



Canadian Dairy  
Commission

Commission  
canadienne du lait

---

## **Quarterly Financial Report**

**Second quarter of 2025-2026**



## Contents

Management Discussion and Analysis.....	3
1. Basis of Preparation .....	3
2. Results of Operations and Comprehensive Income (Loss) .....	3
3. Key Results of the Statement of Financial Position .....	5
4. Outlook against the Corporate Plan Summary .....	8
5. Parliamentary Appropriations.....	8
6. Risk Management .....	9
7. Significant Changes .....	9
Statement of Management Responsibility .....	10
Interim Condensed Statement of Financial Statements (unaudited).....	11
Notes to the unaudited Interim Condensed Financial Statements .....	15



## Second 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 January 31, 2026, 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			For the six-months ended		
	Jan 31, 2026	Jan 31, 2025	\$ change	Jan 31, 2026	Jan 31, 2025	\$ change
Sales revenue	\$ 82,105	\$ 46,140	\$ 35,965	\$ 185,066	\$ 130,559	\$ 54,507
Cost of goods sold	\$ 82,716	\$ 45,259	\$ 37,457	\$ 185,441	\$ 129,071	\$ 56,370
Transport and carrying charges	\$ 1,180	\$ 781	\$ 399	\$ 2,315	\$ 1,714	\$ 601
Finance costs	\$ 418	\$ 321	\$ 97	\$ 1,132	\$ 909	\$ 223
<b>Gross profit (loss) on domestic sales</b>	<b>\$ (2,209)</b>	<b>\$ (221)</b>	<b>\$ (1,988)</b>	<b>\$ (3,822)</b>	<b>\$ (1,135)</b>	<b>\$ (2,687)</b>

##### Domestic Seasonality Programs

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 reported years.

The Domestic Seasonality Programs reported higher sales revenue and cost of goods sold in the current quarter and on a year-to-date basis compared to the same periods last year. This is primarily due to greater utilization of the Plan B butter program by processors.

The Domestic Seasonality Programs reported a gross loss on sales in all four reporting periods, which primarily reflect the transport and carrying charges, as well as the financing costs, incurred in operating these programs. These costs are typical and continue to be fully offset by funding from the milk pools, as described in Other Income below. The remaining gross result, representing the difference between the programs' sales revenue and cost of sales, is minimal and therefore has only a negligible impact on total comprehensive income (loss) during interim periods. At



year-end, this remaining impact is fully offset. The 2024-2025 Annual Report provides information on the end-of-year process that creates the offset.

### *Import butter program*

As part of Canada's commitments under the World Trade Organization (WTO) Agreement on Agriculture, the CDC imports a limited quantity of butter or butter oil, based on the TRQ (WTO TRQ butter), throughout the year. These imports are purchased by the CDC at prevailing world prices and supplied to processors for use in the further processing industry.

The import program reported lower sales revenue and cost of goods sold in the current quarter and on a year-to-date basis compared to the same periods last year. This is primarily due to lower domestic demand for imported butter in the first half of the current year compared to last year.

The import program's activities resulted in a gross loss on sales in the current quarter and on a year-to-date basis, compared to gross profits last year. This is primarily due to lower margins on sales activities in the current year.

### *Other Income*

(in thousands)	For the three-months ended			For the six-months ended		
	Jan 31, 2026	Jan 31, 2025	\$ change	Jan 31, 2026	Jan 31, 2025	\$ change
Funding from milk pools	\$ 3,354	\$ 2,751	\$ 603	\$ 6,426	\$ 5,318	\$ 1,108
Funding from the Government of Canada	\$ 1,272	\$ 1,248	\$ 24	\$ 2,544	\$ 2,497	\$ 47
Professional services and Other income	\$ 594	\$ 607	\$ (13)	\$ 1,192	\$ 1,214	\$ (22)
<b>Total other income</b>	<b>\$ 5,220</b>	<b>\$ 4,606</b>	<b>\$ 614</b>	<b>\$ 10,162</b>	<b>\$ 9,029</b>	<b>\$ 1,133</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 primarily due to higher funding received to offset 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 revenue from 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 revenue from milk utilization audits and interest income.



## Operating and Administrative Expenses

(in thousands)	For the three-months ended			For the six-months ended		
	Jan 31, 2026	Jan 31, 2025	\$ change	Jan 31, 2026	Jan 31, 2025	\$ change
<i>Operating expenses</i>						
Industry initiatives	\$ 116	\$ 6	\$ 110	\$ 177	\$ 6	\$ 171
Cost of production study	\$ 309	\$ 292	\$ 17	\$ 615	\$ 576	\$ 39
Plan C program costs	\$ 199	\$ 268	\$ (69)	\$ 350	\$ 704	\$ (354)
Other charges (recoveries)	\$ 324	\$ 284	\$ 40	\$ 437	\$ (43)	\$ 480
<b>Total operating expenses</b>	<b>\$ 948</b>	<b>\$ 850</b>	<b>\$ 98</b>	<b>\$ 1,579</b>	<b>\$ 1,243</b>	<b>\$ 336</b>
<i>Administrative expenses</i>						
Salaries and employee benefits	\$ 2,745	\$ 2,789	\$ (44)	\$ 5,490	\$ 5,160	\$ 330
Other administrative expenses	\$ 495	\$ 609	\$ (114)	\$ 905	\$ 1,186	\$ (281)
<b>Total administrative expenses</b>	<b>\$ 3,240</b>	<b>\$ 3,398</b>	<b>\$ (158)</b>	<b>\$ 6,395</b>	<b>\$ 6,346</b>	<b>\$ 49</b>
<b>Total operating and administrative expenses</b>	<b>\$ 4,188</b>	<b>\$ 4,248</b>	<b>\$ (60)</b>	<b>\$ 7,974</b>	<b>\$ 7,589</b>	<b>\$ 385</b>

### 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. For the six-month period, 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. For the three-month period, the change reflects maturing repurchase agreements; once settled, the CDC releases the cheese collateral and no longer incurs expenses to hold it.

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 January 31, 2026, overall CDC butter inventory totaled 9,372 tonnes, valued at \$97.13 million, a net decrease of 7,857 tonnes and \$80.99 million compared to July 31, 2025, when inventory stood at 17,229 tonnes and \$178.12 million. The net decrease combines the decrease in Plan B butter by \$86.46 million and higher WTO TRQ butter held by \$5.47 million.



The decrease in Plan B butter inventory 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.

Changes in WTO TRQ butter inventory do not follow a consistent pattern in the interim periods, as the timing of purchases and sales is largely driven by Canadian demand and international pricing. However, butter imported under the TRQ, whose allocation period aligns with the CDC's fiscal year, is typically fully sold within the same TRQ period.

### *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 January 31, 2026, the balance of outstanding Plan C repurchase agreements is \$6.41 million compared to \$8.05 million as at July 31, 2025. The quantity of cheese held as collateral for these repurchase agreements on January 31, 2026, is 712 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 January 31, 2026, the balance of outstanding loans was \$42.35 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 six-months ended		
	Jan 31, 2026	Jan 31, 2025	\$ change
Net cash flows from (used in) operating activities	\$ 104,888	\$ (456)	\$ 105,344
Net cash flows from (used in) financing activities	\$ (104,632)	\$ (3,603)	\$ (101,029)
<b>Net cash inflows (outflows)</b>	<b>\$ 256</b>	<b>\$ (4,059)</b>	<b>\$ 4,315</b>
Cash (net bank overdraft) at beginning of the period	\$ 4	\$ (6,827)	\$ 6,831
<b>Cash (net bank overdraft) at the end of the period</b>	<b>\$ 260</b>	<b>\$ (10,886)</b>	<b>\$ 11,146</b>
<b>Components of cash and net bank overdraft</b>			
Cash	\$ 260	\$ 1,312	\$ (1,052)
Bank overdraft	\$ -	\$ (12,198)	\$ 12,198
<b>Cash (net bank overdraft) at the end of the period</b>	<b>\$ 260</b>	<b>\$ (10,886)</b>	<b>\$ 11,146</b>

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 compared to the bank overdraft that was considered a cash equivalency.

### 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. The secondary driver was lower cash paid to suppliers, specifically processors, which is ultimately attributable to lower butter purchasing activity in the current period compared to last year.

Payments made by the CDC for internal administrative functions, along with payments attributable to costs incurred in rendering services, operating the Plan C program (excluding repurchase agreements), and interest on the lease liability are fully offset by cash receipts in the normal course of operations, resulting in no net cash impact from these activities.

### Cash Flows from Financing Activities

Since the introduction of the new line of credit in the last quarter of 2024-25 (as described above), the CDC's financing activities are effectively tied to its operating activities. The primary component of financing activities tied to operations activities is loans from the Government of Canada, which are used to support the portion of operating activities related to commercial operations. Total loans fluctuate based on the CDC's end-of-day cash position, itself driven by fluctuations in commercial operations. The secondary 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 within operating activities exceed receipts. Conversely, cash outflows from financing activities, reflecting an overall decrease in loan or credit requirements, 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 ending January 2026 reached 431.8 M kg of butterfat. The December 2026 12-month total requirements are forecasted to be 460.9 M kg of butterfat. Between August 2025 and November 2025, P10 production surpassed forecasts. However, production has been closer in-line with forecasts over the last two months. Both regional pools have recently revised their 2026 production forecasts; butterfat production for the 12-month period ending December 2026 is now anticipated to be 429.4 M kg of butterfat. Total butter stocks are expected to rise in the spring, driven by forecasted imports and production levels.

Levels of CDC and private butter stocks were higher than anticipated and reached 41,945 tonnes on January 31, 2026.

#### ***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
	Jan 31, 2026	Jan 31, 2025
<b>Parliamentary appropriations authorized</b>	<b>\$ 5,156</b>	<b>\$ 4,995</b>
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	\$ 2,544	\$ 2,497
<b>Total parliamentary appropriations recognized as income and received by the CDC</b>	<b>\$ 4,240</b>	<b>\$ 4,162</b>
<b>Parliamentary appropriations available up to March 31, 2026</b>	<b>\$ 916</b>	<b>\$ 833</b>

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

On February 9, 2026, 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 November 1, 2025, and January 31, 2026, in comparison with the Corporate Plan Summary, no significant changes occurred in operations, industry initiatives, programs, personnel, and objectives. Jennifer Hayes' second term as Chairperson of the CDC Governing Board started on December 23, 2025.

Operations, industry initiatives, and programs	No significant changes occurred in this quarter.
Personnel	An employee was hired to work on Information Management.
Objectives	No significant changes occurred in this quarter.
Governing Board	Jennifer Hayes' second term as Chairperson of the CDC Governing Board started on 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

March 26, 2025

# Canadian Dairy Commission

## Interim Condensed Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)

	As at	
	January 31, 2026	July 31, 2025
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 260	\$ 4
Trade and other receivables		
Trade receivables	1,318	2,557
Advances to provincial milk marketing boards and agencies (Note 6)	11,236	8,889
Milk pools	2,202	2,697
Inventory (Note 8)	97,127	178,119
Plan C repurchase agreements (Note 9)	3,011	2,195
	<u>115,154</u>	<u>194,461</u>
<b>Non-Current</b>		
Plan C repurchase agreements (Note 9)	3,397	5,859
Right-of-use asset	178	254
	<u>\$ 118,729</u>	<u>\$ 200,574</u>
<b>Liabilities</b>		
<b>Current</b>		
Bank line of credit (Note 6)	\$ 11,236	\$ 8,889
Trade and other payables		
Trade payables and accruals (Note 10)	37,290	12,843
Distribution to provincial milk marketing boards and agencies	750	750
Other payables	949	1,995
Deferred revenue	888	-
Derivative liability - foreign exchange contracts (Note 7)	130	-
Loans from the Government of Canada (Note 11)	42,350	149,203
	<u>93,593</u>	<u>173,680</u>
<b>Non-Current</b>		
Lease liability	168	292
<b>Equity</b>		
Retained earnings (Note 12)	24,968	26,602
	<u>\$ 118,729</u>	<u>\$ 200,574</u>
Commitments (Note 16)		

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

These financial statements were approved and authorized for issue on March 26, 2026.

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 six-months ended	
	January 31, 2026	January 31, 2025	January 31, 2026	January 31, 2025
Domestic sales and cost of sales				
Sales revenue (Note 13)	\$ 82,105	\$ 46,140	\$ 185,066	\$ 130,559
Cost of goods sold	82,716	45,259	185,441	129,071
Transport and carrying charges	1,180	781	2,315	1,714
Finance costs	418	321	1,132	909
Gross profit (loss) on domestic sales	(2,209)	(221)	(3,822)	(1,135)
Other income				
Funding from milk pools (Note 13)	3,354	2,751	6,426	5,318
Funding from the Government of Canada (Note 13)	1,272	1,248	2,544	2,497
Professional services and Other Income (Note 13)	594	607	1,192	1,214
	5,220	4,606	10,162	9,029
<b>Total gross profit (loss) on domestic sales and other income</b>	<b>3,011</b>	<b>4,385</b>	<b>6,340</b>	<b>7,894</b>
Operating expenses				
Industry initiatives	116	6	177	6
Cost of production study	309	292	615	576
Plan C program costs	199	268	350	704
Other charges (recoveries)	324	284	437	(43)
	948	850	1,579	1,243
Administrative expenses				
Salaries and employee benefits (Note 14)	2,745	2,789	5,490	5,160
Other administrative expenses	495	609	905	1,186
	3,240	3,398	6,395	6,346
<b>Total operating and administrative expenses</b>	<b>4,188</b>	<b>4,248</b>	<b>7,974</b>	<b>7,589</b>
<b>Profit (loss) before distribution to provincial milk marketing boards and agencies</b>	<b>(1,177)</b>	<b>137</b>	<b>(1,634)</b>	<b>305</b>
Distribution to provincial milk marketing boards and agencies	-	-	-	-
<b>Total comprehensive income (loss)</b>	<b>\$ (1,177)</b>	<b>\$ 137</b>	<b>\$ (1,634)</b>	<b>\$ 305</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 six-months ended	
	January 31, 2026	January 31, 2025
Retained earnings, beginning of the period	\$ 26,602	\$ 29,782
Total comprehensive income (loss) for the period	<u>(1,634)</u>	<u>305</u>
<b>Retained earnings, end of the period</b>	<b><u>\$ 24,968</u></b>	<b><u>\$ 30,087</u></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)

	<b>For the six-months ended</b>	
	<u>January 31, 2026</u>	<u>January 31, 2025</u>
<b>Cash flows from (used in) operating activities</b>		
Cash received from customers and others	\$ 188,456	\$ 132,525
Cash paid to suppliers and others	(90,485)	(139,208)
Cash receipts from provincial milk marketing boards and agencies for pooling	4,868	-
Cash advances made to provincial milk marketing boards and agencies for pooling	-	(292)
Cash distributed to provincial milk marketing boards and agencies	-	(130)
Cash receipts from the Government of Canada	2,544	2,497
Interest income received	-	13
Cash paid for interest	(2,141)	(1,194)
Cash receipts from Plan C repurchase agreements	1,646	7,417
Cash paid for Plan C repurchase agreements	-	(2,084)
<b>Net cash flows from (used in) operating activities</b>	<b><u>104,888</u></b>	<b><u>(456)</u></b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from drawdowns of line of credit	71,412	-
Repayments of line of credit drawdowns	(69,065)	-
New loans from the Government of Canada	60,207	113,440
Loan repayments to the Government of Canada	(167,060)	(116,925)
Principal payments on the lease liability	(126)	(118)
<b>Net cash flows from (used in) financing activities</b>	<b><u>(104,632)</u></b>	<b><u>(3,603)</u></b>
<b>Net cash inflows (outflows)</b>	<b>256</b>	<b>(4,059)</b>
Cash (net bank overdraft) at beginning of the period	4	(6,827)
<b>Cash (net bank overdraft) at the end of the period</b>	<b><u>\$ 260</u></b>	<b><u>\$ (10,886)</u></b>
<b>Components:</b>		
Cash	\$ 260	\$ 1,312
Bank overdraft	-	(12,198)
<b>Cash (net bank overdraft)</b>	<b><u>\$ 260</u></b>	<b><u>\$ (10,886)</u></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 January 31, 2026

(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 March 26, 2026.

### **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 January 31, 2026

(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 November 1, 2025, to January 31, 2026, and the six-month period of August 1, 2025, to January 31, 2026.

## **Functional and currency**

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

## **Seasonality**

The CDC's Domestic Seasonality Program experiences annual fluctuations in butter inventory levels due to a normal seasonal patterns, 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 affected by seasonality 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 January 31, 2026

(in thousands of Canadian dollars, unless otherwise indicated)

### **7. Derivative asset or liability – foreign exchange contracts**

Foreign exchange forward contracts are used to mitigate changes in foreign exchange on purchases denominated in foreign currencies, including anticipated transactions, under the import butter program. Hedge accounting is not applied to these contracts. The CDC does not use foreign exchange forward contracts for trading or speculative purposes.

### **8. Inventory**

As at January 31, 2026, 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:			
	January 31, 2026		July 31, 2025	
	in \$	in tonnes	in \$	in tonnes
Plan B butter	\$ 85,532	8,265	\$ 171,996	16,619
WTO TRQ butter	11,595	1,107	6,123	610
Total net realizable value	\$ 97,127	9,372	\$ 178,119	17,229

### **9. 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.

### **10. Trade payables and accruals**

	As at	
	January 31, 2026	July 31, 2025
Trade payables	\$ 28,400	\$ 4,025
Accruals	8,890	8,818
Total	\$ 37,290	\$ 12,843

# Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended January 31, 2026

(in thousands of Canadian dollars, unless otherwise indicated)

---

## **11. 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:

	Three-month period ending		Six-month period ending	
	January 31, 2026	January 31, 2025	January 31, 2026	January 31, 2025
<u>Interest rates</u>				
Low	2.31%	3.09%	2.31%	3.09%
High	2.86%	4.53%	2.93%	5.05%
<u>Interest expense</u>	\$ 461	\$ 369	\$ 1,233	\$ 1,036

## **12. Capital management**

There were no changes made to the capital management framework or its definition thereof during the reporting period ended January 31, 2026.

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 January 31, 2026, the borrowing capacity available through the line of credit is \$13.76 million (July 31, 2025: \$16.11 million), and the borrowing capacity available from the Government of Canada is \$307.65 million (July 31, 2025: \$200.80 million). The CDC continues to monitor the combined outstanding balance of these borrowings to ensure compliance with the statutory limit of \$350 million (July 31, 2025: \$350 million). The remaining combined borrowing capacity as at January 31, 2026 is \$296.41 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 January 31, 2026, the total amount of capital available for such activities is \$24.97 million (July 31, 2025: \$26.60 million).

# Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended January 31, 2026

(in thousands of Canadian dollars, unless otherwise indicated)

## **13. Disaggregation of revenue**

The CDC derives its revenue from the following sources:

	Three-month period ending		Six-month period ending	
	January 31, 2026	January 31, 2025	January 31, 2026	January 31, 2025
Domestic sales				
Plan B butter	\$ 77,588	\$ 33,608	\$ 176,729	\$ 114,433
WTO TRQ butter	4,517	12,532	8,337	16,126
Domestic sales revenue	\$ 82,105	\$ 46,140	\$ 185,066	\$ 130,559
Milk pools				
Funding for administrative expenses	\$ 1,269	\$ 1,165	\$ 2,537	\$ 2,330
Funding for Plan A and Plan B butter and Plan C repurchase agreement carrying charges	1,563	1,123	2,915	2,081
Other recoverable expenses	522	463	974	907
Funding from milk pools	\$ 3,354	\$ 2,751	\$ 6,426	\$ 5,318
Professional services and Other income				
Administrative services	\$ 388	\$ 388	\$ 775	\$ 775
Audit services	203	213	407	426
Other income	3	6	10	13
Professional services and Other income	\$ 594	\$ 607	\$ 1,192	\$ 1,214
Funding from the Government of Canada	1,272	1,248	\$ 2,544	\$ 2,497
Total revenue	\$ 87,325	\$ 50,746	\$ 195,228	\$ 139,588

## Canadian Dairy Commission

Notes to the unaudited Interim Condensed Financial Statements

For the interim period ended January 31, 2026

(in thousands of Canadian dollars, unless otherwise indicated)

### **14. Salaries and employee benefits**

	Three-month period ending		Six-month period ending	
	January 31, 2026	January 31, 2025	January 31, 2026	January 31, 2025
Salaries expense	\$ 2,331	\$ 2,315	\$ 4,541	\$ 4,327
Pension contributions	168	306	\$ 471	\$ 531
Other employee benefits	246	168	\$ 478	\$ 302
Total	\$ 2,745	\$ 2,789	\$ 5,490	\$ 5,160

### **15. Financial instruments and Risk management**

The annual financial statements for the year ended July 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 July 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. For information on the CDC's use of foreign exchange forward contracts, see Note 7.

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 January 31, 2026, 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 1.23 (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 January 31, 2026

(in thousands of Canadian dollars, unless otherwise indicated)

---

## **16. Commitments**

### **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 six months of quota year 2025-2026 (August to July) is 1,377 tonnes, which cost a total of \$14.05 million. Therefore, the unused portion of the TRQ is 1,897 tonnes as at January 31, 2026.

The CDC will utilize the remaining TRQ through purchase commitments with international processors. While the financial impact of these commitments for the remaining quarters will be affected by fluctuations in international prices, the type of butter product imported, and changes in foreign exchange rates, the estimated impact is approximately \$18.17 million.

### **Domestic Seasonality Programs**

As at January 31, 2026, the CDC has commitments to purchase predetermined quantities of Plan B butter totalling approximately \$10.28 million, which are expected to be fulfilled by July 2026.

## **17. 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 January 31, 2026.