



Canadian Dairy  
Commission

Commission  
canadienne du lait

# CORPORATE PLAN SUMMARY FOR 2020-2021 TO 2024-2025

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OPERATING AND CAPITAL BUDGETS  
FOR THE DAIRY YEAR ENDING JULY 31, 2021

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Corporate Plan dated April 30, 2020

No 3106865

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## 1.0 EXECUTIVE SUMMARY

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As of April 30, 2020, the Canadian Dairy Commission (CDC) is in sound financial position and is on track to fulfil almost all the objectives it had set for itself in the 2019-2020 dairy year.

As it continues to provide support to the Canadian dairy industry in the context of supply management in 2020-2021, the CDC will concentrate its activities on three major key result areas: innovation, investment and growth; its support of the dairy supply management system; and thorough administration of the supply management system, including supporting the industry through potential lingering effects of the COVID-19 pandemic. Innovation and investment will be of particular importance during the planning period as new trade agreements increase the access to the Canadian market for foreign dairy products. The CDC will review some of its current programs which focus on growth and innovation to ensure that the programs and services it offers remain relevant and contribute to the sustainability of the industry. Despite the challenges presented by this new environment, the Canadian dairy industry is growing and is expected to continue to grow in the future.

The CDC's five-year objectives included in the Plan are acquiring better expertise on current markets and regulations, ensuring the industry and government have access to value-added data for decision-making and helping the industry to update agreements and harmonize policies, systems and practices related to supply management. Strategies to reach these objectives will include maximizing markets for dairy products and ingredients, creating a safe environment to exchange viewpoints on how to adapt the supply management system to the new environment, ensuring efficient producers receive fair returns, and ensuring that Canadian milk production meets demand. Generally, activities are similar to those of previous years and include strengthening collaboration with other relevant departments, continuously assessing and improving tools that the CDC uses to communicate and share data with the industry and facilitate understanding between groups of diverging interests.

The COVID-19 pandemic has resulted in unforeseen and rapid fluctuations in the demand for many dairy products. Over the last few months, the entire dairy supply chain has been working diligently to ensure adequate supplies of milk and dairy products while implementing measures to adapt production to demand during these unprecedented times.

The CDC does not own capital and does not plan any capital projects. It is not looking to branch out in new activities.

On May 15, 2020, an amendment to the *Canadian Dairy Commission Act* increased CDC's maximum borrowing authority from \$300 million to \$500 million to allow the corporation to increase its purchases of dairy products as part of its support of the dairy industry during the COVID-19 pandemic. Because some of the products purchased in 2019-2020 will continue to be stored in 2020-2021, and to be prepared for possible additional waves of the pandemic, **the borrowing plan included in this Plan is at \$500 million.** This includes \$500 million in borrowing from the Consolidated Revenue Fund and \$50 million from a credit line, with the total outstanding borrowings at any time not exceeding \$500 million. The corporation holds butter stocks for approximately 12 months to ensure Canadians have access to a steady supply of dairy products despite the seasonality of milk production and dairy product consumption, hence accomplishing one of its mandates. The CDC may purchase more butter in its Domestic Seasonality Programs and it also plans to have stocks of cheese due to the impacts of COVID-19.

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## 2.0 OVERVIEW

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### 2.1 CORPORATE MANDATE

The CDC is a Crown corporation which was established in 1966 to coordinate federal and provincial dairy policies and create a control mechanism for milk production which would help stabilize farm revenues and avoid costly surpluses. The *Canadian Dairy Commission Act* states the mandate of the CDC:

**8.** (...) 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.

### 2.2 PUBLIC POLICY ROLE

The CDC has 72 employees and is governed by a board of three directors appointed by the Governor in Council. For more than 50 years, the CDC has supported Canada's dairy industry by overseeing two key elements of supply management in this sector, namely the price of milk at the farm gate, and national milk quotas.

To manage prices at the farm gate, each year the CDC conducts a study on the costs of producing milk. Provincial marketing boards use the findings of this study in a mathematical formula to adjust the price of milk on February 1 of each year. This formula also takes inflation into account. In specific exceptional circumstances and at the industry's request, the CDC consults with stakeholders before deciding on the price of milk at the farm level.

To adjust milk quotas, the CDC monitors and forecasts demand for dairy products monthly in Canada and notifies provincial marketing boards of the producer quota adjustments required to align milk production with demand and avoid a shortage or surplus. This way, milk production meets demand in a timely manner.

The CDC also provides other services to the dairy industry. It ensures storage of butter inventories to offset production and consumption seasonality, it performs compliance audits to enforce dairy system rules, administers some industry decision-making committees, and provides them with secretariat services and technical expertise, in addition to administering programs on behalf of the industry.

### 2.3 MISSION

*"To provide leadership to enhance the vitality of the Canadian dairy industry for the benefit of Canadians."*

### 2.4 PRINCIPAL PROGRAMS

The CDC operates certain programs<sup>1</sup> for the benefit of the entire supply chain.

The table below summarizes these programs.

Table 1. Programs administered by the Canadian Dairy Commission

Program Name	Objective	Target Audience
Workforce Development Initiative	To enable productivity, competitiveness, and innovation in the Canadian dairy industry by way of supporting the attraction and education of a qualified workforce.	Graduate students Learning institutions Industry associations
Dairy Export Program <sup>2</sup>	To develop export markets for Canadian dairy products.	Exporters
Dairy Innovation Program	To give processors access to extra milk so that they can develop new dairy products.	Dairy processors
Matching Investment Fund	To encourage the use of dairy ingredients in food products.	Food processors

<sup>1</sup> CDC programs are further described in its Annual Report <http://www.cdc-ccl.gc.ca/CDC/index-eng.php?link=125>

<sup>2</sup> The Dairy Export Program will come to an end on December 31, 2020 as part of Canada's commitment under the WTO Nairobi Decision.

Program Name	Objective	Target Audience
Domestic Seasonality Programs	To ensure a steady supply of dairy products all year long despite the seasonality of consumption. The CDC buys and stores butter during periods of lower consumption (January to September) and typically sells it back into the market when consumption rises (October to December).  The Plan B for powder, which had been suspended since February 2017, has been reintroduced as of April 17, 2020, as a potential mitigation measure for COVID-19.	Consumers  Processors
Plan C for cheese <sup>3</sup>	To avoid disposing of milk due to the fluctuations in demand caused by COVID-19 and to build cheese stocks to prepare for the reopening of restaurants, schools and daycares.	Dairy processors
Milk Access for Growth Program	To ensure a supply of milk for investors who want to increase demand for Canadian milk and invest in their plants.	Dairy and food processors
Mozzarella for fresh pizzas	To provide fresh pizza restaurants access to mozzarella cheese at competitive prices for their sector of activity.	Pizza restaurants
Special Milk Class Permit Program (SMCPP)	To give further processors access to dairy products at competitive prices for use in further processing.	Further processors
Surplus Removal Program	To remove surplus dairy products from the Canadian market in a timely manner. Surpluses are either exported, within Canada's commitments to the WTO <sup>4</sup> , or sold on less lucrative markets such as animal feed.	Dairy industry
Dairy Direct Payment Program (2019-2020)	To compensate dairy producers for the impact of CPTPP and CETA. This is an Agriculture and Agri-Food Canada (AAFC) Program	Dairy producers

## 2.5 FINANCIAL SITUATION

The CDC has four sources of revenues: appropriations, its commercial operations, funding from milk producers for programs administered on their behalf, and funds from the marketplace for the storage of butter<sup>5</sup>.

<sup>3</sup> Started on April 17, 2020

<sup>4</sup> As part of Canada's commitment under the WTO Nairobi Decision, surpluses will no longer be exported after December 31, 2020.

<sup>5</sup> On May 21, 2020, the CDC Board decided that part of the costs associated with storage of cheese in Plan C would also be covered by the marketplace.

To operate the Domestic Seasonality Program and the Surplus Removal Program, the CDC borrows from the Consolidated Revenue Fund and borrowing costs are covered by dairy producers and the marketplace. These loans must be approved by the Minister of Finance and are repaid according to their terms and conditions.

To perform the pooling of revenues on behalf of the dairy industry, the CDC maintains a line of credit with a member of the Canadian Payments Association. As established in the *Canadian Dairy Commission Act*, the CDC recovers all expenses related to the administration of the pools from the marketing boards of the provinces who are members of these pools.

Overall, the CDC's funding is relatively predictable, and the organization can adapt to small fluctuations.

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### 3.0 OPERATING ENVIRONMENT

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#### 3.1 INTERNAL ENVIRONMENT

##### **Human Resources**

Although the CDC is a Crown corporation, the Treasury Board of Canada is the employer of CDC's 72 employees who are covered by the same collective agreements and pension plan as employees in the various government departments. However, the CDC is not subject to the *Public Service Employment Act*.

During the COVID-19 pandemic, the CDC was able to maintain the vast majority of its activities such as its Domestic Seasonality Programs, quota calculation, revenue pooling, and industry support. There were, however, some delays in program administration, particularly for Mozzarella for fresh pizzas and the Special Milk Class Permit Program. The CDC followed directives from the Treasury Board Secretariat and barring a few exceptions, employees worked from home. The Corporation spared no efforts to continue to provide quality services to the dairy supply chain in these difficult times while ensuring the safety and well-being of its employees.

##### **Material Resources**

The CDC does not own real estate, vehicles, or specialized equipment and it does not plan to buy real property during the planning period. The material resources of the CDC include computers, software, databases, and office furniture. These are deemed to be adequate.

The CDC leases office space from Agriculture and Agri-Food Canada and has signed a lease agreement for the period of April 1, 2017, to March 31, 2022, with the possibility to renew for

another 5-year period at the rental market value rates established by Treasury Board Policy on Management of Real Property.

### 3.2 EXTERNAL ENVIRONMENT

As a program administrator and facilitator of the dairy industry, the CDC does not operate in an environment of competition, but rather one of collaboration with industry stakeholders. Its commercial operations are now mostly limited to the Domestic Seasonality Programs which are similar to a butter storage program that ensures a steady supply of dairy products for consumers. Canadian butter manufacturers are partners in this program. Due to the COVID-19 pandemic, the CDC also launched a cheese storage program, in partnership with cheese manufacturers. This program, called Plan C, was created by the Canadian Milk Supply Management Committee (CMSMC) on April 17, 2020. To ensure sufficient borrowing capacity to administer this program, which was requested by the industry, the CDC requested a legislative change to its Act. On May 15, 2020, the CDC Act was amended to change the CDC's maximum borrowing limit from \$300 million to \$500 million.

#### **Trade Agreements**

WTO Members reached an agreement in Nairobi, Kenya, on export subsidies in the agriculture sector on December 19, 2015. According to the Nairobi Decision, Canada is to eliminate all export subsidies for dairy products by the end of 2020. In the meantime, Canada must limit its export subsidy volumes to the actual average of quantities exported in the 2003-2005 base period. Furthermore, there shall be no export subsidies used for either new markets or new products, or products destined for least developed countries. Because the CDC no longer buys surplus skim milk powder, the impact of the Nairobi Decision is greatly reduced. The Nairobi Decision also caps subsidized butter exports to 377 tonnes for the first five months of the 2020-2021 dairy year and creates caps for cheese, incorporated products, and certain other dairy products. The dairy industry is putting measures in place to adapt to the end of export subsidies.

The Comprehensive Economic Trade Agreement (CETA), which has been provisionally applied since September 2017, increased the EU access to the Canadian cheese market by 17,700 tonnes and gave Canada duty-free access to the EU dairy markets.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into effect on December 30, 2018<sup>6</sup>. This new trade agreement between 11 countries includes access to the Canadian dairy market for other signatories' products such as butter, cream, and

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<sup>6</sup> On December 30, 2018, the CPTPP entered into force among the first six countries to ratify the agreement – Canada, Australia, Japan, Mexico, New Zealand, and Singapore. On January 14, 2019, the CPTPP entered into force for Vietnam.



cheese. This will affect the milk quota required in Canada and the CDC takes these imports into account when calculating quota.

The Canada-United-States-Mexico Agreement (CUSMA), which came into force on July 1, 2020, will also grant access to the Canadian market for foreign dairy products. This changes the environment in which the CDC forecasts demand for Canadian dairy products to help provincial milk marketing boards set producer quota. There will be uncertainty in the market as it could be difficult to forecast what kinds of dairy products will be imported, when, and in what province. This could present a challenge for the CDC and the industry when comes time to match production with demand. To offset some of the effects of this uncertainty, larger butter stocks may be required to prevent shortages.

Among the many obligations that Canada must meet under CUSMA, the Canadian dairy industry must eliminate milk class 7, which has been used for the last two years to encourage the use of some of the components of milk<sup>7</sup>. CUSMA also requires export charges on the quantities of skim milk powder, milk protein concentrates and infant formula that Canada exports to any country, if these exports exceed certain thresholds. Depending on the decisions that the industry will make as it continues to comply with the modalities of CUSMA, there may be demands on the part of the industry for the CDC to administer new programs or change existing programs during the planning period. The CDC is working closely with other government departments and the industry to determine needs and ensure that the implementation goes smoothly.

As part of the 2019 Federal Budget, the Government of Canada announced a \$3.9 billion compensation package for supply-managed farmers, including dairy farmers, related to the impact of the CPTPP and CETA. In August 2019, the Minister of Agriculture and Agri-Food Canada (AAFC) announced that the Government of Canada would make available \$1.75 billion over eight years to supply-managed milk producers. In the first year, \$345 million was provided through the Dairy Direct Payment Program (DDPP). Because the CDC has provided subsidy payments to dairy farmers in the past as per the *Agricultural Stabilization Act*, AAFC mandated the CDC to deliver payments to dairy producers. The CDC worked closely with AAFC and provincial milk boards to ensure efficient and timely delivery of payments to producers. Eligible producers had to register for the program between November 20, 2019, and March 1, 2020, to receive their payment before the end of the program on March 31, 2020. Payments were based on the quota each producer held on August 31, 2019. At the end

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<sup>7</sup> The milk produced to supply the butterfat market in Canada contains solids non-fat components (protein, lactose and other solids) for which market is limited.

of the program, 96% of producers in Canada had registered and received their payment and 98% of the funds had been disbursed.

### Financial Trends

As a result of the recent announcement from the Bank of Canada, interest rates have decreased and are forecasted to remain at the same level until the end of 2020-2021 and then slowly increase for the remainder of the planning period. Given that the CDC borrows money from the Consolidated Revenue Fund and from a line of credit, increases in interest rates will increase the interest expense associated with the CDC's programs. However, the CDC's borrowings are used for programs that the CDC administers on behalf of the dairy industry. This means that interest fees are paid by either dairy producers or the marketplace, depending on the program. Therefore, increases in interest rates will have no impact on the financial situation of the CDC.

### 3.3 CDC PERFORMANCE AND EXTERNAL REVIEWS

The CDC's legislative mandate is to *provide efficient producers of milk and cream with the opportunity to obtain a fair return for their labour and investment, and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality*. To fulfil this mandate, since the beginning of the dairy year, the CDC has accomplished the following:

In October 2019, the CDC conducted a review of Canadian farm gate milk prices and various costs used to administer the supply management system. Due to the increase of 1.93% in farm gate milk prices and the increase in the CDC's butter storage fees because of higher butter stocks needed to supply demand, the CDC increased the support price for butter effective February 1, 2020. The butter support price went from \$8.3901 to \$8.6034 per kilogram. This price is used when the CDC buys and sells butter under its Domestic Seasonality Programs and is also used by provincial milk boards to adjust farm gate milk prices.

The CDC developed forecasting tools to help marketing boards with quota issuance. These new tools performed well within the expected precision range.

Following the signing of the CUSMA, the Government created working groups comprised of dairy producers and processors, as well as government representatives. The Dairy Mitigation Working Group considered mitigation strategies to fully and fairly support dairy producers and processors adjust to the short-term impacts of trade agreements. Their work has concluded, and their recommendations on compensation were shared with the Minister of Agriculture and Agri-Food. The Strategic Dairy Working Group is responsible for developing a

long-term vision for the dairy sector. Their work is on-going. The CDC is a member of both groups.

### **External Review**

The Office of the Auditor General (OAG) must carry out a special examination of the CDC at least every 10 years. The last one was done in 2011<sup>8</sup>. In its Special Examination, the OAG had noted good practices in several areas and found no significant deficiencies in CDC's systems and practices. The OAG made recommendations on board skill assessment, procedures for conflict of interest declarations and performance indicators. The CDC has implemented all recommendations.

The OAG has undertaken a new special examination of the CDC. The timetable for finalizing the review report remains to be determined, but the OAG letter to the CDC indicated March 16, 2021, as the deadline for the submission of the report. The CDC is cooperating with the OAG to ensure that the Special Examination is completed as required.

### **3.4 ALIGNMENT WITH GOVERNMENT PRIORITIES AND DIRECTION**

In addition to contributing to the prosperity and viability of the Canadian dairy industry, which ensures continued jobs for the middle class, activities of the CDC are aligned with the following priorities that are specific to agriculture and were highlighted in the Canadian Agriculture Partnership (CAP) and in the Minister of Agriculture and Agri-Food's most recent mandate letter:

#### **Growing trade and expanding markets**

The CDC is currently helping the Canadian dairy industry adapt to the new modalities of CUSMA and is collaborating with the industry to develop markets at home and abroad.

#### **Innovative and sustainable growth in the sector**

The Dairy Innovation Program and the Matching Investment Fund support innovation that brings growth to the sector.

#### **Supporting diversity and a dynamic, evolving sector**

CDC's Workforce Development Initiative encourages productivity, competitiveness, and innovation by supporting the education and recruitment of a dynamic, diverse and qualified workforce. A total of \$5 million is available for a 3-year period (subject to availability of funds). Since the launch of the initiative in 2018, \$4.2 million has been committed. Under the

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<sup>8</sup> This report can be found here: <http://www.cdc-ccl.gc.ca/CDC/userfiles/file/SpecialExam%20English.pdf>

Scholarship program, 12 doctorate degrees and 13 master’s degrees have been funded. There have been five applications accepted under the Education Program. Approved projects include activities for high school students to explore careers in the dairy sector, cheese production techniques programs at the college level, and a certificate in cheese science and a master’s program for dairy plant management at the university level. Finally, five projects have been approved under the Continuing Education Program. The projects involve training for dairy farm employees on herd performance, robotization, and milking techniques. There were no applications received under the Career Promotion Program.

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**4.0 OBJECTIVES, ACTIVITIES, RISKS, EXPECTED RESULTS AND PERFORMANCE INDICATORS**

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**4.1 ASSESSMENT OF RESULTS FOR 2019-2020**

The CDC’s performance objectives for 2019-2020 are based on the strategic themes and 5-year goals identified in its Corporate Plan.

THEME	INNOVATION, INVESTMENT, AND GROWTH IN THE CANADIAN DAIRY SECTOR			
5-year objective	Performance measure for 2019-2020	Target for 2019-2020	Results	% complete
Investments and innovation have contributed to the growth and the sustainability of the Canadian dairy industry.	Number of litres of milk used in the Milk Access for Growth Program (MAG)	22 million litres	2.5 million litres MAG projects began activities in December 2019, later than forecasted.	11
	Percentage of butterfat used in MAG and DIP vs quota	0.5% per year	0.46%	92
	Number of innovative dairy products introduced through the Dairy Innovation Program	2	11	100

THEME	ROLE OF THE CDC			
5-year objective	Performance measure for 2019-2020	Target for 2019-2020	Results	% complete
The CDC is known for its leadership and its support of the industry in promoting a common approach.	Percentage of CDC-led recommendations to industry committees that have been accepted	75%	Accepted recommendations include amendments to data dissemination and classification, adjustments to Class 3 SNF prices and adoption of the 2019-2020 audit manual.	80
	Number of invitations to speak/facilitate/train at non-CDC meetings (excluding reports to provincial boards' annual general meetings)	12	11	92
	Number of registrations to online training modules	8	54	100

THEME	ADMINISTRATION OF THE MILK SUPPLY MANAGEMENT SYSTEM			
5-year objective	Performance measure for 2019-2020	Target for 2019-2020	Results	% complete
A well administered, responsive, and well	Time from receipt of pooling data to quota allocation and money transfers	8 days maximum	On target	100

understood supply management system.	Number of audits	31 MUA 40 SMCPP 45 Class 7 5 IREP 10 Revenue Sharing 35 Class 3d 2 Internal Audits 2 Program Evaluation	29 MUA 28 SMCPP 26 Class 7 0 IREP 9 Revenue Sharing 35 Class 3d 0 Internal Audits 0 Program Evaluation	76
	CDC demand forecasts vs. actual demand	Within 2% of actual demand	Prior to COVID-19: -1.53% After COVID-19: -2.30%. Revision required. After July 2020 revision: -0.76%	100
	Difference between the COP and the expected producer revenues	A maximum of +/-3.5%	-4.83% COP increased despite productivity gains, while SNF prices pulled revenues downward.	70

THEME		FUNCTIONING OF THE CDC		
5-year objective	Performance measure for 2019-2020	Target for 2019-2020	Results	% complete
The CDC is organized and has the resources to continue to support the	Level of staff satisfaction as measured by an annual survey	80% or more	97%	100
	Number of tools or policies developed and	4	4 policies developed: -Revised classification.	100

dairy industry into the future.	adapted to better support the industry		-Revised pricing method. -Revised pricing adjustment method. -Revised component tracking policy.	
	Turnover rate	Maximum 10%	6.8%	100
	Assessment of employees' performance	90% of employees have satisfactory performance or higher in their end of year evaluation (fall 2019)	100% of completed evaluations	100

#### 4.2 OBJECTIVES, ACTIVITIES, AND PERFORMANCE MEASURES FOR THE PLANNING PERIOD

The CDC is experiencing a good year in 2019-2020. Collaboration between the CDC and the industry is excellent, workforce numbers have stabilized and the administration of the various aspects of the supply management system is performed according to targets. More details on the CDC's performance in 2018-2019 are available in its Annual Report<sup>9</sup>.

Objectives and activities of the CDC for the planning period are grouped under four strategic themes. This section of the Plan presents, for each theme, the five-year goals of the CDC, the strategies and objectives, and the performance indicators associated with these goals. Targets can be found in Appendix A.

The CDC's main role is to provide support to the Canadian dairy industry. It does not have the powers in its Act to direct the future of the industry. Typically, the environment in which the industry operates changes every three to five years. This change has been even more rapid in recent years. For those reasons, the CDC does not establish objectives on a horizon longer than five years.

<sup>9</sup> ([http://www.cdc-ccl.gc.ca/CDC/userfiles/file/CDC\\_AR\\_2018-2019\\_en%20\(Feb%204,%202020\)\(1\).pdf](http://www.cdc-ccl.gc.ca/CDC/userfiles/file/CDC_AR_2018-2019_en%20(Feb%204,%202020)(1).pdf)).

## *Strategic theme: Innovation, investment, and growth in the Canadian dairy sector*

Under this strategic theme and in line with its mission of providing leadership to enhance the vitality of the Canadian dairy industry, the CDC will provide support and funding for market development and will continue to encourage investments in the dairy sector. The CDC already has several programs in place that facilitate innovation and market growth<sup>10</sup>. These programs will continue. The CDC will also gather and share market information that may be useful for the industry's market development initiatives.

### Five-year goal:

- Investments and innovation have contributed to the growth and the sustainability of the Canadian dairy industry.

STRATEGIES	OBJECTIVES FOR 2020-2021
Maximize markets for dairy products and ingredients. (EXISTING)	<ul style="list-style-type: none"><li>• Acquire better expertise on current markets and regulations and share this information with industry. (EXISTING)</li></ul>
Ensure that the programs and services offered by the CDC remain relevant and contribute to the sustainability of the Canadian dairy industry. (NEW)	<ul style="list-style-type: none"><li>• Adapt CDC's programs and resources to make the industry more sustainable. (NEW)</li></ul>

### Performance indicators:

- Number of litres of milk used in the Milk Access for Growth Program (MAG)
- Percentage of butterfat used in the MAG and Dairy Innovation Program (DIP) vs. quota
- Number of programs created, reviewed, or modified to better meet the future needs of the industry

## *Strategic theme: CDC's support toward the dairy supply management system (NEW)*

Under this theme, the intent is to ensure that the industry has the support and the information it needs to adapt to new realities brought on by new international trade agreements. The CDC will strive to support the Canadian dairy industry as it navigates the policy changes and agreement updates required under the terms of the trade agreements, such as CUSMA, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Comprehensive Economic Trade Agreement. By helping the various stakeholders with different interests come together for open and meaningful discussions and by providing clear

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<sup>10</sup> Such as the Dairy Innovation Program.



and up-to-date information, the CDC hopes to increase the understanding of supply management as it progresses into the future.

Performance indicators will be used to measure the extent to which the CDC has provided valuable data and support to the industry as it adapts and moves forward in the new reality.

Five-year goal:

- Support the Canadian dairy industry in its adaptation to the new environment brought about by new international trade agreements.

STRATEGIES	OBJECTIVES FOR 2020-2021
Produce reliable data and analyses for dairy industry stakeholders, including governmental agencies. (NEW)	<ul style="list-style-type: none"> <li>• Industry and government have access to value-added data for decision-making. (NEW)</li> </ul>
Create a safe environment to exchange viewpoints on how to adapt supply management to the new environment. (NEW)	<ul style="list-style-type: none"> <li>• Help the industry update the pooling agreements and harmonize policies, systems and practices related to the administration of the supply management in the dairy industry, including audits. (NEW)</li> </ul>
Improve industry knowledge of the Canadian dairy supply management system, including its success factors. (NEW)	<ul style="list-style-type: none"> <li>• Increase the understanding of the relationships between the elements of the supply management system and of the roles of the various stakeholders. (NEW)</li> </ul>

Performance indicators:

- Percentage of CDC-led recommendations to industry committees that have been accepted
- Number of invitations to speak/facilitate/train at non-CDC meetings (excluding reports to provincial boards' annual general meetings)
- Number of registrations to updated online training modules offered by the CDC to explain the dairy supply management system

*Strategic theme: Administration of the milk supply management system*

As the administrator of milk prices at the farm gate, production quotas, and revenue and market pooling, the CDC is responsible for the respect of federal-provincial agreements as well as for a series of calculations, money transfers, and audits. These various activities are important to ensure that the supply management system runs smoothly.

Under this strategic theme, the CDC's strategy involves both the day-to-day operations of the milk supply management system, and efforts to improve its administration. The day-to-day administration of the system includes the accurate targeting of the quantity of milk to be

produced in Canada, the operation of programs that balance the differences in seasonality of production and consumption, and the administration of federal-provincial and international agreements<sup>11</sup>.

Five-year goal:

- A well-administered and responsive supply management system

STRATEGIES	OBJECTIVES FOR 2020-2021
Promote a market-responsive management of milk supply. (EXISTING)	<ul style="list-style-type: none"> <li>• The new quota management system responds to market trends. (NEW)</li> </ul>
Ensure that efficient producers receive fair returns. (EXISTING)	<ul style="list-style-type: none"> <li>• Measures are taken to ensure that efficient producers receive fair returns. (REVISED)</li> <li>• Revenue pooling calculations are timely and accurate (EXISTING).</li> </ul>
Ensure Canadian production meets demand. (EXISTING)	<ul style="list-style-type: none"> <li>• There is timely and sufficient supply of dairy products in the Canadian market. (EXISTING)</li> <li>• There is timely and accurate allocation of quota to meet demand. (EXISTING)</li> </ul>

Performance indicators:

- Time from receipt of pooling data to quota allocation and money transfers
- Number of audits performed by the CDC on milk utilization and program compliance
- CDC demand forecasts vs. actual demand
- The criteria for exceptional circumstances relative to pricing were reviewed in consultation with the industry
- The support price for butter was reviewed and updated if needed

*Strategic theme: Functioning of the CDC*

Under this theme, the focus of the CDC is to ensure that it has the structure, tools, and resources to support the dairy industry into the future. Employee onboarding, retention, collaboration, and productivity will be front and centre.

Five-year goal:

- The CDC is organized and has the resources to continue to support the dairy industry into the future.

STRATEGIES	OBJECTIVES FOR 2020-2021
Provide an inclusive environment to attract and retain a full complement of the best people with	<ul style="list-style-type: none"> <li>• Increase the generic skills of employees. (EXISTING)</li> </ul>

<sup>11</sup> This entails ensuring Canada is compliant with WTO export subsidy commitments, which will no longer be used after 2020. In addition, the CDC imports the WTO butter tariff rate quota as approved on an annual basis by Global Affairs Canada.

the skills to support the performance of the CDC and serve the industry. (NEW)	
Adapt the IT systems to the industry's evolving needs. (EXISTING)	<ul style="list-style-type: none"> <li>• Improve IT services. (EXISTING)</li> </ul>
Implement new or updated government policies. (EXISTING)	<ul style="list-style-type: none"> <li>• Requirements of the new government policies are assessed<sup>12</sup>. (EXISTING)</li> </ul>
Raise the profile of environmental issues within the CDC. (EXISTING)	<ul style="list-style-type: none"> <li>• Environmental issues continue to be part of the internal decision-making process. (NEW)</li> </ul>

Performance indicators:

- Level of staff satisfaction as measured by the annual public service employee survey
- Number of tools or policies developed and adapted to better support the industry
- Turnover rate
- Assessment of employees' performance

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## 5.0 FINANCIAL REPORT

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### 5.1 OVERALL FINANCIAL MANAGEMENT

The Canadian Dairy Commission is a Crown corporation with sound financial and risk management practices. During the year, the Audit Committee reviews and approves the quarterly financial reports which are then posted on the CDC public Web site and sent to the Comptroller General. The Board also reviews and approves the year-end financial statements, which are audited by the Office of the Auditor General and included in the Annual Report, which is tabled in Parliament.

### 5.2 MAJOR ASSUMPTIONS USED IN PREPARING BUDGETS

The CDC's budgeted financial tables are based on certain assumptions and projections while forecasts are based partially on actual results up to April 30, 2020. Certain financial results are particularly sensitive to any significant fluctuations in assumptions made with regards to domestic demand and milk production, which affect our purchases and sales of butter as well as our inventories. The timing of implementation of industry initiatives also has an impact on projected financial results. Fluctuations in interest rates can also have an impact on projected financial results. The COVID-19 pandemic brings an additional layer of uncertainty. Its medium- and long-term effects on demand for dairy products are largely unknown. Assumptions relative to the effect of the pandemic on the CDC's financial statements are based on information available as of April 30, 2020. Future market fluctuations and the

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<sup>12</sup> Mainly the Policy on Government Security

longer-term impact of production-restricting measures put in place by provinces may greatly affect the actual results of the CDC, which will be presented in future corporate plans.

Financial statements presented herein assume that demand from 2019-2020 will increase by 3%, mainly based on Canadian's growing appreciation for dairy products rich in fat such as cream, butter and fine cheeses. In 2020-2021 demand is expected to increase only by 1% as a result of the impacts of the COVID-19 pandemic. To be conservative, it is assumed growth will be 2% per year during 2021-2022 to 2024-2025 as it is expected that this growth in high-fat product consumption will slow down. Canadian milk production will be below demand for the entire planning period due to increased access to the Canadian market conceded to other countries through CETA, CPTPP, and CUSMA.

Domestic sales of butter (which include imported butter) will be approximately 33 million kg for 2019-2020, 37.5 million kg for 2020-2021 and 36 million kg for the remainder of the years.

Budgets also assume cheese stocks of 11,750 tonnes at year-end in 2019-2020 and 5,000 tonnes in 2020-2021 as a result of the new Plan C. No cheese stocks are forecasted for the rest of the planning period since the maximum storage time under this program is 24 months.

The interest rates used for outstanding loans from the CRF are estimated to be 0.50 % for the remainder of 2019-2020 and 2020-2021, 0.75% for 2021-2022 and 1.25% for the remainder of the period. Interest rates on loans from the member of Canadian Payments Association will remain at prime, which is estimated to be 2.45% for 2019-2020 and 2020-2021, 2.95% for 2021-2022 and 3.45 % from 2022-2023 through to 2024-2025. These assumptions are based on projections published by financial institutions in Canada. However, these interest charges are reimbursed to the CDC by either producers or the marketplace and have no material impact on the bottom line of the corporation.

## 5.3 FINANCIAL STATEMENTS AND NOTES

### CANADIAN DAIRY COMMISSION STATEMENT OF FINANCIAL POSITION as at JULY 31, 2019-2025

(in thousands)								
	Actual Audited	Budget	Forecast	Budget				
	2018-2019	2019-2020	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
<b>ASSETS</b>								
<b>Current</b>								
Cash	\$ 2,610	\$ 1,019	\$ 1,000	\$ 1,429	\$ 1,341	\$ 1,185	\$ 1,194	\$ 1,209
Trade and other Receivables								
Trade	436	205	190	185	185	180	180	180
Advance to provincial milk boards and agencies	5,976	6,500	6,000	6,000	6,000	6,000	6,000	6,000
Milk pools	1,820	1,600	1,800	1,800	1,800	1,800	1,800	1,800
Inventory	178,157	190,182	331,980	250,700	208,072	210,187	212,247	214,313
	<u>188,999</u>	<u>199,506</u>	<u>340,970</u>	<u>260,114</u>	<u>217,398</u>	<u>219,352</u>	<u>221,421</u>	<u>223,502</u>
<b>Non Current</b>								
Equipment	96	69	68	69	34	42	28	14
Intangible asset	137	108	108	79	49	20	0	0
Right-of-use of asset	-	2,261	2,345	1,993	1,642	1,290	938	586
	<u>233</u>	<u>2,437</u>	<u>2,521</u>	<u>2,141</u>	<u>1,725</u>	<u>1,351</u>	<u>966</u>	<u>600</u>
<b>Total Assets</b>	<b>\$ 189,232</b>	<b>\$ 201,943</b>	<b>\$ 343,491</b>	<b>\$ 262,255</b>	<b>\$ 219,123</b>	<b>\$ 220,703</b>	<b>\$ 222,387</b>	<b>\$ 224,102</b>
<b>LIABILITIES</b>								
<b>Current</b>								
Bank overdraft	\$ 5,976	\$ 6,500	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Trade and other payables								
Trade	19,962	8,432	5,162	6,517	6,582	6,648	6,715	6,782
Distribution to provincial milk boards and agencies payable	5,750	966	1,314	635	461	453	410	400
Other liabilities	1,100	2,297	1,146	1,276	1,108	1,110	1,153	1,170
Deferred revenue	2,715	-	1,000	1,429	1,341	1,185	1,194	1,209
Derivative liability - foreign exchange contracts	3	-	-	-	-	-	-	-
Loans from the Government of Canada	127,600	167,938	308,281	231,085	189,577	192,320	194,959	197,504
	<u>163,106</u>	<u>186,133</u>	<u>322,903</u>	<u>246,942</u>	<u>205,068</u>	<u>207,716</u>	<u>210,432</u>	<u>213,064</u>
<b>Non Current</b>								
Lease Liability	-	2,236	2,361	2,020	1,675	1,325	970	610
<b>EQUITY</b>								
Retained Earnings	26,126	13,574	18,227	13,293	12,380	11,662	10,985	10,427
<b>Total Liabilities and Equity</b>	<b>\$ 189,232</b>	<b>\$ 201,943</b>	<b>\$ 343,491</b>	<b>\$ 262,255</b>	<b>\$ 219,123</b>	<b>\$ 220,703</b>	<b>\$ 222,387</b>	<b>\$ 224,102</b>

**CANADIAN DAIRY COMMISSION**  
**STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS**  
for the Dairy Years ended July 31, 2019 - 2025

	Actual Audited 2018-2019	Budget 2019-2020	Forecast 2019-2020	Budget				
				2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
<b>Sales and Cost of Sales</b>								
Domestic sales revenue	\$ 358,442	\$ 265,905	\$ 269,566	\$ 372,776	\$ 350,579	\$ 308,688	\$ 311,560	\$ 314,442
Cost of goods sold - domestic	350,397	263,821	267,022	370,861	348,819	306,929	309,862	312,768
Transport and carrying charges	4,245	3,554	5,625	9,352	6,285	4,292	4,378	4,464
Finance costs	1,287	1,706	1,171	781	810	1,103	1,183	1,195
Gross profit (loss) on domestic sales	2,513	(3,176)	(4,252)	(8,218)	(5,335)	(3,636)	(3,863)	(3,985)
Export sales revenue	839	-	-	-	-	-	-	-
Cost of goods exported	685	-	-	-	-	-	-	-
Transport and carrying charges	7	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-	-
Gross profit on export sales	147	-	-	-	-	-	-	-
Total gross profit (loss)	2,660	(3,176)	(4,252)	(8,218)	(5,335)	(3,636)	(3,863)	(3,985)
<b>Other revenues</b>								
Funding from milk pools	9,231	9,922	11,489	15,360	12,905	10,975	11,272	11,578
Funding from the Government of Canada	3,778	3,848	3,965	3,998	3,990	3,995	3,995	3,995
Other services	177	174	474	490	495	495	495	495
	13,186	13,944	15,928	19,848	17,390	15,465	15,762	16,068
<b>Total</b>	<b>15,846</b>	<b>10,768</b>	<b>11,676</b>	<b>11,630</b>	<b>12,055</b>	<b>11,829</b>	<b>11,899</b>	<b>12,083</b>
<b>Operating Expenses</b>								
Industry initiatives	8,171	13,746	8,052	4,821	1,296	796	796	796
Cost of Production study	850	865	865	877	889	906	924	942
Other charges / (recoveries)	122	189	112	120	141	136	114	96
	9,143	14,800	9,029	5,818	2,326	1,838	1,834	1,834
<b>Administrative Expenses</b>								
Salaries and employee benefits	7,154	7,336	7,374	7,919	7,994	8,074	8,154	8,234
Other administrative expenses	2,264	2,065	1,858	2,192	2,187	2,182	2,178	2,173
	9,418	9,401	9,232	10,111	10,181	10,256	10,332	10,407
<b>Total</b>	<b>18,561</b>	<b>24,201</b>	<b>18,261</b>	<b>15,929</b>	<b>12,507</b>	<b>12,094</b>	<b>12,166</b>	<b>12,241</b>
<b>Profit (loss) before distribution to provincial milk boards and agencies</b>	<b>(2,715)</b>	<b>(13,433)</b>	<b>(6,585)</b>	<b>(4,299)</b>	<b>(452)</b>	<b>(265)</b>	<b>(267)</b>	<b>(158)</b>
Distribution to provincial milk boards and agencies	5,750	966	1,314	635	461	463	410	400
<b>Results of operations and comprehensive loss</b>	<b>\$ (8,465)</b>	<b>\$ (14,399)</b>	<b>\$ (7,899)</b>	<b>\$ (4,934)</b>	<b>\$ (913)</b>	<b>\$ (718)</b>	<b>\$ (677)</b>	<b>\$ (558)</b>

(in thousands)

CANADIAN DAIRY COMMISSION  
STATEMENT OF CHANGES IN EQUITY  
for the Dairy Years ended July 31, 2019 - 2025

(in thousands)								
	Actual Audited	Budget 2019-2020	Forecast 2019-2020	Budget				
	2018-2019			2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Retained earnings, beginning of the year	\$ 34,591	\$ 27,973	\$ 26,126	\$ 18,227	\$ 13,293	\$ 12,380	\$ 11,662	\$ 10,985
Results of operations and comprehensive loss	(8,465)	(14,399)	(7,899)	(4,934)	(913)	(718)	(677)	(558)
Retained earnings, the end of the year	<u>\$ 26,126</u>	<u>\$ 13,574</u>	<u>\$ 18,227</u>	<u>\$ 13,293</u>	<u>\$ 12,380</u>	<u>\$ 11,662</u>	<u>\$ 10,985</u>	<u>\$ 10,427</u>

CANADIAN DAIRY COMMISSION  
STATEMENT OF CASH FLOWS  
for the Dairy Years ended July 31, 2019 - 2025

(in thousands)								
	Actual Audited	Budget 2019-2020	Forecast 2019-2020	Budget				
	2018-2019			2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
<b>Cash flows (used in) from operating activities</b>								
Cash receipts from sales of goods and services	\$ 346,539	\$ 266,098	\$ 268,571	\$ 373,700	\$ 350,986	\$ 309,032	\$ 312,064	\$ 314,952
Cash paid to suppliers and others	(326,706)	(288,877)	(458,836)	(312,807)	(324,658)	(325,080)	(327,943)	(331,072)
Cash receipts from provincial milk boards and agencies (pooling)	11,002	9,922	11,485	15,360	12,905	10,975	11,272	11,578
Cash paid to provincial milk boards and agencies (operating surplus)	(10,900)	(6,769)	(5,750)	(1,314)	(635)	(461)	(453)	(410)
Cash receipts from the Government of Canada	3,778	3,848	3,965	3,998	3,990	3,995	3,995	3,995
Interest paid on loans and the lease liability	(1,170)	(1,576)	(1,413)	(970)	(821)	(1,009)	(1,209)	(1,211)
<b>Cash flows from (used in) operating activities</b>	<u>22,543</u>	<u>(17,354)</u>	<u>(181,978)</u>	<u>77,967</u>	<u>41,767</u>	<u>(2,548)</u>	<u>(2,274)</u>	<u>(2,168)</u>
<b>Cash flows from (used in) financing activities</b>								
New loans from the Government of Canada	253,718	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Loan repayments to the Government of Canada	(278,970)	(182,263)	(19,319)	(277,196)	(241,508)	(197,257)	(197,361)	(197,455)
Principal payments on lease liability	-	(364)	(337)	(342)	(347)	(351)	(356)	(362)
<b>Cash flows from (used in) financing activities</b>	<u>(25,252)</u>	<u>17,373</u>	<u>180,344</u>	<u>(77,538)</u>	<u>(41,855)</u>	<u>2,392</u>	<u>2,283</u>	<u>2,183</u>
<b>Net increase in cash (bank overdraft)</b>	(2,709)	19	(1,634)	429	(88)	(156)	9	15
Net bank overdraft at beginning of the year	(657)	(5,500)	(3,366)	(5,000)	(4,571)	(4,659)	(4,815)	(4,806)
<b>Net bank overdraft at end of the year</b>	<u>\$ (3,366)</u>	<u>\$ (5,481)</u>	<u>\$ (5,000)</u>	<u>\$ (4,571)</u>	<u>\$ (4,659)</u>	<u>\$ (4,815)</u>	<u>\$ (4,806)</u>	<u>\$ (4,791)</u>
<b>Components:</b>								
Cash	\$ 2,610	\$ 1,019	1,000	\$ 1,429	\$ 1,341	\$ 1,185	\$ 1,194	\$ 1,209
Bank overdraft	(5,976)	(6,500)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
	<u>\$ (3,366)</u>	<u>\$ (5,481)</u>	<u>\$ (5,000)</u>	<u>\$ (4,571)</u>	<u>\$ (4,659)</u>	<u>\$ (4,815)</u>	<u>\$ (4,806)</u>	<u>\$ (4,791)</u>

## **Statement of Financial Position**

Most of the elements from the Statement of Financial Position remain relatively constant starting in 2020-2021. Notable exceptions include inventories and the government loan, which finances inventories. The increase in value in 2019-2020 and 2020-2021 is due in most part to the purchase of cheese under Plan C as a result of the COVID-19 pandemic. These cheese stocks are expected to be depleted by the end of 2021-2022.

There is also a decrease in retained earnings starting in 2019-2020 dairy year. This will be explained in the section entitled Management of Retained Earnings.

## **Statement of Operations and Comprehensive Loss**

The sales costs and revenues forecasted for 2019-2020 are close to the budgeted amount. These will increase in 2020-2021 and 2021-2022 as the CDC sells the cheese purchased under Plan C. Starting in 2022-2023, sales costs and revenues will only be related to butter.

From 2019-2020 to 2021-2022, transport and carrying charges will be higher than usual due to the cheese purchased under Plan C due to COVID-19.

Finance costs in 2019-2020 are lower than expected, mainly as result of the Bank of Canada's decision to lower interest rates in March 2020. Interest rates are forecasted to remain the same for 2020-2021 and start rising slowly in the following years. The CDC borrows the amounts required to operate several industry programs from the Consolidated Revenue Fund. As these are industry-funded programs, the transport, carrying, and interest charges are paid by the marketplace and dairy producers.

The loss on domestic sales starting in 2019-2020 represents the financing, transport and carrying charges associated with the Domestic Seasonality Program that is no longer compensated by a margin in the Surplus Removal Program. This loss therefore becomes visible in the table whereas in the past, it was "hidden" by profits. These charges continue to be entirely recovered from the marketplace and producers as part of the funding from milk pools. There is no actual loss for the CDC.

The CDC does not expect to export dairy products during the planning period.

Figures for the funding from the government of Canada reflect the actual appropriation plus forecasted eligible payroll expenditures such as parental leave for dairy year 2019-2020. These are slightly higher than the forecast due to adjustments following new signed collective agreements. Appropriations are assumed to remain close to that level for subsequent years.



Revenues for other services in 2019-2020 are higher than budgeted as a result of funding received following the signature of an MOU with Agriculture and Agri-Food Canada for the administration of the Dairy Direct Payment Program. During the rest of the planning period, these revenues are expected to increase because the CDC will perform audits in a 7th province (Alberta) on a cost-recovery basis.

In 2019-2020, expenses for industry initiatives are much lower than expected, mostly because some industry projects under the Matching Investment Fund and Workforce Development Initiative were delayed. Forecasts are based on the CDC's best estimate of projects administered by industry but delays sometimes occur. In those cases, funds remain committed to the industry initiatives approved by the board. Further information on this element of the Statement of Operations will be presented in the section on Management of Retained Earnings.

### **Statement of Changes in Equity**

This statement is included to present a complete set of financial statements in the Plan as required by the IFRS. This statement presents changes in equity year over year after all the financial inflows and outflows.

Retained earnings are governed by policies that clearly identify the activities that can be financed by these funds and the CDC Board is responsible for applying these policies and approving any new initiative funded by retained earnings.

CANADIAN DAIRY COMMISSION  
ADMINISTRATIVE EXPENSES AND FUNDING  
for the Dairy Years ended July 31, 2019 - 2025

(in thousands)

	Budget 2019-2020	Forecast 2019-2020	Budget				
			2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Personnel	\$ 7,336	\$ 7,374	\$ 7,919	\$ 7,994	\$ 8,074	\$ 8,154	\$ 8,234
Professional and special services	1,090	1,013	1,121	1,120	1,120	1,121	1,120
Rentals	96	80	88	88	88	88	88
Transportation & communications	432	281	492	492	492	492	492
Depreciation on right use of asset	339	352	352	352	352	352	352
Information services	8	12	8	8	8	8	8
Acquisition of equipment	63	61	70	70	70	70	70
Materials and supplies	16	12	16	16	16	16	16
Repair and maintenance	11	10	11	11	11	11	11
Miscellaneous expenditures	10	38	33	29	25	20	15
<b>Total administrative expenses</b>	<b>\$ 9,401</b>	<b>\$ 9,232</b>	<b>10,111</b>	<b>10,181</b>	<b>10,256</b>	<b>10,332</b>	<b>10,407</b>
<b>Share of Funding</b>							
Appropriation breakdown:							
CDC appropriation Vote 1	\$ 3,773	\$ 3,909	\$ 3,898	\$ 3,890	\$ 3,895	\$ 3,895	\$ 3,895
Eligible payroll expenditures	75	56	100	100	100	100	100
<b>Total Government appropriation</b>	<b>\$ 3,848</b>	<b>\$ 3,965</b>	<b>\$ 3,998</b>	<b>\$ 3,990</b>	<b>\$ 3,995</b>	<b>\$ 3,995</b>	<b>\$ 3,995</b>
Producer contribution	\$ 2,760	\$ 2,760	\$ 2,900	\$ 2,945	\$ 2,995	\$ 3,045	\$ 3,095
Marketplace contribution	1,760	1,760	1,830	1,860	1,890	1,920	1,955
Other	1,033	747	1,383	1,386	1,376	1,372	1,362
<b>Total</b>	<b>\$ 5,553</b>	<b>\$ 5,267</b>	<b>\$ 6,113</b>	<b>\$ 6,191</b>	<b>\$ 6,261</b>	<b>\$ 6,337</b>	<b>\$ 6,412</b>

Government figures are based on fiscal year reference levels prorated to a dairy year. Expenses include estimated amounts for maternity leave and severance payments. These amounts are eligible for recovery from Vote 30 and have been included as part of Government appropriations.

## **Administrative Expenses and Funding**

The administrative budget provides details of the CDC's forecasted expenses and sources of revenues.

Major expenditures in the administrative budget are salaries and employee benefits. As mentioned in section 3.1, the Treasury Board of Canada is the employer of CDC's employees who are covered by the same collective agreements and pension plan as employees in the various government departments. In 2020-2021 personnel costs are estimated to increase partly as a result of new collective agreements as well as in-range step progressions, but also due to the creation of two additional auditor positions. These additional positions are necessary because the CDC will be performing milk utilization audits in 7 provinces, as opposed to 6 in previous years. The costs for these audits are recovered from the provinces by way of formal contracts. For the remainder of the planning period personnel costs are estimated to increase by 1% per year.

Professional services and special services are mainly comprised of services relating to audits, HR, legal counsel, simultaneous interpretation, and market studies. Also included in this category are various MOU's with other government departments for IT and HR services.

Administrative expenses for 2019-2020 are expected to be lower than the budget mainly as a result of lower travel and meeting costs due to the COVID-19 pandemic.

For 2020-2021, the administrative budget does not include expenses that will be incurred if the CDC administers a program similar to DDPP that year. If it were the case, the CDC would need to add two FTE's to its staff. These costs would be reimbursed by Agriculture and Agri-Food Canada through a MOU, as was the case in 2019-2020.

## **Borrowing Plan**

### *Legislative Borrowing Authorities*

Under subsection 16(1) of the *Canadian Dairy Commission Act* (CDC Act), the Minister of Finance may, out of the Consolidated Revenue Fund, make loans to the CDC as are approved by the Governor in Council for the purpose of exercising any of the powers of the Commission described in section 9(1) (a) and (b) of the Act:

- a) purchase any dairy product and sell, or otherwise dispose of, any dairy product purchased by it;
- b) package, process, store, ship, insure, import or export any dairy product purchased by the Commission.

Under the *CDC Act*, with the approval of the Minister of Finance, the CDC may also establish and use a line of credit with any member of the Canadian Payment Association for the

purpose of exercising any of its powers set out in paragraph 9(1)(f) to (i). The line of credit is necessary to provide bridge financing and ensure efficient operation of the pooling of market return system administered on behalf of the provinces. In 2018-2019, the Minister of Finance approved a line of credit of up to \$50 million with a member of the Canadian Payments Association. All borrowing costs and payment responsibilities under this line of credit are assumed by producers.

According to section 16(2) of the CDC Act, total aggregate amount outstanding at any time of loans made from the CRF and the line of credit shall not exceed \$500 million. This section of the CDC Act was amended on May 15, 2020, to increase CDC's total borrowing capacity from \$300 million to \$500 million.

In accordance with subsection 127(3) of the *Financial Administration Act*, the CDC requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. The following outlines the borrowing plan for 2020-2021.

For 2020-2021, the CDC requests short-term borrowings of \$500 million to be comprised of borrowings from the Consolidated Revenue Fund and a \$50 million line of credit, with total outstanding borrowings at any time not exceeding \$500 million.

### **Overview of the Borrowing Plan**

The assumptions and estimates used in this borrowing plan are forward-looking. There is a certain level of uncertainty related to the assumptions used in the borrowing plan as many factors influence the quantity of butter that the CDC buys. These include milk production during the summer, which in turn depends partly on weather, decisions made by processors, demand for ice cream during the summer, and other factors influencing processor decisions related to stocks. Furthermore, the additional changes in the market related to trade may require the CDC to purchase more butter to balance supply throughout the year as imports may be higher or lower at certain times in the year. Any future wave of COVID-19 will also have an impact on the amount of money that the CDC needs to borrow from the Consolidated Revenue Fund to support the industry during times of fluctuating demand.

CANADIAN DAIRY COMMISSION  
BORROWING PLAN  
for the Dairy Years ended July 31, 2019 - 2025

**Table 1: Outstanding borrowings at July 31 (\$millions)**

	Actual 2018-2019	Budget 2019-2020	Forecast 2019-2020	Budget				
				2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Short-term borrowings	\$ 133.6	\$ 174.4	\$ 314.3	\$ 237.1	\$ 195.6	\$ 198.3	\$ 201.0	\$ 203.5
Long-term Borrowings	-	-	-	-	-	-	-	-
<b>Total borrowings</b>	<b>\$ 133.6</b>	<b>\$ 174.4</b>	<b>\$ 314.3</b>	<b>\$ 237.1</b>	<b>\$ 195.6</b>	<b>\$ 198.3</b>	<b>\$ 201.0</b>	<b>\$ 203.5</b>

**Table 2: Short-term borrowings as of July 31 (\$ millions)**

	Actual 2018-2019	Budget 2019-2020	Forecast 2019-2020	Budget				
				2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Canadian dollars	\$ 133.6	\$ 174.4	\$ 314.3	\$ 237.1	\$ 195.6	\$ 198.3	\$ 201.0	\$ 203.5
Us dollars (expressed in canadian dollars)	-	-	-	-	-	-	-	-
<b>Total borrowings</b>	<b>\$ 133.6</b>	<b>\$ 174.4</b>	<b>\$ 314.3</b>	<b>237.1</b>	<b>195.6</b>	<b>198.3</b>	<b>201.0</b>	<b>203.5</b>

**Table 3: Peak borrowings during the year (\$ millions)**

Method and currency used	Actual 2018-2019	Budget 2019-2020	Forecast 2019-2020	Budget				
				2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Line of credit: Canadian dollars	\$ 8.3	\$ 4.0	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5
Line of credit: US dollars (expressed in canadian dollars)	-	-	-	-	-	-	-	-
Borrowings: Canadian dollars (expressed in Canadian dollars)	170.0	180.0	308.0	313.8	246.6	204.4	207.1	209.8
<b>Total borrowings</b>	<b>\$ 178.3</b>	<b>\$ 184.0</b>	<b>\$ 315.5</b>	<b>321.3</b>	<b>254.1</b>	<b>211.9</b>	<b>214.6</b>	<b>217.3</b>

APPENDIX A  
PLANNED RESULTS

Outcome	Performance indicator	Baseline	2020-2021 Target	2024-2025 Target	Data Strategy
Investments and innovation have contributed to the growth and sustainability of the Canadian dairy industry.	Number of litres used in the Milk Access for Growth Program (MAG)	0 (2017-2018)	50 million litres	160 million litres	Annual pull of data from MAG program
	Percentage of butterfat used in MAG and DIP vs. quota	Data not available	1 % per year	4% (cumulative)	Annual growth in milk requirements related to CDC programs
	Number of programs created, reviewed or modified to better meet the future needs of the industry.	Data not available	At least 2 programs	As needed.	
Support the Canadian dairy industry in its adaptation to the new environment brought about by new international trade agreements.	% of CDC-led recommendations to industry committees that are accepted	Data not available	75%	85%	Compilation by Policy and Economics
	Number of <u>invitations</u> to speak/facilitate/train at non-CDC meetings	Data not available	12	20 per year	Compilation by CEO office

Outcome	Performance indicator	Baseline	2020-2021 Target	2024-2025 Target	Data Strategy
	(excluding reports to provincial boards' AGMs)				
	Number of registrations to online training modules	Data not available	30	30 per year	Compilation by Communications
A well-administered and responsive supply management system	Time from receipt of pooling data to quota allocation and money transfers	8 days maximum (2016-2017)	8 days maximum	8 days maximum	Data from Finance and Administration
	Number of audits	100 audits of Class 3d 40 audits of Special Milk Class Permit Program participants (2016-2017)	35 audits of SMCPP, 3 audits of IREP, 30 audits of Class 3(d), 45 audits of Class 7, 2 internal audits, 31 MUA, 10 audits of revenue sharing, and 1 program evaluation	20 audits of Class 3d 40 audits of SMCPP 3 audits of IREP Other audits as needed	Audit & Evaluation data
	CDC demand forecasts vs. actual demand	Data not available	Within 2% of actual demand	Within 2% of actual demand	Pooling data
	The criteria for exceptional circumstances were reviewed in consultation with the industry	Data not available	Criteria reviewed	As needed	Data from Policy and Economics

Outcome	Performance indicator	Baseline	2020-2021 Target	2024-2025 Target	Data Strategy
	The support price for butter was reviewed and updated if needed	Support price reviewed as needed	Support price reviewed as needed	Support price reviewed as needed	
The CDC is organized and has the resources to continue to support the dairy industry into the future.	Level of staff satisfaction	92% (2016-2017)	80 % or more	90% or more	Data from annual public service employee survey
	Number of tools or policies developed and adapted to better support the industry	2 (2016-2017)	4	4	Data from Information Technology team and Senior Management Team
	Turnover rate	20% in 2016-2017	Maximum 10%	Maximum 10%	Data from Human Resources
	Assessment of employees' performance	Data not available	90% of employees have satisfactory performance or higher in their end-of-year evaluation (fall 2019)	90% of employees have satisfactory performance or higher in their end-of-year evaluation (fall 2020)	Data from Human Resources



Chief Executive Office Commitment:

I, Serge Riendeau, as Chief Executive Officer of the Canadian Dairy Commission, am accountable to the Board of Directors of the Canadian Dairy Commission for the implementation of the results described in this Corporate Plan and outlined in this Appendix. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

Serge Riendeau  
Chief Executive Officer  
Canadian Dairy Commission

Original signed  
May 29, 2020