



Canadian Dairy  
Commission

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## **Quarterly Financial Report**

**Third quarter of 2024-2025**



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## Third Quarter Financial Report

### Management Discussion and Analysis

The following discussion and analysis of the operating results and financial position of the Canadian Dairy Commission (CDC) for the quarter ended on April 30, 2025, should be read in conjunction with the financial statements enclosed herein and the 2023-2024 Annual Report.

#### 1. Basis of Preparation

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

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

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

##### Domestic Sales and Cost of Sales

(in thousands)	For the three-months ended			For the nine-months end		
	Apr 30, 2025	Apr 30, 2024	\$ change	Apr 30, 2025	Apr 30, 2024	\$ change
Sales revenue	\$ 53,476	\$ 49,649	\$ 3,827	\$ 184,035	\$ 152,474	\$ 31,561
Cost of goods sold	\$ 52,674	\$ 48,808	\$ 3,866	\$ 181,745	\$ 149,591	\$ 32,154
Transport and carrying charges	\$ 1,087	\$ 600	\$ 487	\$ 2,801	\$ 1,624	\$ 1,177
Finance costs	\$ 697	\$ 135	\$ 562	\$ 1,606	\$ 427	\$ 1,179
<b>Gross profit (loss) on domestic sales</b>	<b>\$ (982)</b>	<b>\$ 106</b>	<b>\$ (1,088)</b>	<b>\$ (2,117)</b>	<b>\$ 832</b>	<b>\$ (2,949)</b>

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

Total sales revenue and cost of goods sold were higher in the current quarter and on a year-to-date basis compared to the same periods last year, because of higher sales of Plan B butter.

The change in gross profit (loss), compared to the same periods last year, resulted primarily from higher levels of Plan B butter inventory, as well as more Loans from the Government of Canada to finance this increase in inventory. Higher Plan B inventory results in higher transport and carrying charges, while increased loans result in higher finance costs, which in turn decrease gross profit or increases gross loss.

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



## Other Income

(in thousands)	For the three-months ended			For the nine-months end		
	Apr 30, 2025	Apr 30, 2024	\$ change	Apr 30, 2025	Apr 30, 2024	\$ change
Funding from milk pools	\$ 3,106	\$ 2,519	\$ 587	\$ 8,424	\$ 7,548	\$ 876
Funding from the Government of Canada	\$ 1,411	\$ 1,834	\$ (423)	\$ 3,908	\$ 4,334	\$ (426)
Professional services and Other Income	\$ 541	\$ 705	\$ (164)	\$ 1,755	\$ 1,936	\$ (181)
<b>Total other income</b>	<b>\$ 5,058</b>	<b>\$ 5,058</b>	<b>\$ -</b>	<b>\$ 14,087</b>	<b>\$ 13,818</b>	<b>\$ 269</b>

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

Funding from the Government of Canada represents funding received from parliamentary appropriations recognized as other income when government-funded administrative expenses are incurred. For additional information regarding the CDC's parliamentary appropriations, refer to section 5 of the Management Discussion and Analysis. The change is primarily due to a reduction in allotment funding from the Treasury Board Secretariat. Last year, the allotment was higher to fund retroactive salary payments following the implementation of new collective agreements.

Professional services and Other income includes revenues relating to milk utilization audits, funding received to administer the Dairy Direct Payment Program (DDPP) and the Dairy Innovation Investment Fund (DIIF) on behalf of Agriculture and Agri-Food Canada, and interest income. The decrease is mainly explained by lower interest income in the current year.

## Operating and Administrative Expenses

(in thousands)	For the three-months ended			For the nine-months end		
	Apr 30, 2025	Apr 30, 2024	\$ change	Apr 30, 2025	Apr 30, 2024	\$ change
<i>Operating expenses</i>						
Industry initiatives	\$ 78	\$ 64	\$ 14	\$ 84	\$ 228	\$ (144)
Cost of production study	\$ 355	\$ 317	\$ 38	\$ 931	\$ 839	\$ 92
Plan C program costs	\$ 47	\$ 74	\$ (27)	\$ 751	\$ 470	\$ 281
Other charges (recoveries)	\$ 618	\$ 325	\$ 293	\$ 575	\$ 751	\$ (176)
<b>Total operating expenses</b>	<b>\$ 1,098</b>	<b>\$ 780</b>	<b>\$ 318</b>	<b>\$ 2,341</b>	<b>\$ 2,288</b>	<b>\$ 53</b>
<i>Administrative expenses</i>						
Salaries and employee benefits	\$ 2,795	\$ 2,469	\$ 326	\$ 7,955	\$ 7,297	\$ 658
Other administrative expenses	\$ 391	\$ 520	\$ (129)	\$ 1,577	\$ 1,553	\$ 24
<b>Total administrative expenses</b>	<b>\$ 3,186</b>	<b>\$ 2,989</b>	<b>\$ 197</b>	<b>\$ 9,532</b>	<b>\$ 8,850</b>	<b>\$ 682</b>
<b>Total operating and administrative expenses</b>	<b>\$ 4,284</b>	<b>\$ 3,769</b>	<b>\$ 515</b>	<b>\$ 11,873</b>	<b>\$ 11,138</b>	<b>\$ 735</b>

### Operating Expenses

Industry initiatives includes expenses relating to various CDC programs that provide benefits to the industry.

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



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

Other charges (recoveries) are comprised of credits from the CDC's contribution to the cost of the production study, charges incurred by the CDC on behalf of the milk pools, bank charges from the milk pool account, and any unrealized foreign exchange gains or losses. The change is mainly explained by the variation in the amount of unrealized foreign exchange gains or losses for the three-months ended April 30<sup>th</sup>, 2025. On a year-to-date basis, the change is mainly due to lower interest costs from lower interest rates throughout the year.

#### *Administrative Expenses*

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

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

#### *Inventories*

As at April 30, 2025, the value of inventory is \$174.98 million, up from \$111.82 million as at July 31, 2024. Total CDC butter stocks as at April 30, 2025, were 16,811 tonnes, marking an increase of 5,939 tonnes compared to July 31, 2024. Typically, the inventory at the end of the third quarter is less than the inventory at the beginning of the year due to the seasonal cycle. Two key factors explain the higher level of inventory held at April 30, 2025:

1. The Domestic Seasonality Program, specifically Plan B, had higher-than-usual butter purchases.
2. The butter held under the WTO TRQ butter program at the end of the quarter amounts to 714 tonnes while none was held at the end of the previous reporting year.

#### *Plan C repurchase agreement*

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

When the program is active, processors may sell eligible cheese to the CDC through repurchase agreements that contractually obligate the processors to repurchase the cheese, at the same price and by a set date.

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



As at April 30, 2025, the balance of outstanding Plan C repurchase agreements is \$7.36 million compared to \$12.69 million as at July 31, 2024. The quantity of cheese held as collateral for these repurchase agreements on April 30, 2025, is 817 tonnes.

### *Loans from the Government of Canada*

Loans from the Government Canada are made available to the CDC to finance commercial operations, which includes notably butter inventory and Plan C activities. Therefore, there is a direct correlation between variations in the balance of outstanding loans from the Government of Canada and variations in the total balance of inventory and Plan C repurchase agreements.

As at April 30, 2025, the balance of outstanding loans was \$132.13 million compared to \$68.92 million as at July 31, 2024. The increase is consistent with the increase in the combined carrying balance of inventory and Plan C repurchase agreements.

### *Cash Flows*

(in thousands)	For the nine-months end		
	Apr 30, 2025	Apr 30, 2024	\$ change
Net cash flows from (used in) operating activities	\$ (68,292)	\$ 51,924	\$ (120,216)
Net cash flows from (used in) financing activities	\$ 63,044	\$ (50,564)	\$ 113,608
<b>Net cash inflows (outflows)</b>	<b>\$ (5,248)</b>	<b>\$ 1,360</b>	<b>\$ (6,608)</b>
Net cash (bank overdraft) at beginning of the period	\$ (6,827)	\$ (11,068)	\$ 4,241
<b>Net cash (bank overdraft) at the end of the period</b>	<b>\$ (12,075)</b>	<b>\$ (9,708)</b>	<b>\$ (2,367)</b>

The CDC's closing bank cash position as at April 30, 2025, is a net bank overdraft of \$12.08 million compared to \$9.71 million as at April 30, 2024. This represents a change in the net cash position of \$2.37 million.

### *Cash Flows from Operating Activities*

The change in net cash flows from (used in) operating activities for the current nine-month period reported is mainly due to commercial operations, specifically a higher amount of cash paid to suppliers (processors) for the purchase of butter inventory. This is consistent with higher butter purchases in the current nine-month period reported compared to the same period last year, combined with higher trade payables at the beginning of the current period compared to last year. The cash received from customers did increase consistently with the higher sales of butter, but the change only partially offset the increase in cash paid to suppliers.



### *Cash Flows from Financing Activities*

The CDC's financing activities consist almost entirely of loans from the Government of Canada, which are used to support the portion of operating activities related to commercial operations. The amount of these loans fluctuates based on the CDC's end-of-day cash position, itself driven by fluctuations in commercial operations. As a result, the change in Net cash flows from (used in) financing activities typically moves inversely to the change in Net cash flows from (used in) operating activities.

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

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

Total butterfat production for the most recent 12-month period reached 421.4 M kg of butterfat. The July 2025 12-month total requirements are forecasted to be between 446.9 and 449.5 M kg of butterfat. Production has been as forecasted so far in 2025, with butterfat production anticipated to increase slightly into 2026.

Levels of CDC and private butter stocks reached 40,962 tonnes on April 30, 2025.

## ***5. Parliamentary Appropriations***

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

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

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

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



(in thousands)	As at	
	Mar 31, 2025	Mar 31, 2024
<b>Parliamentary appropriations authorized</b>	<b>\$ 5,149</b>	<b>\$ 5,376</b>
Portion recognized as income and received in the previous CDC fiscal year	\$ 1,665	\$ 1,458
Portion recognized as income and received in the current CDC fiscal year	\$ 3,484	\$ 3,918
<b>Total parliamentary appropriations recognized as income and received by the CDC</b>	<b>\$ 5,149</b>	<b>\$ 5,376</b>
<b>Parliamentary appropriations available</b>	<b>\$ -</b>	<b>\$ -</b>

## ***6. Risk Management***

On March 24, 2025, the CDC updated the risks identified in its 2024-2025 Corporate Risk Profile. No new risks were identified during the quarter. Risk mitigation strategies for previously identified higher risks are progressing as planned. Analysis of the Q2 emergent challenges stemming from an altered tariff environment was a priority during the quarter.

## ***7. Significant Changes***

Between February 1, 2025, and April 30, 2025, in comparison with the Corporate Plan Summary, no significant changes occurred in operations, industry initiatives, programs, personnel, objectives, and Governing Board.

Operations, industry initiatives, and programs	No significant changes occurred in this quarter.
Personnel	No significant changes occurred in this quarter.
Objectives	No significant changes occurred in this quarter.
Governing Board	No significant changes occurred in this quarter.



## Statement of Management Responsibility

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

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

Original signed by:

Benoit Basillais, Chief Executive Officer

Jonatan Emery, Executive Director, Finance and Administration

Ottawa, Canada

June 26, 2025

# Canadian Dairy Commission

## Interim Condensed Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)

	As at	
	April 30, 2025	July 31, 2024
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 252	\$ 4
Trade and other receivables		
Trade receivables	1,075	1,553
Advances to provincial milk marketing boards and agencies (Note 6)	12,327	6,831
Milk pools	2,068	1,591
Inventory (Note 7)	174,980	111,816
Plan C repurchase agreements (Note 8)	3,032	9,832
	<u>193,734</u>	<u>131,627</u>
<b>Non-Current</b>		
Plan C repurchase agreements (Note 8)	4,324	2,857
Right-of-use asset	292	407
	<u>\$ 198,350</u>	<u>\$ 134,891</u>
<b>Liabilities</b>		
<b>Current</b>		
Bank overdraft (Note 6)	\$ 12,327	\$ 6,831
Trade and other payables		
Trade payables and accruals (Note 9)	20,841	27,381
Distribution to provincial milk marketing boards and agencies	-	130
Other payables	1,425	1,347
Deferred revenue	1,419	-
Loans from the Government of Canada (Note 10)	132,126	68,925
	<u>168,138</u>	<u>104,614</u>
<b>Non-Current</b>		
Lease liability	333	495
<b>Equity</b>		
Retained earnings (Note 10)	29,879	29,782
	<u>\$ 198,350</u>	<u>\$ 134,891</u>
Commitments (Note 14)		

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

These financial statements were approved and authorized for issue on June 26 2025.

Benoit Basillais  
Chief Executive Officer

Jennifer Hayes  
Chairperson

Jonatan Emery  
Executive Director, Finance and Administration

# Canadian Dairy Commission

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

(unaudited)

(in thousands of Canadian dollars)

	For the three-months ended		For the nine-months ended	
	April 30, 2025	April 30, 2024	April 30, 2025	April 30, 2024
Domestic sales and cost of sales				
Sales revenue (Note 11)	\$ 53,476	\$ 49,649	\$ 184,035	\$ 152,474
Cost of goods sold	52,674	48,808	181,745	149,591
Transport and carrying charges	1,087	600	2,801	1,624
Finance costs	697	135	1,606	427
Gross profit (loss) on domestic sales	<u>(982)</u>	<u>106</u>	<u>(2,117)</u>	<u>832</u>
Other income				
Funding from milk pools (Note 11)	3,106	2,519	8,424	7,548
Funding from the Government of Canada (Note 11)	1,411	1,834	3,908	4,334
Professional services and Other Income (Note 11)	541	705	1,755	1,936
	<u>5,058</u>	<u>5,058</u>	<u>14,087</u>	<u>13,818</u>
<b>Total gross profit (loss) on domestic sales and other income</b>	<b><u>4,076</u></b>	<b><u>5,164</u></b>	<b><u>11,970</u></b>	<b><u>14,650</u></b>
Operating expenses				
Industry initiatives	78	64	84	228
Cost of production study	355	317	931	839
Plan C program costs	47	74	751	470
Other charges (recoveries)	618	325	575	751
	<u>1,098</u>	<u>780</u>	<u>2,341</u>	<u>2,288</u>
Administrative expenses				
Salaries and employee benefits (Note 12)	2,795	2,469	7,955	7,297
Other administrative expenses	391	520	1,577	1,553
	<u>3,186</u>	<u>2,989</u>	<u>9,532</u>	<u>8,850</u>
<b>Total operating and administrative expenses</b>	<b><u>4,284</u></b>	<b><u>3,769</u></b>	<b><u>11,873</u></b>	<b><u>11,138</u></b>
<b>Total comprehensive income (loss)</b>	<b><u>\$ (208)</u></b>	<b><u>\$ 1,395</u></b>	<b><u>\$ 97</u></b>	<b><u>\$ 3,512</u></b>

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

# Canadian Dairy Commission

## Interim Condensed Statement of Changes in Equity

(unaudited)

(in thousands of Canadian dollars)

	For the nine-months ended	
	April 30, 2025	April 30, 2024
Retained earnings, beginning of the period	\$ 29,782	\$ 27,121
Total comprehensive income (loss) for the period	97	3,512
<b>Retained earnings, end of the period</b>	<b>\$ 29,879</b>	<b>\$ 30,633</b>

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

# Canadian Dairy Commission

## Interim Condensed Statement of Cash Flows

(unaudited)

(in thousands of Canadian dollars)

	For the nine-months ended	
	April 30, 2025	April 30, 2024
<b>Cash flows from (used in) operating activities</b>		
Cash received from customers and others	\$ 188,606	\$ 155,341
Cash paid to suppliers and others	(266,973)	(114,768)
Cash receipts from provincial milk marketing boards and agencies for pooling	2,451	8,904
Cash distributed to provincial milk marketing boards and agencies	(130)	(230)
Cash receipts from the Government of Canada	3,908	4,334
Interest income received	16	146
Interest paid on loans and the lease liability	(1,503)	(713)
Cash receipts from Plan C repurchase agreements	7,417	5,508
Cash paid for Plan C repurchase agreements	(2,084)	(6,598)
<b>Net cash flows from (used in) operating activities</b>	<b>(68,292)</b>	<b>51,924</b>
<b>Cash flows from (used in) financing activities</b>		
New loans from the Government of Canada	220,410	65,785
Loan repayments to the Government of Canada	(157,209)	(116,178)
Principal payments on the lease liability	(157)	(171)
<b>Net cash flows from (used in) financing activities</b>	<b>63,044</b>	<b>(50,564)</b>
<b>Net cash inflows (outflows)</b>	<b>(5,248)</b>	<b>1,360</b>
Net cash (bank overdraft) at beginning of the period	(6,827)	(11,068)
<b>Net cash (bank overdraft) at the end of the period</b>	<b>\$ (12,075)</b>	<b>\$ (9,708)</b>
<b>Components:</b>		
Cash	\$ 252	\$ 6
Bank overdraft	(12,327)	(9,714)
<b>Net cash (bank overdraft)</b>	<b>\$ (12,075)</b>	<b>\$ (9,708)</b>

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

# Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended April 30, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

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## **1. Authority and objectives**

The Canadian Dairy Commission (CDC) was established in 1966 through the *Canadian Dairy Commission Act*. It is a federal Crown corporation named in Part I, Schedule III and Schedule IV to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. It is an agent of His Majesty the King in right of Canada and reports to Parliament through the Minister of Agriculture and Agri-Food.

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

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

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

## **2. Basis of preparation**

### **Statement of compliance**

These unaudited interim condensed financial statements are prepared in compliance with *IAS 34 Interim Financial Reporting* of the International Financial Reporting Standards (IFRS) and the *Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*. As permitted under these standards, these interim financial statements do not include all of the disclosure requirements for annual financial statements, and should be read in conjunction with the CDC's audited financial statements for the fiscal year ended July 31, 2024. They were approved and authorized for issue by the CDC Board on June 26, 2025.

### **Basis of presentation**

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

# Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended April 30, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

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## **Reporting period**

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

The reporting period for these interim financial statements, and notes thereto, are the three-month period of February 1, 2025, to April 30, 2025 and the nine-month period of August 1, 2024, to April 30, 2025.

## **Functional and currency**

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

## **Cyclicality**

The CDC's Domestic Seasonality Programs' butter inventory levels vary each year due to a normal cycle. When they follow the normal cycle, purchases are higher in the spring and summer months while the fall and winter months see higher sales.

Import butter activities are less cyclical.

## ***3. Key sources of estimation uncertainty and critical judgements***

The preparation of financial statements in accordance with IFRS requires management to exercise judgement and make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Areas where management has exercised judgement and made significant use of estimates and assumptions while preparing these interim financial statements are consistent with those described in Note 3 of the CDC's audited financial statements for the year ended July 31, 2024, with the addition of the new judgment described below.

### **Revenue associated with the Dairy Innovation Investment Fund (DIIF)**

The CDC administers the DIIF, analyzing investment proposals and issuing payments, on behalf of the Government of Canada. For supplying administrative services, the CDC receives administrative funding.

Management has determined that the CDC is an agent in this arrangement, therefore the revenue recognized is limited to the administrative funding.

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

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

## Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended April 30, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

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

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

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

In January 2020, the IASB issued an amendment to IAS 1 relating to the classification of current and non-current liabilities. The amendment specifies that a liability is to be classified as non-current if the entity has a “right” to defer settlement “at the end of the reporting period” irrespective of the entity’s intention to defer its settlement. The amendment defines *settlement* as follows: “for the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability.”

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

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

### **7. Inventory**

As at April 30, 2025, inventory includes Plan B butter purchased under the Domestic Seasonality Programs, and butter imported under the CDC’s TRQ as described in Note 17 of the annual financial statements for the year ended July 31, 2024.

	As at:			
	April 30, 2025		July 31, 2024	
	in \$	in tonnes	in \$	in tonnes
Plan B butter	\$ 167,662	16,097	\$ 111,816	10,872
Imported butter	7,318	714	-	-
Total net realizable value	<u>\$ 174,980</u>		<u>\$ 111,816</u>	

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

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

## Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended April 30, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

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

	As at	
	April 30, 2025	July 31, 2024
Trade payables	\$ 11,817	\$ 14,727
Accruals	9,024	12,654
Total	<u>\$ 20,841</u>	<u>\$ 27,381</u>

### **10. Capital management**

The CDC's capital structure consists of loans from the Government of Canada and retained earnings. As at April 30, 2025, the borrowing capacity available from the Government of Canada is \$217.87 million (July 31, 2024: \$281.07 million), and the balance of retained earnings is \$29.88 million (July 31, 2024: \$29.78 million).

There were no changes made to the capital management framework or its definition thereof during the interim period ended April 30, 2025.

# Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended April 30, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

## 11. Disaggregation of revenue

The CDC derives its revenue from the following sources:

	Three-month period ending		Nine-month period ending	
	April 30, 2025	April 30, 2024	April 30, 2025	April 30, 2024
Domestic sales				
Plan B butter	\$ 46,971	\$ 42,078	\$ 161,404	\$ 124,134
Imported butter	6,505	7,571	22,631	28,340
Domestic sales revenue	\$ 53,476	\$ 49,649	\$ 184,035	\$ 152,474
Milk pools				
Funding for administrative expenses	\$ 1,165	\$ 1,165	\$ 3,495	\$ 3,495
Funding for Plan A and Plan B butter and Plan C repurchase agreement carrying charges	1,368	812	3,449	2,479
Other recoverable expenses	573	542	1,480	1,574
Funding from milk pools	\$ 3,106	\$ 2,519	\$ 8,424	\$ 7,548
Professional services and Other income				
Administrative services	\$ 325	\$ 492	\$ 1,100	\$ 1,167
Audit services	213	208	639	623
Interest income	3	5	16	146
Professional services and Other income	\$ 541	\$ 705	\$ 1,755	\$ 1,936
Funding from the Government of Canada	1,411	1,834	\$ 3,908	\$ 4,334
Total revenue	\$ 58,534	\$ 54,707	\$ 198,122	\$ 166,292

## Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended April 30, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

### 12. Salaries and employee benefits

	Three-month period ending		Nine-month period ending	
	April 30, 2025	April 30, 2024	April 30, 2025	April 30, 2024
Salaries expense	\$ 2,303	\$ 2,061	\$ 6,631	\$ 6,036
Pension contributions	297	242	828	789
Medical insurance expense	99	80	278	256
Other expenses	96	86	218	216
Total	\$ 2,795	\$ 2,469	\$ 7,955	\$ 7,297

#### *Pension plan*

The President of the Treasury Board of Canada made a change to the required employer contributions effective January 1, 2025. Since that date, on average, the CDC contributed the same as their employees up to the end of the reporting period.

### 13. Financial instruments and Risk Management

The annual financial statements for the year ended July 31, 2024, reported on the financial risk to which the CDC is exposed to in the normal course of operation, as follows: market risk (including currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk. These risks continue to be managed and mitigated with corresponding policies and procedures as described in the annual financial statements. Below are changes since July 31, 2024 that apply at the end of the current reporting period.

#### **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 reporting date, other than some of the Plan C repurchase agreements, all of the CDC's financial instruments are current and the CDC has a current ratio equal to 1.15 (July 31, 2024: 1.26).

Management believes that the CDC has sufficient authorized borrowing capacity to support its activities. As at April 30, 2025, \$217.87 million (July 31, 2024: \$281.07 million) in financing facilities are available from the Government of Canada for commercial operations and \$12.67 million (July 31, 2024: \$18.17 million) in credit facility is available on the line of credit for advancing funds to provincial milk marketing boards and agencies. The combined carrying balance for both borrowing sources cannot exceed \$350 million (July 31, 2024: \$350 million).

### 14. Commitments

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

## Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended April 30, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

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The portion of the mandated TRQ for butter used in the first nine months of quota year 2024-2025 (August to July) is 3,080 tonnes, which cost a total of \$29.37 million. Therefore, the unused portion of the TRQ is 194 tonnes as at April 30, 2025. The financial impact of this commitment for the remaining quarters will continue to be affected by the price variability between countries and type of eligible butter products, as well as the foreign exchange rates.

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

### ***15. Related party transactions***

#### *Government of Canada entities*

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

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

All other transactions with government-related entities are individually and collectively not material during the interim period ended April 30, 2025.