

# **CDC Annual Public Meeting – January 2026**

## **Talking points – Financial Overview**

### **Shikha Jain – Commissioner of the Canadian Dairy Commission**

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#### **1. INTRO**

- As the Commissioner to the Board of Directors at the CDC, I am proud to present the financial results of the CDC for the dairy year ending July 31, 2025.
- Before I begin, I would like to thank all CDC employees for their continued care and hard work towards ensuring that we exceed our obligations for sound governance, financial stewardship and risk management.
- Again, this year, the Office of the Auditor General (OAG) audited and provided an unmodified opinion on the CDC's financial statements.
- The CDC's annual report, including the financial statements, was tabled in parliament on November 27, 2025, and a copy can be found on the CDC's website.
- In the following slides, I will provide the highlights of our financial statements.

#### **2. RESULTS IN THE OPERATIONS AND COMPREHENSIVE INCOME (LOSS) STATEMENT**

- In the first part of the presentation, we will review the results of our statement of operations and Comprehensive Income (loss) which includes: butter sales, other sources of income, expenses from operating and administrative activities, and finally, the overall results.

#### **3. BUTTER SALES REVENUE**

- These sales cover two main types of butter:
  - o The first one is butter from the Domestic Seasonality Programs, under which the CDC purchases and sells butter in order to help regulate the supply of dairy products in the domestic market. These are also known as Plan A and Plan B.
  - o The second is butter the CDC imported as part of Canada's commitment under the 1994 World Trade Organization Agreement on Agriculture.
- The financial results for 2024-2025 show an overall increase of 58% in butter sales.
  - o This is due to an increase of \$96M in revenue under the Domestic Seasonality Programs. Butter manufacturers offered the CDC more product in 24-25 under these Programs, which in turn resulted in greater butter inventory to be sold.
  - o It was slightly offset by a decrease of \$2.6M in imported butter sales. The CDC imports the same quantity each year under its WTO commitment (Tariff Rate Quota). The variation is due to products remaining in inventory at year-end in 2024-2025 while there was no product in inventory the prior year.

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#### **4. COST OF SALES / GROSS PROFIT (LOSS)**

- The CDC ended the year with a gross loss on sales of \$5.75M.
- The cost of sales shown in the graph includes the value of the inventory being sold, but also the transportation, carrying charges and finance costs which totalled \$259.1M for 2024-2025. It is important to note that butter purchased under the Domestic Seasonality Programs, which is the bulk of our sales, is typically purchased and resold by the CDC at the support price and, as such, has no material impact on the gross profit or loss.
- Also worth noting, the transportation, carrying charges and finance costs related to the Domestic Seasonality Programs continue to be recovered as part of the funding received from the milk pools, which we will see in the next slide. These costs totalled \$7.93M for 2024-2025.

#### **5. OTHER SOURCES OF INCOME**

- This slide provides the CDC's other sources of income, which are composed of the funding from milk pools, the funding from the Government of Canada, as well as income earned from rendering professional services and other income.
  - o Funding from milk pools totalled \$12.2 M for 24-25. This represents the revenues obtained from producers and the marketplace and is used to finance a portion of the CDC's administrative expenses that support industry activities, the annual cost of production study, the costs associated with butter stocks under the Domestic Seasonality Programs, as well as expenses from the Plan C program for cheese.
  - o Funding from the Government of Canada was \$5.2M. This is funding that we receive from parliamentary appropriations, which are recognized as revenue as government-funded administrative expenses are incurred.
  - o And finally, the last source of revenue is from professional services and other income which is mainly comprised of:
    - Audit services relating to milk utilization audits. Currently, the CDC provides these services in eight provinces on a cost-recovery basis; and
    - Compensation received from Agriculture and Agri-Food Canada for administering the Dairy Direct Payment Program (DDPP) and the Dairy Innovation Investment Fund (DIIF) on their behalf.

#### **6. EXPENSES FROM OPERATING AND ADMINISTRATIVE ACTIVITIES**

In this slide we have the expenses from operating and administrative activities:

- Operating expenses totalled \$3.5M and are composed of expenses incurred for industry initiatives, as well as expenses incurred when conducting the annual study on the cost of production, costs relating to the Plan C program for cheese and other smaller charges.
- As for admin expenses, they totalled \$12.8M and are composed primarily of salaries and employee benefits, with the balance consisting of expenses relating to the office lease, as well as professional and other administrative services.

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## **7. OVERALL RESULTS**

Finally, we have the overall results of the Statements of Operations.

- The first element in this slide is the operational surplus generated from the Domestic Seasonality Programs which equalled \$750K for 24-25. This surplus is distributed annually to provincial milk marketing boards and agencies, who in turn redirect these funds to the milk producers.
- After taking into account the payment of this operational surplus, the Total Comprehensive Loss was \$3.2M which consumed the CDC's retained earnings to \$26.6M.
  - o It is important to note that the CDC's retained earnings are governed by policies that clearly identify the activities that can be financed by these funds, and the CDC Board is responsible for applying these policies and approving any new initiatives.
  - o This year's loss was the result of increased activity in the Domestic Seasonality Program and was absorbed by the designated fund balance supporting these activities within the retained earnings.

## **8. KEY HIGHLIGHTS FROM THE STATEMENT OF FINANCIAL POSITION**

This next section will provide the key highlights from the Statement of Financial Position as of July 31, 2025.

It will cover:

- The butter inventory;
- The repurchase agreements under the Plan C program for cheese; and
- The loans from the Government of Canada.

## **9. BUTTER INVENTORY**

- Let's start with the butter inventory. As explained earlier while presenting the sales activities, the CDC:
  - o Purchases and sells butter under the Domestic Seasonality Programs, to regulate the supply of dairy products in the domestic market; and
  - o Imports butter as part of Canada's commitment under the 1994 World Trade Organization Agreement on Agriculture.
- At the end of July 2025, the CDC held 17,229 tonnes of butter valued at \$178.1 million. This represents an increase of almost 7,000 tonnes compared to the inventory held at the end of last year.

## **10. REPURCHASE AGREEMENTS – PLAN C PROGRAM FOR CHEESE**

- The CDC also operates a storage and buy-back program for cheese on behalf of the CMSMC.
- When the program is active, processors may sell certain cheese products to the CDC, up to a predetermined quantity and at a set price. The CDC then stores the cheese for a set period, after which the processor is obligated to repurchase the cheese at the same price it was sold to the CDC.

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- From an accounting standpoint, Plan C Cheese is deemed to be a financial arrangement, similar to an interest-free loan. As such, it is not included in CDC's inventory, nor is it reflected in the CDC's operational results under Sales and Cost of Goods Sold.
- Nevertheless, from an operational standpoint, the CDC handles the cheese the same way as butter inventory.
- The value of Plan C repurchase agreements, as at July 31, 2025, was \$8.1M. This is a decrease of \$4.6M compared to the previous year.
- This represents 895 tonnes of cheese held on July 31, 2025.

### **11. LOANS FROM THE GOVERNMENT OF CANADA**

In this last section, we will cover the loans from the government of Canada.

- These loans are from the Government of Canada's Consolidated Revenue Fund and are authorized by the Minister of Finance as part of the CDC Act.
- The loans are used to finance the butter inventory and the Plan C repurchase agreements.
- The balance of the loans on July 31, 2025, was \$149.2 M, which is an increase of \$80.3M compared to the previous year.
- The loan levels at year-end increased as the level of inventory also increased.

### **12. IN CLOSING**

- The CDC maintains a strong and stable financial position, supported by stable funding sources.
- This year, we experienced a notable increase in Domestic Seasonality Program activity, particularly within Plan B, reflected in both domestic sales and inventory levels. Our financial strength allowed us to respond effectively to these market shifts without the need for additional funding.
- This resilience ensures we can continue delivering high-quality programs and services to the dairy industry well into the future.

Thank you.