5200*. This narrative discussion and the accompanying financial statements were reviewed and approved by the CDC Board of directors.

### 2. Results of Operations and Comprehensive Income (Loss)

#### Domestic Sales and Cost of Sales

(in thousands)	For the three-months end		
	Oct 31, 2024	Oct 31, 2023	\$ change
Sales revenue	\$ 84,419	\$ 86,659	\$ (2,240)
Cost of goods sold	\$ 83,812	\$ 85,821	\$ (2,009)
Transport and carrying charges	\$ 933	\$ 601	\$ 332
Finance costs	\$ 588	\$ 291	\$ 297
<b>Gross profit (loss) on domestic sales</b>	<b>\$ (914)</b>	<b>\$ (54)</b>	<b>\$ (860)</b>

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

In the first quarter, total sales revenue and cost of goods sold decreased as a result of less butter sold overall. The gross loss increased due to higher operating costs from the Domestic Seasonality Programs; the program costs are higher due to higher levels of Plan B butter inventory.

Note that the transport and carrying charges, as well as the finance costs, incurred while operating the Domestic Seasonality Programs, are entirely recovered from the marketplace and producers through funding from milk pools. Therefore, the impact of sales activities in these programs on total comprehensive income (loss) is limited to the difference between sales revenue and cost of goods sold.



### Other Income

(in thousands)	For the three-months end		
	Oct 31, 2024	Oct 31, 2023	\$ change
Funding from milk pools	\$ 2,567	\$ 2,440	\$ 127
Funding from the Government of Canada	\$ 1,249	\$ 1,093	\$ 156
Professional services and Other Income	\$ 607	\$ 418	\$ 189
<b>Total other income</b>	<b>\$ 4,423</b>	<b>\$ 3,951</b>	<b>\$ 472</b>

Funding from milk pools consists of revenue for services rendered while administering the Comprehensive Agreement on Pooling and Milk Revenue, as well as funding to offset the costs incurred to carry butter under Domestic Seasonality Programs and to operate the Plan C program. It also includes additional funding received to offset other expenses incurred on behalf of the provincial milk marketing boards and agencies.

Funding from the Government of Canada represents funding received from parliamentary appropriations recognized as other income when government-funded administrative expenses are incurred. For additional information regarding the CDC's parliamentary appropriations, refer to section 5 of the Management Discussion and Analysis.

Professional services and Other income includes revenues relating to milk utilization audits, funding received to administer the Dairy Direct Payment Program (DDPP) and the Dairy Innovation Investment Fund (DIIF) on behalf of Agriculture and Agri-Food Canada, and interest income.

### Operating and Administrative Expenses

(in thousands)	For the three-months end		
	Oct 31, 2024	Oct 31, 2023	\$ change
<i>Operating expenses</i>			
Industry initiatives	\$ -	\$ 123	\$ (123)
Cost of production study	\$ 284	\$ 257	\$ 27
Plan C program costs	\$ 436	\$ 191	\$ 245
Other charges (recoveries)	\$ (327)	\$ 159	\$ (486)
<b>Total operating expenses</b>	<b>\$ 393</b>	<b>\$ 730</b>	<b>\$ (337)</b>
<i>Administrative expenses</i>			
Salaries and employee benefits	\$ 2,371	\$ 2,332	\$ 39
Other administrative expenses	\$ 577	\$ 461	\$ 116
<b>Total administrative expenses</b>	<b>\$ 2,948</b>	<b>\$ 2,793</b>	<b>\$ 155</b>
<b>Total operating and administrative expenses</b>	<b>\$ 3,341</b>	<b>\$ 3,523</b>	<b>\$ (182)</b>

#### Operating Expenses

Industry initiatives includes expenses relating to various CDC programs that provide benefits to the industry. No expenses were incurred in the first quarter.

Cost of production study includes expenses relating to the annual survey on cost of production. The CDC uses the survey results when it sets support prices.



Plan C program costs include storage, insurance and interest costs incurred for cheese purchased under this program.

Other charges (recoveries) are comprised of credits from the CDC's contribution to the cost of the production study, charges incurred by the CDC on behalf of the milk pools, bank charges from the milk pool account, and any unrealized foreign exchange gains or losses. The change is mainly explained by the variation in the amount of unrealized foreign exchange gains or losses.

#### *Administrative Expenses*

Salaries and employee benefits make up most of the administrative expenses. Other administrative expenses are mainly comprised of the depreciation on the right-of-use asset related to the office lease, as well as professional and special services, and administrative support charges.

### ***3. Key Results of the Statement of Financial Position***

#### *Inventories*

As at October 31, 2024, the value of inventory is \$72.64 million, compared to \$111.82 million as at July 31, 2024.

Total CDC butter stocks as at October 31, 2024, were approximately 7,034 tonnes, a decrease of 3,838 tonnes since July 31, 2024. This is the result of a normal seasonal cycle involving a decrease leading up to the December Holiday Season when manufacturers repurchase a significant portion of Plan B butter from the CDC due to a higher consumer demand for butter.

#### *Plan C repurchase agreement*

The CDC operates the Plan C storage and buy-back program for cheese on behalf of the CMSMC. Purchases under this program are subject to the temporary activation of the program in times of milk surplus.

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) requires the CDC to account for these purchases as a financial asset as opposed to inventory, because transfer of control over the inventory 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 October 31, 2024, the balance of outstanding Plan C repurchase agreements is \$12.80 million compared to \$12.69 million as at July 31, 2024. The quantity of cheese held as collateral for these repurchase agreements on October 31, 2024, is 1,422 tonnes.



### *Loans from the Government of Canada*

Loans from the Government Canada are made available to the CDC to finance commercial operations, which includes notably butter inventory and Plan C activities. Therefore, 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.

As at October 31, 2024, the balance of outstanding loans was \$44.95 million compared to \$68.92 million as at July 31, 2024. The decrease in inventory resulted in lower loan requirements.

### *Cash Flows*

(in thousands)	For the three-months end		
	Oct 31, 2024	Oct 31, 2023	\$ change
Net cash flows from (used in) operating activities	\$ 19,849	\$ 63,030	\$ (43,181)
Net cash flows from (used in) financing activities	\$ (23,972)	\$ (58,814)	\$ 34,842
<b>Net cash inflows (outflows)</b>	<b>\$ (4,123)</b>	<b>\$ 4,216</b>	<b>\$ (8,339)</b>
Net cash (bank overdraft) at beginning of the period	\$ (6,827)	\$ (11,068)	\$ 4,241
<b>Net cash (bank overdraft) at the end of the period</b>	<b>\$ (10,950)</b>	<b>\$ (6,852)</b>	<b>\$ (4,098)</b>

The CDC's closing bank cash position as at October 31, 2024, is a net bank overdraft of \$10.95 million compared to \$6.85 million as at October 31, 2023. This represents a change in the net cash position of \$4.10 million.

#### *Cash Flows from Operating Activities*

Net cash flows from operating activities during the first quarter of the year are lower compared to the same period last year. This is mainly due to a higher amount of cash paid for the purchase of butter inventory. This is consistent with higher butter purchases in the first quarter compared to the same period last year, combined with higher trade payables at the beginning of the current period compared to last year.

#### *Cash Flows from Financing Activities*

Net cash flows from financing activities during the first quarter of the year are higher compared to the same period last year.

The CDC's financing activities are directly correlated to its day-to-day commercial operations given the Loans from the Government of Canada, the main component of financing activities, typically fluctuate daily depending on the CDC's cash position at the end of a given day. Therefore, the lower cash outflows from financing activities is consistent with lower cash requirements for operating activities during the quarter.



#### 4. Outlook against the Corporate Plan Summary

Key factors that may impact the budget reported in the Corporate Plan Summary are the total butterfat production, the total requirements, the butter support price, and the world market conditions for the sale of dairy products. Any significant changes in these key assumptions would affect the budgeted results.

Total butterfat production for the most recent 12-month period reached 412.6 M kg of butterfat. The July 2025 12-month total requirements are forecasted to be between 439.9 and 446.6 M kg of butterfat. Production has been slightly higher than expected so far in 2024, with butterfat production anticipated to continue its moderate increase into the new year.

Levels of CDC and private butter stocks reached 30,975 tonnes on October 31, 2024.

#### 5. Parliamentary Appropriations

Parliamentary appropriations are allocated to the CDC to support operating activities as part of its programs. Therefore, the CDC uses this funding from the Government of Canada to fund part of its administrative expenses. The remaining administrative expenses are funded by dairy producers, commercial operations, and the marketplace.

Parliamentary appropriations are granted based on the Government of Canada fiscal year of April to March, while the funding is used and reported on the CDC financial reports in accordance with the dairy year of August to July. The CDC reports the use of appropriations in the Public Accounts of Canada at the end of each government fiscal year.

The appropriations are recognized as other income in the Statement of Operations and Comprehensive Income when program expenses are incurred. The amount of appropriation received in each month is equal to the amount of appropriations recognized as income for the same month, therefore there are no amount of appropriation receivable, nor amount of deferred appropriation received in the reporting periods.

The following table provides the parliamentary appropriations authorized for the Government of Canada fiscal year of April 2024 to March 2025 and the remaining portion available for use from the start of the next quarter up to the end of March 2025.

(in thousands)	As at	
	Oct 31, 2024	Oct 31, 2023
<b>Parliamentary appropriations authorized</b>	<b>\$ 4,995</b>	<b>\$ 4,374</b>
Portion recognized as income and received in the previous CDC fiscal year	\$ 1,665	\$ 1,458
Portion recognized as income and received in the current CDC fiscal year	\$ 1,249	\$ 1,093
<b>Total parliamentary appropriations recognized as income and received by the CDC</b>	<b>\$ 2,914</b>	<b>\$ 2,551</b>
<b>Parliamentary appropriations available</b>	<b>\$ 2,081</b>	<b>\$ 1,823</b>



## 6. Risk Management

On September 24, 2024, the CDC updated the risks identified in its 2024-2025 Corporate Risk Profile. The risk of IT infrastructure failure due to cybersecurity incidents or hardware failure was increased to medium as the migration to the Cloud did not advance as far as expected. In addition, the risk of trade challenge that would require a lot of CDC resources (not related to WTO TRQ administration) was raised to medium as the international landscape shifted towards an increased scrutiny of initiatives for the Canadian dairy industry.

## 7. Significant Changes

The following significant changes in operations, industry initiatives, programs, personnel, objectives, and Governing Board occurred between August 1, 2024, and October 31, 2024, in comparison with the Corporate Plan Summary.

Operations, industry initiatives, and programs	No significant changes occurred in this quarter.
Personnel	Since September 9, 2024, the CDC fully implemented the updated Direction on prescribed presence in the office (requiring employees to be at the workplace 3 days per week or 60% of their month).
Objectives	No significant changes occurred in this quarter.
Governing Board	No significant changes occurred in this quarter.





## Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: *GC 5200 Crown Corporations Quarterly Financial Reports*, and the requirements of International Accounting Standard: *34 Interim Financial Reporting (IAS 34)*, and for such internal controls as management determines are necessary to enable the preparation of quarterly financial statements that are free from material misstatements. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Original signed by:

Benoit Basillais, Chief Executive Officer

Jonatan Emery, Executive Director, Finance and Administration

Ottawa, Canada

December 19, 2024

# Canadian Dairy Commission

## Interim Condensed Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)

	As at	
	October 31, 2024	July 31, 2024
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 506	\$ 4
Trade and other receivables		
Trade receivables	1,186	1,553
Advances to provincial milk marketing boards and agencies (Note 6)	11,456	6,831
Milk pools	1,716	1,591
Derivative asset - foreign exchange contracts	466	-
Inventory (Note 7)	72,638	111,816
Plan C repurchase agreements (Note 8)	7,861	9,832
	<u>95,829</u>	<u>131,627</u>
<b>Non-Current</b>		
Plan C repurchase agreements (Note 8)	4,941	2,857
Right-of-use asset	369	407
	<u>\$ 101,139</u>	<u>\$ 134,891</u>
<b>Liabilities</b>		
<b>Current</b>		
Bank overdraft (Note 6)	\$ 11,456	\$ 6,831
Trade and other payables		
Trade payables and accruals (Note 9)	12,657	27,381
Distribution to provincial milk marketing boards and agencies	130	130
Other payables	958	1,347
Deferred revenue	537	-
Loans from the Government of Canada (Note 10)	44,953	68,925
	<u>70,691</u>	<u>104,614</u>
<b>Non-Current</b>		
Lease liability	498	495
<b>Equity</b>		
Retained earnings (Note 10)	29,950	29,782
	<u>\$ 101,139</u>	<u>\$ 134,891</u>
Commitments (Note 15)		

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

These financial statements were approved and authorized for issue on December 19, 2024.

Benoit Basillais  
Chief Executive Officer

Jennifer Hayes  
Chairperson

Jonatan Emery  
Executive Director, Finance and Administration

# Canadian Dairy Commission

## Interim Condensed Statement of Operations and Comprehensive Income (Loss)

(unaudited)

(in thousands of Canadian dollars)

	For the three-months ended	
	October 31, 2024	October 31, 2023
Domestic sales and cost of sales		
Sales revenue (Note 11)	\$ 84,419	\$ 86,659
Cost of goods sold	83,812	85,821
Transport and carrying charges	933	601
Finance costs	588	291
Gross profit (loss) on domestic sales	(914)	(54)
Other income		
Funding from milk pools (Note 11)	2,567	2,440
Funding from the Government of Canada (Note 11)	1,249	1,093
Professional services and Other Income (Note 11)	607	418
	4,423	3,951
<b>Total gross profit (loss) on domestic sales and other income</b>	<b>3,509</b>	<b>3,897</b>
Operating expenses		
Industry initiatives	-	123
Cost of production study	284	257
Plan C program costs	436	191
Other charges (recoveries)	(327)	159
	393	730
Administrative expenses		
Salaries and employee benefits (Note 12)	2,371	2,332
Other administrative expenses	577	461
	2,948	2,793
<b>Total operating and administrative expenses</b>	<b>3,341</b>	<b>3,523</b>
<b>Profit (loss) before distribution to provincial milk marketing boards and agencies</b>	<b>168</b>	<b>374</b>
Distribution to provincial milk marketing boards and agencies	-	-
<b>Total comprehensive income (loss)</b>	<b>\$ 168</b>	<b>\$ 374</b>

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

# Canadian Dairy Commission

## Interim Condensed Statement of Changes in Equity

(unaudited)

(in thousands of Canadian dollars)

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	For the three-months ended	
	<u>October 31, 2024</u>	<u>October 31, 2023</u>
Retained earnings, beginning of the period	\$ 29,782	\$ 27,121
Total comprehensive income (loss) for the period	<u>168</u>	<u>374</u>
<b>Retained earnings, end of the period</b>	<b><u>\$ 29,950</u></b>	<b><u>\$ 27,495</u></b>

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

# Canadian Dairy Commission

## Interim Condensed Statement of Cash Flows

(unaudited)

(in thousands of Canadian dollars)

	For the three-months ended	
	October 31, 2024	October 31, 2023
<b>Cash flows from (used in) operating activities</b>		
Cash received from customers and others	\$ 86,217	\$ 86,803
Cash paid to suppliers and others	(64,493)	(26,093)
Cash receipts from (advanced to) provincial milk marketing boards and agencies for pooling	(2,183)	(1,288)
Cash distributed to provincial milk marketing boards and agencies	-	(230)
Cash receipts from the Government of Canada	1,249	1,093
Interest income received	6	13
Interest paid on loans and the lease liability	(834)	(590)
Cash receipts from Plan C repurchase agreements	1,971	3,322
Cash paid for Plan C repurchase agreements	(2,084)	-
<b>Net cash flows from (used in) operating activities</b>	<b>19,849</b>	<b>63,030</b>
<b>Cash flows from (used in) financing activities</b>		
New loans from the Government of Canada	51,486	15,441
Loan repayments to the Government of Canada	(75,458)	(74,148)
Principal payments on the lease liability	-	(107)
<b>Net cash flows from (used in) financing activities</b>	<b>(23,972)</b>	<b>(58,814)</b>
<b>Net cash inflows (outflows)</b>	<b>(4,123)</b>	<b>4,216</b>
Net cash (bank overdraft) at beginning of the period	(6,827)	(11,068)
<b>Net cash (bank overdraft) at the end of the period</b>	<b>\$ (10,950)</b>	<b>\$ (6,852)</b>
<b>Components:</b>		
Cash	\$ 506	\$ 18
Deposit account with the Government of Canada (Note 13)	-	8,047
Bank overdraft	(11,456)	(14,917)
<b>Net cash (bank overdraft)</b>	<b>\$ (10,950)</b>	<b>\$ (6,852)</b>

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

# Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2024

(in thousands of Canadian dollars, unless otherwise indicated)

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## **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.

As described in Note 1 to the CDC's annual financial statements for the year ended July 31, 2024, the CDC is subject to a directive pursuant to section 89 of the *Financial Administration Act* on travel, hospitality, conference and event expenditure policies, guidelines and practices. The CDC continues to meet the requirements of the directive.

## **2. Basis of preparation**

### **Statement of compliance**

These unaudited interim condensed financial statements are prepared in compliance with *IAS 34 Interim Financial Reporting* of the International Financial Reporting Standards (IFRS) and the *Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*. As permitted under these standards, these interim financial statements do not include all of the disclosure requirements for annual financial statements, and should be read in conjunction with the CDC's audited financial statements for the fiscal year ended July 31, 2024. They were approved and authorized for issue by the CDC Board on December 19, 2024.

### **Basis of presentation**

These interim condensed 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.

# Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2024

(in thousands of Canadian dollars, unless otherwise indicated)

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## **Reporting period**

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

The reporting period for these interim financial statements, and notes thereto are the three-month period of August 1, 2024, to October 31, 2024.

## **Functional and presentation currency**

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

## **Cyclicality**

The CDC's Domestic Seasonality Programs' butter inventory levels vary each year as a result of a normal cycle. Purchases are higher in the spring and summer months while the fall and winter months see higher sales.

Import butter activities are less cyclical.

## ***3. 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 while preparing these interim financial statements are consistent with those described in Note 3 of the CDC's audited financial statements for the year ended July 31, 2024.

## ***4. Material accounting policy information***

The material accounting policy information applied in these interim financial statements are disclosed in Note 4 of the CDC's annual financial statements for the year ended July 31, 2024.

## Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2024

(in thousands of Canadian dollars, unless otherwise indicated)

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### **5. Application of amended IFRS in effect**

The below amendment to the standards issued by the International Accounting Standards Board (IASB) is effective for annual periods beginning on or after January 1, 2024. It has been adopted by the CDC on August 1, 2024. It did not have an impact on the financial statements.

#### *Classification of Liabilities as Current or Non-Current (IAS 1 – Presentation of Financial Statements)*

In January 2020, the IASB issued an amendment to IAS 1 relating to the classification of current and non-current liabilities. The amendment specifies that 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.”

### **6. Advances to provincial milk marketing boards and agencies and Bank overdraft**

These advances vary in accordance with the requests and needs of the provincial milk marketing boards and agencies. The bank overdraft, which derives from the line of credit used to finance the advances, remains due on demand with interest calculated at the prime rate.

### **7. Inventory**

During the interim period ended October 31, 2024, Plan B butter inventory decreased by \$39.18 million or 3,838 tonnes, consistently with the normal cycle of Domestic Seasonality Programs described in Note 2 of these interim financial statements.

### **8. Plan C repurchase agreements**

The current and non-current portions of Plan C repurchase agreements presented on the Statement of Financial Position are determined based on the maximum repurchase dates. The non-current portion is expected to be settled by October 2026.

### **9. Trade payables and accruals**

	As at	
	October 31, 2024	July 31, 2024
Trade payables	\$ 3,412	\$ 14,727
Accruals	9,245	12,654
Total	<u>\$ 12,657</u>	<u>\$ 27,381</u>



# Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2024

(in thousands of Canadian dollars, unless otherwise indicated)

## **10. Capital management**

The CDC's capital structure consists of loans from the Government of Canada and retained earnings. As at October 31, 2024, the balance of these items were \$44.95 million (July 31, 2024: \$68.93 million) and \$29.95 million (July 31, 2024: \$29.78 million) respectively.

There were no changes made to the capital management framework or its definition thereof during the interim period ended October 31, 2024.

## **11. Disaggregation of revenue**

The CDC derives its revenue from the following sources:

	For the three-months ended	
	October 31, 2024	October 31, 2023
Domestic sales		
Plan B butter	\$ 80,825	74,382
Imported butter	3,594	12,277
Domestic sales revenue	<u>\$ 84,419</u>	<u>\$ 86,659</u>
Milk pools		
Funding for administrative expenses	\$ 1,165	\$ 1,165
Funding for Plan A and Plan B butter and Plan C repurchase agreement carrying charges	958	820
Other recoverable expenses	444	455
Funding from milk pools	<u>\$ 2,567</u>	<u>\$ 2,440</u>
Professional services and Other income		
Administrative services	\$ 388	\$ 188
Audit services	213	208
Interest income	6	22
Professional services and Other income	<u>\$ 607</u>	<u>\$ 418</u>
Funding from the Government of Canada	<u>\$ 1,249</u>	<u>\$ 1,093</u>
Total revenue	<u>\$ 88,842</u>	<u>\$ 90,610</u>

## Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2024

(in thousands of Canadian dollars, unless otherwise indicated)

### **12. Salaries and employee benefits**

	For the three-months ended	
	October 31, 2024	October 31, 2023
Salaries expense	\$ 2,013	\$ 1,912
Pension contributions	\$ 225	265
Medical insurance expense	\$ 83	90
Other expenses	\$ 50	65
Total	\$ 2,371	\$ 2,332

### **13. Deposit account with the Government of Canada**

Pursuant to section 15 of the *Canadian Dairy Commission Act*, there is established in the accounts of Canada a special deposit account, known as the *Canadian Dairy Commission Account*, that uses the Government of Canada's Consolidated Revenue Fund. The account is used for banking purposes for activities not funded by government appropriations.

### **14. Financial instruments and Risk Management**

The annual financial statements for the year ended July 31, 2024, reported on the financial risk to which the CDC is exposed to in the normal course of operation, as follows: market risk (including currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk. These risks continue to be managed and mitigated with corresponding policies and procedures as described in the annual financial statements. Except as noted below, the significance of these items has not changed significantly since the end of the last reporting period.

#### **Credit risk**

Credit risk is the risk of financial loss for one party due to another party failing to meet its financial obligations. Other than the credit risk on trade receivables and Plan C repurchase agreements, as described in the annual financial statements, the CDC is also exposed to credit risk on foreign exchange forward contracts.

The credit risk on foreign exchange forward contracts, is limited to its notional value. This risk is mitigated 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.

#### **Liquidity risk**

Liquidity risk is the risk that the CDC will not be able to meet its financial obligations as they fall due.

## Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2024

(in thousands of Canadian dollars, unless otherwise indicated)

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As at the reporting 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 1.36 (July 31, 2024: 1.26).

Management believes that the CDC has sufficient authorized borrowing capacity to support its activities. As at October 31, 2024, \$305.05 million (July 31, 2024: \$281.07 million) in financing facilities are available from the Government of Canada for commercial operations and \$13.54 million (July 31, 2024: \$18.17 million) in credit facility is available on the line of credit for advancing funds to provincial milk marketing boards and agencies. The combined carrying balance for both borrowing sources cannot exceed \$350 million (July 31, 2024: \$350 million).

### **15. Commitments**

#### **Butter Purchase Commitments**

As at October 31, 2024, the CDC has commitments to purchase predetermined quantities of butter. These commitments amounted to approximately \$5.82 million, and are expected to be fulfilled by December 2024.

#### **Tariff Rate Quotas (TRQ) for Butter**

The portion of the mandated TRQ for butter used in the first quarter of quota year 2024-2025 (August to July) is 359 tonnes, which cost a total of \$3.63 million. Therefore, the unused portion of the TRQ is 2,915 tonnes as at October 31, 2024. The financial impact of this commitment for the remaining quarters will continue to be affected by the price variability between countries and type of eligible butter products, as well as the foreign exchange rates.

For a description of the TRQ related to this commitment, see Note 17 of the annual financial statements for the year ended July 31, 2024.

### **16. Related party transactions**

#### *Government of Canada entities*

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.

The CDC's transactions with government-related entities that are individually significant continue to be limited to Loans from the Government of Canada and Funding from the Government of Canada.

All other transactions with government-related entities are individually and collectively not material during the interim period ended October 31, 2024.