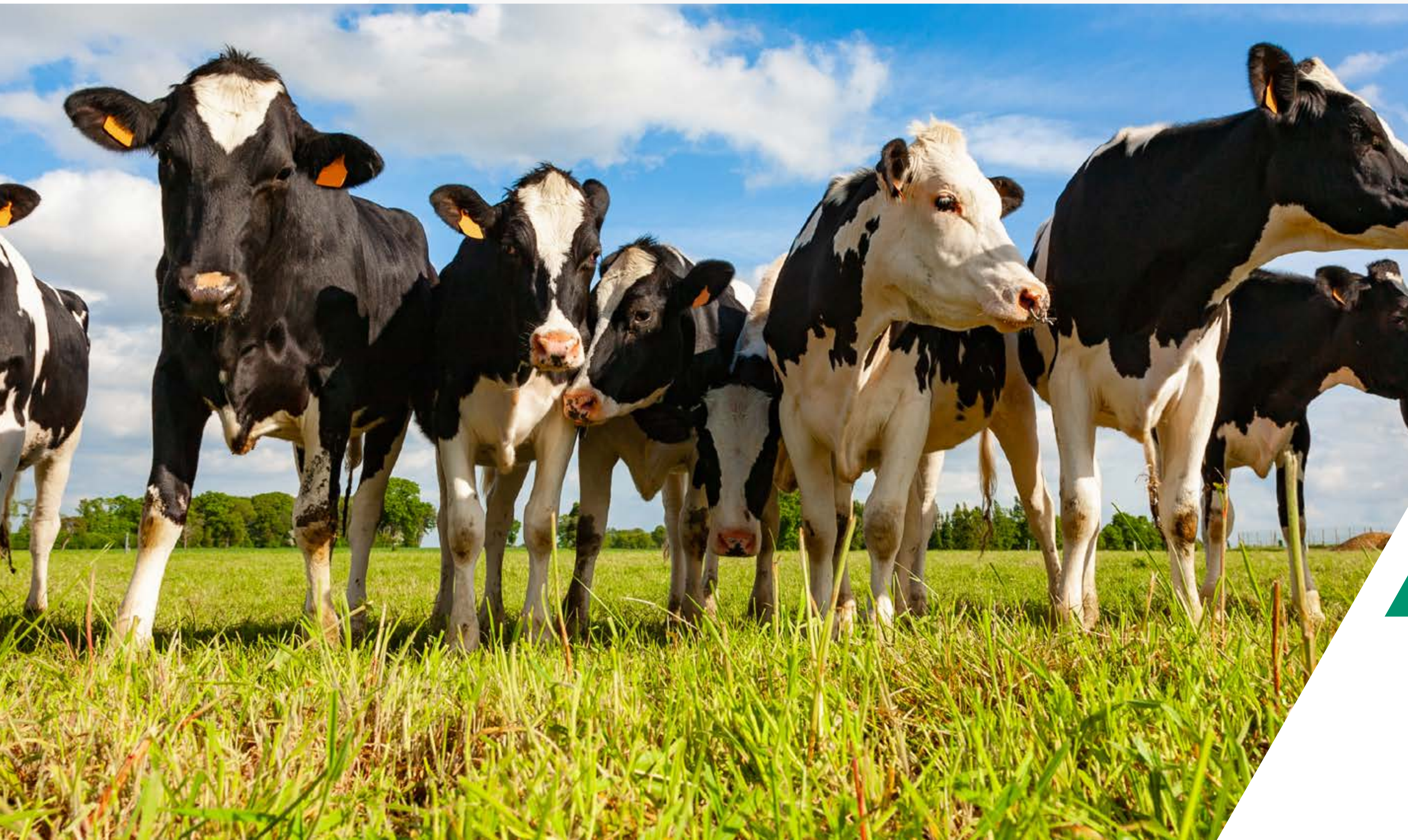
Canadian Dairy Commission | Commission canadienne du lait

Canada

CANADIAN DAIRY COMMISSION

ANNUAL REPORT



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

MISSION STATEMENT

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

VALUES

Excellence | Integrity | Leadership | Respect

MANDATE OF THE
CANADIAN DAIRY COMMISSION

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

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

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

Communications

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REPORT FROM THE BOARD

On behalf of the entire organization, we are pleased to present the Canadian Dairy Commission's (CDC) annual report for the 2020-2021 dairy year.

As the year ends, the CDC finds itself in a sound financial position and has achieved most of its Corporate Plan objectives, which include priorities on innovation, investment, and market growth, support and thorough administration of the dairy supply management system and supporting the industry through the lingering effects of the COVID-19 pandemic.

Always striving for excellence, the dairy industry prides itself in providing Canadians with high quality milk, as well as a wide array of quality dairy products.

Over the last few years, the dairy industry has been faced with new market realities due to the implementation of the Comprehensive Economic Trade Agreement (CETA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Canada-United-Sates-Mexico Agreement (CUSMA). These new international trade deals have also resulted in some important changes to Canadian dairy industry policies.

Total market access for dairy under all trade agreements 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 determine producer quota. New imports created uncertainty in forecasting and will continue to do so for the next few years in terms of what kinds of dairy products are imported, when, and in which province. Matching milk production with demand may be challenging and the CDC continues to work with the industry and other government organizations to establish better forecasts and audit systems.

To help mitigate the impacts of the implementation of new international trade deals, the Government of Canada implemented the Dairy Direct Payment Program (DDPP) in 2019. The CDC was asked to administer this program on behalf of the government. Under this program, Canadian dairy farmers are receiving $1.75 billion over four years.

In addition to the challenges the industry faces due to international trade deals, it continues to deal with the consequences of the COVID-19 pandemic. The dairy industry continues to respond swiftly and diligently to milk supply, processing capacity and distribution issues, while ensuring that it remains a key contributor to the Canadian economy. Thanks to an increase in its borrowing capacity granted last year, the CDC is in good position to support the industry through market fluctuations that may be caused by the pandemic.

The CDC also continues to encourage and support the dairy industry to grow the market and adapt to new realities. The Matching Investment Fund provides non-repayable contributions for innovative projects and products that increase the use of dairy ingredients, and the Dairy Innovation Program provides access to milk to processors manufacturing innovative dairy products using Canadian milk and dairy ingredients.

As a leader in the industry, the CDC provides guidance through the chairmanship of several industry committees and offers its advice and knowledge to help resolve current and emerging issues. We are extremely proud of the contributions made by the CDC and its employees who provide their expertise and insights daily to the dairy industry, efficiently, passionately and with great dedication. It is with immense gratification that we claim affiliation with an organization that is committed to the welfare, advancement, innovation and promise of a better future for the dairy industry.

Bob Ingratta
Chairperson

Serge Riendeau
CEO

Jennifer Hayes
Commissioner

THE CANADIAN
DAIRY INDUSTRY

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

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

MILK PRODUCTION

The dairy industry was a significant contributor to the Canadian economy during the 2020 calendar year. It generated farm cash receipts of $7.13 billion.

2020

10,371 FARMS IN CANADA
Employs approximately 18,805 people[1]

Average of
92 cows per farm

Annual production of 37,003 kg of butterfat* (or 921,755 litres) per farm, a production per farm higher than that of 2019

* Milk production in Canada is expressed in kg of butterfat.

1 2016 Census of Agriculture.

Milk Production by Province (million kg butterfat)

Province	2019-2020	2020-2021
Newfoundland and Labrador	2.01	1.98
Prince-Edward Island	4.84	5.16
Nova Scotia	8.30	8.65
New Brunswick	6.33	6.67
Quebec	138.85	144.20
Ontario	124.82	128.86
Manitoba	16.59	17.25
Saskatchewan	12.47	12.57
Alberta	34.47	35.27
British Columbia	35.07	35.80
TOTAL	**383.75**	**396.41**

MILK PROCESSING

Canadians continue to have access to a wide range of quality and innovative dairy products. Canadian dairy processors are always working to improve the quality of their dairy products and bring new dairy products to the market. In addition, Canada produces over 1,450 varieties of cheese[2] (cow, goat ewe and water buffalo) and is recognized around the world for the quality of its products.

In 2020, the dairy processing industry generated $15.9 billion in products, or 13% of all sales of processed products in the food and beverage industry.

2020

514 dairy processing plants (2019)[3].

Employs approximately 27,150 people.

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

3 The 2020 statistics are not yet availablet.

DAIRY PRODUCT CONSUMPTION

The Canadian dairy industry has some of the most stringent quality control standards in the world. The industry as a whole works together to ensure Canadians have access to safe and quality dairy products.

Dairy consumption reflects the whole Canadian market including retail, hotels, restaurants, and institutions (HRI). Over the last year, Canadian consumers slightly reduced their consumption of yogurt. However, consumption of higher-fat milk products such as homogenized milk, cheeses and butter has continued to increase.

RETAIL SALES

Retail sales of dairy products in 2020-2021 were strong for most categories. As a result of the COVID-19 pandemic, demand for table cream remained robust with a 6.2% rate of increase at the retail level. Growth in per capita cheese consumption has persisted, particularly for cheddar with an increase of 1.2% and for variety cheese (including mozzarella) which increased by 1.9%.

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

Canadian milk and dairy products are not only known for their excellence, but they are also recognized for their variety and high-quality.

GOVERNANCE

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

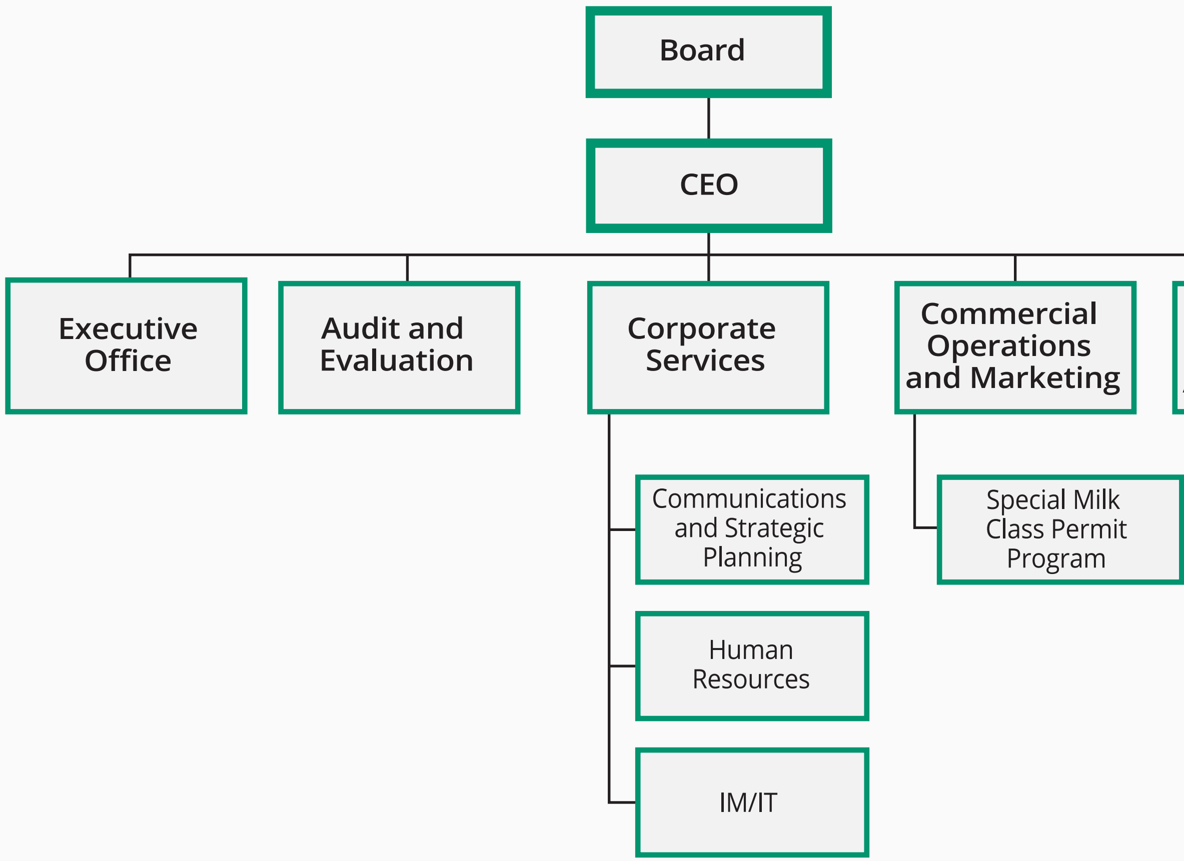
In addition to the *Canadian Dairy Commission Act* , the CDC is also governed by the *Financial Administration Act*, the *Federal Public Sector Labour Relations Act*, the *Dairy Products Marketing Regulations*, the *EEC Aged Cheddar Cheese Export Regulations* and the *Safe Food for Canadians Regulations.*

CDC AT A GLANCE

Created in 1966
73 employees (as of July 31, 2021)
Location: Ottawa
Website: www.cdc-ccl.gc.ca

Administrative budget for 2020-2021 (dairy year): $10.1 million
Dairy Year: August 1 to July 31

STRUCTURE OF THE CANADIAN DAIRY COMMISSION



GOVERNING BOARD

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

BOARD MEMBERS

Chairperson
Bob Ingratta

Appointed on February 5, 2020, for a two-year term.

CEO
Serge Riendeau

Appointed on May 14, 2018, for a three-year term. Mandate extended until May 2022.

Commissioner
Jennifer Hayes

Appointed on January 3, 2017, and reappointed on February 5, 2020, for a three-year term.

COMMITTEES

BOARD COMMITTEES

Audit Committee

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

Senior Management Team (SMT)

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

Front row: **Danie Cousineau**, Corporate Secretary; **Hossein Behzadi**, Director, Audit and Evaluation; **Chantal Paul**, Director, Corporate Services.

Back row: **Christine Boutin**, Senior Director, Commercial Operations and Marketing; **Richard Rancourt**, Associate Director, IM, IT and Chief Security Officer; **Benoit Basillais**, Director, Policy and Economics; **Chantal Laframboise**, Director, Finance and Administration.

MANAGEMENT COMMITTEES

Human Resources Advisory Committee

Their mandate is to provide advice to the SMT on human resources priorities and initiatives.

Internal Audit and Program Evaluation Advisory Committee

The committee develops internal audit and program evaluation plans for the review of CDC's systems, programs, and practices.

Risk and Security Committee

Its mandate is to assist the SMT in meeting the security requirements of the Government of Canada.

Cyber Security Committee

This committee manages all aspects of cyber security for the CDC.

Occupational Safety and Health Committee (OSH)

The OSH serves as an advisory body to the SMT for all matters relating to the health and safety of CDC employees.

CORPORATE GOVERNANCE

Planning and Reporting

In the fall of 2020, the Board approved the Annual Report and Financial Statements of the CDC for the 2019-2020 dairy year. In May 2021, the Board also approved the CDC's Corporate Plan[4] for the period starting in 2021-2022 and ending in 2025-2026. The Corporate Plan contains all the major directions of the corporation as well as its forecasted budgets and borrowing plan. The Corporate Plan was approved by Treasury Board on June 17, 2021.

Audit and Evaluation

The report on the evaluation of the Milk Access for Growth (MAG) program was approved by the CDC's Audit Committee in December 2020. Based on the results of the Three-Year Risk-Based Audit Plan (RBAP), the Audit & Evaluation Division will perform a program evaluation on the Domestic Seasonality Programs later in 2021-2022.

The CDC has initiated a Fraud Risk Assessment (FRA). The objective of the FRA is to identify and address the CDC's vulnerabilities to both internal and external fraud and to improve the CDC's existing risk management policy. The new policy will identify potential events that may affect the CDC and

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

will outline mitigation activities to manage risks within the CDC's risk appetite thereby providing reasonable assurance regarding the achievement of its objectives.

Office Of the Auditor General Special Examination

Special examinations, performed by the Office of the Auditor General of Canada (OAG), are a form of performance audit that is conducted within the (CDC) as a federal Crown corporation at least once every 10 years. The special examination covered the period from September 1, 2019, to October 31, 2020, and determined whether the CDC's systems and practices selected for examination provide reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively, as required by section 138 of the *Financial Administration Act* (FAA).

In its final report, the OAG made three recommendations. The first one recommended that the CDC continue to engage 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 and provide the minister an updated profile of potential candidates more regularly. The second recommendation was that the CDC should set performance indicators for each of its strategic objectives. And finally, regarding risk mitigation strategies, the CDC should integrate risk appetites, tolerances, and timelines into its action plans, and it should update its action plans regularly. The CDC agreed with all three recommendations and has either implemented or is working to implement these practices to satisfy them. The OAG's final special examination report was published on the CDC's website on May 7, 2021, as per FAA requirements.

Annual Public Meeting

The CDC held a virtual annual public meeting in January 2021. This meeting was open to the public and was attended by almost 200 people, most of whom were representatives of the dairy industry. It gave the CDC the opportunity to report on its financial statements and strategic objectives for the past and current dairy years and to answer any questions from participants. The meeting also included an address from the Honourable Marie-Claude Bibeau, Minister of Agriculture and Agri-Food, and guest speakers Raymond Chrétien and Peter Kirby who spoke about Canada-US relations and trade.

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

ACTIVITIES

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

SUPPLY MANAGEMENT

DETERMINING AND ADJUSTING QUOTA

The CDC monitors trends in total demand and milk production monthly. This allows it to adjust the national production quota every month to reflect changes in the demand for milk products.

Total Requirements, Quota and Production (million kg butterfat)

	Total Requirements	Total Quota	Total Production
2016-2017	365.37	362.69	358.21
2017-2018	371.94	369.17	380.03
2018-2019	383.42	380.71	379.05
2019-2020	390.90	388.12	383.75
2020-2021	400.69	397.92	396.41

Click here for more information on the national milk production targets.

ADJUSTING SUPPLY

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

CDC Inventory

	Opening Inventory	Purchases	Sales	Closing Inventory
		tonnes		
Butter	14,815	20,033	22,168	12,680

Due to the impact of the COVID-19 pandemic on demand for dairy products, the CDC put in place, at the request of the industry, a storage program for cheese (Plan C) which is similar to Domestic Seasonality Programs for butter. The program was launched initially with a CMSMC decision April 17, 2020, for cheese produced up to August 31, 2020, with a program limit of 20,000 tonnes per dairy year. Eligible cheeses under the program include cheddar, aged cheddar, mozzarella, and pizza mozzarella. The Plan C cheese program was designed to support the industry by purchasing cheese from processors who commit to repurchasing the product within a predetermined period. The cheese is bought and sold at the same price. Under this program, the CDC signs a storage agreement with cheese manufacturers who remain responsible for the storage of the product. The CDC provides a monthly payment to the processors to defray storage costs. The duration of the storage contract depends on the type of cheese.

Plan C was reactivated by a CMSMC decision for a limited timeframe between December 18, 2020, and January 14, 2021, to address surplus milk over the holiday period.

In July 2021, the CMSMC approved the recommendation that Plan C may be activated under certain circumstances upon request from at least one provincial milk marketing board and approval by the Market Committee with a program limit of 20,000 tones per dairy year. Plan C was reactivated for the period of July 27, 2021, to August 31, 2021, according to the initial terms and conditions established for the program. Plan C will continue to be available under certain conditions to support the industry in times of milk surplus due to plant closures or reduction in processing activities during the holidays and special situations.

IMPORTS

Under the terms of the 1995 World Trade Organization (WTO) Agreement on Agriculture, Canada has established tariff rate quotas (TRQ) for numerous dairy products. TRQs are the quantities of products that can enter Canada with little or no duty. With the support of the industry, the CDC has acted as the receiver of butter imports under the WTO TRQ through federal permits since 1995 and has directed this product to the further processing sector through butter manufacturers. The WTO TRQ for butter is 3,274 tonnes. Of this, approximately two thirds (2,000 tonnes) are specifically allocated to New Zealand. During the 2020-2021 dairy year, the CDC imported its full WTO TRQ commitment of butter, including more than 2,000 tonnes from New Zealand.

EXPORTS

There were no exports of skim milk powder in Class 5(d) during the 2020-2021 dairy year. The CDC issued Class 5(d) permits to Canadian exporters for a total of 1,421 tonnes of cheese. All exports in Class 5(d) were within Canada's trade commitments. In conformity with the WTO *Nairobi Ministerial Decision on Export Competition*, class 5(d) was cancelled on December 31, 2020.

PRODUCER RETURNS

PRICING

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

Following a review of Canadian farm gate milk prices and various other costs used in administering the supply management system, the farm gate milk prices increased by 2% on February 1, 2021. This increase in producers' revenues will partially offset losses incurred due to the COVID-19 pandemic and market trends which have caused revenues to remain below the cost of production. The increase in the cost

Export limits and products exported (August to December 2020)

	Subsidy limit (million kg)	Quantity of products exported (million kg)	Subsidy limit (million $)	Subsidy value on exported products (million $)
Butter	0.3771	0	4.594	0
Cheese	2.517	1.421	6.762	3.559
Skim milk powder	7.674	0	12.979	0
Other dairy products	5.912	0.196	9.377	0.12
Incorporated dairy products	n/a	0	8.448	0

of production was mainly related to livestock feed costs and other variable costs. The CDC also recognized a 2% increase in the cost of processing milk into butter.

To reflect these changes, the support price for butter used by the CDC in its Domestic Seasonality Programs increased from $8.5524 per kg to $8.7149 per kg on February 1, 2021. Click here for additional information on how the price of milk is set in Canada.

POOLING OF MARKETS AND PRODUCER RETURNS

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

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

Since June 2020, producers share revenues from all milk. Before that, only revenues from classes 5(a), (b), (c), and (d) and 3(d) were pooled nationally.

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

The Comprehensive Agreement on Pooling of Milk Revenues (P10 Agreement) also provides a means for producers to share markets for the sale of milk to processors. The P10 Agreement is currently under review and will be updated to reflect current practice.

REGIONAL POOLING AGREEMENTS

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

ACTIVITIES OF REGIONAL POOLS

During the 2020-2021 dairy year, the P5 technical working groups created a policy for cream surpluses associated with projects under the Milk Access for Growth program, developed a P5 solids non fat (SNF) ratio payment policy, initiated discussions on creating a harmonized policy for false inhibitor tests, created a working group to review and create a policy on milk metering in the P5, and continued discussions on the review of the Harmonized Milk Allocation Policy. The P5 also undertook an update to the panel of arbitrators for the P5 Agreement.

During the 2020-2021 dairy year, the CDC continued to provide technical support to the WMP technical groups at their request. Harmonization of policies and activities between the P5 and the WMP provinces continues to progress through open dialogue at the technical level at joint pool meetings and at the Secretariat. A review of policies, such as those for false inhibitor tests and milk metering, continue to promote harmonization of activities amongst the P5 and WMP.

INDUSTRY SUPPORT

CANADIAN MILK SUPPLY MANAGEMENT COMMITTEE

The Canadian Milk Supply Management Committee (CMSMC) is the main national body for policy development and discussions in the sectors of dairy production and processing. It includes milk marketing boards and government representatives from all provinces and non-voting representatives from national consumer, processor, and producer organizations. As chair of the CMSMC, the CDC provides ongoing leadership, advice, and analysis to the Canadian dairy industry, in close co-operation with national and provincial stakeholders.

SECRETARIAT, IT AND TRANSLATION SERVICES

During the 2020-2021 dairy year, the CDC coordinated close to 170 meetings, webinars and conference calls and translated almost 950 documents in support of the regional pools, the CMSMC, and several working groups and national committees.

Due to the measures put in place to fight COVID-19, the industry held its meetings on virtual platforms starting in mid-March 2020. This meant more numerous but shorter meetings.

AUDITING

Most external audits cover companies participating in the Special Milk Class Permit Program (SMCPP). Risk assessment is used to identify high-risk companies among program participants. In conjunction with SMCPP audits, the CDC audits companies participating in the Import for Re-export Program (IREP) which is administered by Global Affairs Canada. During the 2020-2021 dairy year, a total of 35 SMCPP audits were conducted compared to 34 audits the previous year. Many field audits were cancelled due to the COVID-19 pandemic.

Audits for Milk Class 3(d) (Mozzarella for fresh pizzas) were performed and covered selected independent pizzerias and distributors. In 2020-2021, 30 pizzerias and distributors were audited. Targets were reduced compared to prior years, as previous audits concluded that this was a low-risk area.

Joint audits are underway with provincial auditors. A total of 48 joint audits were conducted in 2020-2021, which exceeded the CDC's projected target of 45. During the joint audits, the CDC contributed valuable expertise and supported harmonization of audit practices. Overall audit results were positive in this regard.

The CDC also performs the milk plant utilization audits on a cost-recovery basis in the 7 provinces of Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Manitoba, Saskatchewan and Alberta.

As of July 31, 2021, routine audit recoveries in the SMCPP totaled $622,885. These funds were returned to producers. These recoveries are similar to historical averages; however, these amounts will be lower in the future due to improved understanding of program requirements by long-term participants.

Type of audit	Auditee	Purpose of audit
Revenue sharing	Provincial Boards	Verify completeness of pooled revenues from all 10 provinces
Milk utilization	Processors	Verify accuracy and completeness of milk components reported in utilization classes and related programs (e.g., school milk program) in 7 provinces (NL, PE, NB, NS, MB, SK, AB)
Import for Re-export Program (IREP)	IREP participants	Verify compliance with program requirements on behalf of Global Affairs Canada
Milk class 3(d)	Distributors and restaurants using Mozzarella on fresh pizza	Verify compliance with class requirements
Special Milk Class Permit Program	Distributors and further processors	Verify compliance with program requirements

PROGRAMS

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

SPECIAL MILK CLASS PERMIT PROGRAM

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

Class 5(a) permits are issued for cheese used as an ingredient in further processing for the domestic and export markets. Class 5(b) permits are issued for all other dairy products used as ingredients in further processing for the domestic and export markets. Class 5(c) permits cover dairy products used as ingredients in the confectionery sector destined for the domestic and export markets. Further processors used the equivalent of 45.9 million kg of butterfat in the 2020-2021 dairy year, an increase of 11% over the previous year. The increase is mostly explained by additional sales of Canadian butter for further processing. The number of active program participants on July 31, 2021, amounted to 1,738.

CLASS 3(d)

Class 3(d) was created to encourage restaurants to use Mozzarella on fresh pizzas. In 2020-2021, 1,129 restaurants joined the program for a total of 13,024 active program participants. The total amount of Mozzarella used in the program for this dairy year amounted to 50.4 million kg compared to 52.9[5] million kg used in 2019-2020. The decrease in usage can be attributed to lower sales of pizzas thus requiring less cheese from cheese suppliers during the ongoing COVID-19 pandemic.

DAIRY MARKETING PROGRAM

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

Due to the COVID-19 pandemic restrictions in 2020-2021, the CDC was unable to travel to the Restaurants Canada trade show and other food science and industry events. Nevertheless, the CDC continued to promote the Dairy Innovation Program, the Matching Investment Fund, the Special Milk Class Permit Program as well as other services the CDC offers to dairy processors and food manufacturers through virtual meetings and presentations.

5 In the 2019-2020 Annual Report, it was reported that 51 million kg of mozzarella was used in the program during that dairy year. The actual amount used was 52.9 million kg as stated above. Quantities are subject to fluctuation based on processor reporting. Processors frequently adjust their reporting up to 90 days after they have submitted their original data.

MATCHING INVESTMENT FUND

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

In 2020-2021, the MIF received seven applications. During the same period, three applications were approved. Approved projects include activities such as consultation services, recipe formulation, product testing, and technology transfer.

DAIRY INNOVATION PROGRAM

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

This year, eight applications were received under the DIP. As of July 31, 2021, five applications were approved by the selection committee. These projects represent a potential total utilization of 6.8 million litres over three years.

During the 2020-2021 dairy year, dairy processing companies across Canada used approximately 3.5 million litres of milk to manufacture innovative cheeses in the provinces of Ontario, Québec, and British Columbia.

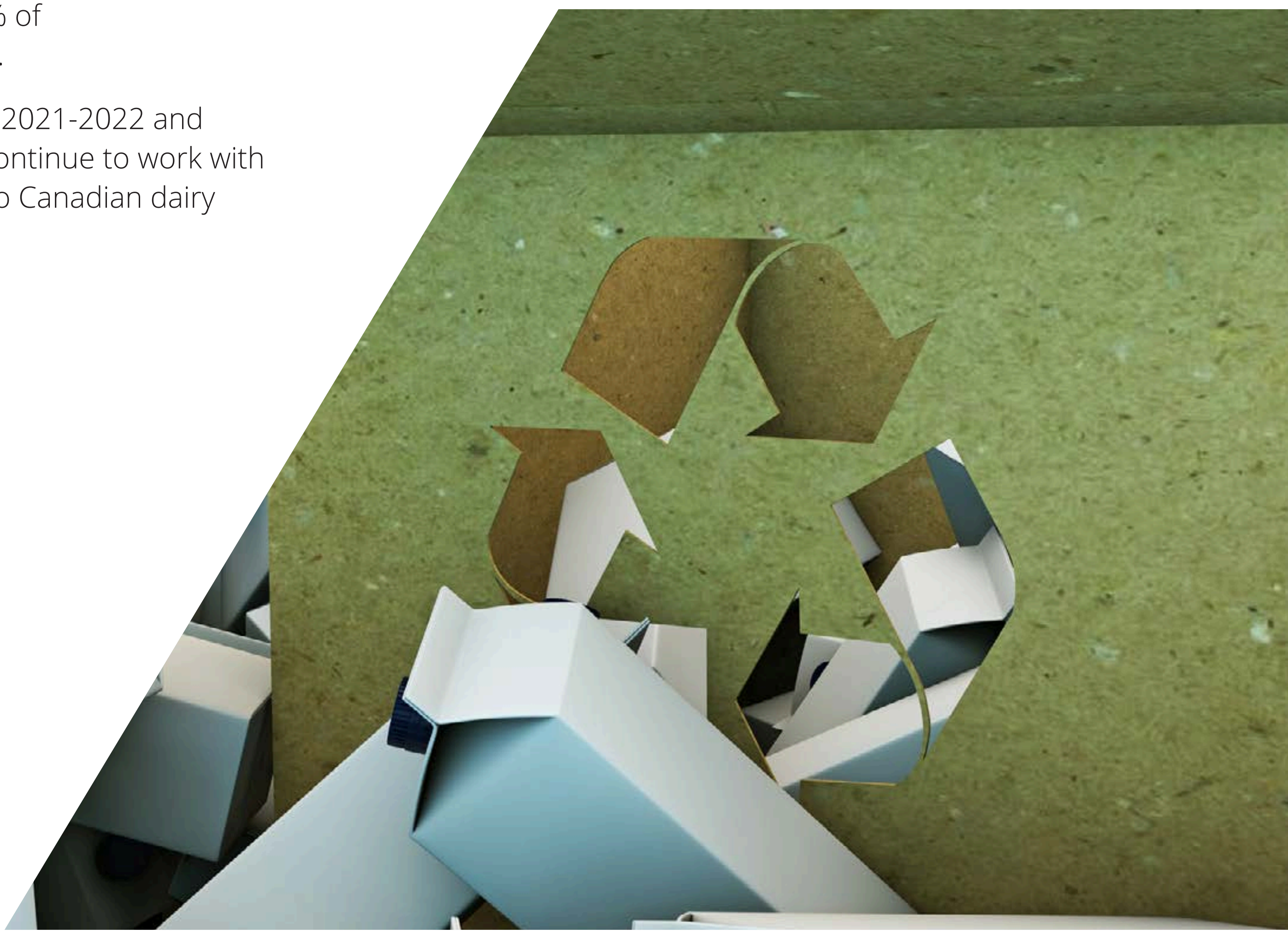
DAIRY EXPORT PROGRAM

The CDC issued 5(d) permits under the Dairy Export Program (DEP) to support the export of up to 3,000 tonnes of cheese per dairy year as well as the export of other dairy products. All exports were within Canada's trade commitments. As part of Canada's commitment under the WTO *Nairobi Ministerial Decision on Export Competition*, the DEP came to an end on December 31, 2020. From August 1, 2020, to December 31, 2020, 1,421 tonnes of cheese and 196,050 litres of ultra-high temperature (UHT) milk were exported under the DEP.

DAIRY DIRECT PAYMENT PROGRAM

In August 2019, the Agriculture and Agri-Food Minister announced that $1.75 billion would be provided to compensate Canadian dairy farmers for impacts of CETA and CPTPP. This amount is to be distributed over four years 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*, (now known as the *Farm Income Protection Act*) AAFC mandated the CDC to make these payments under the Dairy Direct Payment Program (DDPP). The second installment of the program ended on March 31, 2021, and 96% of eligible dairy producers in Canada had registered and received payment and 98% of the committed funds had been disbursed.

Available payments will be $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.



Due to the COVID-19 pandemic restrictions in 2020-2021, the CDC was unable to travel to the Restaurants Canada trade show and other food science and industry events.

PERFORMANCE
AND GOALS

This section lists the goals set by the [Canadian Dairy Commission](https://www.cdc-ccl.ca) (CDC) for 2020-2021 and describes the objectives, performance indicators and results related to each.

ACHIEVEMENTS FOR 2020-2021

The CDC has achieved most of its objectives. However, the COVID-19 pandemic, changing industry priorities and market forces have hindered the achievement of some objectives.

Innovation, investment, and growth in the Canadian dairy industry

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%

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 international trade agreements.	Percentage of CDC-led recommendations to industry committees that have been accepted	85%	A total of 3 recommendations were made and accepted One recommendation has been presented but a decision is outstanding	100%
	Number of invitations to speak/facilitate/train at non-CDC meetings (excluding reports to provincial boards' annual general meetings)	20 per year	9	45% Due to the COVID-19 pandemic, many events and conferences were cancelled
	Number of registrations to the updated online training modules	30 per year	30	100%

Administration of the dairy supply management system

5-year objective	Performance measure for 2020-2021	Target for 2020-2021	Results	% complete
A well-administered and responsive 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 45 class 7 3 IREP 10 revenue sharing 30 class 3(d) 2 internal audits 1 program evaluation	36 MUA 35 SMCPP 48 class 7 (joint audits) 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		The COP Technical Committee completed its report in June 2021. The CDC Board presented its decision to the CMSMC on July 22, 2021	100%
	The support price for butter was reviewed and updated if needed		The announcement was made on November 1, 2020	100%

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%

GOALS FOR 2021-2022

The CDC's performance objectives for 2021-2022 are based on the strategic themes and 5-year goals identified in its corporate plan.

KEY RESULT AREA **1. Innovation, investment, and market growth in the Canadian Dairy Sector**			
5-YEAR GOALS	**Investments and innovation have contributed to market growth and the sustainability of the Canadian dairy industry.**		
Strategy 1.1: Maximize markets for dairy products and ingredients.			
YEAR	**OBJECTIVES**	**PERFORMANCE INDICATORS**	**TARGETS FOR 2021-2022**
2021-2022	Support industry initiatives regarding ingredients and dairy products market and processing investments.	1. The number of litres of milk used for existing projects under the Milk Access for Growth Program (MAG) has reached the target.	100 million litres in 2021-2022
		2. The percentage of butterfat used in MAG and the Dairy Innovation Program (DIP) projects vs. quota has reached the target.	0.5% per year
		3. Structural surplus for solids non-fat (SNF) forecast has been performed and updated.	Updated forecast presented to the Board
Strategy 1.2: Ensure that the programs and services offered by the CDC remain relevant and contribute to growth and sustainability in the Canadian dairy industry.			
YEAR	**OBJECTIVES**	**PERFORMANCE INDICATORS**	**TARGETS FOR 2021-2022**
2021-2022	Adapt CDC's programs and resources to maintain the sustainability of the industry.	1. Program evaluation has been performed.	Domestic Seasonality Program
		2. Reviews or modifications of programs to improve efficiency have been completed.	Special Milk Class Permit Program

KEY RESULT AREA
2. CDC's support toward the dairy supply management system

5-YEAR GOALS — **Support the Canadian dairy industry as it adapts to market changes in the context of supply management.**

Strategy 2.1: Produce reliable data and analyses for dairy industry stakeholders, including governmental agencies.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	Industry and government have access to value-added data for decision-making.	1. Tools have been developed and adapted to better support the industry.	2

Strategy 2.2: Support the industry as it adapts the legal framework for supply management to current conditions.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	Help the industry update the federal/provincial agreements and the legal framework of the supply management system.	1. A draft of the new P10 agreement has been written.	N/A
		2. The CDC has been mandated by the Canadian Milk Supply Management Committee (CMSMC) to start the modernization of the National Milk Marketing Plan (NMMP).	N/A
		3. The CDC has followed the provinces' progress in their required regulatory changes.	N/A
		4. The CDC has obtained support from the relevant department to amend the Dairy Products Marketing Regulations (DPMR).	N/A

Strategy 2.3: Improve industry and government knowledge of the Canadian dairy supply management system, including its success factors.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	Increase the understanding of the relationships between the elements of the supply management system and of the roles of the various stakeholders.	1. The number of stakeholder registrations to online training modules reached the target.	20
		2. The CDC has conducted information sessions on supply management to the industry and the government.	5

KEY RESULT AREA
3. Administration of the milk supply management system

5-YEAR GOALS A well-administered and responsive supply management system.

Strategy 3.1: Ensure that efficient producers receive fair returns.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	Measures are taken to ensure that efficient producers receive fair returns. Revenue pooling calculations are timely and accurate.	1. The Cost of production (COP) study is updated and carried out. The study has been published on the CDC web site and made available for support price setting.	Study published
		2. The criteria for exceptional circumstances were reviewed in consultation with the industry and modified as required.	New criteria communicated to industry
		3. The support price for butter was reviewed and updated if needed and the new support price is in effect if applicable.	New support price communicated
		4. CDC auditors use the updated National Milk Utilization Audit Standards (NMUAS).	All audits performed in accordance with the new National Milk Utilization Audit Standards (NUMAS)
		5. Number of audits.	161 MUA, 27 industry programs, 35 SMCPP, 12 joint audits, 3 IREP, 10 revenue sharing, 30 class 3(d), 1 internal audit, and 1 program evaluation
		6. Time from receipt of pooling date to transfer funds has been within target.	8 days maximum

KEY RESULT AREA
3. Administration of the milk supply management system

5-YEAR GOALS **A well-administered and responsive supply management system.**

Strategy 3.2: Ensure that Canadian milk production meets demand.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	• There is timely and sufficient supply of dairy products in the Canadian market. • There is timely and accurate allocation of quota to meet demand.	1. Time from receipt of pooling data to quota allocation has been within target.	8 days maximum
		2. The demand forecasts have matched actual demand.	Within 2% of actual demand
		3. Butter stocks in June and December are in line with market needs.	Import butter as needed
		4. The Word Trade Organization (WTO) butter tariff rate quota has been imported.	3,274 tonnes

KEY RESULT AREA

4. Organizational Excellence

5-YEAR GOALS **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.**

Strategy 4.1: 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 while planning for the future of the organisation

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	Maintain corporate knowledge and leadership roles during transitions.	1. Succession plan is updated.	January 2022
		2. Measures in the plan are implemented according to the plan's schedule.	Measures are implemented

Strategy 4.2: Adapt the IT systems, standards, and processes to the CDC's and industry's evolving needs.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	Improve IT services.	1. The needs assessment for the new Commercial Operations application has been completed and development has begun.	Needs assessment completed
		2. New reports are created.	4 new reports
		3. New Euclid functions have been implemented.	4 Euclid functions
		4. Dashboards for human resources and finance data have been created.	1 dashboard created

KEY RESULT AREA

4. Organizational Excellence

5-YEAR GOALS **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.**

Strategy 4.3: Assess and implement new or updated government policies.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	Assess the requirements of the new government policies to ensure compliance.	1. Relevant policies have been assessed and implemented.	1 policy

Strategy 4.4: Raise the profile of environmental issues within the CDC.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2021-2022
2021-2022	Reduce CDC's environmental footprint.	1. Travel for industry committee meetings has been reduced.	25% of meetings are done virtually
		2. Telework policy has been revised and includes more options for employees to work remotely.	10% reduction in carbon emissions because of telework

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of the operating results and financial position of the *Canadian Dairy Commission* (CDC) for the year ending July 31, 2021, should be read in conjunction with the financial statements of the CDC enclosed and the annual report.

RESULTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Domestic Sales and Cost of Sales

	For the year ended July 31					
(in thousands)		2021		2020		$ change
Sales revenue	$	221,841	$	295,157	$	(73,316)
Cost of goods sold	$	215,240	$	292,104	$	(76,864)
Transport and carrying charges	$	3,467	$	4,469	$	(1,002)
Finance costs	$	131	$	898	$	(767)
Gross profit (loss) on domestic sales	**$**	**3,003**	**$**	**(2,314)**	**$**	**5,317**

Sales revenue

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

The CDC purchases butter in bulk under Plan A through the Domestic Seasonality Programs. This butter is sold to processors when domestic seasonal demand increases. The CDC sold 1,849 tonnes of Plan A butter compared to 2,687 tonnes in the previous year, which translated into a decrease in revenues of $7.05 million.

The CDC also purchases Plan B butter through the Domestic Seasonality Programs from processors who repurchase it within a predetermined period. This year, the CDC sold 20,319 tonnes of Plan B butter compared to 29,690 tonnes last year, representing a decrease in revenues of $74.98 million. The decrease in quantity sold is due to lower Plan B inventory levels at the beginning of the year compared to the previous year, and a decrease of purchases during the year.

The CDC continues to import 3,274 tonnes of butter as part of Canada's commitments under the World Trade Organization (WTO) Agreement on Agriculture. This year, revenues from the sale of imported butter amounted to $30.72 million, which represents an increase of $8.71 million compared to last year. The increase results from the CDC selling almost all of the butter imported this year, as well as the inventory on hand at the beginning of the year. These products are purchased by the CDC at prevailing world prices, and they are mostly directed to the further processing industry through butter manufacturers.

In the 2020-2021 dairy year, total revenues from domestic sales decreased by $73.32 million, or 25%, compared to the previous year. This is mainly explained by lower sales in the

Domestic Seasonality Programs, which are only partly offset by the increase in imported butter sales. Note that transport and carrying charges, as well as finance costs for Domestic Seasonality Programs, continue to be entirely recovered from the marketplace and producers as part of the funding from milk pools. Therefore, the impact of domestic activities on total comprehensive income is limited to the difference between sales revenue and cost of goods sold. This year, the Corporation generated a gross profit on domestic sales compared to a gross loss last year. This is mainly because some Plan A butter sold in the current year was purchased below the support price and because of the increase in sales of imported butter.

Transport, carrying, and finance costs

Transport and carrying costs consist mainly of transport expenses, handling and storage charges, and insurance costs. Transport and carrying charges for domestic activities in 2020-2021 have decreased by $1.00 million compared to 2019-2020 mainly due to lower levels of butter inventories throughout the year.

Total finance costs for domestic activities have decreased by $0.77 million compared to the previous year. This decrease is due to lower levels of butter inventories throughout the year combined with lower borrowing rates on average.

Other Income

	For the year ended July 31					
(in thousands)	2021		2020		$ change	
Funding from milk pools	$	11,411	$	10,191	$	1,220
Funding from the Government of Canada	$	4,748	$	3,941	$	807
Professional services	$	776	$	418	$	358
Total other income	**$**	**16,935**	**$**	**14,550**	**$**	**2,385**

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

The funding increased compared to the previous year as a result of higher Plan C program costs and higher funding collected from the marketplace.

Funding from the Government of Canada represents funding received from parliamentary appropriations and is recognized in the Statement of Operations and Comprehensive Income (Loss) as government-funded administrative expenses are incurred. The increase compared to last year is explained by additional parliamentary appropriations granted to fund increased salary expenses and the payment of accrued retroactive salary, following the implementation of new collective agreements.

Professional services include cost-recovery income relating to milk utilization audits, as well as compensation received to administer the Dairy Direct Payment Program (DDPP) on behalf of Agriculture and Agri-Food Canada. The income from audit services is recognized when the audit reports are delivered, and the income from administrative services is recognized when recoverable administrative costs are incurred.

Operating and Administrative Expenses

(in thousands)	For the year ended July 31 2021	2020	$ change
Operating expenses			
Industry initiatives	$ 2,200	$ 7,465	$ (5,265)
Cost of production study	$ 877	$ 865	$ 12
Plan C program costs	$ 1,213	$ 58	$ 1,155
Other charges (recoveries)	$ 4	$ (60)	$ 64
Total operating expenses	$ 4,294	$ 8,328	$ (4,034)
Administrative expenses			
Salaries and employee benefits	$ 7,998	$ 7,710	$ 288
Other administrative expenses	$ 1,900	$ 1,921	$ (21)
Total administrative expenses	$ 9,898	$ 9,631	$ 267
Total operating and administrative expenses	**$ 14,192**	**$ 17,959**	**$ (3,767)**

Operating Expenses

Industry Initiatives includes expenses relating to various CDC programs that provide benefits to the industry such as research, the Matching Investment Fund, and the Workforce Development Initiative (program has ended). The decrease this year is explained by fewer expenses related to the Workforce Development Initiative and the Matching Investment Fund.

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 price.

Plan C program costs include storage, insurance and interest costs incurred for cheese purchased under this program. There were minimal expenses in the previous year as the CDC only started receiving cheese under this program in July 2020.

Other charges (recoveries) are mainly 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, and bank charges from the milk pool account. It also includes unrealized gains or losses on outstanding foreign exchange contracts as at the Statement of Financial Position date, which vary in accordance with the fluctuations in exchange rates, as well as the carrying amount of outstanding foreign exchange contracts at the end of a given period.

Administrative Expenses

Administrative expenses totalled $9.90 million this year compared to $9.63 million in the previous year. Salaries and employee benefits of $8.00 million make up the bulk of the administrative expenses. Other administrative expenses are mainly comprised of the depreciation on the right-of-use asset on the office lease, as well as professional and special services, and administrative support charges.

Distribution to provincial boards and agencies

Distribution to provincial boards and agencies represents the transfer of the surplus from the Domestic Seasonality Programs. As milk producers are responsible to finance these programs, any surpluses are transferred to the provincial milk marketing boards and agencies, who in turn redirect these funds to milk producers. The 2020-2021 transfer is $3.30 million, which represents an increase of $2.05 million compared to last year that resulted from the sale, at support price, of some Plan A butter that had been purchased at a price below the support price in the previous year.

KEY RESULTS OF STATEMENT OF FINANCIAL POSITION

Inventories

The value of inventories at the end of the year was $110.70 million, compared to an inventory value of $132.31 million at the end of the previous year.

Total CDC butter stocks at the end of the year were 12,739 tonnes, which represents a decrease of 3,336 tonnes compared to last year. Butter stocks declined again this year and are now similar to the butter stocks from five years ago. These lower levels should remain into the foreseeable future.

Plan C repurchase agreements

Due to the COVID-19 pandemic, the CDC launched a storage program for cheese, in partnership with cheese manufacturers. This program was approved by the Canadian Milk Supply Management Committee (CMSMC) on April 17, 2020, as a temporary measure to help the dairy industry deal with surplus milk.

The program consists of repurchase agreements to initially purchase cheese from a processor up to an agreed quantity at a pre-established price, and temporarily storing the product for a set period, after which the processor is contractually obligated to repurchase the product at the same price.

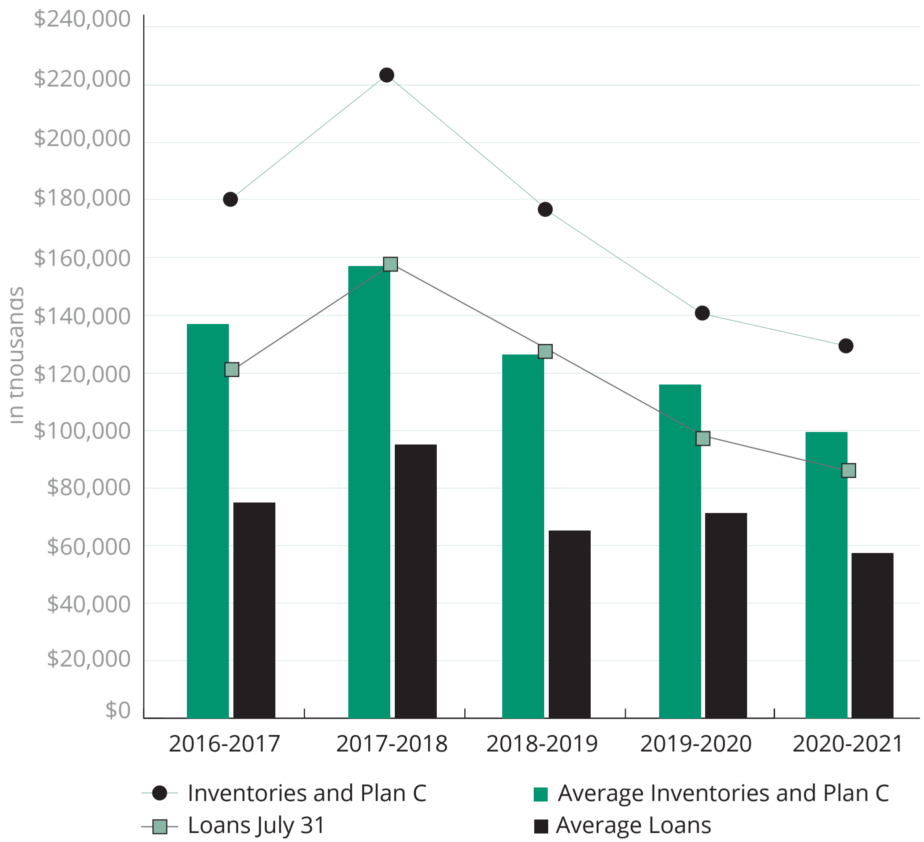
International Financial Reporting Standards (IFRS) requires the CDC to account for these purchases as a financial asset as opposed to inventory, because transfer of control is not deemed to have occurred from an accounting standpoint. This financial asset is reported in "Plan C repurchase agreements" on the Statement of Financial Position.

As at July 31, 2021, the quantity of cheese associated with outstanding Plan C repurchase agreements totalled 2,103 tonnes.

Loans from the Government of Canada

There is a direct correlation between variations in the balance of outstanding loans from the Government of Canada and variations in the total balance of inventory and Plan C repurchase agreements, because these assets are financed by the loans. The balance of loans from the Government of Canada decreased from $95.02 million at the end of the previous year to $85.82 million at the end of the current year. The reduction in loan requirements for the inventory more than offset the new loan requirements for Plan C repurchase agreements. The table on page 41 illustrates the correlation between the variations in the balance of outstanding loans and variations in the total balance of inventory and Plan C repurchase agreements over the last five years.

Comparison of Inventories and Plan C with Loans



RISK MANAGEMENT

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

The CDC has prepared a Corporate Risk Profile which is reviewed and updated at least once per year by management. It is updated during the year as needed with the latest review completed in March 2021. It identifies the key risks associated with CDC business and activities. It also evaluates the probability and potential impact of risk occurrences and defines mitigation measures to avoid or reduce risk. The organization's annual planning process is aligned with the Profile to ensure that higher-risk program areas and activities receive special consideration. The Board and the Senior Management Team (SMT) share the responsibility for risk management. Each plays an integral role in the risk management process at the CDC. The Board ensures that management identifies, monitors, and manages the CDC's corporate risks. It is responsible for providing a clear direction on risk tolerance and approving the Corporate Risk Profile. The Board is kept apprised of any changes to the risk profile through quarterly briefings. At least once every quarter, the CDC Audit Committee monitors these risks as well as the progress in the implementation of the various mitigation measures. The SMT is responsible for assessing the CDC's key risk areas and ensuring that appropriate controls and other mitigation strategies are carried out to effectively manage these risks. This includes supporting risk awareness and communication throughout the organization.

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

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

FUTURE ACCOUNTING STANDARD CHANGES

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

A more detailed discussion on the application of new and revised IFRS accounting standards adopted by the CDC on August 1, 2020, can be found in Note 3 of the financial statements. The note also discusses new and revised IFRS accounting standards issued, but not yet in effect.

LOOKING TO THE FUTURE

The CDC continues to follow closely the implementation of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Canada-United States-Mexico Agreement (CUSMA) as they all have an impact on the imports of dairy products into Canada. These trade agreements change the environment in which the CDC forecasts demand for Canadian milk to help provincial milk marketing boards set producer quota. This presents a challenge for the CDC and the industry when comes the time to align production with demand. Precise production and demand forecasts are very important, as well as stock management. Now that more data is available, the CDC is in a better position to measure the impacts of these trade agreements and adapt its forecasting tools accordingly.

The CDC has started to work with the signatories to the Comprehensive Agreement on Pooling of Milk Revenues to update this federal/provincial agreement to reflect current policies. In the coming year, the CDC will engage signatories to discuss the relevance of also modernizing the National Milk Marketing Plan, which frames quota management at the national level.

One of the main challenges that the industry will face in the coming years is a significant increase in the surplus of solids non-fat on the Canadian market. The CDC has developed a simulation model to measure possible surpluses under various scenarios and will help the industry face this challenge in accordance with its mandate.

To better serve the industry in the future, the CDC has undertaken a review of its workforce needs. This review should lead to an HR plan that will include an updated succession plan for key positions as well as strategies to attract and retain employees. Furthermore, because there is a certain level of turnover in employees and decision makers in the industry, the CDC has created online training that explains the basics of the dairy supply management system. The CDC will update the online modules as changes in the industry occur and will offer custom training sessions when requested.

The onset of COVID-19 pandemic resulted in unforeseen and rapid fluctuations in the demand for many key dairy products. The entire dairy supply chain worked diligently to ensure adequate supplies of milk and dairy products while implementing measures to adapt production to demand. After more than a year of a rather chaotic market, purchases seem to stabilize, and the CDC will help the industry in its efforts to secure a soft landing into post-COVID-19 conditions.

Thanks to quick adjustments at the beginning of the COVID-19 pandemic, the CDC maintained all its activities. The CDC follows directives from the Treasury Board Secretariat and health authorities and will be planning a return to office when it is safe to do so. 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.

The COVID-19 pandemic and the shift to working from home have prompted additional considerations on the part of the CDC to secure the employees' work environment both in the office and when working from home. The Corporation is thankful for the expertise of Shared Services Canada and the Canadian Centre for Cyber Security for the monitoring of, and response to cyber threats. As it moves some services to cloud-based computing to better serve its partners and clients, the CDC is following all Treasury Board Secretariat directives to ensure safe operations.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Serge Riendeau, CEO

Chantal Laframboise, Director
Finance and Administration

Ottawa, Canada
September 28, 2021

INDEPENDENT AUDITOR'S REPORT

To the Minister of Agriculture and Agri-Food

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canadian Dairy Commission (the CDC), which comprise the statement of financial position as at 31 July 2021, and the statement of operations and comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CDC as at 31 July 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the CDC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the CDC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the CDC or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CDC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CDC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CDC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Dusan Duvnjak, CPA, CMA
Principal
for the Auditor General of Canada

Ottawa, Canada
28 September 2021

Canadian Dairy Commission

Statement of Financial Position

(in thousands of Canadian dollars)

	For the year ended	
	July 31, 2021	**July 31, 2020**
Assets		
Current		
Cash	$ 136	$ 1,393
Trade and other receivables		
Trade receivables	665	423
Advances to provincial milk boards and agencies (Note 4)	10,488	5,916
Milk pools	2,138	1,979
Derivative asset - foreign exchange contracts	23	22
Inventory (Note 5)	110,696	132,313
Plan C repurchase agreements (Note 6)	8,212	-
	132,358	142,046
Non-Current		
Plan C repurchase agreements (Note 6)	10,719	9,441
Equipment	41	68
Intangible asset	78	108
Right-of-use asset (Note 7)	1,994	2,345
	$ 145,190	**$ 154,008**
Liabilities		
Current		
Bank overdraft (Note 8)	$ 10,488	$ 5,916
Trade and other payables		
Trade payables and accruals (Note 9)	20,175	25,238
Distribution to provincial milk boards and agencies	3,300	1,250
Other payables	861	820
Deferred revenue (Note 10)	921	4,248
Derivative liability - foreign exchange contracts	4	-
Loans from the Government of Canada (Note 11)	85,821	95,022
	121,570	132,494
Non-Current		
Lease liability (Note 7)	2,021	2,361
Equity		
Retained earnings	21,599	19,153
	$ 145,190	**$ 154,008**

Commitments (Note 16)

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

These financial statements were approved and authorized for issue on September 28, 2021.

Serge Riendeau
Chief Executive Officer

Robert Ingratta
Chairperson

Chantal Laframboise
Director, Finance and Administration

Canadian Dairy Commission

Statement of Operations and Comprehensive Income (Loss)

(in thousands of Canadian dollars)

	For the year ended July 31, 2021	July 31, 2020
Domestic sales and cost of sales		
Sales revenue (Note 13)	$ 221,841	$ 295,157
Cost of goods sold	215,240	292,104
Transport and carrying charges	3,467	4,469
Finance costs	131	898
Gross profit (loss) on domestic sales	3,003	(2,314)
Other income		
Funding from milk pools (Note 13)	11,411	10,191
Funding from the Government of Canada	4,748	3,941
Professional services (Note 13)	776	418
	16,935	14,550
Total gross profit (loss) on domestic sales and other income	**19,938**	**12,236**
Operating expenses		
Industry initiatives	2,200	7,465
Cost of Production study	877	865
Plan C program costs (Note 6)	1,213	58
Other charges (recoveries)	4	(60)
	4,294	8,328
Administrative expenses		
Salaries and employee benefits (Note 14)	7,998	7,710
Other administrative expenses	1,900	1,921
	9,898	9,631
Total operating and administrative expenses	**14,192**	**17,959**
Profit (loss) before distribution to provincial milk boards and agencies	**5,746**	**(5,723)**
Distribution to provincial milk boards and agencies	3,300	1,250
Total comprehensive income (loss)	**$ 2,446**	**$ (6,973)**

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

Canadian Dairy Commission

Statement of Changes in Equity

(in thousands of Canadian dollars)

	For the year ended July 31, 2021	For the year ended July 31, 2020
Retained earnings, beginning of the year	$ 19,153	$ 26,126
Total comprehensive income (loss) for the year	2,446	(6,973)
Retained earnings, end of the year	**$ 21,599**	**$ 19,153**

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

Canadian Dairy Commission

Statement of Cash Flows

(in thousands of Canadian dollars)

	For the year ended July 31, 2021	For the year ended July 31, 2020
Cash flows from (used) in operating activities		
Cash received from customers and others	$ 220,256	$ 298,232
Cash paid to suppliers and others	(217,021)	(263,965)
Cash receipts from provincial milk boards and agencies for pooling	6,680	10,092
Cash distributed to provincial milk boards and agencies	(1,250)	(5,750)
Cash receipts from the Government of Canada	4,748	3,941
Interest paid on loans and the lease liability	(213)	(1,341)
Cash receipts from Plan C repurchase agreements	3,826	-
Cash paid for Plan C repurchase agreements	(13,316)	(9,441)
Net cash flows from operating activities	**3,710**	**31,768**
Cash flows from (used) in financing activities		
New loans from the Government of Canada	184,614	204,319
Loan repayments to the Government of Canada	(193,815)	(236,897)
Principal payments on the lease liability	(338)	(347)
Net cash flows used in financing activities	**(9,539)**	**(32,925)**
Net increase in net bank overdraft	**(5,829)**	**(1,157)**
Net bank overdraft at beginning of the year	(4,523)	(3,366)
Net bank overdraft at the end of the year	**$ (10,352)**	**$ (4,523)**
Components:		
Cash	$ 136	$ 1,393
Bank overdraft	(10,488)	(5,916)
Net bank overdraft	**$ (10,352)**	**$ (4,523)**

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

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* (FAA) and is not subject to the provisions of the *Income Tax Act*. It is an agent of Her Majesty the Queen in right of Canada and reports to Parliament through the Minister of Agriculture and Agri-Food.

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

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

Directive on Travel, Hospitality, Conference and Event Expenditures

In July 2015, the CDC was issued a directive (P.C. 2015-1104) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the CDC's Corporate Plan. As at July 31, 2021, the CDC continues to meet the requirements of this directive.

2. Basis of preparation

Statement of compliance

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

The financial statements were approved and authorized for issue by the CDC Board on September 28, 2021.

Basis of presentation

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

Reporting period

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

Key sources of estimation uncertainty and critical judgements

The preparation of financial statements in accordance with IFRS requires management to exercise judgment 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 year. Areas where management has exercised judgment and made significant use of estimates and assumptions are discussed below. The CDC has also considered the impact of the COVID-19 pandemic on the valuation of its assets and has determined that assets are appropriately valued and that no impairment is required.

The most significant accounting judgements made by management are outlined below:

Revenue from the Dairy Direct Payment Program

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

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

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

The CDC's contracts each contain a single performance obligation, the majority of which are satisfied at a point in time within a year. The CDC had two contracts with a performance obligation satisfied over time, which includes the administration of the pooling agreements and the administration of the DDPP. For the contract pertaining to the pooling agreements, management has concluded that the satisfaction of this performance obligation is achieved on a monthly basis as pooling calculations are conducted. As for the contract pertaining to the administration of the Dairy Direct Payment Program, management has concluded that the satisfaction of this performance obligation is achieved over time as the CDC incurs recoverable administration costs.

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

Classification of Plan A & B Butter

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

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

Reporting of the building lease

The CDC has a lease contract as a lessee on a building used for office accommodation and storage space. In concluding that the contract is or contains a lease, management made judgments in its assessment of whether the lease conveys the right to control the building, as demonstrated when the lessee has the right to obtain substantially all of the economic benefits and the right to direct the use of the asset. Management also used judgments in determining that the renewal option will be reasonably exercised which increases the lease term.

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

Allowance for inventory write-down

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

Measurement of Plan C repurchase agreements

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

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

Functional and presentation currency

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

3. Significant accounting policies

Cash

Cash includes funds on deposit at financial institutions.

Financial Instruments

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

Classifications and subsequent measurements:

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

Financial assets and financial liabilities measured at amortized cost

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

Plan C repurchase agreements

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

Derivative financial instruments

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

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

Transaction costs

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

Impairment

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

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

Inventory

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

Equipment

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

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

Generator	10 years
Computer equipment	3-5 years

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

Intangible asset

Software

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

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

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

Leases – as a lessee

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

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

Building Lease

The lease contract on the building used for office accommodation and storage space is reported through a right-of-use asset and corresponding lease liability, for which initial recognition occurred on August 1, 2019 in accordance with transition provisions under *IFRS 16 – Leases*.

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

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

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

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

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

Revenue from contracts with customers

Sales revenues

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

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

Funding from milk pools

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

Professional Services

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

Revenues from audit services are recognized at a point in time when the audit reports are delivered. The transaction price for audit services is based on individual service contracts.

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

Performance Obligation

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

Funding from the Government of Canada

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

Cost of sales

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

Other expenses

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

Foreign currency translation

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

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

Employee benefits

Pension benefits

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

Application of new and revised IFRS accounting standards in effect

The below amendments to the standards issued by the International Accounting Standards Board (IASB) are effective for annual periods beginning on or after January 1, 2020. They have been adopted by the CDC on August 1, 2020. They did not have an impact on the financial statements.

Conceptual Framework for Financial Reporting

In March 2018, the IASB published a revised Conceptual Framework for Financial Reporting which is used by entities to develop accounting policies when transactions do not have an applicable IFRS Standard. The revisions include new guidance on measurement with factors to be considered when selecting a measurement basis, as well as new concepts and guidance on presentation and disclosure such as when to classify income and expenses in other comprehensive income. The revised framework has updated definitions of asset, liability, equity, income and expense, along with updated recognition and derecognition criteria for including and removing assets and liabilities on financial statements. The framework also clarifies prudence, stewardship, measurement uncertainty, and substance over form.

Definition of Material (IAS 1 – Presentation of Financial Statements & IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors)

In October 2018, the IASB amended the definition of *material* to provide clarity and align the definition with the Conceptual Framework and both IAS 1 and IAS 8 standards. The new definition states "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

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

The below amendments to the standards issued by the IASB are effective for various annual periods beginning on or after January 1, 2022, that have not yet been adopted by the CDC. The CDC is currently assessing the possible impact of these amendments on future financial statements.

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

In January 2020, the IASB published an amendment to IAS 1 relating to the classification of current and non-current liabilities. This amendment is effective for annual periods beginning on or after January 1, 2023. When this amendment is adopted, a liability is to be classified as non-current if the entity has a "right" to defer settlement "at the end of the reporting period" irrespective of the entity's intention to defer its settlement. The amendment defines *settlement* as follows: "for the purpose of classifying a liability as current or noncurrent, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability."

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

In February 2021, the IASB published an amendment to IAS 1 and IFRS Practice Statement 2 relating to the disclosure of accounting policies. This amendment is effective for annual periods beginning on or after January 1, 2023. The wording in the standard was changed from requiring the disclosure of significant accounting policies to requiring the disclosure of material accounting policies in the notes to the financial statements. Further guidance is provided to identify accounting policies that are deemed material. In the IFRS Practice Statement 2, a "four-step materiality process" was included to help apply the changes to the standard.

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

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

(In thousands of Canadian dollars, unless otherwise indicated)

4. Advances to provincial milk marketing boards and agencies

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

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

5. Inventory

The CDC's inventory as at July 31, 2021, includes butter purchased under the Domestic Seasonality Programs, and butter imported by the CDC under the World Trade Organization (WTO) Agreement on Agriculture.

Inventory:

As at:	July 31, 2021		July 31, 2020	
	in $	in tonnes	in $	in tonnes
Plan B butter	$ 109,297	12,554	$ 111,665	12,936
Other butter	1,399	185	21,750	3,139
	$ 110,696		$ 133,415	
Less: allowance for inventory write-down	-		(1,102)	
Total net realizable value	$ 110,696		$ 132,313	

Inventory expensed in the period ended July 31, 2021 was $215.24 million (July 31, 2020: $292.10 million) and is reported on the Statement of Operations and Comprehensive Income (Loss) in cost of goods sold.

6. Plan C cheese program

Under section 9(1) of the *Canadian Dairy Commission Act*, the CDC operates programs which include the Plan C cheese program, which provides temporary support to the dairy industry during the COVID-19 pandemic. The program consists of repurchase agreements to initially purchase cheese from a processor up to an agreed quantity at a pre-established purchase price, and temporarily storing the product for a set period of time, after which the processor is contractually obligated to repurchase the product.

(In thousands of Canadian dollars, unless otherwise indicated)

Although legally the cheese is purchased and owned by the CDC, an activity that is consistent with permissible use of government loans under the *Canadian Dairy Commission Act*, IFRS requires the CDC to account for the Plan C repurchase agreements as financial arrangements and must therefore be reported as financial assets, as opposed to inventory, for each purchase of Plan C cheese. This financial asset is reported in "Plan C repurchase agreements" on the Statement of Financial Position. Given the cheese is not considered inventory from an accounting standpoint, no domestic sales revenue is reported when Plan C cheese is repurchased.

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

	July 31, 2021	July 31, 2020
Current	$ 8,212	$ -
Non-current	10,719	9,441
Balance as at July 31, 2021	$ 18,931	$ 9,441
August 1, 2021 to July 31, 2022	$ 8,212	$ 9,441
August 1, 2022 to July 31, 2023	10,719	-
Balance as at July 31, 2021	$ 18,931	$ 9,441

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

7. Right-of-use asset and lease liability

The CDC's only right-of-use asset and lease liability pertain to a building under a lease contract with the Government of Canada. The building is used for its office accommodation and storage space. The lease liability was initially recognized based on a lease term period that would extend past the current lease's end date of March 31, 2022, given it is reasonably certain that the CDC will exercise an option stipulated in the lease agreement to extend the lease through March 31, 2027. When the option is exercised, the lease payments will be subject to review which, in turn, could result in a remeasurement of the lease liability.

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

Balance as at August 1, 2020	$ 2,345
Depreciation charge for the year	(351)
Carrying amount as at July 31, 2021	$ 1,994

(In thousands of Canadian dollars, unless otherwise indicated)

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

Balance as at August 1, 2020	$	2,361
Interest expense		29
Lease payments		(369)
Balance as at July 31, 2021	$	2,021
Current		345
Non-current		1,676
Balance as at July 31, 2021	$	2,021

The total cash outflow for the building lease liability for the period ending July 31, 2021 was $0.37 million (July 31, 2020: $0.37 million), which includes principal and interest payments. The total expense relating to short-term leases or leases for which the underlying asset is of low value, is not material.

8. Bank overdraft

The CDC has established a line of credit with a member of the Canadian Payments Association. This line of credit was authorized by the Minister of Finance up to a maximum of $50 million with its intended use of advancing funds to the provincial milk marketing boards and agencies. The line of credit is provided in the form of a bank overdraft. As at July 31, 2021, the established credit limit from the bank is $25 million (July 31, 2020: $25 million). This loan is due on demand and bears interest calculated at the prime rate of 2.45% per annum as at July 31, 2021 (July 31, 2020: 2.45%).

9. Trade payables and accruals

Trade payables and accruals includes:

	As at:			
	July 31, 2021		July 31, 2020	
Trade payables	$	7,080	$	14,097
Accruals		13,095		11,141
Total	$	20,175	$	25,238

10. Deferred revenue

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

Revenue recognized in the reporting period that was included in deferred revenue at the beginning of the reporting period is $4.25 million (July 31, 2020: $2.72 million).

11. Loans from the Government of Canada (Consolidated Revenue Fund)

Loans from the Government of Canada's Consolidated Revenue Fund are available to finance operations, up to a maximum of $500 million (July 31, 2020: $500 million). Note however that the combined total outstanding borrowings at any time from the Loans from the Government of Canada's Consolidated Revenue Fund and from the Bank overdraft (discussed in Note 8 – Bank overdraft) cannot exceed $500 million (July 31, 2020: $500 million).

(In thousands of Canadian dollars, unless otherwise indicated)

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

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

	For the year ended:	
	July 31, 2021	July 31, 2020
Interest Rate		
Low	0.18 %	0.29 %
High	0.50 %	1.87 %
Interest Expense	$ 131	$ 898

12. Capital management

The CDC's capital consists of loans from the Government of Canada (see Note 11) and retained earnings. As at July 31, 2021, these accounts totalled $85.82 million (July 31, 2020: $95.02 million) and $21.60 million (July 31, 2020: $19.15 million) respectively. The CDC is not subject to any externally imposed capital requirements.

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

(In thousands of Canadian dollars, unless otherwise indicated)

13. Disaggregation of revenue from contracts with customers

The CDC derives most of its revenue from the transfer of goods and services to customers in the following segments:

	For the year ended: July 31, 2021	July 31, 2020
Domestic sales		
Plan A butter	$ 14,439	$ 21,489
Plan B butter	176,679	251,659
Imported butter	30,723	22,009
Domestic sales revenue	$ 221,841	$ 295,157
Milk pools		
Funding for administrative expenses	$ 4,520	$ 4,520
Funding for Plan A and Plan B butter and Plan C cheese carrying charges	6,052	4,844
Other recoverable expenses	839	827
Funding from milk pools	$ 11,411	$ 10,191
Professional services		
Administrative services	$ 364	$ 274
Audit services	412	144
Professional services revenue	$ 776	$ 418
Total revenue from contracts with customers	$ 234,028	$ 305,766

14. Salaries and employee benefits

Salaries and employee benefits includes:

	For the year ended: July 31, 2021	July 31, 2020
Salaries expense	$ 6,684	$ 6,435
Pension contributions	790	807
Medical insurance expense	281	267
Other expenses	243	201
Total	$ 7,998	$ 7,710

Pension plan

Substantially all CDC employees are covered by the public service pension plan (the "Plan"). Given the Plan is sponsored by the Government of Canada, the President of the Treasury Board of Canada sets the required employer contributions, which are based on a multiple of the employee's required contribution. The general contribution rate effective for the period ended July 31, 2021 was on average 1.00 times the employee's rate (July 31, 2020: 1.00 times the employee' rate).

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

15. Financial instruments

Fair value hierarchy and fair value techniques of financial instruments

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

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

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

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

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

The fair value measurement of financial derivative assets and liabilities, specifically the “Derivative asset – foreign exchange contracts” and “Derivative liability – foreign exchange contracts”, were classified as level 2 of the fair value hierarchy as at July 31, 2021 and July 31, 2020. The fair value measurement of foreign currency forward contracts is based on the prevailing exchange rate at the end of the reporting period.

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

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

Market risk

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

Currency risk

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

Based on the current net exposure as at July 31, 2021, and assuming that all other variables remain constant, had the Canadian dollar appreciated 10% against the US dollar as at July 31, 2021, the impact on total comprehensive income (loss) would not have been significant (July 31, 2020: impact would not have been significant). Conversely, a 10% weakening in the Canadian dollar against the US dollar would have had the equal but opposite effect for the same period.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The line of credit, for which interest varies as a function of prime, and loans from the Government of Canada, for which interest varies as a function of the yield on comparable Treasury bills, expose the CDC to a cash flow risk. It is unlikely that interest rates will fluctuate significantly to expose CDC to a significant cash flow risk given the interest rates have low volatility.

Other price risk

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

Liquidity risk

Liquidity risk is the risk that the CDC will not be able to meet its financial obligations as they fall due. As at the Statement of Financial Position date, other than some of the Plan C repurchase agreements, all of the CDC's financial instruments are current and the CDC has a current ratio equal to 1.09 (July 31, 2020: 1.07). In managing liquidity risk, the CDC has access to additional borrowings for commercial operations from the Government of Canada in the amount of $414.18 million (July 31, 2020: $404.98 million), as well as $14.51 million (July 31, 2020: $19.08 million) on its line of credit for the pooling of market returns, both as at July 31, 2021. The combined total outstanding borrowings at anytime from these two sources cannot exceed $500 million (July 31, 2020: $500 million), meaning that the overall access to additional borrowings, combined for commercial operations and for pooling of market returns, is $403.69 million as at July 31, 2021 (July 31, 2020: $399.06 million).

Credit risk

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

The CDC manages the credit risk from trade receivables by selling product on a "payment first" basis. The CDC considers the credit risk associated with other receivables not material given those amounts are withheld from amounts owed back to provincial milk boards and agencies. As at July 31, 2021 and July 31, 2020 the CDC does not have an allowance for doubtful accounts and all trade and other receivables are current.

The CDC manages the credit risk from Plan C cheese repurchase agreements by only entering into agreements secured by the right to the cheese, and agreements that provide recourse to the CDC if the processor fails to meet its repurchasing obligation. Additionally, losses arising from the Plan C repurchase agreements, if any, are guaranteed by the provincial milk boards and agencies through a decision by the Canadian Milk Supply Management Committee. As at July 31, 2021 and July 31, 2020 the CDC does not have a loss allowance for Plan C repurchase agreements given no credit loss is expected within the next 12 months.

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

16. Commitments

Industry Initiatives

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

(In thousands of Canadian dollars, unless otherwise indicated)

The expected timing of expenditures in relation to industry initiatives is as follows:

	Less than one year				More than one year and less than five years			
	July 31, 2021		July 31, 2020		July 31, 2021		July 31, 2020	
Summary:								
Matching Investment Fund	$	72	$	160	$	-	$	2,003
Workforce Development Initiative		1,094		1,186		157		215
Total commitments for industry initiatives	$	1,166	$	1,346	$	157	$	2,218

Matching Investment Fund

The CDC funds and administers the Matching Investment Fund which provides non-repayable contributions to Canadian-registered companies or food technology centres for product development, on an investment matching basis. As at July 31, 2021, the CDC has outstanding contractual commitments of up to $0.07 million.

Workforce Development Initiative

The Workforce Development Initiative encourages productivity, competitiveness, and innovation in the Canadian dairy industry by supporting the education and recruitment of a qualified workforce. The CDC Board adopted this initiative in December 2017 and has agreed to grant $5.00 million over three years to qualifying learning institutions and dairy associations (producers or processors) across Canada. This initiative includes four programs: career promotion, development of full-time education programs, development of continuing education, and graduate scholarships. As at July 31, 2021, the CDC has outstanding contractual commitments of $1.25 million.

Butter Purchase Commitments

As at July 31, 2021, the CDC has commitments to purchase predetermined quantities of butter. These commitments amounted to approximately $1.12 million (July 31, 2020: $0.83 million) and will be fulfilled by August 2021.

WTO Tariff Rate Quotas for Butter

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

As at July 31, 2021, the TRQ on butter is entirely used for quota year 2020-2021. The CDC is committed under the same conditions for quota year 2021-2022 and the allocation under this butter TRQ remains at 3,274 tonnes. The financial impact of this commitment for the next period is affected by the price variability between countries and type of eligible butter products, as well as the foreign exchange rates.

The total cost to purchase imported butter for the period ending July 31, 2021, was $19.23 million (July 31, 2020: $22.19 million).

17. Related party transactions

Government of Canada entities

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

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

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

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

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

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

All other transactions with government-related entities are individually and collectively insignificant for both 2021 and 2020.

Key management personnel

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

No loans or similar transactions with key management personnel are outstanding as at July 31, 2021 or July 31, 2020. There were no transactions of this nature during either period.

Post-employment benefit liability for key management personnel reported under "Other payables" on the Statement of Financial Position amounts to $0.14 million as at July 31, 2021 (July 31, 2020: $0.12 million).

Compensation of key management personnel for the reporting period is $1.31 million (July 31, 2020: $1.23 million).

ADDITIONAL INFORMATION