



Canadian Dairy  
Commission

Commission  
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# COST OF PRODUCTION

Prepared by the  
**Canadian Dairy Commission**

Result based on 2025 survey data  
Indexed to three months ending  
August 2026

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# OCTOBER 2026

# 2025 COST OF PRODUCTION (COP) SUMMARY

The Canadian Dairy Commission (CDC) carries out the cost of production (COP) survey annually to measure the on-farm cost of producing milk.

The results of the COP survey are measured in dollars per hectolitre (100 litres) of milk produced. In accordance with the National Pricing Formula (NPF), the 2025 COP results are **indexed to August 2026**, and along with the **Consumer Price Index (CPI)**, are used to determine the adjustment (as a percentage) to be applied to producer revenues.

The NPF results are calculated as 50% of the year-over-year change in the **indexed cost production (iCOP)** plus 50% of the year-over-year change in CPI. This means that an increase in the iCOP does not necessarily lead to an increase in the price of milk at the farmgate, or vice versa.

It is important to note that it is the *change* between years that determines the price change, not the absolute values of the iCOP and CPI.

As shown in **Table 1**, the iCOP for one standard hectolitre of milk indexed to August 2026 is **\$97.06/std hl**. This result is used in the annual adjustment to the farmgate price of milk, which is announced no later than November 1 each year and takes effect the the following February 1.<sup>1</sup>

For more information on how the COP survey is conducted, the COP methodology, calculation, efficiency measures, and how the results affect pricing, please read the CDC's **Process for the Annual Cost of Production Survey and Pricing Milk at the Farm Level**.

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<sup>1</sup>Although farms produce milk, they sell milk components. Dairy processors purchase the components (protein, butterfat, and other solids) of milk. Processors in turn process those components into finished dairy products. From there, prices are determined by the market where supply, demand and other factors influence prices. The retail price of dairy products is not federally regulated in Canada. However, some provinces do regulate the retail price of fluid milk.

**Table 1. iCOP Results**

| iCOP<br>Indexed to August<br>(\$/std hl) |              |
|------------------------------------------|--------------|
| 2026 iCOP                                | \$97.06      |
| 2025 iCOP                                | \$92.82      |
| <i>% change year over year</i>           | <i>4.57%</i> |

***Non-indexed 2025 COP results***

The data used in calculating the cost of producing milk in Canada are collected from farms by two independent accounting firms who then verify and organize the data. The CDC uses this data to calculate the COP.

The first figure calculated is non-indexed 2025 COP shown in **Table 2**. This figure is expressed in standardized hectolitres.

**Table 2. 2025 non-indexed COP**

| COP<br>(\$/std hl)   |         |
|----------------------|---------|
| 2025 non-indexed COP | \$93.17 |

## 2025 Sample

A total of 260 farms across the country were sampled for data collection during the 2025 calendar year. Of those, 249 farms were used for the final calculation (11 outliers were excluded as per the agreed methodology).

National production shares of the sample are shown in **Table 3**. More information on the COP sampling methodology can be found in the ***Process for the Annual Cost of Production Survey and Pricing Milk at the Farm Level***.

**Table 3. Farm sample used in the COP survey**

|                                          | Maritimes | QC     | ON     | West   | Canada  |
|------------------------------------------|-----------|--------|--------|--------|---------|
| Farm sampled                             |           |        |        |        | 249     |
| Excluded farms (outliers)                |           |        |        |        | 11      |
| Number of farms selected                 | 9         | 101    | 80     | 59     | 249     |
| National production share of sample 2025 | 4.93%     | 37.07% | 32.50% | 25.49% | 100.00% |
| Butterfat content of milk (kg/hl)        | 4.48      | 4.36   | 4.23   | 4.48   | 4.3525  |
| Solids non-fat content of milk (kg/hl)   | 9.25      | 9.13   | 8.98   | 9.26   | 9.1220  |

**Table 4** below shows the distribution of the COP sample by housing system, milking system, business type, and income tax filing type. The final column demonstrates the percentage change in the share of each attribute in the sample, year over year. In 2025, the COP sample makeup included a greater proportion of producers who have adopted robotic milking systems and free stall housing systems.

**Table 4. Attributes of farms in the COP sample\***

| System          | Type                           | Number | Change 2025 vs 2024 |
|-----------------|--------------------------------|--------|---------------------|
| Housing system  | Tie stall                      | 89     | -7.1%               |
|                 | Free stall                     | 165    | 7.4%                |
|                 | Loose housing                  | 6      | -0.3%               |
|                 | Other                          | 0      | 0.0%                |
| Milking system  | Manual milking                 | 0      | 0.0%                |
|                 | Automatic milking and pipeline | 90     | -4.9%               |
|                 | Automatic milking and parlour  | 70     | -0.9%               |
|                 | Robotic milking                | 95     | 5.7%                |
|                 | Other                          | 5      | 0.0%                |
| Business type   | Standard                       | 247    | -2.0%               |
|                 | Organic                        | 12     | 2.0%                |
|                 | DHA                            | 1      | 0.0%                |
|                 | Other                          | 0      | 0.0%                |
| Income tax type | Sole proprietor                | 15     | -0.2%               |
|                 | Partnership                    | 53     | -1.0%               |
|                 | Incorporated                   | 173    | 0.7%                |
|                 | Other (colony)                 | 19     | 0.5%                |

\*The information shown in **Table 4** represents the COP sample only. For select farm statistics for all farms in Canada, visit the [CDIC website](#).

## Standardization

Data is provided to the CDC based on the actual composition of milk on the farm, which varies from farm to farm and year to year. As a longstanding practice, actual figures are converted into standardized figures at the end of the process using the component standards listed in **Table 5**. This is to enable comparison with past results on a volume basis, even as the composition of milk evolves. The reported butterfat composition of the COP sample and the composition standard continue to diverge over time.

**Table 5. Standards used in the 2025 COP calculations**

|                                      | Butterfat   | Solids non fat |
|--------------------------------------|-------------|----------------|
| Allocation of COP <sup>2</sup>       | 47%         | 53%            |
| Milk standard composition            | 3.6 kg/hl   | 8.9177 kg/hl   |
| Sample milk composition <sup>3</sup> | 4.352 kg/hl | 9.122 kg/hl    |

To illustrate the standardization calculation using the data from **Table 5**, we calculate the adjustment applied to a hypothetical non-standardized cost of \$1.25:

### Figure 1. Standardization calculation

$$\begin{aligned}
 & \$1.25/hl \times \left( \left( 47\% \times \frac{3.6}{4.352} \right) + \left( 53\% \times \frac{8.9177}{9.122} \right) \right) \\
 & = \$1.13/std\ hl
 \end{aligned}$$

<sup>2</sup>The allocation between butterfat and SNF is determined by the rolling three-year average butterfat portion of total revenues and solids non-fat (SNF) portion of total revenues, which together equal 100% of revenues.

<sup>3</sup>Weighted average composition of all eligible farms.

## Margin of error

The COP survey uses a random sampling of farms throughout the country with specific targets for regions and farm sizes. Because the COP results are based on a sample, and not the full population of dairy farms in the country, it is expected that there will be a slight difference between a theoretical population-level COP and the sample-based COP.

The margin of error is a statistical indicator. It indicates that 19.5 times out of 20, a different random sample of farms would be within the defined range. The margin of error for the 2025 COP was 1.94%.

The 2025 COP study reflects the first full year following the increase in the target sample size from 220 to 270 farms, which was completed in 2024. The expanded sample was implemented to improve representativeness and support a lower margin of error. The 2025 margin of error of 1.94% is consistent with these objectives. The CDC will continue to monitor sampling performance over time, recognizing that the margin of error is also influenced by the underlying distribution of costs within the population each year.

**Table 6. Margin of error for 2025 COP sample**

| 2025 Sample     | %     | \$/hl  |
|-----------------|-------|--------|
| Margin of error | 1.94% | \$1.99 |



## COP highlights (\$/std hl)

The unindexed cost of production for one standard hectolitre of milk in 2025 was **\$93.17/std hl**. This represents a decrease of 0.3% compared to the unindexed 2024 cost of production (see **Table 7**).

While the overall change is relatively small, there are underlying shifts in the cost structure of sampled dairy farms. Cash costs and producer labour costs declined while capital costs increased on a year-over-basis.

**Table 7. 2025 COP costs\* compared to 2024**

|                                  | 2024 COP<br>\$/std hl | 2025<br>\$/std hl | \$/std hl<br>change | % change      |
|----------------------------------|-----------------------|-------------------|---------------------|---------------|
| Cash costs                       | 52.96                 | 52.27             | -0.69               | -1.30%        |
| Capital costs                    | 20.77                 | 21.73             | +0.96               | +4.62%        |
| Producer labour costs            | 19.87                 | 19.44             | -0.43               | -2.16%        |
| Government rebates<br>and others | -0.16                 | -0.27             | 0.11                | 67.9%         |
| <b>Total COP</b>                 | <b>93.45</b>          | <b>93.17</b>      | <b>-0.28</b>        | <b>-0.30%</b> |

\*The results shown in **Table 7** are the result of the survey, **non-indexed**, in \$/standard hectolitre. Non-indexed results **must be indexed** before they can be used for pricing.

Costs which changed the most in \$/hl terms in 2025 compared to 2024 are shown in **Table 8**. For the full table of costs in 2025, see **Appendix 1**.

**Table 8. 2025 COP results - Select costs, 2025 compared to 2024**

|                                         | 2024 COP<br>(\$std.hl) | 2025 COP<br>(\$std.hl) | 2024 COP vs<br>2025 COP<br>change<br>(\$std.hl) | 2024 COP vs<br>2025 % change |
|-----------------------------------------|------------------------|------------------------|-------------------------------------------------|------------------------------|
| Purchased feed                          | 22.25                  | 22.56                  | 0.3                                             | 1.00%                        |
| Fuel and lubricants                     | 2.33                   | 2.24                   | -0.09                                           | -4.00%                       |
| Custom work                             | 2.86                   | 3.16                   | 0.3                                             | 10.00%                       |
| Fertilizer, herbicides and pesticides   | 2.05                   | 2.36                   | 0.3                                             | 15.00%                       |
| Hired labour                            | 4.57                   | 4.81                   | 0.24                                            | 5.00%                        |
| Purchase/sale of animals                | -7.28                  | -10.47                 | -3.19                                           | 44.00%                       |
| Interest paid                           | 5.86                   | 5.65                   | -0.21                                           | -4.00%                       |
| Building depreciation                   | 3.68                   | 3.96                   | 0.28                                            | 8.00%                        |
| Machinery and equipment<br>depreciation | 4.99                   | 5.43                   | 0.44                                            | 9.00%                        |
| Return on equity                        | 6.24                   | 6.68                   | 0.44                                            | 7.00%                        |
| <b>Producer labour</b>                  | <b>19.87</b>           | <b>19.44</b>           | <b>-0.43</b>                                    | <b>-2.00%</b>                |

As seen in **Table 8**, the small decrease in the overall COP came as a result of an increase in deductions resulting from increased sales of animals, and to a lesser extent, due to improved labour productivity and lowered interest costs. These cost decreases were offset by smaller increases in a range of cash and capital costs.



The cost of buying (selling) animals from outside of the farm (or transferring outside the dairy enterprise but within the farm) are considered as cash costs, and is typically a deduction off of the COP. Any variation in herd size inventory is removed from cash costs and accounted for in the farm assets, which, all else equal, reduces the return on equity line item in the COP.<sup>4</sup> Similarly to the previous year, cattle values increased in line with strong beef prices across North America.<sup>5</sup> Together with improvements in herd productivity and milk composition, which reduced the number of cows required to meet butterfat demand, these market conditions were favourable for generating higher revenues from cattle sales while maintaining butterfat production. The increase in the amounts received for the sale of animals deducted an additional \$3.19/std. hl from the COP in 2025.

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<sup>4</sup>Other factors also influence the return on equity line item, including assets, liabilities, and interest rates. A change in herd size is only one factor influencing the Return on Equity cost item. The revenues generated from the increased cattle sales may or may not be incorporated into the COP, depending on how the revenues are treated at the farm. For example, revenues from cattle sales could be used towards debt repayment in the dairy operation, which, when isolated, would decrease liabilities and partially offset herd asset value reductions, limiting the downward pressure on the ROE.

<sup>5</sup>According to Statistics Canada table 18-10-0245-01, Monthly average retail prices for selected products, retail price increases for a selection of beef cuts ranged between 8% and 18% from 2024 to 2025, and between 28% and 56% when comparing 2025 to 2021.

Producer costs for fertilizer, herbicides and pesticides increased by 15% in 2025 compared to 2024. This increase is consistent with the increase in price indices for these products. This cost category is made up of a range of distinct products, each subject to distinct market dynamics. Industry data suggests that fertilizers were a primary driver in the increases in these categories as an increase in the planting of corn created strong nitrogen fertilizer demand and tight phosphate fertilizer supply lead to elevated prices for both inputs globally.<sup>6</sup>

Aside from interest costs, capital costs increased from 2024 to 2025, with depreciation and return on equity accounting for an increase of \$1.16/std. hl. The return on equity, a calculated figure which accounts for the opportunity cost of producers' equity, increased by \$0.44/std. hl in 2025, with increases to the rate of return and to producer net equity both playing a role. Changes to producer net equity include increases in asset values for land and livestock, which were offset by small decreases in the asset values for buildings and for machinery and equipment. Although reported asset values for buildings and machinery and equipment decreased, depreciation costs increased by \$0.28/std. hl and \$0.44/std. hl, respectively. A variety of factors can influence the relationship between asset values and depreciation expenses, and this trend will continue to be monitored in future studies.

Interest paid was the only capital cost to decrease year over year in the 2025 COP. It fell by \$0.21/std hl, or 4%, from \$5.86/std hl in 2024 to \$5.65/std hl in 2025. Over the same period, total liabilities rose slightly, increasing by 0.18% in the sample. This pattern is consistent with lower effective borrowing costs rather than a decline in debt levels. The Bank of Canada's posted five-year conventional mortgage rate declined steadily from its late-2023 peak to 6.09% in May 2025.<sup>7</sup> By dividing the sample's interest paid by total liabilities reported, an average interest rate for all the debt can be assumed. When comparing the 2025 sample's inferred average interest rate to the 2024 sample, we can observe a decrease as well from 4.55% in 2024 to 4.49% in 2025. A change in the composition of liabilities may also have contributed, as long-term liabilities represented one percentage point more of total liabilities in 2025 than in 2024.

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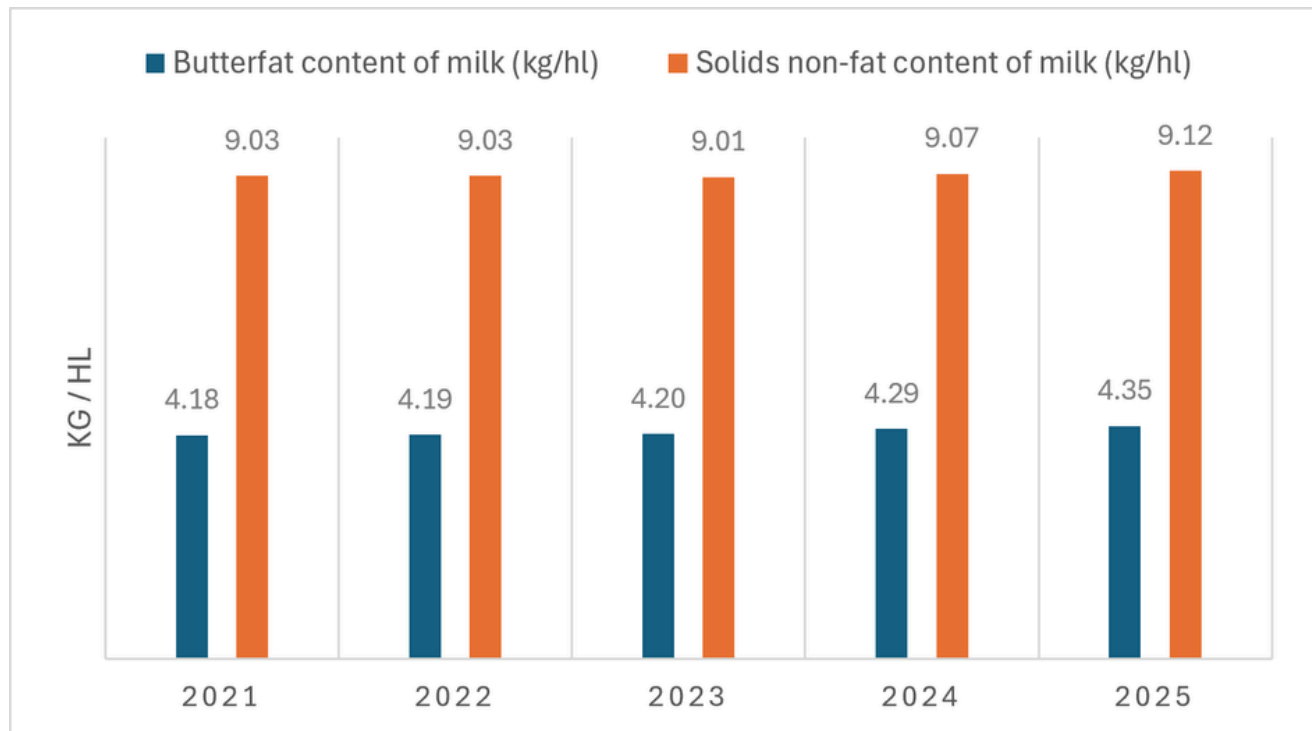
<sup>6</sup> FCC. "Preliminary outlook: Possible cost pressures in 2026 reinforce drive to find efficiencies" September 10, 2025.

<sup>7</sup> Bank of Canada. Interest rates posted for selected products by the major chartered banks. Conventional 5-year mortgage rate.  
<https://www.bankofcanada.ca/rates/banking-and-financial-statistics/posted-interest-rates-offered-by-chartered-banks/>

Labour requirements appeared to have dropped slightly in 2025, with a 3.3% decrease in the total labour hours required to produce one standardized hectolitre of milk. However, these hours do not include custom work, which saw a 10% increase in costs. Sample data suggests that producers tended to allocate less of their own time towards dairy operations, with a 4.8% decrease in producer labour hours while employee hours increased by 0.9% and custom work spending increased.

As shown earlier in **Figure 1. Standardization calculation**, changes in milk composition can have a significant effect on standardized COP results. The divergence between standardized and non-standardized COP measures widened further in 2025, reflecting the combined effect of rising production costs and continued increases in component yields in the COP sample. Although raw production costs increased, higher component production reduced costs on a standardized basis, thereby moderating the extent to which underlying cost increases were reflected in the standardized COP.

**Figure 2. Evolution of milk composition from COP sample of butterfat and solids non-fat, kg/hl**



In summary, the national COP decreased by \$0.28/std hl (-0.3%) compared to the previous 2024 survey. Despite rising costs in several input and capital categories, the 2025 standardized COP declined slightly, largely because of deductions from purchase and sale of animals, improved herd productivity, lower interest costs, and improved labour efficiencies which more than offset those increases.

### ***Indexation of the 2025 COP to August 2026***

The 2025 COP survey is used to calculate milk prices effective February 1<sup>st</sup>, 2027. To ensure that results from 2025 reflect the most recent trends available in specific cost variables, the 2025 COP is indexed to reflect today's reality more accurately (iCOP). The three-month period ending August 2026 is used for pricing calculations for February 1<sup>st</sup>, 2027.<sup>8</sup>

The following cost elements are indexed to the three months ending August 2026:

1. Most cash costs are indexed using Statistics Canada indices (see Appendix 2 for more details).
2. The interest component is indexed using the Bank of Canada five-year mortgage rate (see Appendix 2).
3. Producer labour and remaining components of capital costs are not indexed.

### **Highlights from COP Indexation (iCOP) (\$/std hl)**

The 2026 iCOP result is **\$97.06/std hl** (indexed to August 2026). Growth in input costs moderated into 2025, with the costs of goods and services continuing to rise, but at a more gradual pace than in previous years. However, in 2026, the rate of inflation increased and became more volatile from the influence of global events. Overall, most input costs experienced a steady rise with certain categories such as fuel experiencing much sharper inflation compared to others.

The indexation of the 2025 COP (\$93.17/hl) to the most recent 3 months ending August 2026 (2026 iCOP) yields an increase to the COP of 4.2%, or \$3.89/std hl.

**Table 9** outlines select costs which were impacted the most in \$/hl terms by this year's indexation. For the full table of indexed costs, see **Appendix 1**.

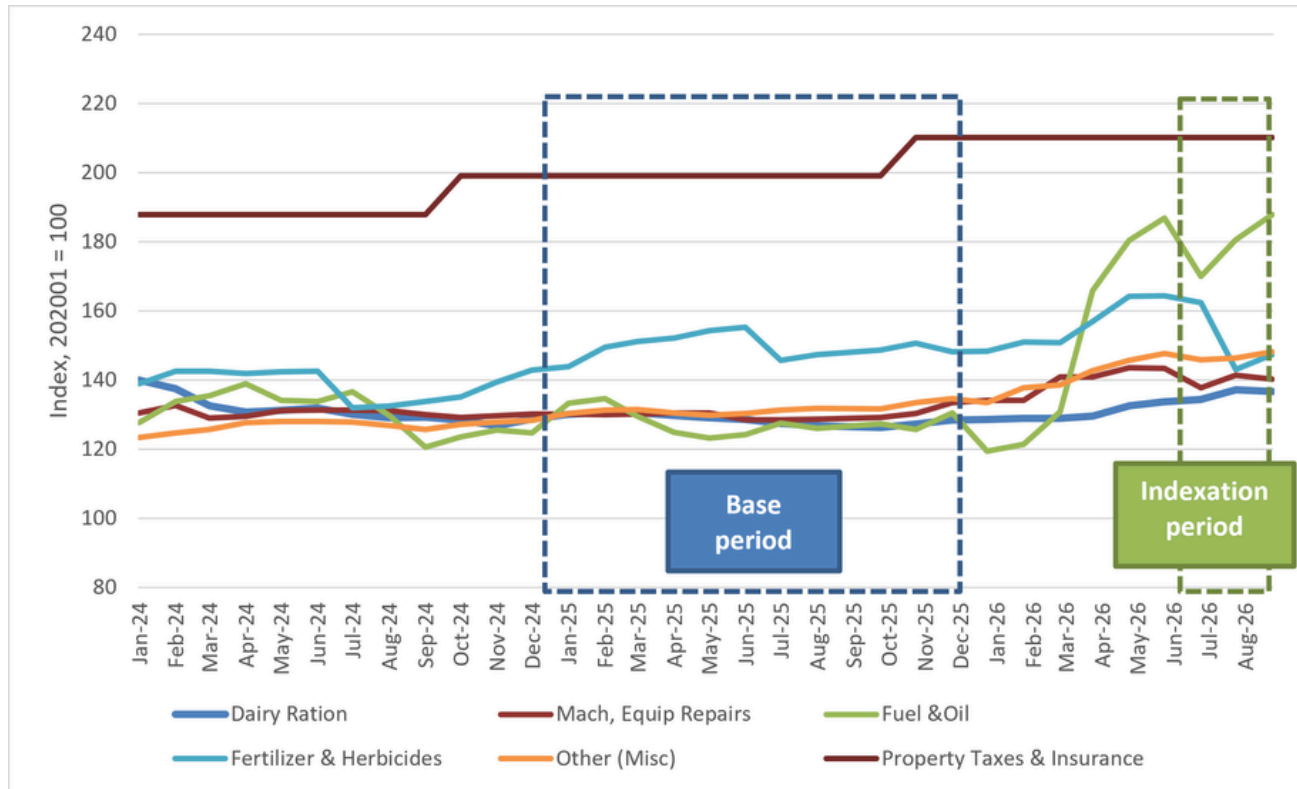
<sup>8</sup>As per industry decision taken in October 2019 (decision no.: WMP-14-2019/P5-19-2019).

**Table 9. COP indexation**

| <b>2025 COP - Select costs,<br/>indexed</b> | <b>2025 COP<br/>\$/std hl</b> | <b>2026 iCOP<br/>\$/std hl<br/>Indexed to August<br/>2026</b> | <b>\$/std hl change<br/>2025/August<br/>2026</b> |
|---------------------------------------------|-------------------------------|---------------------------------------------------------------|--------------------------------------------------|
| Purchased feed                              | 22.56                         | 23.86                                                         | +1.30                                            |
| Transportation, fees and<br>promotion       | 6.19                          | 6.74                                                          | +0.55                                            |
| Fuel and oil                                | 2.24                          | 3.16                                                          | +0.92                                            |
| Machinerie, equipment<br>repairs            | 4.04                          | 4.33                                                          | +0.29                                            |
| Custom work                                 | 3.16                          | 3.27                                                          | +0.11                                            |
| Property taxes and insurance                | 2.89                          | 3.01                                                          | +0.12                                            |
| Hired labour                                | 4.81                          | 4.94                                                          | +0.13                                            |
| Interest paid                               | 5.65                          | 5.52                                                          | -0.13                                            |
| All other costs                             | 41.63                         | 42.23                                                         | +0.60                                            |
| <b>Result of COP formula</b>                | <b>93.17</b>                  | <b>97.06</b>                                                  | <b>+3.89</b>                                     |

Figure 3 illustrates the evolution of selected industrial product price indices:

**Figure 3. Progression of selected indices**



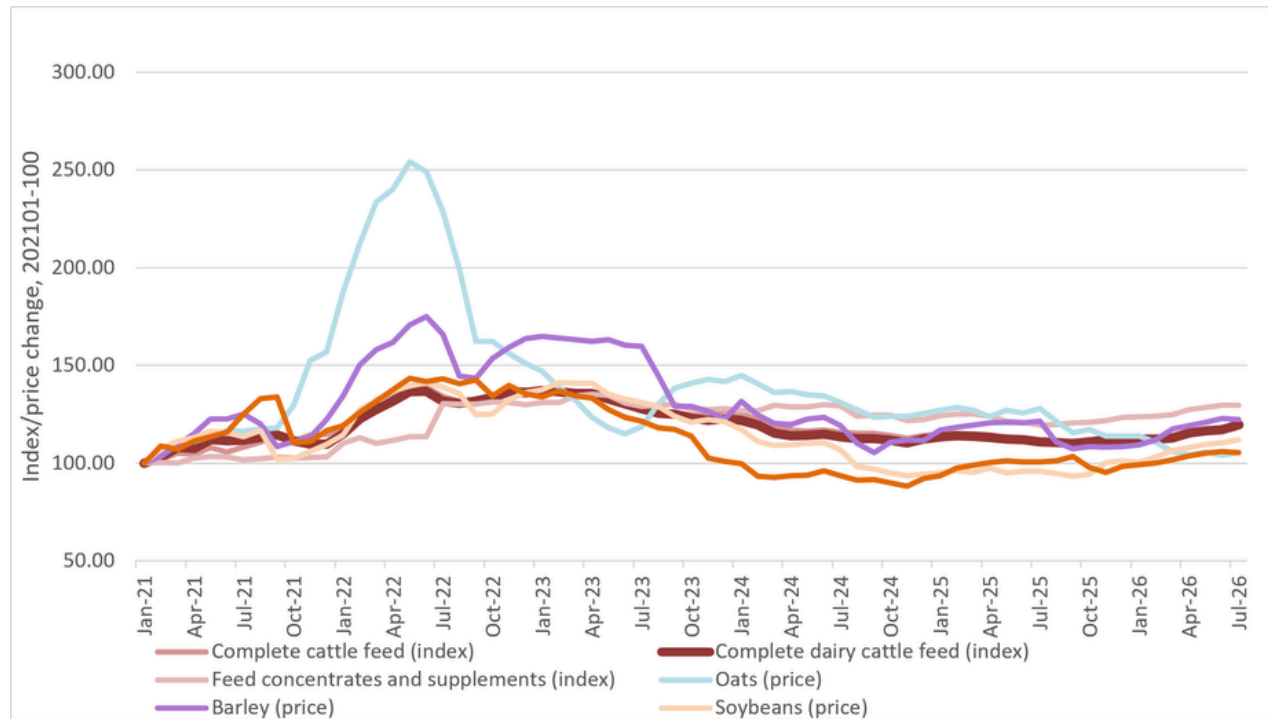
\*Source: Statistics Canada

Purchased feed accounts for a significant portion of the COP. In the 3 months ending August 2026, purchased feed for dairy cattle indexed upward by 5.8% compared to 2025. Feed prices in general have risen in the 2026-27 crop year compared to the 2024-25 year.<sup>9</sup>

Growth in demand for feed crops and lower carry-in stocks for certain crops contributed to increased grain prices compared to the previous year, as seen in **Figure 4**. Given that purchased feed accounted for 43% of the total cash costs and 24% of the overall standardized COP, even modest increases in the feed index have a magnified effect on the iCOP results. A 5.8% increase in the feed cost index translates to a \$1.30/std hl increase in the COP when indexed to August.

<sup>9</sup>Canada: Outlook for Principal Field Crops. Agriculture Canada. [Canada: Outlook for Principal Field Crops, 2026-09-25 - agriculture.canada.ca](https://www.agriculture.canada.ca)

**Figure 4. Long-term progression of feed index and component prices**



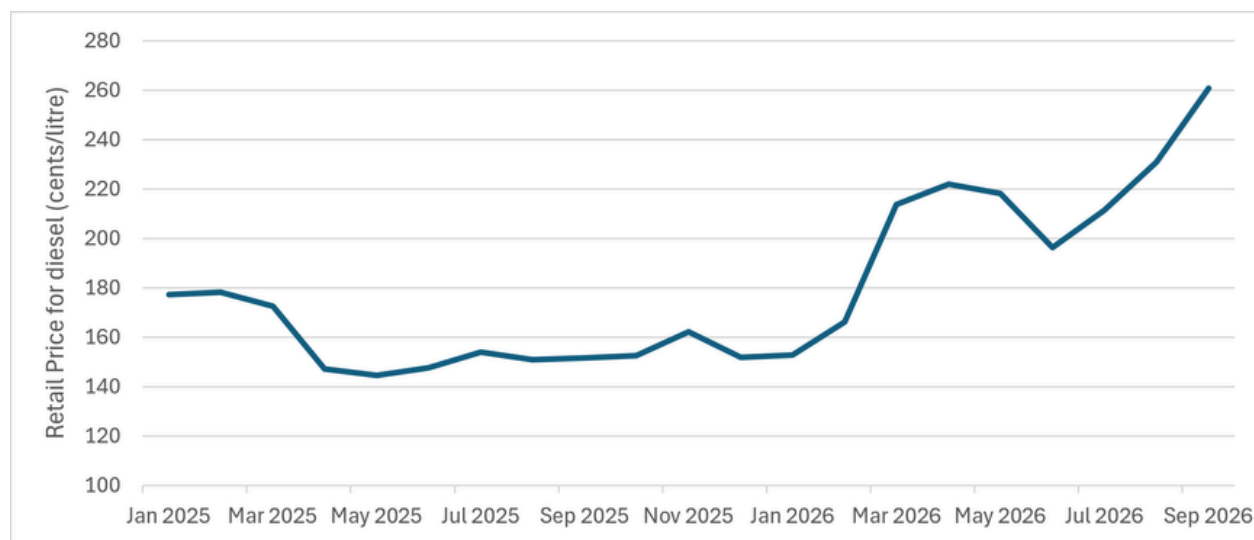
\*Source: Statistics Canada, CDC calculations

With improved growing conditions and greater planting area in 2026, field crop production such as corn and soybeans in Eastern Canada is expected to increase 8.4% year over year. However, field crop production in Western Canada is expected to drop 8.3% year over year and harvest progress is significantly behind average as widespread rainfall has delayed fieldwork increasing crop quality concerns. Reduced global corn production and strong demand are increasing the price compared to 2024 and 2025. Soybean production is expected to rebound after lower yields in 2025, but strong demand and lower carry-in stocks are contributing to an expected price rise in 2026.<sup>10</sup>

<sup>10</sup>Canada: Outlook for Principal Field Crops. Agriculture Canada. [Canada: Outlook for Principal Field Crops, 2026-09-25 - agriculture.canada.ca](https://www.agriculture.canada.ca)

Diesel costs nationwide were relatively stable in 2025. In 2025, prices were steady from January to March but declined sharply in April after the Canadian federal government ended the carbon tax program and steadily increased for the rest of 2025.<sup>11, 12</sup> In 2026, prices increased sharply from February to March as geopolitical developments in the Middle East contributed to tighter global oil market conditions and heightened supply concerns. The prices steadied and declined from April to June before increasing sharply during the indexation period. Overall, fuel and lubricant prices increased sharply over the indexation period, reflecting a combination of global supply constraints, geopolitical uncertainty, and lower inventories of crude oil and refined petroleum products.<sup>13</sup>

**Figure 5. Average retail prices for Diesel**



\*Source: Natural Resources Canada

Fuel prices also influence the transportation, fees, and promotion component of the COP, as producers incur fuel costs when transporting milk from farms to processing plants. The increase in fuel prices contributed to an 8.8% rise in this cost index.

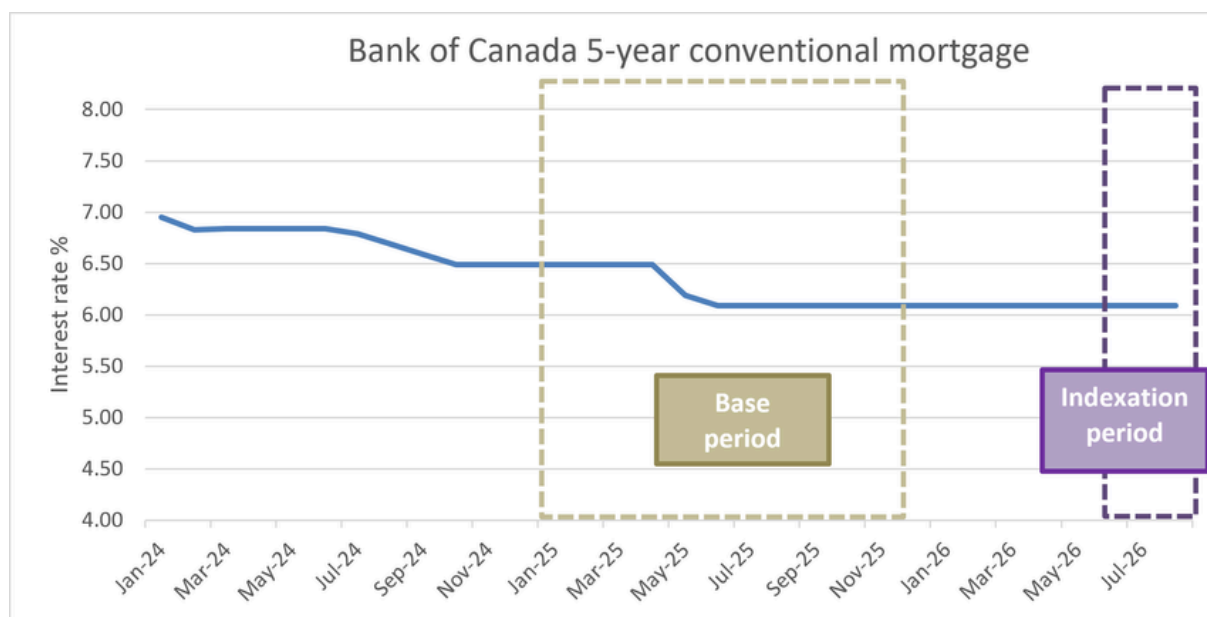
<sup>11</sup>Monthly Average Retail Prices for Diesel. Natural Resources Canada. <https://natural-resources.canada.ca/domestic-international-markets/transportation-fuel-prices>

<sup>12</sup>Removing the consumer carbon price, effective April 1, 2025. Government of Canada's Department of Finance. <https://www.canada.ca/en/department-finance/news/2025/03/removing-the-consumer-carbon-price-effective-april-1-2025.html>

<sup>13</sup>International Energy Agency: [Oil Market Report - September 2026](#)

**Figure 6** shows the monthly average interest rates posted by Canadian chartered banks for a conventional 5-year mortgage in Canada through the base period of the 2025 calendar year and the indexation period, June through August 2026. This metric is used to index interest costs. The average rates declined through 2024 and early 2025 following reductions in the Bank of Canada policy interest rate, then stayed consistent from mid-2025 through the indexation period in 2026. Taken as whole, higher interest rates in early 2025 mean that the average rate for 2025 was somewhat higher than the average rate during the indexation period. This means that the indexation process reduced interest costs by \$0.13/std. hl.

**Figure 6. Monthly average interest rates, conventional 5-year mortgage**



\*Source: Bank of Canada conventional 5-year mortgage rates. <https://www.bankofcanada.ca/?p=205791>

The hired labour index increased by 2.7% relative to the base period, contributing an additional \$0.13 per standard hectolitre to the iCOP. This rate of wage growth was lower than in recent years and was consistent with broader labour market conditions, including higher unemployment and lower rates of job turnover. As labour market pressures eased, employers faced less competition for workers, reducing upward pressure on wages.<sup>14</sup>

<sup>14</sup>Canada's labour market: between cycles and structural change. Bank of Canada, May 2026

Machinery ownership costs continued to increase over the indexation period, reflecting higher acquisition costs for new equipment as well as rising expenditures on fuel, replacement parts, and other operating inputs. Farm machinery prices have increased in recent years because of higher manufacturing and transportation costs, the incorporation of advanced technologies, labour shortages, and exchange rate pressures. The higher new equipment acquisition costs have also put increased upward pressure on used equipment prices as more producers turn to used equipment to manage acquisition costs.<sup>15</sup> This interpretation is consistent with both the observed cost data and industry reports, as machinery and equipment repair indices increased 7.3% relative to the base period.<sup>16, 17</sup>

This section highlighted the input cost changes that had the greatest impact on this year's COP indexation. Most COP input prices increased steadily from 2025 to 2026, resulting in generally predictable adjustments when the 2025 COP was indexed to the three months ending in August 2026. Higher feed and fuel prices were the main drivers of the increase, with the 2025 COP increasing by \$3.89/std hl. More broadly, comparisons with previous COP survey results indicate that the cost of producing one standard hectolitre of milk has increased since 2024-25.

The indexation results are based on data available through August 2026 and therefore do not fully capture the effects of trade measures implemented by Canada and the United States in early September 2026. Consequently, the impact of these measures is expected to be limited within the current indexation period. As the effects of these measures have not yet been fully reflected in the available data, their implications for production costs remain uncertain and may influence cost trends in subsequent periods.<sup>18</sup>

The indexation process indicates that producer costs continued to increase after the 2025 COP survey year. As a result, the indexed COP (iCOP) of \$97.06/std hl, representing a 4.57% increase over the previous year's indexed result, provides a cost signal used in the industry's National Pricing Formula (NPF).

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<sup>15</sup>Farm equipment outlook 2026. FCC, December 2025

<sup>16</sup>What's really driving Canadian farm machinery price jumps?. Manitoba Co-Operator, May 2026

<sup>17</sup>'It's crazy': Rising prices cause farmers to delay replacing equipment. Owen Sound Sun Times, September 2026

<sup>18</sup>Canada announces targeted countermeasures and substantive support for workers and businesses in response to U.S. tariffs. Government of Canada's Department of Finance. [Canada announces targeted countermeasures and substantive support for workers and businesses in response to U.S. tariffs - Canada.ca](#)

## Appendix 1

### National Cost of Production Calculation 2025 Results

|                                      | 2025         | 2025 COP               | 2024 COP               | % change                  |
|--------------------------------------|--------------|------------------------|------------------------|---------------------------|
|                                      | COP          | Indexed to August 2025 | Indexed to August 2025 | August 2026 / August 2025 |
|                                      | \$/hl        | \$/hl                  | \$/hl                  |                           |
| <b>CASH COSTS</b>                    |              |                        |                        |                           |
| Purchased feed                       | 22.56        | 23.86                  | 21.62                  | 10.3%                     |
| Artificial insemination*             | 3.61         | 3.61                   | 3.42                   | 5.6%                      |
| Transportation, fees & promotion     | 6.19         | 6.74                   | 6.08                   | 10.8%                     |
| Machinery, equipment repairs         | 4.04         | 4.33                   | 3.81                   | 13.6%                     |
| Fuel & oil                           | 2.24         | 3.16                   | 2.25                   | 40.8%                     |
| Custom work                          | 3.16         | 3.27                   | 2.93                   | 11.4%                     |
| Fertilizer & herbicides              | 2.36         | 2.38                   | 2.21                   | 7.6%                      |
| Seed & plants*                       | 1.44         | 1.44                   | 1.36                   | 5.9%                      |
| Other (Misc): Professional fees      | 1.12         | 1.25                   | 1.04                   | 19.9%                     |
| Other (Misc): Animal costs           | 2.19         | 2.45                   | 2.17                   | 12.7%                     |
| Other (Misc): Crops costs            | 0.70         | 0.78                   | 0.70                   | 10.2%                     |
| Land & building repairs              | 3.72         | 3.77                   | 3.53                   | 6.7%                      |
| Property taxes & insurance           | 2.89         | 3.01                   | 2.92                   | 3.2%                      |
| Hydro & telephone                    | 2.10         | 2.17                   | 1.94                   | 11.7%                     |
| Hired labour                         | 4.81         | 4.94                   | 4.76                   | 3.6%                      |
| Purchase/sale of animals*            | -10.47       | -10.47                 | -7.28                  | 43.9%                     |
| Dairy Inventory Value adjustment*    | -0.39        | -0.39                  | -0.59                  | -34.1%                    |
| <b>Total Cash Costs</b>              | <b>52.27</b> | <b>56.28</b>           | <b>52.89</b>           | <b>6.4%</b>               |
| <b>CAPITAL COSTS</b>                 |              |                        |                        |                           |
| Interest paid                        | 5.65         | 5.52                   | 5.31                   | 4.0%                      |
| Building depreciation*               | 3.96         | 3.96                   | 3.68                   | 7.6%                      |
| Machinery & equipment depr*          | 5.43         | 5.43                   | 4.99                   | 8.8%                      |
| Return on equity*                    | 6.68         | 6.68                   | 6.24                   | 7.1%                      |
| <b>Total Capital Costs</b>           | <b>21.73</b> | <b>21.60</b>           | <b>20.22</b>           | <b>6.8%</b>               |
|                                      |              | -0.13                  |                        |                           |
| <b>PRODUCER LABOUR</b>               |              |                        |                        |                           |
| Direct labour*                       | 13.95        | 13.95                  | 14.25                  | -2.1%                     |
| Return to management* <sup>(1)</sup> | 5.49         | 5.49                   | 5.62                   | -2.3%                     |
| <b>Total Producer Labour</b>         | <b>19.44</b> | <b>19.44</b>           | <b>19.87</b>           | <b>-2.2%</b>              |
| <b>GOV'T REBATES &amp; OTHERS*</b>   | <b>-0.27</b> | <b>-0.27</b>           | <b>-0.16</b>           | <b>-63.2%</b>             |
| <b>RESULT OF COP FORMULA</b>         | <b>93.17</b> | <b>97.06</b>           | <b>92.82</b>           | <b>4.57%</b>              |

\* Not indexed

(1) The rate of \$55.43 per hour was used. It represents the mid-range AG-3 salary in 2025.

## Appendix 2

### Appendix 1

Description of indices used to update cash costs and interest component

| COST COMPONENTS                  | 2025  | 3 months ending<br>August 2026 | % change<br>3 months ending<br>August 2026 / 2025 |
|----------------------------------|-------|--------------------------------|---------------------------------------------------|
| Dairy Ration                     | 128.6 | 136.0                          | 5.8%                                              |
| Transportation, fees & promotion | 3.75  | 4.1                            | 8.8%                                              |
| Mach, Equip Repairs              | 130.3 | 139.8                          | 7.3%                                              |
| Fuel & Oil                       | 127.1 | 179.5                          | 41.2%                                             |
| Custom Work                      | 164.2 | 169.6                          | 3.3%                                              |
| Fertilizer & Herbicides          | 149.6 | 150.9                          | 0.9%                                              |
| Other (Misc)                     | 131.6 | 146.8                          | 11.5%                                             |
| Land & Building Repairs          | 170.1 | 171.9                          | 1.1%                                              |
| Property Taxes & Insurance       | 201.9 | 210.2                          | 4.1%                                              |
| Hydro & Phone                    | 152.0 | 157.1                          | 3.4%                                              |
| Hired Labour                     | 47.5  | 48.8                           | 2.7%                                              |
| Interest                         | 6.2   | 6.1                            | -2.3%                                             |

|                            |             |                                                                                                                                                                                             |
|----------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dairy Ration               | v1324952483 | Statistics Canada. Table 18-10-0266-01 Industrial product price index, by product, monthly. Complete dairy cattle feed [1811211]. Index, 202001=100.                                        |
| Transportation             |             | P5 Transportation Pooling Figures/Chiffres du pooling P5 pour le transport                                                                                                                  |
| Mach, Equip Repairs        | v1230996240 | Statistics Canada. Table 18-10-0266-01 Industrial product price index, by product, monthly. Canada; Agricultural, lawn and garden machinery and equipment. Index, 202001=100.               |
| Fuel & Oil                 | v1230996147 | Statistics Canada. Table 18-10-0266-01 Industrial product price index, by product, monthly. Canada; Energy and petroleum products. Index, 202001=100.                                       |
| Custom Work                | v41690973   | Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted. Canada; All-items. 2002=100.                                                                 |
| Fertilizer & Herbicides    | v1230996090 | Statistics Canada. Table 18-10-0266-01 Industrial product price index, by product, monthly. Canada; Fertilizers, pesticides and other chemical products. Index, 202001=100.                 |
| Other (Misc)               | v1230996007 | Statistics Canada. Table 18-10-0266-01 Industrial product price index, by product, monthly. Canada; Total, Industrial product price index (IPI). Index, 202001=100.                         |
| Land & Building Repairs    | v41691060   | Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted. Canada; Homeowners' maintenance and repairs. 2002=100.                                       |
| Property Taxes & Insurance | v41691058   | Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted. Canada; Property taxes and other special charges. 2002=100.                                  |
| Electricity                | v41691063   | Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted. Canada; Electricity. 2002=100. The index accounts for 80% in the indexation of the Hydro and |
| Telephone                  | v41691070   | Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted. Canada; Telephone services. 2002=100. The index accounts for 20% in the indexation of the    |
| Hired Labour               | v1602417    | Statistics Canada. Table 14-10-0209-01 Average hourly earnings (including overtime) for salaried employees, by industry, monthly, unadjusted for seasonality. Canada; Industrial aggregate  |
| Interest                   |             | The interest component is indexed using the Bank of Canada 5-year mortgage rate.                                                                                                            |

## Appendix 3

### Farms number and total production share

|           | # of farms <sup>(1)</sup> | National production<br>share (litres)<br>2025 |
|-----------|---------------------------|-----------------------------------------------|
| Maritimes | 9                         | 4.93%                                         |
| Quebec    | 101                       | 37.07%                                        |
| Ontario   | 80                        | 32.50%                                        |
| West      | 59                        | 25.49%                                        |
| Canada    | 249                       | 100.00%                                       |

<sup>(1)</sup> Excluding outliers