



Canadian Dairy
Commission

Commission
canadienne du lait

Quarterly Financial Report

First quarter of 2025-2026



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First 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 October 31, 2025, should be read in conjunction with the financial statements enclosed herein and the 2024-2025 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 2024-2025 Annual Report are assumed to apply to the current quarter unless otherwise updated below.

The interim condensed 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		
	Oct 31, 2025	Oct 31, 2024	\$ change
Sales revenue	\$ 102,961	\$ 84,419	\$ 18,542
Cost of goods sold	\$ 102,725	\$ 83,812	\$ 18,913
Transport and carrying charges	\$ 1,135	\$ 933	\$ 202
Finance costs	\$ 714	\$ 588	\$ 126
Gross profit (loss) on domestic sales	\$ (1,613)	\$ (914)	\$ (699)

The CDC purchases and sells butter to regulate the supply of dairy products in the domestic market throughout the year, while operating the Domestic Seasonality Programs, of which only the Plan B butter program saw activity in both reporting periods.

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. This is primarily due to greater uptake in the Plan B butter program.

The Domestic Seasonality Programs reported a gross loss on sales this year and last, which primarily reflects the financing costs, as well as the transport and carrying charges, incurred in operating these programs. These costs are typical and continue to be fully recovered from the marketplace and producers through funding from the milk pools. As a result, the impact of any gross loss from these programs on total comprehensive income (loss) is limited to the net difference between its sales revenue and cost of goods sold, which is equivalent to the programs'



operating surplus or deficit. Note that this surplus or deficit, is respectively distributed to, or recovered from, the provincial milk marketing boards and agencies, which means the Domestic Seasonality Programs have no residual impact on the CDC's total comprehensive income (loss). In both reporting periods, the Plan B butter program generated an operating surplus.

Other Income

(in thousands)	For the three-months ended		
	Oct 31, 2025	Oct 31, 2024	\$ change
Funding from milk pools	\$ 3,072	\$ 2,567	\$ 505
Funding from the Government of Canada	\$ 1,272	\$ 1,249	\$ 23
Professional services and Other income	\$ 598	\$ 607	\$ (9)
Total other income	\$ 4,942	\$ 4,423	\$ 519

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 primarily due to the higher costs the CDC incurred in operating Domestic Seasonality Programs.

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.

Professional services and Other income includes revenues from milk utilization audits, and for program administration services provided on behalf of Agriculture and Agri-Food Canada (AAFC), for the Dairy Direct Payment Program (DDPP) and the Dairy Innovation Investment Fund (DIIF), as well as interest income.

Operating and Administrative Expenses

(in thousands)	For the three-months ended		
	Oct 31, 2025	Oct 31, 2024	\$ change
<i>Operating expenses</i>			
Industry initiatives	\$ 61	\$ -	\$ 61
Cost of production study	\$ 306	\$ 284	\$ 22
Plan C program costs	\$ 151	\$ 436	\$ (285)
Other charges (recoveries)	\$ 113	\$ (327)	\$ 440
Total operating expenses	\$ 631	\$ 393	\$ 238
<i>Administrative expenses</i>			
Salaries and employee benefits	\$ 2,745	\$ 2,371	\$ 374
Other administrative expenses	\$ 410	\$ 577	\$ (167)
Total administrative expenses	\$ 3,155	\$ 2,948	\$ 207
Total operating and administrative expenses	\$ 3,786	\$ 3,341	\$ 445



Operating Expenses

Industry initiatives includes expenses relating to various CDC programs, such as the Matching Investment Fund, and projects that provide benefits to the industry. The change is due to an increased project activity.

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. The change is primarily due to the timing of storage expense processing; some costs were reported in the first quarter of last year because of delayed invoicing.

Other charges (recoveries) are comprised of credits from the CDC's contribution to the cost of the production study, expenses incurred on behalf of the provincial milk marketing boards and agencies, and any unrealized foreign exchange gains or losses. The change is primarily explained by the variation in the amount of unrealized foreign exchange gains or losses.

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 Changes in the Statement of Financial Position

Inventories

As at October 31, 2025, CDC butter inventory totaled 12,098 tonnes, valued at \$124.97 million, a decrease of 5,131 tonnes and \$53.15 million compared to July 31, 2025, when inventory stood at 17,229 tonnes and \$178.12 million. This is the result of a normal seasonal cycle involving a decrease leading up to the December Holiday Season when manufacturers repurchase a significant portion of Plan B butter from the CDC due to a higher consumer demand for butter.

Plan C repurchase agreement

The CDC operates the Plan C storage and buy-back program for cheese on behalf of the Canadian Milk Supply Management Committee (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 October 31, 2025, the balance of outstanding Plan C repurchase agreements is \$7.46 million compared to \$8.05 million as at July 31, 2025. The quantity of cheese held as collateral for these repurchase agreements on October 31, 2025, is 829 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 October 31, 2025, the balance of outstanding loans was \$90.99 million compared to \$149.20 million as at July 31, 2025. The decrease is consistent with the decrease in the combined carrying balance of inventory and Plan C repurchase agreements.

Cash Flows

(in thousands)	For the three-months ended		
	Oct 31, 2025	Oct 31, 2024	\$ change
Net cash flows from (used in) operating activities	\$ 53,651	\$ 19,849	\$ 33,802
Net cash flows from (used in) financing activities	\$ (53,653)	\$ (23,972)	\$ (29,681)
Net cash inflows (outflows)	\$ (2)	\$ (4,123)	\$ 4,121
Cash (net bank overdraft) at beginning of the period	\$ 4	\$ (6,827)	\$ 6,831
Cash (net bank overdraft) at the end of the period	\$ 2	\$ (10,950)	\$ 10,952
Components of cash and net bank overdraft			
Cash	\$ 2	\$ 506	\$ (504)
Bank overdraft	\$ -	\$ (11,456)	\$ 11,456
Cash (net bank overdraft) at the end of the period	\$ 2	\$ (10,950)	\$ 10,952

The CDC's bank cash position composition changed in the last quarter of 2024-25 when the credit facility, intended for advancing funds to provincial milk marketing boards and agencies, transitioned from a bank overdraft to a line of credit, as described in Note 6 of the interim condensed financial statements. Cash flows from the line of credit are reported under *Cash flows from (used in) financing activities* on the Interim Condensed Statement of Cash Flows.

Cash Flows from Operating Activities

The change in net cash flows from (used in) operating activities is mainly attributable to commercial operations, including the Domestic Seasonality Programs (excluding transport, carrying charges, and financing costs) and the import butter program. The primary driver was higher cash receipts from processors (customers), consistent with increased butter sales in the current period compared to last year. Butter sales generate immediate cash inflows because settlement is required before any product is released to the customer. Although cash paid to suppliers (processors) was lower because trade payables were higher at the beginning of the



previous period compared to the current year, this decrease only partially offset the increase in cash received from customers.

Cash Flows from Financing Activities

The CDC's financing activities are tied to its operating activities. The primary component of financing activities is 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. Another component of financing activities that support operating activities, specifically advances to provincial milk marketing boards and agencies, is the line of credit, which fluctuates based on the boards and agencies needs.

This alignment between financing mechanisms and operating cash flows means that the change in *Net cash flows from (used in) financing activities* move inversely to the change in *Net cash flows from (used in) operating activities*. Specifically, cash inflows from financing activities, indicating increased loan or credit requirements, arise when cash payments for operating activities exceed receipts. Conversely, cash outflows from financing activities, reflecting loan or credit repayments, occur when receipts from operating activities exceed payments.

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 429.6 M kg of butterfat. The July 2026 12-month total requirements are forecasted to be 456.7 M kg of butterfat. Since August 2025, P10 production has surpassed forecasts. Both pools have recently revised their 2025-26 production forecasts; butterfat production is now anticipated to be 432.4 M kg of butterfat. Total butter stocks are expected to rise, driven by forecasted imports and production levels.

Levels of CDC and private butter stocks were higher than anticipated and reached 37,437 tonnes on October 31, 2025.

5. Parliamentary Appropriations

Moneys appropriated by Parliament are provided to the Canadian Dairy Commission (CDC) to pay for salaries, travel expenses, and other administrative expenses, as permitted under the *Canadian Dairy Commission Act* (CDC Act), supporting the internal administrative functions that enable the CDC to achieve its mandate. However, as set out in the CDC Act, administrative costs directly attributable to ensuring fair returns to producers are not covered by appropriations and are instead funded by dairy producers.

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 CDC recognizes funding from the Government of Canada in the Statement of Operations and Comprehensive Income as appropriations are used to cover eligible expenses. The amount



received each month equals the amount recognized as income for that month, therefore there are no receivables or deferred appropriations during the reporting periods.

The following table provides the parliamentary appropriations authorized for the Government of Canada fiscal year of April 2025 to March 2026 and the remaining portion available for use from the start of the next quarter up to the end of March 2026.

(in thousands)	As at	As at
	Oct 31, 2025	Oct 31, 2024
Parliamentary appropriations authorized	\$ 5,088	\$ 4,995
Portion recognized as income and received in the previous CDC fiscal year	\$ 1,696	\$ 1,665
Portion recognized as income and received in the current CDC fiscal year	\$ 1,272	\$ 1,249
Total parliamentary appropriations recognized as income and received by the CDC	\$ 2,968	\$ 2,914
Parliamentary appropriations available	\$ 2,120	\$ 2,081

6. Risk Management

On October 29, 2025, the CDC updated the risks identified in its 2025-2026 Corporate Risk Profile. No new risks were identified during the quarter. Risk mitigation strategies for previously identified higher risks are progressing as planned..

7. Significant Changes

Between August 1, 2025, and October 31, 2025, in comparison with the Corporate Plan Summary, no significant changes occurred in operations, industry initiatives, programs, personnel, and objectives. Jennifer Hayes was reappointed Chairperson of the CDC Governing Board on October 23, 2025, effective December 23, 2025.

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	Jennifer Hayes was reappointed Chairperson of the CDC Governing Board on October 23, 2025, effective December 23, 2025.



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

December 17, 2025

Canadian Dairy Commission

Interim Condensed Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)

	As at	
	October 31, 2025	July 31, 2025
Assets		
Current		
Cash	\$ 2	\$ 4
Trade and other receivables		
Trade receivables	1,842	2,557
Advances to provincial milk marketing boards and agencies (Note 6)	13,493	8,889
Milk pools	2,072	2,697
Derivative asset - foreign exchange contracts	27	-
Inventory (Note 7)	124,968	178,119
Plan C repurchase agreements (Note 8)	3,821	2,195
	<u>146,225</u>	<u>194,461</u>
Non-Current		
Plan C repurchase agreements (Note 8)	3,642	5,859
Right-of-use asset	216	254
	<u>\$ 150,083</u>	<u>\$ 200,574</u>
Liabilities		
Current		
Bank line of credit (Note 6)	\$ 13,493	\$ 8,889
Trade and other payables		
Trade payables and accruals (Note 9)	14,931	12,843
Distribution to provincial milk marketing boards and agencies	750	750
Other payables	1,543	1,995
Deferred revenue	1,983	-
Loans from the Government of Canada (Note 10)	90,986	149,203
	<u>123,686</u>	<u>173,680</u>
Non-Current		
Lease liability	252	292
Equity		
Retained earnings (Note 11)	26,145	26,602
	<u>\$ 150,083</u>	<u>\$ 200,574</u>
Commitments (Note 15)		

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

These financial statements were approved and authorized for issue on December 17, 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	
	October 31, 2025	October 31, 2024
Domestic sales and cost of sales		
Sales revenue (Note 12)	\$ 102,961	\$ 84,419
Cost of goods sold	102,725	83,812
Transport and carrying charges	1,135	933
Finance costs	714	588
Gross profit (loss) on domestic sales	(1,613)	(914)
Other income		
Funding from milk pools (Note 12)	3,072	2,567
Funding from the Government of Canada (Note 12)	1,272	1,249
Professional services and Other Income (Note 12)	598	607
	4,942	4,423
Total gross profit (loss) on domestic sales and other income	3,329	3,509
Operating expenses		
Industry initiatives	61	-
Cost of production study	306	284
Plan C program costs	151	436
Other charges (recoveries)	113	(327)
	631	393
Administrative expenses		
Salaries and employee benefits (Note 13)	2,745	2,371
Other administrative expenses	410	577
	3,155	2,948
Total operating and administrative expenses	3,786	3,341
Profit (loss) before distribution to provincial milk marketing boards and agencies	(457)	168
Distribution to provincial milk marketing boards and agencies	-	-
Total comprehensive income (loss)	\$ (457)	\$ 168

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 three-months ended	
	October 31, 2025	October 31, 2024
Retained earnings, beginning of the period	\$ 26,602	\$ 29,782
Total comprehensive income (loss) for the period	(457)	168
Retained earnings, end of the period	\$ 26,145	\$ 29,950

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 three-months ended	
	October 31, 2025	October 31, 2024
Cash flows from (used in) operating activities		
Cash received from customers and others	\$ 106,221	\$ 86,217
Cash paid to suppliers and others	(52,487)	(64,493)
Cash receipts from (advanced to) provincial milk marketing boards and agencies for pooling	(762)	(2,183)
Cash receipts from the Government of Canada	1,272	1,249
Interest income received	-	6
Cash paid for interest	(1,184)	(834)
Cash receipts from Plan C repurchase agreements	591	1,971
Cash paid for Plan C repurchase agreements	-	(2,084)
Net cash flows from (used in) operating activities	53,651	19,849
Cash flows from (used in) financing activities		
Proceeds from drawdowns of line of credit	34,088	-
Repayments of line of credit drawdowns	(29,484)	-
New loans from the Government of Canada	35,880	51,486
Loan repayments to the Government of Canada	(94,097)	(75,458)
Principal payments on the lease liability	(40)	-
Net cash flows from (used in) financing activities	(53,653)	(23,972)
Net cash inflows (outflows)	(2)	(4,123)
Cash (net bank overdraft) at beginning of the period	4	(6,827)
Cash (net bank overdraft) at the end of the period	\$ 2	\$ (10,950)
Components:		
Cash	\$ 2	\$ 506
Bank overdraft	-	(11,456)
Cash (net bank overdraft)	\$ 2	\$ (10,950)

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 October 31, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

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 and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality. 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 governed by federal-provincial agreements.

The CDC is allocated parliamentary appropriations to fund a portion of its administrative expenses. This is supplemented by funding from milk producers and the marketplace, 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, 2025, 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) as issued by the International Accounting Standards Board, 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, 2025.

The interim condensed financial statements were approved and authorized for issue by the CDC Board on December 17, 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.

Reporting period

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

Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

The reporting period for these interim financial statements, and notes thereto, is the three-month period of August 1, 2025, to October 31, 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 Program experiences annual fluctuations in butter inventory levels due to a normal cycle, with purchases typically higher in spring and summer and sales peaking during fall and winter. The CDC's import butter and butter oil program is less cyclical as it is largely based on Canadian demand and international pricing. For additional details, see Note 15.

3. Material accounting policy information

The material accounting policy information applied in these interim financial statements are disclosed in Note 3 of the CDC's annual financial statements for the year ended July 31, 2025.

4. 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 4 of the CDC's audited financial statements for the year ended July 31, 2025.

5. Application of new or revised IFRS in effect

There were no amendments to the standards issued by the International Accounting Standards Board (IASB) effective for annual periods beginning on or after January 1, 2025 that were adopted by the CDC during the reporting period.

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

Advances made to provincial milk marketing boards and agencies fluctuate based on their requests and needs. These advances are financed through a bank line of credit that accrues interest at the prime rate of 4.45%. For details on the transition from a bank overdraft to a standard line of credit, refer to Note 10 of the annual financial statements for the year ended July 31, 2025.

Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

7. Inventory

As at October 31, 2025, inventory includes Plan B butter purchased under the Domestic Seasonality Programs, and butter imported by the CDC under a tariff rate quota relating to the World Trade Organization Agreement on Agriculture (WTO).

Inventory:

	As at:			
	October 31, 2025		July 31, 2025	
	in \$	in tonnes	in \$	in tonnes
Plan B butter	\$ 114,802	11,093	\$ 171,996	16,619
WTO TRQ butter	10,699	1,005	6,123	610
	\$ 125,501		\$ 178,119	
Less: allowance for inventory write-down	(533)		-	
Total net realizable value	\$ 124,968		\$ 178,119	

8. Plan C repurchase agreements

The current and non-current portions of Plan C repurchase agreements presented on the Interim Condensed Statement of Financial Position are determined based on the maximum repurchase dates. The non-current portion is expected to be settled by June 2027.

9. Trade payables and accruals

	As at	
	October 31, 2025	July 31, 2025
Trade payables	\$ 5,814	\$ 4,025
Accruals	9,117	8,818
Total	\$ 14,931	\$ 12,843

Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

10. Loans from the Government of Canada

Loans from the Government of Canada continue to be available to finance commercial operations. Interest rates and interest expense were as follows:

	For the three-months ended	
	October 31, 2025	October 31, 2024
<u>Interest rates</u>		
Low	2.45%	3.77%
High	2.93%	5.05%
<u>Interest expense</u>	\$ 772	\$ 667

11. Capital management

There were no changes made to the capital management framework or its definition thereof during the reporting period ended October 31, 2025.

The primary components of the CDC's capital structure consist of the line of credit and the loans from the Government of Canada which are available for specific purposes as described in Note 14 of the annual financial statements for the year ended July 31, 2025. As at October 31, 2025, the borrowing capacity available through the line of credit is \$11.51 million (July 31, 2025: \$16.11 million), and the borrowing capacity available from the Government of Canada is \$259.01 million (July 31, 2025: \$200.80 million). The CDC continues to monitor the combined outstanding balance of these borrowing to ensure compliance with the statutory limit of \$350 million (July 31, 2025: \$350 million). The remaining combined borrowing capacity as at October 31, 2025 is \$79.48 million (July 31, 2025: \$191.91 million).

Retained earnings continue to be used to fund programs and initiatives that serve to benefit the Canadian dairy industry. As at October 31, 2025, the total amount of capital available for such activities is \$26.15 million (July 31, 2025: \$26.60 million).

Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

12. Disaggregation of revenue

The CDC derives its revenue from the following sources:

	For the three-months ended	
	October 31, 2025	October 31, 2024
Domestic sales		
Plan B butter	\$ 99,141	\$ 80,825
WTO TRQ butter	3,820	3,594
Domestic sales revenue	\$ 102,961	\$ 84,419
Milk pools		
Funding for administrative expenses	\$ 1,269	\$ 1,165
Funding for Plan A and Plan B butter and Plan C repurchase agreement carrying charges	1,351	958
Other recoverable expenses	452	444
Funding from milk pools	\$ 3,072	\$ 2,567
Professional services and Other income		
Administrative services	\$ 388	\$ 388
Audit services	203	213
Other income	7	6
Professional services and Other income	\$ 598	\$ 607
Funding from the Government of Canada	\$ 1,272	\$ 1,249
Total revenue	\$ 107,903	\$ 88,842

Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

13. Salaries and employee benefits

	For the three-months ended	
	October 31, 2025	October 31, 2024
Salaries expense	\$ 2,210	\$ 2,013
Pension contributions	\$ 303	\$ 225
Other employee benefits	\$ 232	\$ 133
Total	\$ 2,745	\$ 2,371

14. Financial instruments and Risk management

The annual financial statements for the year ended October 31, 2025, reported on the financial risk to which the CDC is exposed to in the normal course of operation: 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 October 31, 2025 that apply at the end of the current reporting period.

Credit risk

Credit risk is the risk of financial loss for one party due to another party failing to meet its financial obligations. Other than the credit risk on trade receivables and Plan C repurchase agreements, as described in the annual financial statements, the CDC is also exposed to credit risk on foreign exchange forward contracts at the end of the reporting period.

The credit risk on foreign exchange forward contracts, is limited to its notional value. This risk is mitigated 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.

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 October 31, 2025, 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 1.18 (July 31, 2025: 1.12). Management believes that the borrowing capacity, as described in Note 11, is sufficient to meet the CDC's financial obligations.

Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended October 31, 2025

(in thousands of Canadian dollars, unless otherwise indicated)

15. Commitments

Butter Purchase Commitments

As at October 31, 2025, the CDC has commitments to purchase predetermined quantities of butter. These commitments amounted to approximately \$23.96 million, and are expected to be fulfilled by July 2026.

Import butter program

For a description of the import butter program and related WTO Tariff Rate Quota (TRQ), see Note 18 of the annual financial statements for the year ended July 31, 2025.

The portion of WTO TRQ used in the first three months of quota year 2025-2026 (August to July) is 750 tonnes, which cost a total of \$8.16 million. Therefore, the unused portion of the TRQ is 2,524 tonnes as at October 31, 2025. The financial impact of this commitment for the remaining quarters will continue to be influenced by fluctuations in international prices, the type of butter product imported, and changes in foreign exchange rates.

16. 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 the loans from the Government of Canada and the funding from the Government of Canada.

All other transactions with government-related entities are individually and collectively not material during the interim period ended October 31, 2025.