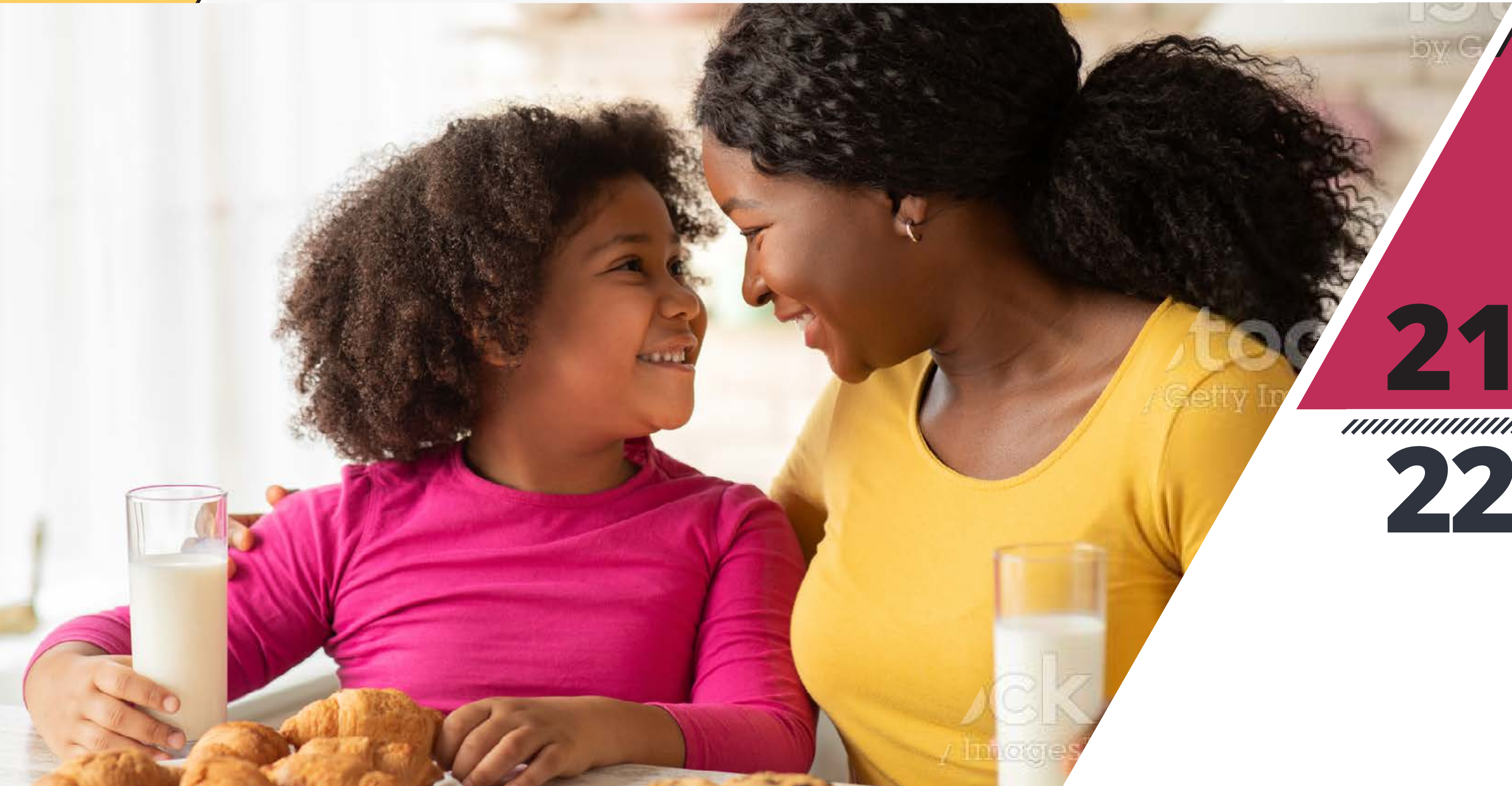
Canadian Dairy Commission
Commission canadienne du lait

Canada

CANADIAN DAIRY COMMISSION

ANNUAL REPORT



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Through diversity and inclusion, we further innovate and create a more sustainable future for the Canadian dairy industry.

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 2021-2022 dairy year.

We'd like to start by offering our sincere thanks to Mr. Bob Ingratta, who served as the CDC's Chairperson for a two-year term ending in December 2021. During his time with the CDC, Mr. Ingratta provided sound and innovative governance expertise which greatly contributed to the organizational excellence of the CDC and his extensive experience as a member of various councils in the agriculture field helped the CDC to continue to build on the important relationships it has with its stakeholders. We wish Mr. Ingratta all the best in the future.

Following the end of Mr. Ingratta's term, Ms. Jennifer Hayes was appointed as the first woman Chairperson at the CDC effective December 23, 2021. Ms. Hayes was first appointed to the role of Commissioner in 2017 and held the position for four years. As a third-generation dairy and beef farmer in Quebec's Gaspé peninsula, Ms. Hayes has extensive governance experience obtained through her active participation with l'Union des producteurs agricoles, defending regional interests in dairy, beef, and agricultural development.

On June 30th, after four years at the helm, we bid farewell to our CEO, Mr. Serge Riendeau, who with great tact and knowledge, helped to guide the CDC and the industry through the upheaval and uncertainties caused by the COVID-19 pandemic, and the resulting repercussions on the dairy industry. Despite his departure, Mr. Riendeau continues to be a leading figure in Canada's dairy industry, and we wish him all the best in his new endeavours.

Following Mr. Riendeau's departure, Mr. Benoit Basillais joined the Board as the new CEO on July 4th. Mr. Basillais has been a contributing member of the CDC team since 2003, where he began his career as an economist. Named as the Director of Policy and Economics in 2016, he acquired considerable leadership and management experience over the years. With his extensive knowledge of the sector, supply management, and the CDC, he brings with him a complete understanding of the issues faced by this industry.

As a leader in the dairy 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. The CDC also continues to promote innovation through various programs. 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. The CDC is committed to the integral role it plays to achieve this end.

Much like other sectors of the economy, the dairy industry had to deal with the lingering effects of the COVID-19 pandemic as well as geopolitical conflicts that have a direct impact on supply chains and prices of products necessary for the industry such as animal feed, fertilizer, fuel and packaging materials. The dairy industry continues to respond swiftly and diligently to issues related to fluctuating demand and labour shortages while ensuring that it remains a key contributor to the Canadian economy.

Over the past year, the state of the economy has caused many Canadians to be more aware of the cost of the products they put in their grocery cart. Inflation has impacted the cost of living of all Canadians, and this has been acutely felt by consumers who seek nutritious and quality Canadian dairy products to feed their families. The rising cost of living has generated legitimate questions from consumers regarding how the dairy supply management system works and what role the CDC plays within the industry. Canadians have challenged us to do better, and our way of communicating with them is evolving to meet these expectations. This includes inviting Canadians to register for our online orientation modules. These modules provide a comprehensive overview of our system, what supply management is and how it works, how the price of milk is set in Canada, pooling agreements, the various programs administered by the CDC and how we ensure that production meets demand.

As the year ends, the CDC finds itself in a sound financial position and has achieved most of its objectives for the dairy year. Along with ensuring that the industry continues to have access to expert advice and services, in the coming year, the CDC had prioritized innovation, investment and market growth, support and thorough administration of the dairy supply management system, and improving its communications with Canadians.

Looking to the future, we welcome the appointment of Shikha Jain as Commissioner effective September 15, 2022. Her background in environment and sustainability will bring value to the CDC and help secure the dairy industry in a sustainable future for Canadians. We look forward to working with Mrs. Jain and to her contributions to the CDC and the industry.

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.

Jennifer Hayes
Chairperson

Benoit Basillais
CEO

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, along with a strong commitment to sound animal welfare practices and environmental sustainability, contribute to this international reputation.

MILK PRODUCTION

The dairy industry was a significant contributor to the Canadian economy during the 2021 calendar year. It generated farm cash receipts of $7.4 billion.

2021

9,952 FARMS IN CANADA[1]
Employs approximately 16,665 people[2]

Total number of dairy cows was 981,300[3] with an average of 98 cows per farm.

Annual production of 396 million kg of butterfat* per farm a production per farm higher than that of 2020

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

1 Number of farms, dairy cows and dairy heifers - agriculture.canada.ca

2 Employment at the farm - agriculture.canada.ca

3 Number of farms, dairy cows and dairy heifers - agriculture.canada.ca

MILK PROCESSING

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

In 2021, the dairy processing industry generated $16.2 billion in products, or 11.6% of all sales of processed products in the food and beverage industry.

DAIRY PRODUCT CONSUMPTION

The Canadian dairy industry has some of the most stringent quality control standards in the world. 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), and further processing. Over the last year, Canadian consumers slightly reduced their consumption of milk, ice cream, and cheese. However, there was moderate increased consumption of higher fat dairy products such as cream and butter, along with very strong growth in the consumption of yogurt.

RETAIL SALES

Retail sales of dairy products in 2021-2022 decreased compared to last year for most categories. Demand for table cream decreased by 4.1% at the retail level. Furthermore, butter, milk and cheese retail sales decreased, respectively, by 6.6%, 6% and 5.2%. This decrease could be explained by the strong retail sales of dairy product in the previous year because of the COVID-19 pandemic.

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

4 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.

Milk Production by Province (million kg butterfat)

Province	2020-2021	2021-2022
Newfoundland and Labrador	1.98	1.98
Prince-Edward Island	5.16	5.11
Nova Scotia	8.65	8.56
New Brunswick	6.67	6.68
Quebec	144.20	146.39
Ontario	128.86	128.35
Manitoba	17.25	17.15
Saskatchewan	12.57	12.29
Alberta	35.27	34.85
British Columbia	35.80	34.60
TOTAL	**396.41**	**395.96**

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.

2021

507 dairy processing plants (2022).

Employs approximately 26,388 people.

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.

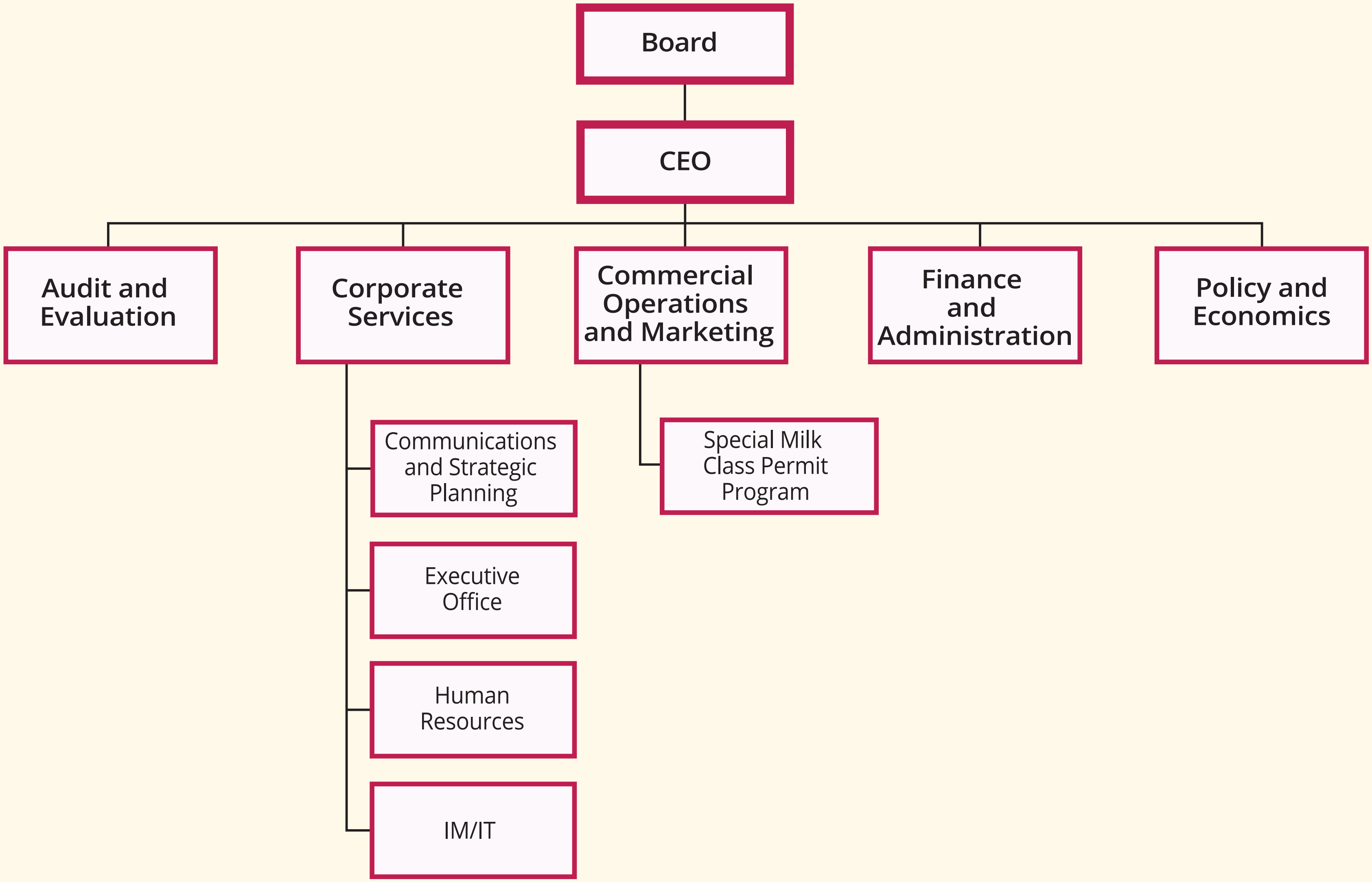
In addition to the *Canadian Dairy Commission Act*, the CDC is also governed by the *Financial Administration Act*, the *Federal Public Sector Labour Relations Act*, the *Dairy Products Marketing Regulations*, the *EEC Aged Cheddar Cheese Export Regulations* and the *Safe Food for Canadians Regulations*.

CDC AT A GLANCE

Created in 1966
72 employees (as of July 31, 2022)
Location: Ottawa
Website: www.cdc-ccl.ca/en

Administrative budget for 2021-2022 (dairy year): $10.8 million
Dairy Year: August 1 to July 31

STRUCTURE OF THE CANADIAN DAIRY COMMISSION



GOVERNING BOARD

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

BOARD MEMBERS

Chairperson
Bob Ingratta

Appointed on February 5, 2020, for a two-year term, which ended in December 2021.

CEO
Serge Riendeau

Appointed on May 14, 2018, for a three-year term. Mandate extended until June 30, 2022.

Chairperson
Jennifer Hayes

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

CEO
Benoit Basillais

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

The Commissioner position was vacant from December 23, 2021 to July 31, 2022. A new Commissioner was appointed on September 27, 2022.

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: **Chantal Paul**, Director, Corporate Affairs; **Benoit Basillais**, Chief Executive Officer.

Back row: **Matthew Gaudreau**, A/Director, Policy and Economics; **Chantal Laframboise,** Director, Finance and Administration; **Benoit Guertin**, Director, Audit and Evaluation; **Christine Boutin**, Senior Director, Commercial Operations and Marketing; **Richard Rancourt**, Associate Director, IM, IT, and Chief Security Officer.

MANAGEMENT COMMITTEES

Human Resources Advisory Committee

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

Internal Audit and Program Evaluation Advisory Committee

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 Committee 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 2021, the Board approved the Annual Report and Financial Statements of the CDC for the 2020-2021 dairy year. In May 2022, the Board approved the CDC's Corporate Plan[5] for the period starting in 2022-2023 and ending in 2026-2027. The Corporate Plan contains all the major directions of the corporation as well as its forecasted budgets and borrowing plan. It was approved by Treasury Board on June 22, 2022.

Audit and Evaluation

In 2021-2022, the CDC Audit & Evaluation Division has completed a Fraud Risk Assessment (FRA). The objective of the FRA was to identify and address the CDC's vulnerabilities to both internal and external fraud. The report was presented and approved by the Audit Committee in June 2022.

In addition, a Risk Management Policy Framework has been developed to provide guidance on the implementation of effective risk management practices at all levels of the organization. This framework will support strategic priority

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

setting and resource allocation, informed decisions with respect to risk tolerance, and improved results. It will be presented for approval in the near future.

As part of the Three-Year Risk Based Audit Plan for 2021-2023, a quality assurance peer review of the Audit and Evaluation Division's activities will take place next dairy year. The project is in the planning stage. The program evaluation of the Domestic Seasonality Programs (Plan A and Plan B) is also in the planning stage and will start in early 2023. Finally, an inventory of Core Controls is being created to provide an overview of existing and commonly deployed internal controls over financial management activities.

Annual Public Meeting

The CDC held a virtual annual public meeting on January 27, 2022. 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 guest speakers Jean-Philippe Gervais, Vice-President, Economics and Valuations, and Chief Economist, Farm Credit Canada as well as Christophe Lafougère, Managing Director, Gira Consultancy & Research.

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

ACTIVITIES

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

SUPPLY MANAGEMENT

DETERMINING 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
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
2021-2022	412.2	397.01	395.96

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.

Plan C, a storage program for cheese similar to the Domestic Seasonality Program for butter, helps to manage variations in supply and demand. Eligible cheeses under the program include cheddar, aged cheddar, mozzarella,

CDC Inventory

	Opening Inventory	Purchases	Sales	Closing Inventory
		tonnes		
Butter	12,680	16,465	20,441	8,704

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.

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 tonnes 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.

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 reserved for imports from New Zealand. During the 2021-2022 dairy year, the CDC imported its full WTO TRQ commitment of butter, including more than 2,000 tonnes from New Zealand.

PRODUCER RETURNS

PRICING

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

Following a review of Canadian farm gate milk prices and various other costs used in administering the supply management system, the farm gate milk price increased by $6.31/hl ($0.06 per litre) on February 1, 2022. This increased the cost of milk used to make dairy products for the retail and restaurant sectors by an average of 8.4%. The rise in producers' revenues as a result of this increase partially offset rising production costs due to the COVID-19 pandemic. Feed, energy, and fertilizer costs were particularly impacted. The CDC also recognized a 5% increase in milk processing costs such as packaging, labour, and transportation. This only applies to butter sold by manufacturers in the context of its storage programs.

To reflect these changes, the support price for butter used by the CDC in its Domestic Seasonality Programs increased from $8.7149 per kg to $9.7923 per kg on February 1, 2022. Click here for additional information on how the price of milk is set in Canada.

On May 27, 2022, Dairy Farmers of Canada asked the CDC to review the price that farmers get for their milk due to inflation. Although mid-year price increases are not common, stakeholders can request it. The norm in the dairy sector is to have one price adjustment per year, which goes into effect on February 1. The last time a mid-year increase happened was in 2018 at the request of Dairy Farmers of Canada because the gap was widening between cost of production and producer revenues due in part to record low world prices for commodities.

An important part of the CDC's mandate is to provide efficient dairy farmers with the opportunity to obtain a fair return for their labour and investment. The CDC therefore agreed to review this mid-year request to determine if a price increase was warranted before next year.

On June 21, 2022, after reviewing the points of view expressed during stakeholder consultations as well as economic data, the CDC recommended that on September 1, 2022, the farm gate milk price increase by $1.92/hl (less than 2 cents per litre). This increase to producers' revenues will help mitigate the rise in production costs due to inflation, which has seen the cost of feed, energy and fertilizer rise by 22%, 55% and 45% respectively since August 2021. On September 1, 2022, the support price for butter will therefore increase from $9.7923 per kg to $10.0206 per kg. In the fall of 2022 during the regular price review, the September 1 adjustment will be deducted from any adjustment for February 1, 2023.

The adjustment will increase the price for milk used in the manufacture of dairy products such as milk, cream, yogurt, cheese and butter intended for the retail sector and the foodservice industry by 2.5% on average. In addition, the CDC recognized an increase in processors' costs of 2.5% to offset the increasing costs of energy, packaging, labour and transportation. Again, this increase in processors' costs only applies to butter sold by manufacturers in the context of its storage programs.

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 across Canada share revenues from all milk. Before that, only revenues from classes 5(a), (b), (c), and (d), 4(m) and 3(d) were pooled nationally.

For dairy producers, pooling revenues is a way to manage the financial risks associated with fluctuations in domestic markets. The pooling of revenues from milk sales enables producers to receive an average price per 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. In 2021-2022, the CDC initiated an update of the P10 Agreement in collaboration with provincial signatories to ensure that the text of the agreement reflects current practice.

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).

During the 2021-2022 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 and continued discussions on the review of the Harmonized Milk Allocation Policy.

Throughout the 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[6]. A review of policies, such as those for false inhibitor tests and milk metering, continues to encourage 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 2021-2022 dairy year, the CDC coordinated close to 170 meetings, webinars and conference calls and translated almost 750 documents in support of the regional pools, the CMSMC, and several working groups and national committees. Due to the ongoing measures put in place to fight COVID-19, the industry held most of its meetings on virtual platforms again this year. However, in-person meetings partially resumed toward the end of the year as public health measures allowed them.

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. However, due to lack of resources, no IREP audits were conducted during this dairy year. During the 2021-2022 dairy year, a total of 35 SMCPP audits were conducted which is the same as the previous year. Many field audits were cancelled due to the COVID-19 pandemic.

As of July 31, 2022, routine audit recoveries in the SMCPP totaled $72,407. These funds were returned to producers. These recoveries are lower than historical averages and will continue to be lower in the future as long-term participants better understand program requirements.

6 The technical committee of the CMSMC.

Audits for Milk Class 3(d) (Mozzarella for fresh pizzas) were performed and covered 27 independent pizzerias and distributors. 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 in British-Columbia and Ontario. A total of 5 joint audits were conducted in 2021-2022, which is lower than the CDC's projected target of 12, mainly due to challenges with scheduling because of COVID-19. During the joint audits, the CDC contributed valuable expertise and supported harmonization of audit practices. Overall audit results were positive in this regard.

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

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

PROGRAMS

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

SPECIAL MILK CLASS PERMIT PROGRAM

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

Class 5(a) permits are issued for cheese, class 5(b) permits are issued for all other dairy products, and class 5(c) permits cover dairy products used as ingredients in the confectionery sector. These permits can be used to source ingredients used in the manufacture of food products for the domestic and export markets. Further processors used their permits to buy the equivalent of 54.0 million kg of butterfat in the 2021-2022 dairy year, an increase of 18% 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, 2022, amounted to 1,702.

CLASS 3(d)

Class 3(d) was created to encourage restaurants to use Mozzarella on fresh pizzas. In 2021-2022, 998 restaurants joined the program for a total of 14,742 active program participants. The total amount of Mozzarella used in the program for this dairy year amounted to 51.4 million kg compared to 50.4[7] million kg used in 2020-2021.

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 2021-2022, 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.

7 In the 2020-2021 Annual Report, it was reported that 52.9 million kg of mozzarella was used in the program during that dairy year. The actual amount used was 50.4 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 2021-2022, the MIF received nine applications. During the same period, two 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, 13 applications were received under the DIP. As of July 31, 2022, three applications were approved by the selection committee. These projects represent a potential total utilization of 37.3 million litres of milk over three years.

During the 2021-2022 dairy year, dairy processing companies across Canada used approximately 9.3 million litres of milk to manufacture innovative cheeses and beverages in the provinces of Ontario, Québec, and British Columbia.

DAIRY DIRECT PAYMENT PROGRAM

In August 2019, the Agriculture and Agri-Food Minister, the Honourable Marie-Claude Bibeau, announced that $1.75 billion would be provided to compensate Canadian dairy farmers for impacts of CETA and CPTPP. Of this amount, $345 million was made available in the 2019-2020 fiscal year through direct payments to more than 10,000 Canadian eligible dairy producers with a valid dairy quota license registered with a provincial milk marketing board as of October 31 each year. AAFC mandated the CDC to administer the Dairy Direct Payment Program since the CDC works closely with the provincial milk marketing boards and has the expertise to deliver this program. Since 2019, the CDC has worked closely with Agriculture and Agri-Food Canada and provincial milk boards to ensure efficient and timely delivery of payments to producers under this program. The program is scheduled to end in 2022-2023.

At the end of fiscal year 2021-2022, 96% of eligible dairy producers in Canada had registered and received their payment and 98% ($460.3 million) of the funds had been disbursed. This compares to 96% of producers and 98% ($459.4 million) of funds in 2020-2021.

To date, up to 1.3 billion dollars has been made available to eligible dairy producers. The remaining $468 million will be made available in 2022-2023. The CDC will continue to work with AAFC to deliver the remaining payments to Canadian dairy producers under the DDPP.

Through Budget 2022, the Government of Canada committed to work with supply-managed sectors and announce full and fair compensation for the Canada-United States-Mexico Agreement in the 2022 fall economic and fiscal update

PERFORMANCE AND GOALS

This section lists the goals set by the Canadian Dairy Commission (CDC) for 2021-2022 and describes the objectives, performance indicators and results related to each.

ACHIEVEMENTS FOR 2021-2022

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

Innovation, investment, and market growth in the Canadian dairy sector

5-year objective	Performance measure for 2021-2022	Target for 2021-2022	Results	% complete
Investments and innovation have contributed to the market growth and the sustainability of the Canadian dairy industry.	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	56.3 million litres	51.3%
	The percentage of butterfat used in MAG and the Dairy Innovation Program (DIP) projects vs. quota has reached the target.	0.5% per year	Quota: 397.01 M Kg MAG: 2.05 M Kg, 0.52% of quota	100%
	Structural surplus for solids non-fat(SNF) forecast has been performed and updated.	Updated forecast presented to the board.	It was updated. 144 M of SNF Surplus	100%
	Program evaluation has been performed.	Domestic Seasonality Program	Postponed to next year.	0%
	Reviews or modifications of programs to improve efficiency have been completed.	Special Milk Class Permit Program	Analysis has been conducted and discussions are ongoing with industry stakeholders.	60%

CDC's support toward the dairy supply management system

5-year objective	Performance measure for 2021-2022	Target for 2021-2022	Results	% complete
Support the Canadian dairy industry as it adapts to market changes in the context of supply management.	Tools have been developed and adapted to better support the industry.	2	The Pooling Web Site has been completely rebuilt. Additional reports are made available to pooling technical staff.	100%
	A draft of the new P10 agreement has been written.	N/A	The CDC is waiting for comments from provincial signatories on a second draft of the updated agreement.	N/A
	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	Postponed to next year.	N/A

CDC's support toward the dairy supply management system (continued)

5-year objective	Performance measure for 2021-2022	Target for 2021-2022	Results	% complete
	The CDC has followed the provinces' progress in theirrequired regulatory changes.	N/A	Discussions with provincial authorities on regulatory changes have taken place all year.	100%
	The CDC has obtained support from the relevant department to amend the Dairy Products Marketing Regulations (DPMR).	N/A	The CDC continues to engage with the relevant departments to explore requireded changes to the DPMR.	50%
	The number of stakeholder registrations to online training modules reached the target.	20	48	100%
	The CDC has conducted information sessions on supply management to the industry and the government.	5	11 information sessions were conducted including: • Presentation to the minister's office on pricing and indexation • Presentation to the central agencies on the the role of the CDC • Presentations to Conseil des industriels laitiers du Québec (CILQ) on pricing and cost of production (COP) • COP indexation briefing to AAFC	100%

Administration of the milk supply management system

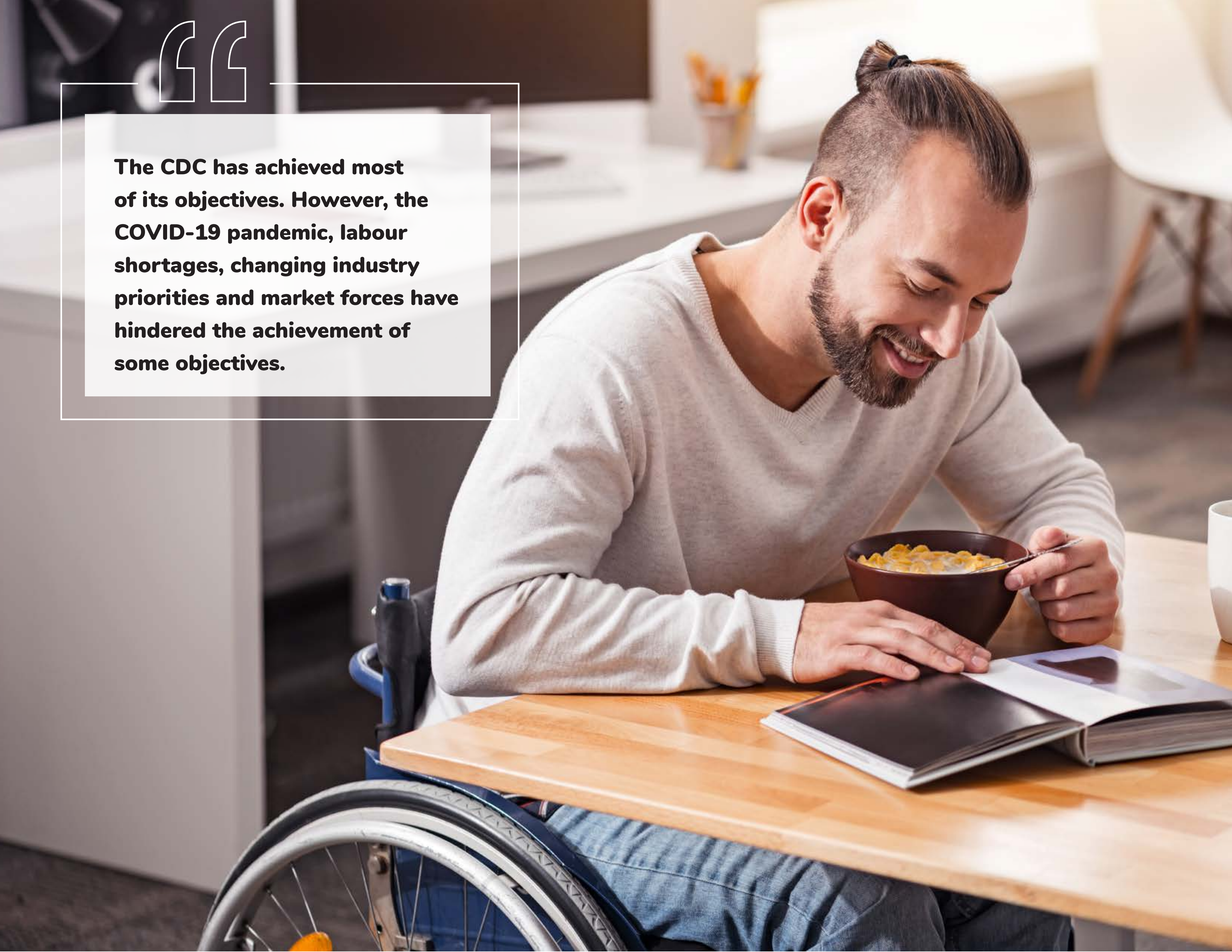
5-year objective	Performance measure for 2021-2022	Target for 2021-2022	Results	% complete
A well-administered and responsive supply management system.	The Cost of production (COP) survey is updated and carried out. The survey has been published on the CDC web site and made available for support price setting.	Study published.	The COP results were published on the CDC Web site in the fall of 2021.	100%
	The criteria for exceptional circumstances were reviewed in consultation with the industry and modified as required.	Modified criteria communicated to industry.	The modified criteria were communicated to the industry in July 2022.	100%
	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.	The support price for butter was adjusted on February 1, 2022. A second adjustment to the butter support price was announce in June and will come into force on September 1, 2022.	100%

Administration of the dairy supply management system (continued)

5-year objective	Performance measure for 2021-2022	Target for 2021-2022	Results	% complete
	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).	Full compliance.	100%
	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.	Achieved for all types of activities, however, due to lack of resources, no IREP audits were conducted during this dairy year.	94%
	Time from receipt of pooling date to transfer funds has been within target.	8 days maximum.	Met every month.	100%
	Time from receipt of pooling data to quota allocation has been within target.	8 days maximum.	Met every month.	100%

Administration of the dairy supply management system (continued)

5-year objective	Performance measure for 2021-2022	Target for 2021-2022	Results	% complete
	The demand forecasts have matched actual demand.	Within 2% of actual demand.	Demand forecast was revised twice this year following shifts in markets. It is currently at 0.53% of actual demand (since January 2022)	100%
	Butter stocks in June and December are in line with market needs.	Import butter as needed.	June forecasts are in line, with a small difference of 863 tonnes of butter.	100%
	The Word Trade Organization (WTO) butter tariff rate quota has been imported.	3,274 tonnes	Butter imported.	100%



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

Organizational excellence

5-year objective	Performance measure for 2021-20212	Target for 2021-2022	Results	% complete
The CDC is organized and has the resources to continue to engage and motivate employees to deliver the programs and services to support the dairy industry into the future.	Succession plan is updated.	January 2022	The Board approved the updated Succession plan in March 2022.	100%
	Measures in the Workforce Plan are implemented according to the plan's schedule.	Measures are implemented.	Staffing and classification measures are on schedule.	100%
	The needs assessment for the new Commercial Operations application has been completed and development has begun.	Needs assessment completed.	The needs assessment is completed, an Enterprise Resource Planning tool was chosen and purchased. Configuration and development have begun.	100%
	New reports are created.	4 new reports.	Numerous reports were created for SMCPP to track reconciliation statuses.	100%

Organizational excellence (continued)

5-year objective	Performance measure for 2021-20212	Target for 2021-2022	Results	% complete
	New Euclid functions have been implemented.	4 Euclid functions.	Changes to COP. Pooling calculations have been moved to Euclid. Forecasts have been added to Euclid.	100%
	Dashboards for human resources and finance data have been created.	1 dashboard created.	Dashboard is being developed, will be completed by end of August 2022.	40%

GOALS FOR 2022-2023

The CDC's performance objectives for 2022-2023 are based on the strategic themes and 5-year goals identified in its corporate plan.

KEY RESULT AREA 1. Supporting the Sustainability of the Canadian Dairy Industry			
5-YEAR GOALS	**In 2027, the CDC has supported the industry to develop value-added markets for SNF.**		
Strategy 1.1: Foster industry initiatives to rebalance the growth in demand for SNF versus that for butterfat.			
YEAR	**OBJECTIVES**	**PERFORMANCE INDICATORS**	**TARGETS FOR 2022-2023**
2022-2023	Support industry initiatives to develop value-added markets for protein and other milk solids.	The CDC has helped the industry identify strategies for developing value-added markets for SNF and has supported the implementation.	3 strategies
		The CDC has presented forecasts on demand for SNF to the industry every 6 months.	1 presentation in summer and 1 presentation in winter.

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

5-YEAR GOALS **In 2027, the Canadian supply management system continues to work optimally.**

Strategy 2.1: Obtain, produce, and disseminate reliable data and analysis for dairy industry stakeholders.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2022-2023
2022-2023	Industry and governments have access to value-added data and analysis on dairy markets in a timely manner to make their decisions.	A publication on market trends for industry and governments has been created and is published online monthly.	Publication published monthly.

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

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2022-2023
2022-2023	Supply management rules are clear, up-to-date and relevant.	Signatories have agreed on a final version of a new national revenue and market sharing agreement.	Not applicable.
		The CDC was mandated by the CMSMC to start the modernization of the National Milk Marketing Plan (NMMP).	A new NMMP has been signed by the provinces and the CDC.

Strategy 2.3: Improve stakeholders and public understanding of the Canadian dairy supply management system and the role of the CDC.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2022-2023
2022-2023	Better understanding of the CDC's role in the supply management system by stakeholders and Canadians.	35 people registered for the online training modules.	35
		Three communications tools for Canadian consumers were created and distributed.	3 tools

KEY RESULT AREA 2. Support for the Canadian Dairy Sector's Supply Management System			
5-YEAR GOALS	**In 2027, the Canadian supply management system continues to work optimally.**		

Strategy 2.4: Ensure that efficient producers receive a fair return for their labour and investment.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2022-2023
2022-2023	• Producers receive fair returns. • Timely and accurate revenue pooling calculations.	The support price for butter was reviewed and updated if needed. The new support price for butter is in effect if applicable.	Support price reviewed as needed.
		Number of audits.	188 MUA, 35 SMCPP, 8 Joint Audits, 3 IREP, 10 revenue sharing, 20 class 3d, 1 internal audit, and 1 program evaluation.
		Monthly calculation and fund and data transfers on target.	8 days maximum.

Strategy 2.5: Ensure that Canadian milk production matches demand, including in unforeseen situations.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2022-2023
2022-2023	• Timely and sufficient supply of dairy products in the Canadian market.	Time from receipt of pooling data to quota allocation.	8 days maximum.
	• Timely and accurate allocation of quota to meet demand.	Demand forecasts vs. actual demand.	Within 2% of actual demand.
		Import the WTO butter tariff rate quota.	3,274 tonnes.

KEY RESULT AREA 3. Pursuit of Organizational Excellence			
5-YEAR GOALS	**In 2027, the CDC has the resources to deliver relevant programs and services.**		
Strategy 3.1: Improve how we attract, develop, and retain a complete, diverse and inclusive workforce with the necessary skills.			
YEAR	**OBJECTIVES**	**PERFORMANCE INDICATORS**	**TARGETS FOR 2022-2023**
2022-2023	• An diverse and inclusive work environment that fosters staff development.	Level of staff satisfaction for the diversity and inclusion-related questions in the annual Public Service Employee Survey remains above 85%.	Above 85%
	• Preservation of the CDC's organizational culture.	A new staffing strategy has been developed and is implemented.	1 new staffing strategy.
		The CDC has organized three activities that contribute to the preservation of CDC's culture.	3 activities
Strategy 3.2: Mobilize IT services and tools to improve CDC's efficiency.			
YEAR	**OBJECTIVES**	**PERFORMANCE INDICATORS**	**TARGETS FOR 2022-2023**
2022-2023	Computer systems and tools adapted to the changing needs of the CDC and the industry.	Commercial operations partners have access to their data online.	50% of partners.
		New applications for the SMCPP are submitted online.	90% of new applications.
		Weekly retail sales are automatically uploaded into a database and available for economic analysis to the CDC staff.	Weekly sales uploaded.

KEY RESULT AREA

3. Pursuit of Organizational Excellence

5-YEAR GOALS	**In 2027, the CDC has the resources to deliver relevant programs and services.**		

Strategy 3.3: Raise the profile of environmental issues within the CDC.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2022-2023
2022-2023	A reduced ecological footprint at the CDC.	The Green Committee made recommendations to improve the CDC's ecological footprint, which includes a recycling and composting program.	Composting and recycling program launched.
		Green Policy is drafted and implemented.	Green Policy drafted and implemented.

Strategy 3.4: Improve efficiency in the administration of CDC programs.

YEAR	OBJECTIVES	PERFORMANCE INDICATORS	TARGETS FOR 2022-2023
2022-2023	A more efficient administration of the Special Milk Class Permit Program.	The application process has been streamlined.	50% reduction in processing time.
		The reconciliation process has been streamlined.	50% reduction in reconciliation time.

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, 2022, 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)		2022		2021		$ change
Sales revenue	$	207,004	$	221,841	$	(14,837)
Cost of goods sold	$	203,767	$	215,240	$	(11,473)
Transport and carrying charges	$	2,082	$	3,467	$	(1,385)
Finance costs	$	200	$	131	$	69
Gross profit (loss) on domestic sales	**$**	**955**	**$**	**3,003**	**$**	**(2,048)**

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

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

There was minimal activity in Plan A this year. The CDC sold 126 tonnes of Plan A butter compared to 1,849 tonnes in the previous year, which translated into a decrease in revenues of $13.33 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 20,315 tonnes of Plan B butter compared to 20,319 tonnes last year. The increase of $3.23 million in revenue is mainly the result of the increase in support price which came into effect in February 2022.

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 $25.99 million, which represents a decrease of $4.73 million compared to last year. The decrease was due to less product sold this year as a result of variances in opening and closing balances this year compared to the prior year. These products are purchased by the CDC at prevailing world prices, and they are predominantly directed to the further processing industry through butter manufacturers.

In the 2021-2022 dairy year, total revenues from domestic sales decreased by $14.84 million, or 7%, compared to the previous year. This is mainly explained by lower revenues of

Plan A butter and import butter which were partly offset by an increase of Plan B revenues. This year, the CDC generated less gross profit on domestic sales. In the previous dairy year, profits were higher because Plan A butter had been purchased below the support price and resold at a profit. 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.

OTHER INCOME

Other Income

	For the year ended July 31		
(in thousands)	2022	2021	$ change
Funding from milk pools	$ 10,276	$ 11,411	$ (1,135)
Funding from the Government of Canada	$ 4,525	$ 4,748	$ (223)
Professional services	$ 1,459	$ 776	$ 683
Total other income	**$ 16,260**	**$ 16,935**	**$ (675)**

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

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

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

Professional services include income relating to milk utilization audits, as well as compensation received to administer the Dairy Direct Payment Program on behalf of Agriculture and Agri-Food Canada. The increase in this year's professional services revenues is mainly because the CDC obtained a new provincial milk utilization audit contract.

Operating and Administrative Expenses

(in thousands)		For the year ended July 31 2022		2021		$ change
Operating expenses						
Industry initiatives	$	717	$	2,200	$	(1,483)
Cost of production study	$	892	$	877	$	15
Plan C program costs	$	1,218	$	1,213	$	5
Other charges (recoveries)	$	106	$	4	$	102
Total operating expenses	$	2,933	$	4,294	$	(1,361)
Administrative expenses						
Salaries and employee benefits	$	8,164	$	7,998	$	166
Other administrative expenses	$	2,057	$	1,900	$	157
Total administrative expenses	$	10,221	$	9,898	$	323
Total operating and administrative expenses	**$**	**13,154**	**$**	**14,192**	**$**	**(1,038)**

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. Both programs had fewer expenses this year.

Cost of production survey 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.

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

ADMINISTRATIVE EXPENSES

Administrative expenses totalled $10.22 million this year compared to $9.90 million in the previous year. Salaries and employee benefits of $8.16 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 2021-2022 transfer is $0.26 million, compared to $3.3 million last year.

KEY RESULTS OF STATEMENT OF FINANCIAL POSITION

Inventories

The value of inventories at the end of the year was $85.24 million, compared to an inventory value of $110.70 million at the end of the previous year.

Total CDC butter stocks at the end of the year were 8,705 tonnes, which represents a decrease of 4,034 tonnes compared to last year. Butter stocks declined as a result of lower purchases in the spring compared to previous year.

Plan C repurchase agreements

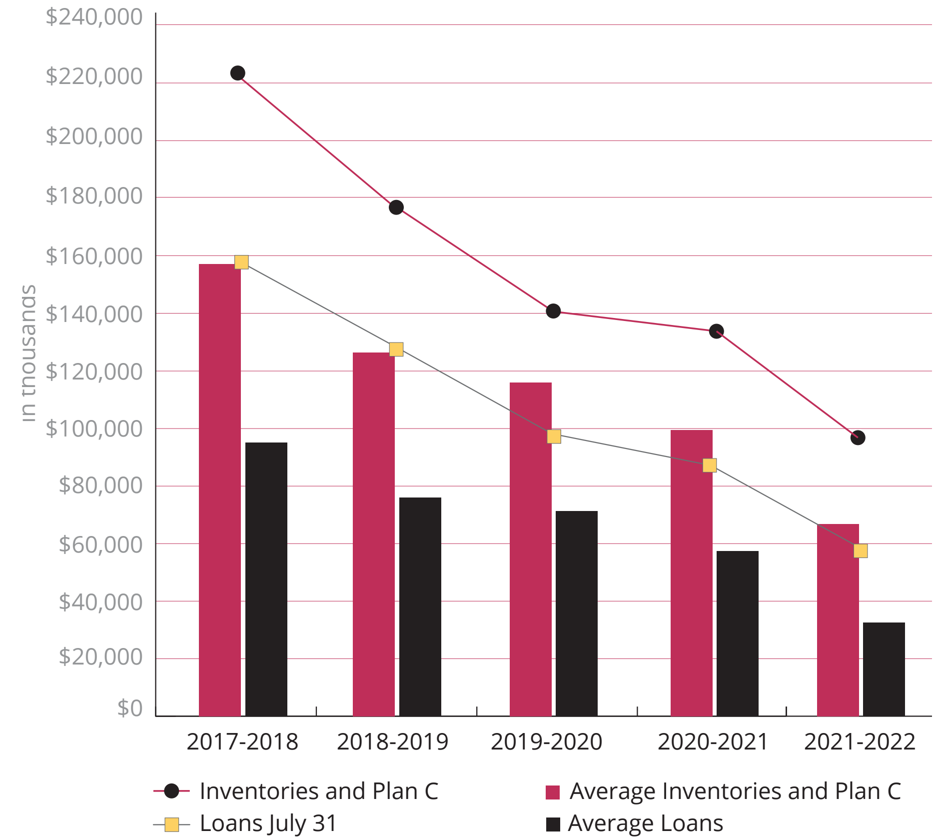
The CDC operates the Plan C storage and buy-back program for cheese on behalf of the CMSMC. When the program is active, processors may sell eligible cheese to the CDC through repurchase agreements that contractually obligate the processors to repurchase the cheese, at the same price and by a set date.

International Financial Reporting Standards (IFRS) 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. The cheese is held as collateral against the financial asset. As at July 31, 2022, the balance of outstanding Plan C repurchase agreements is $10.09 million compared to $18.93 million as at July 31, 2021. The quantity of cheese held as collateral for these repurchase agreements on July 31, 2022, totalled 1,121 tonnes. The decrease is due to the expiry of many contracts, resulting in the buyback of the underlying inventory.

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 $85.82 million at the end of the previous year to $56.64 million at the end of the current year. The table to the right illustrates the correlation between the variations in the balance of outstanding loans and variations in the total balance of inventory and Plan C repurchase agreements over the last 5 years.

Comparison of Inventories and Plan C with Loans



RISK MANAGEMENT

As is the case for any business 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 for dairy year 2021-2022 and February 2022 for dairy year 2022-2023. It identifies the key risks associated with CDC business and activities. It also evaluates the probability and potential impact of risk occurrences and defines mitigation measures to avoid or reduce risk. The organization's annual planning process is aligned with the Profile to ensure that higher-risk program areas and activities receive special consideration. The Board and the Senior Management Team (SMT) share the responsibility for risk management. Each plays an integral role in the risk management process at the CDC. The Board ensures that management identifies, monitors, and manages the CDC's corporate risks. It is responsible for providing a clear direction on risk tolerance and approving the Corporate Risk Profile. The Board is kept apprised of any changes to the risk profile through quarterly briefings. At least once every quarter, the CDC Audit Committee monitors these risks as well as the progress in the implementation of the various mitigation measures. The SMT is responsible for assessing the CDC's key risk areas and ensuring that appropriate controls and other mitigation strategies are carried out to effectively manage these risks. This includes supporting risk awareness and communication throughout the organization.

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

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

FUTURE ACCOUNTING STANDARD CHANGES

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

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

LOOKING TO THE FUTURE

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

The CDC will continue to work closely with industry partners and Agriculture and Agri-Food Canada (AAFC) to ensure the sustainability of the Canadian dairy industry, which is an economic driver in many rural communities across the country.

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 (SNF) on the Canadian market. The CDC will continue to provide support and leadership to develop valued-added markets for SNF by fostering industry initiatives that aim to increase utilization of SNF. The CDC will also ensure that the industry has access to regular and updated forecasts on SNF demand and production.

The CDC will continue to provide the industry the support and the information it needs to adapt to new realities brought on by international trade agreements or market trends. It will do so by producing reliable data and analyses, and facilitating informed decisions, harmonized policies and simplification of the supply management mechanisms in collaboration with industry partners.

The CDC will adapt its communication tools to improve the industry and public understanding of the Canadian supply management system and to ensure clearer communication relative to the way milk farm prices are set.

Reducing Canada's greenhouse gas emissions and adapting to climate change remain urgent priorities for the Government. As a Crown corporation, the CDC will review how it can support initiatives that reduce the environmental footprint of the dairy sector within its mandate.

As part of the government's strategy to combat climate change, Budget 2021 announced that Canada's Crown corporations would demonstrate climate leadership by adopting the

Task Force on Climate-related Financial Disclosures (TCFD) standards, or more rigorous and acceptable standards as an element of their corporate reporting. In the next year, the CDC will begin its review of these standards to better understand its requirements and impacts. The CDC intends to start reporting on its climate-related risks in the 2024-2025 annual report.

To better serve the industry in the future, the CDC completed a review of its workforce needs in 2021-2022. This review led to an HR plan that includes an updated succession plan for key positions as well as strategies to attract and retain employees. The CDC is in the process of implementing the various measures contained in the HR plan.

Following the changes that the COVID-19 pandemic has brought to the workplace, the CDC has implemented a hybrid working model for its employees in June 2022. We will monitor this new approach to make sure it allows us to continue to serve the industry and provide a productive, safe, diverse and inclusive environment for our employees.

CYBER SECURITY

The new hybrid working environment has 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.

Benoit Basillais, CEO

Chantal Laframboise, Director
Finance and Administration

Ottawa, Canada
September 28, 2022

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

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 2022, 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 2022, 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 bylaws of the Canadian Dairy Commission, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Sophie Bernard, CPA, CGA
Principal
for the Auditor General of Canada

Ottawa, Canada
28 September 2022

Canadian Dairy Commission

Statement of Financial Position

(in thousands of Canadian dollars)

	For the year ended July 31, 2022	July 31, 2021
Assets		
Current		
Cash	$ 3	$ 136
Trade and other receivables		
Trade receivables	1,413	665
Advances to provincial milk marketing boards and agencies (Note 4)	8,362	10,488
Milk pools	1,496	2,138
Derivative asset - foreign exchange contracts	79	23
Inventory (Note 5)	85,243	110,696
Plan C repurchase agreements (Note 6)	4,104	8,212
	100,700	132,358
Non-Current		
Plan C repurchase agreements (Note 6)	5,986	10,719
Equipment	14	41
Intangible asset	49	78
Right-of-use asset (Note 7)	1,642	1,994
	$ 108,391	**$ 145,190**
Liabilities		
Current		
Bank overdraft (Note 8)	$ 8,362	$ 10,488
Trade and other payables		
Trade payables and accruals (Note 9)	15,086	20,175
Distribution to provincial milk marketing boards and agencies	260	3,300
Other payables	969	861
Deferred revenue (Note 10)	-	921
Derivative liability - foreign exchange contracts	-	4
Loans from the Government of Canada (Note 11)	56,639	85,821
	81,316	121,570
Non-Current		
Lease liability (Note 7)	1,675	2,021
Equity		
Retained earnings	25,400	21,599
	$ 108,391	**$ 145,190**

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, 2022.

Benoit Basillais
Chief Executive Officer

Jennifer Hayes
Chairperson

Chantal Laframboise
Director, Finance and Administration

Statement of Operations and Comprehensive Income (Loss)

(in thousands of Canadian dollars)

	For the year ended July 31, 2022	For the year ended July 31, 2021
Domestic sales and cost of sales		
Sales revenue (Note 13)	$ 207,004	$ 221,841
Cost of goods sold	203,767	215,240
Transport and carrying charges	2,082	3,467
Finance costs	200	131
Gross profit (loss) on domestic sales	955	3,003
Other income		
Funding from milk pools (Note 13)	10,276	11,411
Funding from the Government of Canada	4,525	4,748
Professional services (Note 13)	1,459	776
	16,260	16,935
Total gross profit (loss) on domestic sales and other income	**17,215**	**19,938**
Operating expenses		
Industry initiatives	717	2,200
Cost of Production survey	892	877
Plan C program costs (Note 6)	1,218	1,213
Other charges (recoveries)	106	4
	2,933	4,294
Administrative expenses		
Salaries and employee benefits (Note 14)	8,164	7,998
Other administrative expenses	2,057	1,900
	10,221	9,898
Total operating and administrative expenses	**13,154**	**14,192**
Profit (loss) before distribution to provincial milk marketing boards and agencies	**4,061**	**5,746**
Distribution to provincial milk boards and agencies	260	3,300
Total comprehensive income (loss)	**$ 3,801**	**$ 2,446**

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, 2022		**July 31, 2021**	
Retained earnings, beginning of the year	$	21,599	$	19,153
Total comprehensive income (loss) for the year		3,801		2,446
Retained earnings, end of the year	**$**	**25,400**	**$**	**21,599**

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

(in thousands of Canadian dollars)

	For the year ended July 31, 2022	For the year ended July 31, 2021
Cash flows from (used) in operating activities		
Cash received from customers and others	$ 207,983	$ 220,256
Cash paid to suppliers and others	(199,460)	(217,021)
Cash receipts from provincial milk boards and agencies for pooling	13,044	6,680
Cash distributed to provincial milk marketing boards and agencies	(3,300)	(1,250)
Cash receipts from the Government of Canada	4,525	4,748
Interest paid on loans and the lease liability	(114)	(213)
Cash receipts from Plan C repurchase agreements	13,789	3,826
Cash paid for Plan C repurchase agreements	(4,948)	(13,316)
Net cash flows from operating activities	**31,519**	**3,710**
Cash flows from (used) in financing activities		
New loans from the Government of Canada	138,031	184,614
Loan repayments to the Government of Canada	(167,213)	(193,815)
Principal payments on the lease liability	(344)	(338)
Net cash flows used in financing activities	**(29,526)**	**(9,539)**
Net cash inflows (outflows)	**1,993**	**(5,829)**
Net cash (bank overdraft) at beginning of the year	(10,352)	(4,523)
Net cash (bank overdraft) at the end of the year	**$ (8,359)**	**$ (10,352)**
Components:		
Cash	$ 3	$ 136
Bank overdraft	(8,362)	(10,488)
Net cash (bank overdraft)	**$ (8,359)**	**$ (10,352)**

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* and is not subject to the provisions of the *Income Tax Act*. It is an agent of Her Majesty the Quee 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, 2022, 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, 2022.

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 reporting period. 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 has four contracts with a performance obligation satisfied over time, which include the following:

- Administration of the pooling agreements: management has assessed that the satisfaction of this performance obligation is achieved on a monthly basis as pooling calculations are conducted.

- Administration of the Dairy Direct Payment Program: management has assessed that the satisfaction of this performance obligation is achieved over time as the CDC incurs recoverable administration costs.
- Two new audit service contracts: management has assessed that the satisfaction of this performance obligation is achieved over time as the audit services are performed continually throughout the year.

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

Classification of Plan A & B Butter

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

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

Reporting of the building lease

The CDC has a lease contract as a lessee on a building used for office accommodation and storage space. In concluding that the contract is or contains a lease, management made 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.

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 repurchase agreements, for which a description is provided in Note 6 - Plan C repurchase agreements.

Due to its financial arrangement's nature, IFRS requires the CDC to account for the Plan C repurchase agreements as financial assets. Management has used 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” 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 period in which it occurs.

Equipment

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

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

Generator	10 years
Computer equipment	3-5 years

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

Intangible asset

Software

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

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

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

Leases – as a lessee

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

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

Building Lease

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

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

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

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

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

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

Revenue from contracts with customers

Sales revenues

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

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

Funding from milk pools

As acting agent in carrying out administrative functions of the Comprehensive Agreement on Pooling of Milk Revenues (a federal-provincial agreement), the CDC collects and redistributes producer market returns on behalf of the provincial milk marketing boards and agencies. For these services, the CDC receives from dairy producers an annual fixed fee which offsets the costs associated with the administration of the agreement. Furthermore, the CDC is reimbursed for estimated carrying charges for normal levels of butter inventory and for other direct costs, including carrying charges for surplus butter inventories and Plan C 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).

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

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

Performance Obligation

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

Funding from the Government of Canada

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

Cost of sales

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

Other expenses

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

Foreign currency translation

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

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

Employee benefits

Pension benefits

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

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

The below amendments to the standards issued by the IASB are effective for various annual reporting periods beginning on or after January 1, 2023, 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 reporting 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 reporting 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.

(In thousands of Canadian dollars, unless otherwise indicated)

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

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

4. Advances to provincial milk marketing boards and agencies

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

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

5. Inventory

The CDC's inventory as at July 31, 2022, includes butter purchased under the Domestic Seasonality Program, and butter imported by the CDC under the World Trade Organization (WTO) Agreement on Agriculture.

Inventory:

	As at:			
	July 31, 2022		July 31, 2021	
	in $	in tonnes	in $	in tonnes
Plan B butter	$ 85,117	8,692	$ 109,297	12,554
Other butter	126	13	1,399	185
Total net realizable value	$ 85,243		$ 110,696	

Inventory expensed in the period ended July 31, 2022 was $203.77 million (July 31, 2021: $215.24 million) and is reported on the Statement of Operations and Comprehensive Income (Loss) in cost of goods sold.

(In thousands of Canadian dollars, unless otherwise indicated)

6. Plan C repurchase agreements

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

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

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

	July 31, 2022	July 31, 2021
Current	$ 4,104	$ 8,212
Non-current	5,986	10,719
Balance as at July 31, 2022	$ 10,090	$ 18,931

All non-current Plan C repurchase agreements will be repurchased by July 2024.

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

7. Right-of-use asset and lease liability

The CDC's only right-of-use asset and lease liability pertain to a building under a lease contract with the Government of Canada. The building is used for its office accommodation and storage space. The lease renewal option for the building lease came into effect on April 1, 2022, which extends through March 31, 2027. The right-of-use asset and lease liability were not affected by the option to renew.

(In thousands of Canadian dollars, unless otherwise indicated)

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

Balance as at August 1, 2021	$	$1,994
Depreciation charge for the year		(352)
Carrying amount as at July 31, 2022	$	1,642

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

Balance as at August 1, 2021	$	2,021
Interest expense		24
Lease payments		(370)
Balance as at July 31, 2022	$	1,675
Current		364
Non-current		1,311
Balance as at July 31, 2022	$	1,675

The total cash outflow for the building lease liability for the period ended July 31, 2022 was $0.37 million (July 31, 2021: $0.37 million), including principal and interest payments. The total expense relating to short-term leases or leases for which the underlying asset is of low value, is not material.

8. Bank overdraft

The CDC has established a line of credit with a member of the Canadian Payments Association. This line of credit was authorized by the Minister of Finance up to a maximum of $50 million with its intended use of advancing funds to the provincial milk marketing boards and agencies. The line of credit is provided in the form of a bank overdraft. As at July 31, 2022, the established credit limit from the bank is $25 million (July 31, 2021: $25 million). This loan is due on demand and bears interest calculated at the prime rate of 4.70% per annum as at July 31, 2022 (July 31, 2021: 2.45%).

9. Trade payables and accruals

Trade payables and accruals includes:

	July 31, 2022		July 31, 2021	
Trade payables	$	2,113	$	7,080
Accruals		12,973		13,095
Total	$	15,086	$	20,175

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.

(In thousands of Canadian dollars, unless otherwise indicated)

Revenue recognized in the period that was included in deferred revenue at the beginning of the reporting period is $0.92 million (July 31, 2021: $4.25 million).

11. Loans from the Government of Canada

Loans from the Government of Canada's Consolidated Revenue Fund are available to finance operations, up to a maximum of $450 million (July 31, 2021: $500 million). Note however that the combined total outstanding borrowings at any time for the Loans from the Government of Canada and from the Bank overdraft (discussed in Note 8 – Bank overdraft) cannot exceed $500 million (July 31, 2021: $500 million).

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

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

	For the year ended:	
	July 31, 2022	July 31, 2021
Interest Rate		
Low	0.17 %	0.18 %
High	2.82 %	0.50 %
Interest Expense	$ 245	$ 131

12. Capital management

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

The CDC's capital structure consists of loans from the Government of Canada (see Note 11) and retained earnings. As at July 31, 2022, these accounts totalled $56.64 million (July 31, 2021: $85.82 million) and $25.40 million (July 31, 2021: $21.60 million) respectively. The CDC is not subject to any externally imposed capital requirements.

(In thousands of Canadian dollars, unless otherwise indicated)

13. Disaggregation of revenue 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, 2022		For the year ended: July 31, 2021	
Domestic sales				
Plan A butter	$	1,105	$	14,439
Plan B butter		179,908		176,679
Imported butter		25,991		30,723
Domestic sales revenue	$	207,004	$	221,841
Milk pools				
Funding for administrative expenses	$	4,520	$	4,520
Funding for Plan A and Plan B butter and Plan C cheese carrying charges		4,699		6,052
Other recoverable expenses		1,057		839
Funding from milk pools	$	10,276	$	11,411
Professional services				
Administrative services	$	366	$	364
Audit services		1,093		412
Professional services revenue	$	1,459	$	776
Total revenue from contracts with customers	$	218,739	$	234,028

14. Salaries and employee benefits

Salaries and employee benefits includes:

	For the year ended: July 31, 2022		For the year ended: July 31, 2021	
Salaries expense	$	6,750	$	6,684
Pension contributions		878		790
Medical insurance expense		290		281
Other expenses		246		243
Total	$	8,164	$	7,998

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, 2022, was on average 1.01 times the employee’s rate (July 31, 2021: 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, 2022, and July 31, 2021.The fair value measurement of foreign currency forward contracts is based on the prevailing exchange rate at the end of the reporting period.

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

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

Market risk

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

Currency risk

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

As at July 31, 2022 and July 31, 2021, the exposure to currency risk was not material.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The line of credit, for which interest varies as a function of prime, and loans from the Government of Canada, for which interest varies as a function of the yield on comparable Treasury bills, expose the CDC to a cash flow risk. 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 1.25 (July 31, 2021: 1.09). In managing liquidity risk, the CDC has access to additional borrowings for commercial operations from the Government of Canada in the amount of $393.36 million (July 31, 2021: $414.18 million), as well as $16.64 million (July 31, 2021: $14.51 million) on its line of credit for the pooling of market returns, both as at July 31, 2022. The combined total outstanding borrowings at anytime from these two sources cannot exceed $500 million (July 31, 2021: $500 million), meaning that the overall access to additional borrowings, combined for commercial operations and for pooling of market returns, is $435.00 million as at July 31, 2022 (July 31, 2021: $403.69 million).

Credit risk

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

The CDC manages the credit risk from trade receivables by selling product on a "payment first" basis. The CDC considers the credit risk associated with other receivables not material given those amounts are withheld from amounts owed back to the provincial milk marketing boards and agencies. As at July 31, 2022, and July 31, 2021, 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 marketing boards and agencies through a decision by the Canadian Milk Supply Management Committee. As at July 31, 2022, and July 31, 2021, the CDC does not have a loss allowance for Plan C repurchase agreements given no credit loss is expected within the next 12 months.

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

16. Commitments

Industry Initiatives

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

Matching Investment Fund

The CDC funds and administers the Matching Investment Fund which provides non-repayable contributions to Canadian-registered companies or food technology centres for product development, on an investment matching basis. As at July 31, 2022, the CDC has outstanding contractual commitments of up to $0.07 million (July 31, 2021: $0.07 million).

Workforce Development Initiative

The Workforce Development Initiative encourages productivity, competitiveness, and innovation in the Canadian dairy industry by supporting the education and recruitment of a qualified workforce. As at July 31, 2022, the CDC has outstanding contractual commitments of $0.30 million (July 31, 2021: $1.25 million).

Butter Purchase Commitments

As at July 31, 2022, the CDC has commitments to purchase predetermined quantities of butter. These commitments amounted to approximately $4.35 million (July 31, 2021: $1.12 million) and will be fulfilled by September 2022.

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, 2022, the TRQ on butter is entirely used for quota year 2021-2022. The CDC is committed under the same conditions for quota year 2022-2023 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, 2022, was $22.96 million (July 31, 2021: $19.23 million).

17. Related party transactions

Government of Canada entities

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

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

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

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

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

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

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

Key management personnel

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

No loans or similar transactions with key management personnel are outstanding as at July 31, 2022, or July 31, 2021. There were no transactions of this nature during either period.

Post-employment benefit liability for key management personnel reported under "Other payables" on the Statement of Financial Position amounts to $0.05 million as at July 31, 2022 (July 31, 2021: $0.14 million).

Compensation of key management personnel for the reporting period is $1.51 million (July 31, 2021: $1.31 million).