



Canadian Dairy
Commission

Commission
canadienne du lait

CORPORATE PLAN SUMMARY FOR 2021-2022 TO 2025-2026

OPERATING AND CAPITAL BUDGETS
FOR THE DAIRY YEAR ENDING JULY 31, 2022

Corporate Plan dated March 31, 2021

No 3549845

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1. EXECUTIVE SUMMARY

As of March 31, 2021, the Canadian Dairy Commission (CDC) is in sound financial position and is on track to fulfil almost all the objectives it had set for itself in the 2020-2021 dairy year.

As it continues to provide support to the Canadian dairy industry in the context of supply management in 2021-2022, the CDC will concentrate its activities on three major key result areas: innovation, investment and market growth; its support of the dairy supply management system; and thorough administration of the supply management system, including its continued support of the industry through effects of the COVID-19 pandemic. Innovation and investment will be of particular importance during the planning period as trade agreements implemented over the past years continue to increase the access to the Canadian market for foreign dairy products. The CDC will review and adapt some of its current programs and resources which focus on growth and innovation to ensure that the programs and services it offers remain relevant and contribute to inclusive growth and sustainability of the industry. Despite the challenges presented by the implementation of new trade agreements and the impacts of the pandemic, the Canadian dairy industry is growing and is expected to continue to grow in the future.

The CDC updates its strategic plan yearly. The goals and objectives that the CDC has set for itself for 2021-2022 are included in this plan and are a continuation of those included in the last plan. CDC's five-year objectives consist of supporting industry initiatives regarding market and processing opportunities for dairy products and ingredients, adapting CDC's programs and resources to maintain the sustainability of the industry, ensuring the industry and government have access to value-added data and helping the industry to update federal and provincial agreements to reflect the current operation of the dairy supply management system. To reach these objectives, the CDC has outlined several strategies, including maximizing markets for dairy products and ingredients, reviewing CDC programs and services to ensure their relevance and contribution to the growth and sustainability of the industry, producing reliable data and analyses for dairy industry stakeholders, and supporting the industry as it adapts the legal framework for supply management to the current conditions. In addition, as part of its mandate, the CDC's strategic plan includes strategies to ensure that efficient producers receive fair returns, and that Canadian milk production meets demand.

The COVID-19 pandemic resulted in unforeseen and rapid fluctuations in the demand for many key dairy products. The entire dairy supply chain continues to work diligently to ensure adequate supplies of milk and dairy products while implementing measures to adapt production to demand.

The CDC does not own capital and does not plan any capital projects. It is not looking to branch out in new activities.

On May 15, 2020, an amendment to the *Canadian Dairy Commission Act* increased CDC's maximum borrowing authority from \$300 million to \$500 million to allow the corporation to increase its purchases of dairy products as part of its support of the dairy industry during the COVID-19 pandemic. Because some of the products purchased in 2019-2020 would continue to be stored in 2020-2021, and to be prepared for possible additional waves of the pandemic, the borrowing plan included in the 2020-2021 was set at \$500 million.

The borrowing included for the 2021-2022 plan is set at \$500 million. This includes \$450 million in borrowing from the Consolidated Revenue Fund and \$50 million from a credit line, with the total outstanding borrowings at any time not exceeding \$500 million. The corporation holds butter stocks for approximately 12 months to ensure Canadians have access to a steady supply of dairy products despite the seasonality of milk production and dairy product consumption, hence accomplishing one of its mandates.

The changes to the CDC Act to increase the borrowing capacity from \$300 million to \$500 million will enable the CDC to help the industry deal with any future fluctuations in demand as a result of future waves of COVID-19, other potential pandemics, or any other unforeseen circumstances.

2.0 OVERVIEW

2.1 CORPORATE MANDATE

The CDC is a Crown corporation which was established in 1966 to coordinate federal and provincial dairy policies and create a control mechanism for milk production which would help stabilize farm revenues and avoid costly surpluses. The *Canadian Dairy Commission Act* states the mandate of the CDC:

8. (...) to provide efficient producers of milk and cream with the opportunity of obtaining 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.

2.2 PUBLIC POLICY ROLE

The CDC has 73 employees and is governed by a board of three directors appointed by the Governor in Council. For more than 50 years, the CDC has supported Canada's dairy industry by overseeing two key elements of supply management in this sector, namely the price of milk at the farm gate, and national milk quotas.

To manage prices at the farm gate, each year the CDC conducts a study on the costs of producing milk. Provincial marketing boards use the findings of this study in a mathematical formula to adjust the price of milk on February 1 of each year. This formula also takes inflation into account. In specific exceptional circumstances and at the industry's request, this formula can be put aside and, in this case, the CDC consults with stakeholders before deciding on the price of milk at the farm level.

To adjust milk quotas, the CDC monitors and forecasts demand for dairy products monthly in Canada and notifies provincial marketing boards of the producer quota adjustments required to align milk production with demand and avoid a shortage or surplus. This way, milk production meets demand in a timely manner.

The CDC also provides other services to the dairy industry. It ensures storage of butter inventories to offset production and consumption seasonality, it performs compliance audits to enforce dairy system rules, administers some industry decision-making committees, and provides them with secretariat services and technical expertise, in addition to administering programs on behalf of the industry.

2.3 MISSION

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

2.4 PRINCIPAL PROGRAMS

The CDC operates certain programs¹ for the benefit of the entire supply chain.

The table below summarizes these programs.

Table 1. Programs administered by the Canadian Dairy Commission

Program Name	Objective	Target Audience
Dairy Innovation Program	To give processors access to extra milk so that they can develop new dairy products.	Dairy processors
Matching Investment Fund	To encourage the use of dairy ingredients in food products.	Food processors

¹ CDC programs are further described on its web site: [Canadian Dairy Commission \(cdc-ccl.ca\)](http://www.cdc-ccl.ca)

Program Name	Objective	Target Audience
Domestic Seasonality Programs (Plans A and B)	To ensure a steady supply of dairy products all year long despite the seasonality of consumption. The CDC buys and stores butter during periods of lower consumption (January to September) and typically sells it back into the market when consumption rises (October to December). The Plan B for powder, which had been suspended since February 2017, was tentatively reintroduced as of April 17, 2020, as a potential mitigation measure for temporary surplus milk. The industry is still discussing modalities.	Consumers Processors
Plan C for cheese ²	To avoid disposing of milk due to the fluctuations in demand caused by COVID-19 and to build cheese stocks to prepare for the reopening of restaurants, schools and daycares.	Dairy processors
Mozzarella for fresh pizzas	To provide fresh pizza restaurants access to mozzarella cheese at competitive prices for their sector of activity.	Pizza restaurants
Special Milk Class Permit Program (SMCPP)	To give further processors access to dairy products at competitive prices for use in further processing.	Further processors
Dairy Direct Payment Program (2019-2023)	To compensate dairy producers for the impact of CPTPP and CETA. This is an Agriculture and Agri-Food Canada (AAFC) Program	Dairy producers
Class 4(m) for animal feed	To maintain markets for solids non-fat (SNF).	Animal feed manufacturers

2.5 FINANCIAL SITUATION

The CDC has four sources of revenues: appropriations, its commercial operations, funding from milk producers for programs administered on their behalf, and contributions from the marketplace for the storage of butter and cheese.

To operate the Domestic Seasonality Program and the Plan C Program for cheese, the CDC borrows from the Consolidated Revenue Fund and borrowing costs are covered by dairy

² Started on April 17, 2020

producers and the marketplace. These loans must be approved by the Minister of Finance and are repaid according to their terms and conditions.

To perform the pooling of revenues on behalf of the dairy industry, the CDC maintains a line of credit with a member of the Canadian Payments Association. As established in the *Canadian Dairy Commission Act*, the CDC recovers all expenses related to the administration of the pools from the marketing boards of the provinces who are members of these pools.

Overall, the CDC's funding is relatively predictable, and the organization can adapt to small fluctuations.

3.0 OPERATING ENVIRONMENT

3.1 INTERNAL ENVIRONMENT

Human Resources

Although the CDC is a Crown corporation, the Treasury Board of Canada is the employer of CDC's 73 employees who are covered by the same collective agreements and pension plan as employees in the various government departments. However, the CDC is not subject to the *Public Service Employment Act*.

After some adjustments at the beginning of the COVID-19 pandemic, the CDC was able to maintain all of its activities such as its Domestic Seasonality Programs, quota calculation, revenue pooling, and industry support. The CDC continues to follow directives from the Treasury Board Secretariat and barring a few exceptions, employees continue to work from home. The Corporation spares no efforts to provide quality services to the dairy supply chain in these difficult times while ensuring the safety and well-being of its employees.

Material Resources

The CDC does not own real estate, vehicles, or specialized equipment and it does not plan to buy real property during the planning period. The material resources of the CDC include computers, software, databases, and office furniture. These are deemed to be adequate.

The CDC leases office space from Agriculture and Agri-Food Canada and has signed a lease agreement for the period of April 1, 2017, to March 31, 2022, with the possibility to renew for another 5-year period at the rental market value rates established by Treasury Board Policy on Management of Real Property.

3.2 EXTERNAL ENVIRONMENT

As a program administrator and facilitator of the dairy industry, the CDC does not operate in an environment of competition, but rather one of collaboration with industry stakeholders. Its commercial operations are now mostly limited to the Domestic Seasonality Programs which are similar to a butter storage program that ensures a steady supply of dairy products for consumers. Canadian butter manufacturers are partners in this program. Due to the COVID-19 pandemic, the CDC also launched a cheese storage program, in partnership with cheese manufacturers. This program, called Plan C, was created by the Canadian Milk Supply Management Committee (CMSMC) on April 17, 2020. To ensure sufficient borrowing capacity to administer this program, which was requested by the industry, the CDC requested a legislative change to its Act. On May 15, 2020, the CDC Act was amended to change the CDC's maximum borrowing limit from \$300 million to \$500 million.

Trade Agreements

The Comprehensive Economic Trade Agreement (CETA), which has been provisionally applied since September 2017, increased the EU access to the Canadian cheese market by 17,700 tonnes and gave Canada a potential duty-free access to the EU dairy markets.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into effect on December 30, 2018. This trade agreement between 11 countries includes access to the Canadian dairy market for other parties' products such as butter, cream, and cheese. This affects the milk quota required in Canada and the CDC takes these imports into account when calculating quota. CPTPP also provides duty-free access for Canadian dairy products to a number of markets, including volume-limited access in the form of TRQs for exports to Japan and Mexico.

The Canada-United States-Mexico Agreement (CUSMA), which came into effect on July 1, 2020, also grants access to the Canadian market for US dairy products. Total market access to foreign competitors for dairy under all trade commitments, including WTO, CETA, CPTPP, and CUSMA, is estimated at approximately 10% of Canada's production. This changes the environment in which the CDC forecasts demand for Canadian dairy products to help provincial milk marketing boards set producer quota. There is uncertainty in the market as it is difficult to forecast what kinds of dairy products are imported, when, and in what province. This presents a challenge for the CDC and the industry when it comes time to match production with demand. CUSMA also provides duty-free access for Canadian dairy products to the U.S. market in the form of both quota-free access for products such as fluid milk and yogurt, as well as volume-limited access in the form of TRQs for other products such as cheese.

Financial Trends

Based on the recent announcements from the Bank of Canada, interest rates are forecasted to remain at the same level until the end of 2021-2022 and then slowly increase for the remainder of the planning period. Given that the CDC borrows money from the Consolidated Revenue Fund and from a line of credit, increases in interest rates will increase the interest expense associated with the CDC's programs. However, the CDC's borrowings are used for programs that the CDC administers on behalf of the dairy industry. This means that interest fees are paid by either dairy producers or the marketplace, depending on the program.

In conclusion, increases in interest rates will have no impact on the financial situation of the CDC.

3.3 CDC PERFORMANCE AND EXTERNAL REVIEWS

The CDC's legislative mandate is 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*. To fulfil this mandate, since the beginning of the dairy year, the CDC has accomplished the following:

Support Price

In October 2020, the CDC conducted a review of Canadian farm gate milk prices and various costs used to administer the supply management system.

At that time, because of various factors such as the COVID-19 pandemic, the usual pricing formula was not applied. Instead, the CDC held consultations and rendered a decision on the price adjustment of milk. As a result, the farm gate milk price increased by \$1.46/hl. The CDC also recognized a 2.0% increase in butter processing costs. This applies to butter sold by manufacturers to the CDC in the context of its storage programs.

To reflect these changes, the support price for butter, used by the CDC in its storage programs, increased from \$8.5524 to \$8.7149 per kg on February 1, 2021.

CDC Initiatives

Along with activities related to its legislative mandate, the CDC continued to support the evolution of the dairy industry through various forms of initiatives, some of which are highlighted below:

CUSMA

The CDC lent its support and expertise to the industry in carrying out the changes needed by the implementation of CUSMA, which came into force on July 1, 2020.

Dairy Direct Payment Program

In August 2019, the Agriculture and Agri-Food Minister, the Honourable Marie-Claude Bibeau, announced that \$1.75 billion would be provided to compensate Canadian dairy farmers for impacts of CETA and CPTPP. Of this amount, \$345 million was available to be paid in the 2019-2020 fiscal year through direct payments to more than 10,000 Canadian dairy farmers. Because the CDC has provided subsidy payments to dairy farmers in the past as per the *Agricultural Stabilization Act*, AAFC mandated the CDC to make these payments. In 2019-2020, the CDC worked closely with Agriculture and Agri-Food Canada and provincial milk boards to ensure efficient and timely delivery of payments to producers under the Dairy Direct Payment Program (DDPP).

In November 2020, Minister Bibeau announced a schedule to deliver the remaining \$1.405 billion through direct payments to farmers over a timeline of only three years. Dairy farmers will receive, based on their milk quota, cash payments of \$468 million in 2020-2021, \$469 million in 2021-2022 and \$468 million in 2022-2023. The CDC will continue to work with AAFC to deliver the remaining payments to Canadian dairy producers under the DDPP.

At the end of fiscal year 2020-2021, 96% of eligible dairy producers in Canada had registered and received their payment and 98% (\$459.4 million) of the funds had been disbursed. This compares to 96% of producers and 98% (\$338.6 million) of funds in 2019-2020.

The Office of the Auditor General Special Examination

The Office of the Auditor General (OAG) must carry out a special examination of the CDC at least every 10 years. The last one was done in 2020-2021. The Board received the report on March 15, 2021, and it was forwarded to the Minister of Agriculture and Agri-Food and to the President of Treasury Board on March 26, 2021. It was posted on the CDC Web site on May 7, 2021.

In its 2020-2021 Special Examination, the OAG found good practices in the management of operations. It also identified areas for improvement in corporate management. A board vacancy outside the CDC's control represented a deficiency in corporate governance that could have put at risk the board's ability to make decisions. It also found areas for improvement in board oversight, performance measurement as well as in risk mitigation, monitoring and reporting. The CDC accepted all recommendations and plans to address the OAG's findings over the next dairy year.

Given the small size of the board, the corporation will continue engaging with the Minister of Agriculture and Agri-Food on a timely basis to help ensure that the board continuously has a full complement of its members.

The corporation is currently developing a set of performance indicators for each of its strategic objectives during the strategic planning exercise, which started in January 2021.

To strengthen monitoring and reporting for risk mitigation strategies, the corporation will articulate its risk appetites and set appropriate tolerance levels to help guide and monitor implementation of mitigation strategies. The corporation will also include timelines in all action plans and will update the plans regularly.

3.4 ALIGNMENT WITH GOVERNMENT PRIORITIES AND DIRECTION

In addition to contributing to the prosperity and viability of the Canadian dairy industry, which ensures continued jobs for the middle class, activities of the CDC are aligned with the priorities listed below that are specific to agriculture and were highlighted in the Canadian Agriculture Partnership (CAP) and in the Minister of Agriculture and Agri-Food's most recent mandate letters:

Growing trade and expanding markets

The CDC continues to provide its support and expertise and is collaborating with the industry to develop markets. This may mean helping the industry maximize exports consistent with Canada's trade obligations or developing new domestic markets.

Innovative and sustainable growth in the sector

The Dairy Innovation Program and the Matching Investment Fund support innovation that brings growth to the sector.

Protecting supply-managed agricultural sectors and working to develop a vision of the future

The CDC is committed to supporting the dairy sector and helping the industry as it adapts to new trade agreements within the context of supply management to ensure long-term sustainability. In late 2018, AAFC created a dairy mitigation working group that has allowed industry representatives and the federal government to assess the implications of trade agreements and discuss mitigation strategies. The working group made recommendations to the Minister of Agriculture and Agri-Food in early 2019 and it has since concluded.

AAFC also announced a separate working group that will chart a path forward to help the dairy sector innovate and remain an important source of jobs and economic growth for future generations. The CDC will continue to support this work as it moves forward.

4.0 OBJECTIVES, ACTIVITIES, RISKS, EXPECTED RESULTS AND PERFORMANCE INDICATORS

4.1 ASSESSMENT OF RESULTS FOR 2020-2021

The CDC's performance objectives for 2020-2021 are based on the strategic themes and 5-year goals identified in its Corporate Plan.

THEME		INNOVATION, INVESTMENT, AND GROWTH IN THE CANADIAN DAIRY SECTOR		
5-year objective	Performance measure for 2020-2021	Target for 2020-2021	Results	% complete
Investments and innovation have contributed to the growth and the sustainability of the Canadian dairy industry.	Number of litres of milk used in the Milk Access for Growth Program (MAG)	50 million litres	43.6 million litres	87%
	Percentage of butterfat used in MAG and DIP vs quota	0.5% per year	0.41%	84%
	Number of programs created, reviewed, or modified to better meet the future needs of the industry,	As needed	Class 4(m) animal feed program, Plan C (cheese), Data dissemination policy	100%

THEME		CDC'S SUPPORT TOWARDS THE DAIRY SUPPLY MANAGEMENT SYSTEM		
5-year objective	Performance measure for 2020-2021	Target for 2020-2021	Results	% complete
Support the Canadian dairy industry in its adaptation to the new environment brought about by new	Percentage of CDC-led recommendations to industry committees that have been accepted	85%	A total of 3 recommendations were made and accepted.	100%
	Number of invitations to speak/facilitate/train at non-CDC meetings (excluding reports to	20 per year	9	45%

international trade agreements.	provincial boards' annual general meetings)			
	Number of registrations to the updated online training modules	30 per year	30	100%

THEME	ADMINISTRATION OF THE MILK SUPPLY MANAGEMENT SYSTEM			
5-year objective	Performance measure for 2020-2021	Target for 2020-2021	Results	% complete
A well administered, responsive, and well understood supply management system.	Time from receipt of pooling data to quota allocation and money transfers	8 days maximum	Met every month	100%
	Number of audits	31 MUA 35 SMCPP 3 IREP 10 revenue sharing 30 class 3(d) 2 internal audits 1 program evaluation	36 MUA 35 SMCPP 1 IREP 8 revenue sharing 30 class 3(d) 1 internal audit 1 program evaluation	99%
	CDC demand forecasts vs. actual demand	Within 2% of actual demand	12-month demand is within 0.09% of forecast	100%
	The criteria for exceptional circumstances were reviewed in consultation with the industry.	Criteria reviewed.	The COP Technical Committee completed its report in June 2021. The CDC Board presented its decision to the	100%

			CMSMC on July 22, 2021.	
	The support price for butter was reviewed and updated if needed.	Support price reviewed and updated if needed.	The announcement was made on November 1, 2020.	100

THEME	FUNCTIONING OF THE CDC			
5-year objective	Performance measure for 2020-2021	Target for 2020-2021	Results	% complete
The CDC is organized and has the resources to continue to support the dairy industry into the future.	Level of staff satisfaction as measured by an annual survey	90% or more	88%	98%
	Number of tools or policies developed and adapted to better support the industry	4 per year	Pricing calculation Reporting of utilization, revenues and prices DDPP portal Audit standards for the new Environment	100%
	Turnover rate	Maximum 10%	6%	100%

	Assessment of employees' performance	90% of employees have satisfactory performance or higher in their end of year evaluation (fall 2020)	64 out of 65 employees had a satisfactory or higher	98.5%
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4.2 OBJECTIVES, ACTIVITIES, AND PERFORMANCE MEASURES FOR THE PLANNING PERIOD

The CDC is experiencing a good year in 2020-2021. 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. More details on the CDC's performance in 2019-2020 are available in its Annual Report³.

Objectives and activities of the CDC for the planning period are a continuation of those detailed in last year's plan and are grouped under four strategic themes. This section of the Plan presents, for each theme, the five-year goals of the CDC, the strategies and objectives, and the performance indicators associated with these objectives. Targets can be found in Appendix A.

The CDC's main role is to provide support to the Canadian dairy industry. It does not have the powers in its Act to direct the future of the industry. Typically, the environment in which the industry operates changes every three to five years. This change has been even more rapid in recent years. For those reasons, the CDC does not establish objectives on a horizon longer than five years.

Strategic theme: Innovation, investment, and market growth in the Canadian dairy sector

Under this strategic theme and in line with its mission of providing leadership to enhance the vitality of the Canadian dairy industry, the CDC will provide support and funding for market development and will continue to encourage investments in the dairy sector. The CDC already has several programs and services in place that facilitate innovation and market growth⁴. Some of these programs and services will be evaluated and reviewed to ensure that they remain relevant and contribute to the growth and sustainability of the industry.

³ [CDC AR 2020 en V5-optimized.pdf \(cdc-ccl.ca\)](#)

⁴ Such as the Dairy Innovation Program.

Five-year goal:

- Investments and innovation have contributed to market growth and the sustainability of the Canadian dairy industry

STRATEGIES	OBJECTIVES FOR 2021-2022	PERFORMANCE INDICATORS
Maximize markets for dairy products and ingredients.	<ul style="list-style-type: none"> • Support industry initiatives regarding ingredients and dairy products markets and processing investments. 	<ul style="list-style-type: none"> • The number of litres of milk used for existing projects under the Milk Access for Growth Program⁵ (MAG) has reached the target. • The percentage of butterfat used in MAG and DIP projects vs. the quota has reached the target. • Structural surplus for solids non fat (SNF) forecast has been performed and updated.
Ensure that the programs and services offered by the CDC remain relevant and contribute to the growth and sustainability of the Canadian dairy industry.	<ul style="list-style-type: none"> • Adapt CDC's programs and resources to maintain the sustainability of the industry. 	<ul style="list-style-type: none"> • Program evaluation has been performed. • Reviews or modifications of programs to improve efficiency has been completed.

Strategic theme: CDC's support toward the dairy supply management system

Under this theme, the intent is to ensure that the industry has the support and the information it needs to adapt to new realities brought on by international trade agreements or market trends. By producing reliable data and analyses, supporting the industry as it adapts to the current environment, and improving industry and government knowledge of the Canadian supply management system, the CDC hopes to increase the understanding of supply management as it progresses into the future.

Five-year goal:

- Support the Canadian dairy industry as it adapts to market changes in the context of supply management.

STRATEGIES	OBJECTIVES FOR 2021-2022	PERFORMANCE INDICATORS
Produce reliable data and analyses for dairy industry stakeholders, including governmental agencies.	<ul style="list-style-type: none"> • Industry and government have access to value-added data for decision-making. 	<ul style="list-style-type: none"> • Tools have been developed and adapted to better support the industry.

⁵ This program was suspended in March 2019. The target refers to projects approved before that date.

<p>Support the industry as it adapts the legal framework for supply management to current conditions.</p>	<ul style="list-style-type: none"> • Help the industry update the federal/provincial agreements and the legal framework of the supply management system. 	<ul style="list-style-type: none"> • A draft of a new P10 agreement has been written. • The CDC has been mandated by the Canadian Milk Supply Management Committee (CMSMC) to start the modernization of the National Milk Marketing Plan (NMMP). • The CDC has followed the provinces' progress in their required regulatory changes. • The CDC has obtained support from relevant departments to amend the Dairy Products Marketing Regulations (DPMR).
<p>Improve industry and government knowledge of the Canadian dairy supply management system, including its success factors.</p>	<ul style="list-style-type: none"> • Increase the understanding of the relationships between the elements of the supply management system and of the roles of the various stakeholders. 	<ul style="list-style-type: none"> • The number of stakeholder registrations to online training modules reached the target. • The CDC has conducted information sessions on supply management to the industry and government departments.

Strategic theme: Administration of the milk supply management system

As the administrator of milk prices at the farm gate, production quotas, and revenue and market pooling, the CDC is responsible for the respect of federal-provincial agreements as well as for a series of calculations, money transfers, and audits. These various activities are important to ensure that the supply management system runs smoothly.

Under this strategic theme, the CDC's strategy involves both the day-to-day operations of the milk supply management system, and efforts to improve its administration. The day-to-day administration of the system includes the accurate targeting of the quantity of milk to be produced in Canada, the operation of programs that balance the differences in seasonality of production and consumption, and the administration of federal-provincial and international agreements⁶.

Five-year goal:

- A well-administered and responsive supply management system

⁶ The CDC imports the WTO butter tariff rate quota as approved on an annual basis by Global Affairs Canada.

STRATEGIES	OBJECTIVES FOR 2021-2022	PERFORMANCE INDICATORS
<p>Ensure that efficient producers receive fair returns.</p>	<ul style="list-style-type: none"> • Measures are taken to ensure that efficient producers receive fair returns. (EXISTING) • Revenue pooling calculations are timely and accurate. 	<ul style="list-style-type: none"> • The Cost of production (COP) study has been updated and carried out. The study has been published on the CDC web site and made available for support price setting. • The criteria for exceptional circumstances have been reviewed in consultation with the industry and modified as required. • The support price for butter has been reviewed and updated if needed and the new support price for butter was in effect if applicable. • CDC auditors have used the updated National Milk Utilization Audit Standards. • Milk utilization and program compliance audits have been performed by the CDC. • The time from receipt of pooling data to transfer of funds has been within target.
<p>Ensure Canadian production meets demand.</p>	<ul style="list-style-type: none"> • There is timely and sufficient supply of dairy products in the Canadian market. (EXISTING) • There is timely and accurate allocation of quota to meet demand. 	<ul style="list-style-type: none"> • The time from receipt of pooling data to quota allocation has been within target. • The demand forecasts have matched the actual demand. • The butter stocks in June and December have been in line with market needs. • The World Trade Organization (WTO) butter tariff rate quota has been imported.

Strategic theme: Organization excellence

Under this theme, the CDC is focussed on ensuring it has the structure, tools, and resources to support its employees and the dairy industry into the future. Succession planning, improving IT services, collaboration, and productivity will be front and centre.

Five-year goal:

- The CDC is organized and has the resources to continue to engage and motivate employees to deliver the programs and services to support the dairy industry into the future.

STRATEGIES	OBJECTIVES FOR 2020-2021	PERFORMANCE INDICATORS
Provide an inclusive environment to attract and retain a full complement of the best people with the skills to support the performance of the CDC and serve the industry into the future.	<ul style="list-style-type: none"> • Maintain corporate knowledge and leadership roles during transitions. 	<ul style="list-style-type: none"> • The succession plan has been updated. • Measures in the plan are implemented according to the workforce planning results schedule.
Adapt the IT systems, standards, and processes to the CDC's and the industry's evolving needs.	<ul style="list-style-type: none"> • Improve IT services. 	<ul style="list-style-type: none"> • The needs assessment for the new Commercial Operations application has been completed and development has begun. • New reports have been created. • New Euclid functions have been implemented. • Dashboards for human resources and finance data have been created.
Assess and implement new or updated government policies.	<ul style="list-style-type: none"> • Assess the requirements of the new government policies to ensure compliance. 	<ul style="list-style-type: none"> • Relevant policies have been assessed and implemented.
Raise the profile of environmental issues within the CDC.	<ul style="list-style-type: none"> • Reduce CDC's environmental footprint. 	<ul style="list-style-type: none"> • Travel for industry committee meetings has been reduced. • Telework policy has been revised and includes more options for employees to work remotely.

5.0 FINANCIAL OVERVIEW

5.1 OVERALL FINANCIAL MANAGEMENT

The Canadian Dairy Commission is a Crown corporation with sound financial and risk management practices. During the year, the Audit Committee reviews and approves the quarterly financial reports which are then posted on the CDC public Web site and sent to the Comptroller General. The Board also reviews and approves the year-end financial statements,

which are audited by the Office of the Auditor General and included in the Annual Report, which is tabled in Parliament.

5.2 MAJOR ASSUMPTIONS USED IN PREPARING BUDGETS

The CDC's budgeted financial tables are based on certain assumptions and projections while forecasts are based partially on actual results up to February 28, 2021. Certain financial results are particularly sensitive to any significant fluctuations in assumptions made with regards to domestic demand and milk production, which affect our purchases and sales of butter as well as our inventories. The timing of implementation of industry initiatives and fluctuations in interest rates also have an impact on projected financial results.

Demand from 2020-2021 is expected to increase by 3% per year during 2021-2022 to 2025-2026, mainly based on Canadian's continued appreciation for dairy products rich in fat such as cream, butter and fine cheeses. Canadian milk production will be below demand for the entire planning period due to increased access to the Canadian market conceded to other countries through CETA, CPTPP, and CUSMA.

Domestic sales of butter (which include imported butter) will be approximately 27 million kg for 2020-2021, 27.5 million kg for 2021-2022 and 27.2 million kg for the remainder of the years.

Budgets also assume cheese stocks of 2,311 tonnes at year-end in 2020-2021, 1,723 tonnes in 2021-2022 and 800 tonnes for remainder of the planning period. The Plan C cheese program helped the industry deal with the reduction in demand at the beginning of the pandemic. Plan C also helped the industry deal with milk production that exceeded processing capacity during the Holiday period.

The interest rates used for outstanding loans from the Consolidated Revenue Fund (CRF) are estimated, based on the Bank of Canada overnight rates, to be 0.25 % for the remainder of 2020-2021 and 2021-2022, 0.50% for 2022-2023 and 2023-2024, 0.75% for 2024-2025 and 1.0% for 2025-2026. Interest rates on loans from the member of Canadian Payments Association will remain at prime, which is estimated to be 2.45% for 2020-2021 and 2021-2022, 2.70% for 2022-2023 and 2023-2024 and 2.95% from 2024-2025 and 3.20% for 2025-2026. These assumptions are based on projections published by financial institutions in Canada. However, these interest charges are reimbursed to the CDC by either producers or the marketplace and have no material impact on the bottom line of the corporation.

5.3 FINANCIAL STATEMENTS AND NOTES

CANADIAN DAIRY COMMISSION STATEMENT OF FINANCIAL POSITION as at JULY 31, 2020-2026

(in thousands)

	Actual Audited	Budget	Forecast	Budget				
	2019-2020	2020-2021	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
ASSETS								
Current								
Cash	\$ 1,393	\$ 1,429	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Trade and other receivables								
Trade receivables	423	185	190	185	180	175	175	175
Advance to provincial milk boards and agencies	5,916	6,000	7,500	7,500	7,500	7,500	7,500	7,500
Milk pools	1,979	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Derivative asset - foreign exchange contracts	22	-	-	-	-	-	-	-
Inventory	132,313	250,701	130,941	130,569	131,925	133,278	134,578	135,892
	<u>142,046</u>	<u>260,115</u>	<u>141,431</u>	<u>141,054</u>	<u>142,405</u>	<u>143,753</u>	<u>145,053</u>	<u>146,367</u>
Non Current								
Plan C repurchase agreements	9,441	-	20,802	15,503	7,200	7,200	7,200	7,200
Equipment	68	69	41	14	-	-	-	-
Intangible asset	108	79	78	49	19	-	-	-
Right-of-use of asset	2,345	1,993	1,993	1,642	1,290	938	586	235
	<u>11,962</u>	<u>2,140</u>	<u>22,914</u>	<u>17,208</u>	<u>8,509</u>	<u>8,138</u>	<u>7,786</u>	<u>7,435</u>
Total Assets	\$ 154,008	\$ 262,255	\$ 164,345	\$ 158,262	\$ 150,914	\$ 151,891	\$ 152,839	\$ 153,802
LIABILITIES								
Current								
Bank overdraft	\$ 5,916	\$ 6,000	7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Trade and other payables								
Trade payables and accruals	25,238	6,517	6,536	6,602	6,668	6,734	6,802	6,870
Distribution to provincial milk boards and agencies	1,250	635	3,287	359	351	354	358	361
Other payables	820	1,276	1,097	980	1,004	1,020	1,076	1,134
Deferred revenue	4,248	1,429	1,000	1,000	1,000	1,000	1,000	1,000
Derivative liability - foreign exchange contracts	-	-	-	-	-	-	-	-
Loans from the Government of Canada	95,022	231,085	123,976	122,609	117,006	119,387	121,405	123,545
	<u>132,494</u>	<u>246,942</u>	<u>143,396</u>	<u>139,050</u>	<u>133,529</u>	<u>135,995</u>	<u>138,141</u>	<u>140,410</u>
Non Current								
Lease Liability	2,361	2,020	2,020	1,675	1,325	970	610	245
EQUITY								
Retained Earnings	19,153	13,293	18,929	17,537	16,060	14,926	14,087	13,147
Total Liabilities and Equity	\$ 154,008	\$ 262,255	\$ 164,345	\$ 158,262	\$ 150,914	\$ 151,891	\$ 152,839	\$ 153,802

CANADIAN DAIRY COMMISSION
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
for the Dairy Years ended July 31, 2020 - 2026

(in thousands)								
	Actual	Budget	Forecast	Budget				
	Audited	Budget	Forecast	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
	2019-2020	2020-2021	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Domestic sales and cost of sales								
Sales revenue	\$ 295,157	\$ 372,776	\$ 223,086	\$ 233,119	\$ 234,046	\$ 236,627	\$ 238,835	\$ 241,000
Cost of goods sold	292,104	370,861	217,718	231,411	232,470	235,029	237,234	239,395
Transport and carrying charges	4,469	9,352	3,594	4,049	4,104	4,202	4,282	4,361
Finance costs	898	781	178	151	442	447	719	968
Gross profit (loss) on domestic sales	<u>(2,314)</u>	<u>(8,218)</u>	<u>1,596</u>	<u>(2,492)</u>	<u>(2,970)</u>	<u>(3,051)</u>	<u>(3,400)</u>	<u>(3,724)</u>
Other income								
Funding from milk pools	10,191	15,360	11,516	10,797	9,827	10,544	11,317	11,662
Funding from the Government of Canada	3,941	3,998	4,385	4,197	4,203	4,203	4,203	4,203
Professional services	418	490	840	850	850	475	475	475
	<u>14,550</u>	<u>19,848</u>	<u>16,741</u>	<u>15,844</u>	<u>14,880</u>	<u>15,222</u>	<u>15,995</u>	<u>16,340</u>
Total gross profit (loss) on domestic sales and other income	<u>12,236</u>	<u>11,630</u>	<u>18,337</u>	<u>13,352</u>	<u>11,910</u>	<u>12,171</u>	<u>12,595</u>	<u>12,616</u>
Operating Expenses								
Industry initiatives	7,465	4,821	3,709	1,555	1,046	1,046	1,046	1,046
Cost of Production study	865	877	877	892	910	928	946	965
Plan C program costs	58	-	725	1,600	626	514	522	534
Other charges (recoveries)	(60)	120	(80)	(25)	(4)	(2)	20	31
	<u>8,328</u>	<u>5,818</u>	<u>5,231</u>	<u>4,022</u>	<u>2,578</u>	<u>2,486</u>	<u>2,534</u>	<u>2,576</u>
Administrative Expenses								
Salaries and employee benefits	7,710	7,919	7,919	8,173	8,285	8,323	8,423	8,506
Other administrative expenses	1,921	2,192	2,124	2,190	2,172	2,143	2,119	2,114
	<u>9,631</u>	<u>10,111</u>	<u>10,043</u>	<u>10,363</u>	<u>10,457</u>	<u>10,466</u>	<u>10,542</u>	<u>10,620</u>
Total operating and administrative expenses	<u>17,959</u>	<u>15,929</u>	<u>15,274</u>	<u>14,385</u>	<u>13,035</u>	<u>12,952</u>	<u>13,076</u>	<u>13,196</u>
Profit (loss) before distribution to provincial milk boards and agencies	<u>(5,723)</u>	<u>(4,299)</u>	<u>3,063</u>	<u>(1,033)</u>	<u>(1,125)</u>	<u>(781)</u>	<u>(481)</u>	<u>(580)</u>
Distribution to provincial milk boards and agencies	1,250	635	3,287	359	351	354	358	361
Total comprehensive profit (loss)	<u>\$ (6,973)</u>	<u>\$ (4,934)</u>	<u>\$ (224)</u>	<u>\$ (1,392)</u>	<u>\$ (1,476)</u>	<u>\$ (1,135)</u>	<u>\$ (839)</u>	<u>\$ (941)</u>

CANADIAN DAIRY COMMISSION
STATEMENT OF CHANGES IN EQUITY
for the Dairy Years ended July 31, 2020 - 2026

(in thousands)								
	Actual	Budget	Forecast	Budget				
	Audited	Budget	Forecast	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
	2019-2020	2020-2021	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Retained earnings, beginning of the year	\$ 26,126	\$ 18,227	\$ 19,153	\$ 18,929	\$ 17,537	\$ 16,060	\$ 14,926	\$ 14,087
Total comprehensive loss for the year	<u>(6,973)</u>	<u>(4,934)</u>	<u>(224)</u>	<u>(1,392)</u>	<u>(1,476)</u>	<u>(1,135)</u>	<u>(839)</u>	<u>(941)</u>
Retained earnings, the end of the year	<u>\$ 19,153</u>	<u>\$ 13,293</u>	<u>\$ 18,929</u>	<u>\$ 17,537</u>	<u>\$ 16,060</u>	<u>\$ 14,926</u>	<u>\$ 14,087</u>	<u>\$ 13,147</u>

CANADIAN DAIRY COMMISSION
STATEMENT OF CASH FLOWS
for the Dairy Years ended July 31, 2020 - 2026

(in thousands)

	Actual		Forecast	Budget				
	Audited 2019-2020	Budget 2020-2021		2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Cash flows from (used in) operating activities								
Cash received from customers and others	\$ 298,232	\$ 373,700	\$ 220,911	\$ 233,974	\$ 234,901	\$ 237,107	\$ 239,310	\$ 241,475
Cash paid to suppliers and others	(263,965)	(312,807)	(253,143)	(249,067)	(250,481)	(253,053)	(255,438)	(257,821)
Cash receipts from provincial milk boards and agencies (pooling)	10,092	15,360	10,111	10,797	9,827	10,544	11,317	11,662
Cash paid to provincial milk boards and agencies (operating surplus)	(5,750)	(1,314)	(1,250)	(3,287)	(359)	(351)	(354)	(358)
Cash receipts from the Government of Canada	3,941	3,998	4,385	4,197	4,203	4,203	4,203	4,203
Cash paid for Plan C repurchase agreements	(9,441)	-	(13,530)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)
Cash receipts from Plan C repurchase agreements	-	-	2,169	8,899	11,903	3,600	3,600	3,600
Interest paid on loans and the lease liability	(1,341)	(970)	(242)	(199)	(440)	(475)	(695)	(935)
Net cash flows from (used in) operating activities	31,768	77,967	(30,589)	1,714	5,954	(2,025)	(1,657)	(1,774)
Cash flows from (used in) financing activities								
New loans from the Government of Canada	204,319	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Loan repayments to the Government of Canada	(236,897)	(277,196)	(171,046)	(201,367)	(205,603)	(197,619)	(197,982)	(197,860)
Principal payments on lease liability	(347)	(342)	(342)	(347)	(351)	(356)	(361)	(366)
Net cash flows from (used in) financing activities	(32,925)	(77,538)	28,612	(1,714)	(5,954)	2,025	1,657	1,774
Net decrease (increase) in bank overdraft	(1,157)	429	(1,977)	-	-	-	-	-
Net bank overdraft at beginning of the year	(3,366)	(5,000)	(4,523)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)
Net bank overdraft at end of the year	\$ (4,523)	\$ (4,571)	(6,500)	\$ (6,500)				
Components:								
Cash	\$ 1,393	\$ 1,429	1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Bank overdraft	(5,916)	(6,000)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
Net bank overdraft	\$ (4,523)	\$ (4,571)	(6,500)	\$ (6,500)				

Statement of Financial Position

Most of the elements from the Statement of Financial Position remain relatively constant starting in 2021-2022. Starting in 2021-2022, increases in inventory are mainly the result of an estimated 1% increase per year in the support price at which butter stocks are valued.

There is a reduction in the value of Plan C repurchase agreements as of 2022-2023 because of lower expected stocks.

There is a direct correlation between variations in the value of inventory and that of the loans from the Government of Canada. With the introduction of the Plan C cheese program in 2020, purchases and sales of Plan C cheese also contribute to variations in the loans. There is also a decrease in retained earnings starting in the 2020-2021 dairy year.

Statement of Operations and Comprehensive Loss

The domestic sales and cost of sales forecasted for 2021-2022 are in line with the expected results for 2020-2021. Note that these exclude Plan C cheese repurchase agreements.

Finance costs in 2021-2022 are expected to be similar to 2020-2021 as we do not expect interest rates to rise during this period. Interest rates are forecasted to start rising slowly in the following years. The CDC borrows the amounts required to operate several industry programs from the Consolidated Revenue Fund. As these are industry-funded programs, the transport, carrying, and interest charges are paid by the marketplace and dairy producers.

The loss on domestic sales starting in 2021-2022 represents the financing, transport and carrying charges associated with the Domestic Seasonality Program that is no longer compensated by a margin in the defunct Surplus Removal Program. This loss therefore becomes visible in the table whereas in the past, it was "hidden" by profits. These charges continue to be entirely recovered from the marketplace and producers as part of the funding from milk pools. There is no actual loss for the CDC.

Figures for the funding from the government of Canada reflect the actual appropriation plus forecasted eligible payroll expenditures such as parental leave for dairy year 2020-2021. These are slightly higher than the forecast due to adjustments following new signed collective agreements. Appropriations are assumed to remain close to that level for subsequent years.

Income from professional services in 2021-2022 include funding received following the signature of an MOU with Agriculture and Agri-Food Canada for the administration of the Dairy Direct Payment Program for the years 2020-2021 to 2022-2023. Also included in this line are revenues for performing plant audits in 7 provinces.

In 2021-2022 and beyond, expenses for industry initiatives are budgeted to be lower mostly because the Workforce Development Initiative came to an end and no other projects have been accepted by the Board.

"Plan C program expenses" includes storage, insurance and interest costs incurred for cheese purchased under this program. These costs are recovered from the producers and the marketplace therefore have no impact on the CDC bottom line.

The results of the Statement of Operations and Comprehensive Loss are negative for all years because of a planned reduction in retained earnings

Statement of Changes in Equity

This statement is included to present a complete set of financial statements in the Plan as required by the IFRS. This statement presents changes in equity year over year after all the financial inflows and outflows.

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 initiative funded by retained earnings.

CANADIAN DAIRY COMMISSION
ADMINISTRATIVE EXPENSES AND FUNDING
for the Dairy Years ended July 31, 2020 - 2026

(in thousands)							
	Budget	Forecast	Budget				
	2020-2021	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Personnel	\$ 7,919	\$ 7,919	\$ 8,173	\$ 8,285	\$ 8,323	\$ 8,423	\$ 8,506
Professional and special services	1,121	1,359	1,120	1,120	1,120	1,120	1,120
Rentals	88	92	106	106	106	106	106
Transportation & communications	492	124	428	428	428	428	428
Depreciation on right use of asset	352	352	352	352	352	352	352
Information services	8	10	8	8	8	8	8
Acquisition of equipment	70	105	97	83	70	70	70
Materials and supplies	16	6	12	12	12	12	12
Repair and maintenance	11	11	11	11	11	11	11
Miscellaneous expenditures	33	64	58	53	39	14	9
Total administrative expenses	\$ 10,111	10,042	10,363	10,457	10,466	10,542	10,620
Share of Funding							
Appropriation breakdown:							
CDC appropriation Vote 1	\$ 3,898	\$ 4,290	\$ 4,097	\$ 4,103	\$ 4,103	\$ 4,103	\$ 4,103
Eligible payroll expenditures	100	95	100	100	100	100	100
Total Government appropriation	\$ 3,998	4,385	4,197	4,203	4,203	4,203	4,203
Producer contribution	\$ 2,760	\$ 2,760	\$ 3,000	\$ 3,050	\$ 3,200	\$ 3,250	\$ 3,300
Marketplace contribution	1,760	1,760	1,875	1,900	2,000	2,025	2,050
Other	1,593	1,137	1,291	1,304	1,063	1,064	1,067
Total	\$ 6,113	5,657	6,166	6,254	6,263	6,339	6,417

Government figures are based on fiscal year reference levels prorated to a dairy year. Expenses include estimated amounts for maternity leave and severance payments. These amounts are eligible for recovery from Vote 30 and have been included as part of Government appropriations.

Administrative Expenses and Funding

The administrative budget provides details of the CDC's forecasted expenses and sources of revenues.

Major expenditures in the administrative budget are salaries and employee benefits. As mentioned in section 3.1, the Treasury Board of Canada is the employer of CDC's employees who are covered by the same collective agreements and pension plan as employees in the

various government departments. In 2021-2022 personnel costs are estimated to increase partly as a result of new collective agreements as well as in-range step progressions, but also due to an increase of 1 FTE. For the remainder of the planning period personnel costs are estimated to increase by 1% per year.

Professional services and special services are mainly comprised of services relating to audits, HR, legal counsel, simultaneous interpretation, and market studies. Also included in this category are various MOUs with other government departments for IT and HR services.

The COVID impacts on CDC's forecasted administrative expenses include a reduction in travel and supply costs and an increase in the acquisition of equipment. The increase in professional services is due to the use of temporary help.

Borrowing Plan

Legislative Borrowing Authorities

Under subsection 16(1) of the *Canadian Dairy Commission Act* (CDC Act), the Minister of Finance may, out of the Consolidated Revenue Fund, make loans to the CDC as are approved by the Governor in Council for the purpose of exercising any of the powers of the Commission described in section 9(1) (a) and (b) of the Act:

- a) purchase any dairy product and sell, or otherwise dispose of, any dairy product purchased by it;
- b) package, process, store, ship, insure, import or export any dairy product purchased by the Commission.

According to section 16(2) of the CDC Act, total aggregate amount outstanding at any time of loans made under subsection 16(1) and amounts drawn under subsection 16.1(2) shall not exceed \$500 million. This section of the CDC Act was amended on May 15, 2020, to increase CDC's total borrowing capacity from \$300 million to \$500 million.

In accordance with subsection 127(3) of the *Financial Administration Act*, the CDC requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. The following outlines the borrowing plan for 2021-2022.

For 2021-2022, the CDC requests short-term borrowings of \$500 million to be comprised of borrowings of \$450 million from the Consolidated Revenue Fund and a \$50 million line of credit, with total outstanding borrowings at any time not exceeding \$500 million.

Overview of the Borrowing Plan

The assumptions and estimates used in this borrowing plan are forward-looking. There is a certain level of uncertainty related to the assumptions used in the borrowing plan as many factors influence the quantity of butter and cheese that the CDC buys. These include milk production during the summer, which in turn depends partly on weather, decisions made by processors, demand for ice cream during the summer, and other factors influencing processor decisions related to stocks. In addition, the implementation of new trade agreements may require the CDC to purchase more butter and cheese in certain periods. Any future wave of COVID-19 will also have an impact on the amount of money that the CDC needs to borrow from the Consolidated Revenue Fund to support the industry during times of fluctuating demand.

CANADIAN DAIRY COMMISSION
BORROWING PLAN
for the Dairy Years ended July 31, 2020 - 2026

Table 1: Outstanding borrowings at July 31 (\$millions)

	Actual 2019-2020	Budget 2020-2021	Forecast 2020-2021	Budget				
				2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Short-term borrowings	\$ 100.9	\$ 237.1	\$ 131.5	\$ 130.1	\$ 124.5	\$ 126.9	\$ 128.9	\$ 131.0
Long-term Borrowings	-	-	-	-	-	-	-	-
Total borrowings	\$ 100.9	\$ 237.1	\$ 131.5	\$ 130.1	\$ 124.5	\$ 126.9	\$ 128.9	\$ 131.0

Table 2: Short-term borrowings as of July 31 (\$ millions)

	Actual 2019-2020	Budget 2020-2021	Forecast 2020-2021	Budget				
				2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Canadian dollars	\$ 100.9	\$ 237.1	\$ 131.5	\$ 130.1	\$ 124.5	\$ 126.9	\$ 128.9	\$ 131.0
Us dollars (expressed in canadian dollars)	-	-	-	-	-	-	-	-
Total borrowings	\$ 100.9	\$ 237.1	\$ 131.5	\$ 130.1	\$ 124.5	\$ 126.9	\$ 128.9	\$ 131.0

Table 3: Peak borrowings during the year (\$ millions)

Method and currency used	Actual 2019-2020	Budget 2020-2021	Forecast 2020-2021	Budget				
				2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Line of credit: Canadian dollars	\$ 7.2	\$ 7.5	\$ 10.7	\$ 9.0	\$ 9.0	\$ 9.0	\$ 9.0	\$ 9.0
Line of credit: US dollars (expressed in canadian dollars)	-	-	-	-	-	-	-	-
Borrowings: Canadian dollars	108.1	313.8	127.8	136.6	126.8	129.4	131.5	133.8
Borrowings: US dollars (expressed in Canadian dollars)	-	-	-	-	-	-	-	-
Total borrowings	\$ 115.3	\$ 321.3	\$ 138.5	\$ 145.6	\$ 135.8	\$ 138.4	\$ 140.5	\$ 142.8

**APPENDIX A
PLANNED RESULTS**

Outcome	Performance indicator	Baseline	2021-2022 Target	2025-2026 Target	Data Strategy
Investments and innovation have contributed to market growth and the sustainability of the Canadian dairy industry.	Number of litres used in the Milk Access for Growth Program (MAG)	0 (2017-2018)	100 million litres	160 million litres	Annual pull of data from MAG program
	Percentage of butterfat used in MAG and DIP vs. quota	Data not available	0.5% per year	2% (cumulative)	Annual growth in milk requirements related to CDC programs
	Structural surplus (SNF) forecast is performed and updated.	Forecast performed in March 2021	Forecast reviewed by March 2022	Forecast reviewed yearly	Document on surplus forecast
	Program evaluation	Data not available	Domestic Seasonality Programs		
	Review or modification of programs to improve efficiency.		Special Milk Class Permit Program		

Outcome	Performance indicator	Baseline	2021-2022 Target	2025-2026 Target	Data Strategy
Support the Canadian dairy industry as it adapts to market changes in the context of supply management.	Number of tools developed and adapted to better support the industry.		2 per year	2 per year	Data from Information Technology team and Senior Management Team
	Draft of new P10 agreement.	Data not available	Draft of new P10 agreement presented to the signatories by July 2022	A new P10 agreement has been signed by 10 provinces and the federal government	Compilation by CEO office
	The CDC was mandated by the CMSMC to start the modernization of the National Milk Marketing Plan (NMMP).	Data not available	Motion by the CMSMC by July 2022	A draft new NMMP is being negotiated among the provinces and the CDC	Compilation by CEO office
	The CDC has followed the provinces' progress in their required regulatory changes.	Data not available	The CDC is aware of changes to provincial regulations	Not applicable	Work of a coordinating committee with provinces
	The CDC has obtained support from relevant departments to amend the Dairy Products Marketing Regulations (DPMR).	Data not available	Modifications to the DPMR are approved by Governor in council	Not applicable	Compilation by CEO office

Outcome	Performance indicator	Baseline	2021-2022 Target	2025-2026 Target	Data Strategy
	Number of stakeholder registrations to online training modules.	Data not available	20 per year	30 per year	Compilation by Communications
	Number of information sessions on supply management given to the industry and the governments.	5 per year	5 per year	5 per year	Compilation by Policy and Economics
A well-administered and responsive supply management system	The COP study is updated and carried out. The study is published on the CDC web site and available for support price setting.	COP performed and published every year	COP performed and published every year	COP performed and published every year	Compilation by Policy and Economics
	The criteria for exceptional circumstances were reviewed in consultation with the industry and modified as required.	Criteria established in 2017 (for 2018 Pricing announcement)	Criteria are reviewed and adopted by October 2021	Not applicable	Compilation by Policy and Economics
	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.	Support price reviewed as needed.	Support price reviewed as needed.	Compilation by Policy and Economics

Outcome	Performance indicator	Baseline	2021-2022 Target	2025-2026 Target	Data Strategy
	CDC auditors use the updated NMUAS.	Data not available	Auditors use the 2021 version of the standards	n/a	Audit & Evaluation data
	Number of audits	100 audits of Class 3d 40 audits of Special Milk Class Permit Program participants (2016-2017)	55 MUA, 35 SMCPP, 3 IREP, 10 revenue sharing, 30 class 3d, 1 internal audit, and 1 program evaluation.	55 MUA, 40 SMCPP, 45 Joint Audits, 3 IREP, 10 revenue sharing, 20 class 3d, 2 internal audits, and 1 program evaluation. TRQ 15 Other audits as needed.	Audit & Evaluation data
	Time from receipt of pooling data to transfer of funds	8 days maximum (2016-2017)	8 days maximum	8 days maximum	Data from Finance and Administration
	Time from receipt of pooling data to quota allocation	8 days maximum (2016-2017)	8 days maximum	8 days maximum	Data from Finance and Administration
	Demand forecasts vs. actual demand	Data not available	Within 2% of actual demand	Within 2% of actual demand	Pooling data

Outcome	Performance indicator	Baseline	2021-2022 Target	2025-2026 Target	Data Strategy
	Butter stocks in June and December are in line with market needs	Data not available	December: 25,000 tonnes of total stocks of which 6,000 tonnes at the CDC) June: 35,000 tonnes of which 16,000 tonnes at the CDC	To be determined based on market needs	Compilation by Policy and Economics
	Import the WTO butter tariff rate quota.	3,274 tonnes	3,274 tonnes	3,274 tonnes	Data from Commercial Operations
The CDC is organized and has the resources to continue to engage and motivate employees to deliver the programs and services to support the dairy industry into the future.	Succession plan is updated.	Update January 2020	Update January 2022	Update January 2026	Compilation by HR
	Measures in the plan are implemented according to the Workforce planning results schedule.	Data not available	Plan adopted November 2021 (follow up will depend on the plan)	Not applicable	Compilation by HR
	The needs assessment for the new Commercial Operations application has been completed and development has begun.	Data not available	Needs assessment completed by November 2021	Not applicable	Data from Information Technology Team
	New reports have been created.	Approximately 20 reports are created yearly when there are no new programs to be implemented.	20 reports	All the reports necessary to support new and ongoing programs.	Data from Information Technology Team

Outcome	Performance indicator	Baseline	2021-2022 Target	2025-2026 Target	Data Strategy
	New Euclid functions have been created	Data not available	4 functions (Security, tracking, GAC and AC Nielsen imports)	Not applicable	Data from Information Technology Team
	Dashboards for human resources and finance data have been created.	Data not available	Dashboards for HR available January 2022 Dashboards for finance available December 2021	Not applicable	Data from Information Technology Team
	Relevant policies have been assessed and implemented.	Data not available	Assessment of accessibility policy, employment equity by July 2022 Implementation of security policy by July 2022	Not applicable	Data from HR and IT teams
	Travel for industry committee meetings has been reduced.	28 meetings out of 135 done virtually in 2018-2019 (21%)	25% of meetings are done virtually.	25% of meetings done virtually	Compilation by Policy and Economics.

Outcome	Performance indicator	Baseline	2021-2022 Target	2025-2026 Target	Data Strategy
	Telework policy has been revised and includes more options for employees to work remotely.	November 2017 version of the Policy	10% reduction in carbon emissions because of telework after COVID-19 pandemic	Not applicable	Data from Human Resources.

Chief Executive Office Commitment:

I, Serge Riendeau, as Chief Executive Officer of the Canadian Dairy Commission, am accountable to the Board of Directors of the Canadian Dairy Commission for the implementation of the results described in this Corporate Plan and outlined in this Appendix. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

Serge Riendeau
 Chief Executive Officer
 Canadian Dairy Commission

Original signed
 May 17, 2021

