Quarterly Financial Report

First quarter of 2024

Contents

First Quarter Financial Report

Management Discussion and Analysis

The following discussion and analysis of the operating results and financial position of the Canadian Dairy Commission (CDC) for the quarter ended on October 31, 2023, should be read in conjunction with the financial statements enclosed herein and the 2022-2023 Annual Report.

1. Basis of Preparation

This discussion was prepared in accordance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations (Treasury Board Standard). This narrative discussion is not intended to be a full Management Discussion and Analysis (MD&A). Disclosures and information in the Canadian Dairy Commission's 2022-2023 annual report are assumed to apply to the current quarter unless otherwise updated below.

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

2. Results of Operations and Comprehensive Income

Sales Revenue and Cost of Sales

	For the three-months end		
(in thousands)	Oct 31, 2023	Oct 31, 2022	$ change
Sales revenue	$ 86,659	$ 91,974	$ (5,315)
Cost of goods sold	$ 85,821	$ 91,555	$ (5,734)
Transport and carrying charges	$ 601	$ 351	$ 250
Finance costs	$ 291	$ 28	$ 263
Gross profit (loss) on domestic sales	**$ (54)**	**$ 40**	**$ (94)**

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

Sales revenue in the first quarter of the year are lower compared to the same period last year as a result of lower sales in Plan B butter which were off-set in part by higher sales of imported butter.

Gross profits have decreased mainly because of an increase in the carrying charges and finance costs for the domestic seasonality programs. Note that the transport and carrying charges, as well as the finance costs, from Domestic Seasonality Programs, continue to be entirely recovered from the marketplace and producers as part of the funding from milk pools. Therefore, the impact of sales activities on total comprehensive income is limited to the difference between sales revenue and cost of goods sold.

Other Income

(in thousands)	For the three-months end Oct 31, 2023	Oct 31, 2022	$ change
Funding from milk pools	$ 2,440	$ 2,109	$ 331
Funding from the Government of Canada	$ 1,093	$ 1,038	$ 55
Professional services and Other Income	$ 418	$ 232	$ 186
Total other income	**$ 3,951**	**$ 3,379**	**$ 572**

Funding from milk pools represents funds received from producers and the marketplace to finance a portion of the CDC's administrative expenses, the cost of the annual production study, the carrying charges associated with Plan A and Plan B butter stocks, the Plan C cheese program costs and any recoverable industry committee expenses. The increase in funding in the first quarter is the mainly the result of higher carrying charges for Plan A and B butter stocks.

Funding from the Government of Canada represents funding received from parliamentary appropriations and is recognized as other income when government-funded administrative expenses are incurred. For additional information regarding the CDC's parliamentary appropriations, refer to section 5 of the Management Discussion and Analysis.

Professional services include income relating to milk utilization audits, as well as compensation received to administer the Dairy Direct Payment Program (DDPP) on behalf of Agriculture and Agri-Food Canada. The increase in professional services this quarter is due the timing of revenue recognition for the administration for DDPP. Under the new iteration of the program, administration activities begin in August in preparation for the launch in November.

Operating and Administrative Expenses

(in thousands)	For the three-months end Oct 31, 2023	Oct 31, 2022	$ change
Operating expenses			
Industry initiatives	$ 123	$ 4	$ 119
Cost of production study	$ 257	$ 218	$ 39
Plan C program costs	$ 191	$ 48	$ 143
Other charges (recoveries)	$ 159	$ 6	$ 153
Total operating expenses	**$ 730**	**$ 276**	**$ 454**
Administrative expenses			
Salaries and employee benefits	$ 2,332	$ 2,028	$ 304
Other administrative expenses	$ 461	$ 450	$ 11
Total administrative expenses	**$ 2,793**	**$ 2,478**	**$ 315**
Total operating and administrative expenses	**$ 3,523**	**$ 2,754**	**$ 769**

Operating Expenses

Industry initiatives includes expenses relating to various CDC programs that provide benefits to the industry such as research, the Matching Investment Fund (MIF), and the Workforce Development Initiative (WDI).

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

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

Other charges are comprised of credits from the CDC's contribution to the cost of the production study, charges incurred by the CDC on behalf of the milk pools, bank charges from the milk pool account, and any unrealized gains or losses on outstanding foreign exchange contracts as at the Statement of Financial Position date.

Administrative Expenses

Salaries and employee benefits make up most of the administrative expenses. Other administrative expenses are mainly comprised of the depreciation on the right-of-use asset on the office lease, as well as professional and special services, and administrative support charges. The increase is mainly due to hiring of additional staff to administer new programs.

3. Key Results of the Statement of Financial Position

Inventories

As at October 31, 2023, the value of inventory is $25.71 million, compared to $90.95 million as at July 31, 2023.

Total CDC butter stocks as at October 31, 2023, were approximately 2,632 tonnes, a decrease of 6,274 tonnes since July 31, 2023. This is the result of a normal seasonal cycle involving a gradual increase of butter inventory in the spring and summer months and then a decrease leading up to the December Holiday Season when manufacturers repurchase a significant portion of Plan B butter from the CDC due to higher consumer demand for butter.

Plan C repurchase agreement

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

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

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

As at October 31, 2023, the balance of outstanding Plan C repurchase agreements is $8.67 million compared to $11.99 million as at July 31, 2023. The quantity of cheese held as collateral for these repurchase agreements on October 31, 2023, is 963 tonnes.

Loans from the Government of Canada

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

As at October 31, 2023, loans from the Government of Canada were paid in full, while the balance of outstanding loans as at July 31, 2023, was $58.71 million. The decrease in the total balance of inventory and Plan C repurchase agreements resulted in lower loan requirements.

Deposit account with the Government of Canada

The deposit account with the Government of Canada is a special deposit account established in the public accounts of Canada using the Government of Canada's Consolidated Revenue Fund. When the Loans from the Government of Canada are paid in full, surplus cash generated from commercial operations are maintained in this account. This liquidity is used first ahead of borrowings from the Government of Canada to finance commercial expenditures.

As at October 31, 2023, deposits held in the CDC special account totalled $8.05 million.

Cash Flows

	For the three-months ended		
(in thousands)	Oct 31, 2023	Oct 31, 2022	$ change
Net cash flows from (used in) operating activities	$ 63,030	$ 74,028	$ (10,998)
Net cash flows from (used in) financing activities	$ (58,814)	$ (56,639)	$ (2,175)
Net cash inflows (outflows)	**$ 4,216**	**$ 17,389**	**$ (13,173)**
Net bank overdraft at beginning of the period	$ (11,068)	$ (8,359)	$ (2,709)
Net cash (bank overdraft) at the end of the year	**$ (6,852)**	**$ 9,030**	**$ (15,882)**

The CDC's closing bank cash position as at October 31, 2023, is net bank overdraft cash of $6.85 million compared to a net cash of $9.03 million as at October 31, 2022. This represents an decrease in the net cash position of $15.88 million.

Cash Flows from Operating Activities

Net cash inflows from operating activities during the first three months of the year amounted to $63.03 million compared to $74.03 over the same period last year. The $11.00 million change in net cash inflows from operating activities is mainly explained by lower cash receipts from the sale of butter inventories during the period.

Cash Flows from Financing Activities

Net cash outflows from financing activities during the first three months of the year amounted to $58.81 million compared to $56.64 million over the same period last year. During this time, all outstanding loans were repaid. The $2.18 million change in cash movement from financing activities is explained by fewer outstanding loans at YE than prior year.

4. Outlook against the Corporate Plan Summary

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

Total milk production for the most recent 12-month period reached 406.9 M kg of butterfat. The December 2023 12-month total requirements are forecasted at 428.5 M kg of butterfat. Production has been at expected levels for most of 2023, with milk production is anticipated to remain steady early in the new year.

Levels of CDC and private stocks reached 26,857 tonnes on October 31, 2023.

5. Parliamentary Appropriations

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

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

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

The following table provides the parliamentary appropriations authorized for the Government of Canada fiscal year of April 2023 to March 2024 and the remaining portion available for use from the start of the next quarter up the end of March 2024.

(in thousands)	As at Oct 31, 2023
Parliamentary appropriations authorized - April 2023 to March 2024	**$ 4,374**
Portion recognized as income and received in the previous fiscal year	$ 1,458
Portion recognized as income and received in the current fiscal year	$ 1,093
Total parliamentary appropriations recognized as income and received	**$ 2,551**
Parliamentary appropriations available - October 31, 2023	**$ 1,823**

6. Risk Management

As at October 31, 2023, there is no update to the CDC's financial risks or risk management strategy as described in the annual report.

7. Significant Changes

The following significant changes in operations, industry initiatives, programs, personnel, objectives, and Governing Board occurred between August 1, 2023, and October 31, 2023, in comparison with the Corporate Plan Summary.

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

Statement of Management Responsibility

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

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

Original signed by:

Benoit Basillais, Chief Executive Officer

Chantal Laframboise, Director, Finance and Administration

Ottawa, Canada

December 19, 2023

Canadian Dairy Commission
Statement of Financial Position

(unaudited)
(in thousands of Canadian dollars)

	As at October 31, 2023	As at July 31, 2023
Assets		
Current		
Cash	$ 18	$ 14
Deposit account with the Government of Canada (Note 4)	8,047	-
Trade and other receivables		
Trade receivables	1,802	1,255
Advances to provincial milk marketing boards and agencies (Note 5)	14,917	11,082
Milk pools	1,512	1,619
Derivative asset - foreign exchange contracts	50	-
Inventory (Note 6)	25,711	90,954
Plan C repurchase agreements (Note 7)	3,185	6,508
	55,242	111,432
Non-Current		
Plan C repurchase agreements (Note 7)	5,485	5,484
Intangible asset	12	20
Right-of-use asset (Note 8)	521	559
	$ 61,260	**$ 117,495**
Liabilities		
Current		
Bank overdraft (Note 9)	$ 14,917	$ 11,082
Trade and other payables		
Trade payables and accruals (Note 10)	17,516	18,507
Distribution to provincial milk marketing boards and agencies	-	230
Other payables	776	1,193
Deferred revenue (Note 11)	8	4
Loans from the Government of Canada (Note 12)	-	58,707
	33,217	89,723
Non-Current		
Lease liability (Note 8)	548	651
Equity		
Retained earnings	27,495	27,121
	$ 61,260	**$ 117,495**

Commitments (Note 17)

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

These financial statements were approved and authorized for issue on December 19, 2023.

Benoit Basillais	Jennifer Hayes	Chantal Laframboise
Chief Executive Officer	Chairperson	Director, Finance and Administration

Canadian Dairy Commission
Statement of Operations and Comprehensive Income (Loss)
(unaudited)
(in thousands of Canadian dollars)

	For the three-months ended October 31, 2023	For the three-months ended October 31, 2022
Domestic sales and cost of sales		
Sales revenue (Note 14)	$ 86,659	$ 91,974
Cost of goods sold	85,821	91,555
Transport and carrying charges	601	351
Finance costs	291	28
Gross profit (loss) on domestic sales	(54)	40
Other income		
Funding from milk pools (Note 14)	2,440	2,109
Funding from the Government of Canada (Note 14)	1,093	1,038
Professional services and Other Income (Note 14)	418	232
	3,951	3,379
Total gross profit (loss) on domestic sales and other income	**3,897**	**3,419**
Operating expenses		
Industry initiatives	123	4
Cost of production study	257	218
Plan C program costs (Note 7)	191	48
Other charges (recoveries)	159	6
	730	276
Administrative expenses		
Salaries and employee benefits (Note 15)	2,332	2,028
Other administrative expenses	461	450
	2,793	2,478
Total operating and administrative expenses	**3,523**	**2,754**
Profit (loss) before distribution to provincial milk marketing boards and agencies	**374**	**665**
Distribution to provincial milk marketing boards and agencies	-	-
Total comprehensive income (loss)	**$ 374**	**$ 665**

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

Canadian Dairy Commission
Statement of Changes in Equity

(unaudited)
(in thousands of Canadian dollars)

	For the three-months ended October 31, 2023	For the three-months ended October 31, 2022
Retained earnings, beginning of the period	$ 27,121	$ 25,400
Total comprehensive income (loss) for the period	374	665
Retained earnings, end of the period	**$ 27,495**	**$ 26,065**

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

Canadian Dairy Commission
Statement of Cash Flows

(unaudited)
(in thousands of Canadian dollars)

	For the three-months ended October 31, 2023	For the three-months ended October 31, 2022
Cash flows from (used in) operating activities		
Cash received from customers and others	$ 86,803	$ 93,449
Cash paid to suppliers and others	(26,093)	(21,631)
Cash distributed to provincial milk marketing boards and agencies	(1,518)	(312)
Cash receipts from the Government of Canada	1,093	1,038
Interest income received	13	-
Interest paid on loans and the lease liability	(590)	(165)
Cash receipts from Plan C repurchase agreements	3,322	1,649
Net cash flows from (used in) operating activities	**63,030**	**74,028**
Cash flows from (used in) financing activities		
New loans from the Government of Canada	15,441	1,105
Loan repayments to the Government of Canada	(74,148)	(57,744)
Principal payments on the lease liability	(107)	-
Net cash flows from (used in) financing activities	**(58,814)**	**(56,639)**
Net cash inflows (outflows)	**4,216**	**17,389**
Net cash (bank overdraft) at beginning of the period	(11,068)	(8,359)
Net cash (bank overdraft) at the end of the period	**$ (6,852)**	**$ 9,030**
Components:		
Cash	$ 18	$ 3,063
Deposit account with the Government of Canada	8,047	16,583
Bank overdraft	(14,917)	(10,616)
Net cash (bank overdraft)	**$ (6,852)**	**$ 9,030**

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

Notes to the Financial Statements

1. Authority and objectives

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

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

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

Directive on Travel, Hospitality, Conference and Event Expenditures

In July 2015, the CDC was issued a directive (P.C. 2015-1104) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the CDC's Corporate Plan. As at October 31, 2023, the CDC continues to meet the requirements of this directive.

2. Basis of preparation

Statement of compliance

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The financial statements were approved and authorized for issue by the CDC Board on Tuesday, December 19, 2023.

Basis of presentation

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

Reporting period

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

Key sources of estimation uncertainty and critical judgements

The preparation of financial statements in accordance with IFRS requires management to exercise judgement and make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Areas where management has exercised judgement and made significant use of estimates and assumptions are discussed below.

Revenue from the Dairy Direct Payment Program

As at July 11, 2023, the government has announced a new 6 year program to compensate eligible dairy producers for additional concessions made under new trade agreements. The CDC has again been mandated by Agriculture and Agri-Food Canada (AAFC) to administer the new DDPP program and will provide administrative funding.

The Government of Canada has committed to compensation payments to eligible dairy producers through the Dairy Direct Payment Program (DDPP) for the market access concessions made under certain trade agreements. The total compensation payments committed by the government is $300 million in 2023-24, $250 million in 2024-25, $250 million in 2025-26, $150 million in 2026-27, $150 million in 2027-28, and $100 million in 2028-29. AAFC provides administrative funding to the CDC annually to fund the administration of the program.

As an agent administering the program on behalf of AAFC, revenue recognized by the CDC from the DDPP is limited to entitled administrative funding.

Timing of satisfaction of performance obligations and incremental costs in contracts with customers

The CDC’s contracts each contain a single performance obligation, the majority of which are satisfied at a point in time within a year. The CDC has four contracts with a performance obligation satisfied over time, which include the following:

- Administration of the pooling agreements: management has assessed that the satisfaction of this performance obligation is achieved on a monthly basis as pooling calculations are conducted.
- Administration of the Dairy Direct Payment Program: management has assessed that the satisfaction of this performance obligation is achieved on a monthly basis as the program is administered.
- Two of the CDC's audit contracts: management has assessed that the satisfaction of this performance obligation is achieved over time as the audit services are performed continually throughout the year.

Given that the CDC’s contracts’ performance obligations are satisfied within a year, the CDC recognizes the incremental contract costs as an expense when incurred.

Classification of Plan A & B Butter

Under section 9(1) of the *Canadian Dairy Commission Act*, the CDC operates domestic seasonality programs which include the purchase of Plan A and B butter. Plan A butter is purchased from processors that are not contractually obligated to repurchase the product, while Plan B butter is purchased from processors who are contractually obligated to repurchase the product at the prevailing support price at the end of an agreed upon period of time. Although the CDC customarily honours processors' requests to repurchase the Plan B butter, the CDC is not contractually obligated to sell the product back to the processors. Additionally, the CDC bears the significant risks of ownership when it holds the product, including theft and damage.

Given the CDC has a present ability to direct the use and obtain substantially all of the remaining benefits of the asset and bears the significant risks of ownership of the asset, management has concluded that control over the product is transferred to the CDC. Therefore, the CDC recognizes the Plan B butter purchased as inventory.

Reporting of the building lease

The CDC has a lease contract as a lessee on a building used for office accommodation and storage space. In concluding that the contract is or contains a lease, management made judgements in its assessment of whether the lease conveys the right to control the building, as demonstrated when the lessee has the right to obtain substantially all of the economic benefits and the right to direct the use of the asset.

The most significant items where estimates and assumptions are made by management are outlined below:

Allowance for inventory write-down

Management determines the allowance for inventory write-down through the use of assumptions. The net realizable value of inventory on hand at year-end is estimated using the price of milk on the international market as well as the price of existing contracts at or around year-end. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the Statement of Operations and Comprehensive Income (Loss) of the period in which they become known.

Measurement of Plan C repurchase agreements

Under section 9(1) of the *Canadian Dairy Commission Act*, the CDC operates programs which include the Plan C repurchase agreements, for which a description is provided in Note 6 – Plan C repurchase agreements.

Due to its financial arrangement's nature, IFRS requires the CDC to account for the Plan C repurchase agreements as financial assets. Management has used judgement to establish the valuation technique applied to measure the fair value of the Plan C repurchase agreements at initial recognition, as well as the discount rate applied as part of the discount rate adjustment technique.

Functional and presentation currency

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

3. *Significant accounting policies*

Cash

Cash includes funds on deposit at financial institutions.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value. The classification and subsequent measurement model of financial instrument categories are described below.

Classifications and subsequent measurements:

Cash	Financial asset measured at amortized cost
Deposit account with the Government of Canada…	Financial asset measured at amortized cost
Trade and other receivables..................................	Financial asset measured at amortized cost
Plan C repurchase agreements.............................	Financial asset measured at amortized cost
Bank overdraft...	Financial liability measured at amortized cost
Trade and other payables	Financial liability measured at amortized cost
Loans from the Government of Canada	Financial liability measured at amortized cost
Derivative financial asset and liability	Financial assets or financial liabilities measured at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities measured at amortized cost

Financial assets and financial liabilities measured at amortized cost are measured using the effective interest method.

Plan C repurchase agreements

The Plan C repurchase agreements are accounted for as financial assets. They are measured at fair value at initial recognition as it is different from their transaction price. The CDC calculates the fair value of the financial asset by applying the discount rate adjustment technique. The effective interest method is applied for subsequent measurement.

Derivative financial instruments

The CDC uses derivative financial instruments such as foreign exchange forward contracts to counter the adverse changes in foreign exchange related to purchases denominated in foreign currencies, including anticipated transactions, as well as to manage its cash balances and requirements. The CDC does not use freestanding derivative financial instruments for trading or speculative purposes. The CDC does not designate its foreign exchange forward contracts as hedges of underlying assets, liabilities, firm commitments or anticipated transactions and accordingly, does not apply hedge accounting.

The derivatives are initially recognized at fair value and are subsequently measured at FVTPL at the end of each reporting period. Changes in fair value are recorded as gains or losses in “Other charges” on the Statement of Operations and Comprehensive Income (Loss). A derivative with a positive fair value is presented as a financial asset while a derivative with a negative fair value is presented as a financial liability on the Statement of Financial Position.

Transaction costs

All transaction costs in respect of financial instruments classified as and subsequently measured at amortized cost are capitalized in the period in which they are incurred including at initial recognition. All transaction costs in respect of financial instruments classified as financial assets or financial liabilities measured at FVTPL are expensed in the period in which they are incurred.

Impairment

For trade and other receivables, any impairment provision must be measured applying the simplified approach for trade receivables as their payment terms do not include significant financing components. Under the simplified approach, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

For Plan C repurchase agreements, as the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses.

Inventory

Inventory is reported at the lower of cost, which is the purchase cost, or the estimated net realizable value. Cost is determined on a first-in, first-out basis except for Plan B butter inventories where cost is determined based on specific identification. Write-downs to net realizable value are reversed when there is a subsequent increase in the value of inventory up to a maximum of the purchase cost. The reversal is recognized as a reduction to cost of sales and an increase to the net realizable value of inventory in the period in which it occurs.

Equipment

Equipment is reported at cost less accumulated depreciation. Cost includes all measurable expenditures directly attributable to the acquisition and installation of the equipment.

Depreciation is reported in “Other administrative expenses” on the Statement of Operations and Comprehensive Income (Loss) and begins when the equipment is available for use by the CDC. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset less estimated residual value as follows:

Generator...................................... 10 years
Computer equipment.................... 3-5 years

Equipment is reviewed annually for indications of impairment or changes in estimated future economic benefits. If such impairment or changes exist, the carrying value is adjusted accordingly.

Intangible asset

Software

Internally developed application software is reported at cost less accumulated amortization. Cost includes all measurable expenditures directly attributable to the development of the software including employees' salaries, consultant fees and other identifiable costs specific to the project.

Depreciation is reported in "Other administrative expenses" on the Statement of Operations and Comprehensive Income (Loss) and is calculated on a straight-line basis over its estimated useful life of ten years.

Software is reviewed annually for indications of impairment or changes in estimated future economic benefits. If such impairment or changes exist, the carrying value is adjusted accordingly.

Leases – as a lessee

At inception of a contract, an assessment is performed to determine whether a contract is, or contains, a lease. If it does, the CDC would recognize a right-of-use asset and lease liability on the Statement of Financial Position at the commencement date of the contract. A right-of-use asset represents the lessee's right to use the underlying asset for the lease term and a lease liability represents the lessee's obligation to make the lease payments in exchange for the right to use the underlying asset.

The CDC does not recognize a right-of-use asset or lease liability for a lease with a term of 12 months or less or a lease for which the underlying asset is of low value, in which cases the lease payments are recognized as an expense on a straight-line basis over the term of the lease.

Building Lease

The lease contract on the building used for office accommodation and storage space is reported through a right-of-use asset and corresponding lease liability.

The carrying amount of the right-of-use asset on the office lease is reported at cost less accumulated amortization. Cost comprises the amount of the initial measurement of the lease liability. There were no lease payments made in advance or accrued lease payments relating to the lease immediately before the date of initial application, lease incentives received or initial direct costs, that otherwise would have been considered in the initial measurement of the right-of-use asset. The right-of-use asset is reviewed annually for indications of impairment. If impairment exists, the carrying value is adjusted accordingly.

The carrying amount of the lease liability is reported at the present value of the future lease payments, discounted using the CDC's incremental borrowing rate as at the date of initial recognition, increased to reflect the interest on the lease liability and reduced to reflect the lease payments made as at the date of the financial statements.

Depreciation on the right-of-use asset and the interest on the lease liability are both recognized in “Other administrative expenses” on the Statement of Operations and Comprehensive Income (Loss). Depreciation is calculated on a straight-line basis over the term of the lease. The interest rate on the lease liability is the same as the discount rate used at initial recognition of the lease liability.

Distribution to provincial milk marketing boards and agencies and recovery from provincial milk marketing boards and agencies

The CDC administers the Domestic Seasonality Program and the Plan C repurchase agreements throughout the year. Any operating surplus or deficits generated by these programs are respectively returned to or recovered from the provincial milk marketing boards and agencies on an annual basis at year-end. In both cases, they are reported on the Statement of Operations and Comprehensive Income (Loss) in the year that they are determined. In the event of an operating surplus at year-end, the return is reported under “Distribution to provincial milk marketing boards and agencies”. For an operating deficit, the recovery is reported under “Recovery from provincial milk marketing boards and agencies”.

Revenue from contracts with customers

Sales revenues

Domestic sales of butter are recognized as revenue at a point in time when control of the product is transferred to a customer. Control is typically transferred when the product is loaded into the customer's transportation equipment at the CDC's warehouse facilities – the customer being responsible for the transportation of the product. The transaction prices are based on the Canadian support price or other prices established by the CDC.

Payments received in advance for the sale of butter not yet transferred to the purchaser as at the end of the reporting period are reported in “Deferred revenue” on the Statement of Financial Position.

Funding from milk pools

As acting agent in carrying out administrative functions of the Comprehensive Agreement on Pooling of Milk Revenues (a federal-provincial agreement), the CDC collects and redistributes producer market returns on behalf of the provincial milk marketing boards and agencies. For these services, the CDC receives from dairy producers an annual fixed fee which offsets the costs associated with the administration of the agreement. Furthermore, the CDC is reimbursed for estimated carrying charges for normal levels of butter inventory and for other direct costs, including carrying charges for surplus butter inventories and Plan C repurchase agreement costs. Funding from milk pools is recognized as revenue over time, which typically occurs on a monthly basis when pooling calculations are completed, and producer market returns are collected and redistributed among the provincial milk marketing boards and agencies.

Professional Services

Income from professional services includes revenues from audit services and revenues from administrative services rendered as part of the Dairy Direct Payment Program (DDPP).

The CDC has two different types of audit service contracts. The first type of contract requires the audit report to be delivered to satisfy the performance obligations. The revenue is recognized at a point in time when the audit reports are delivered. The second type of audit service contract requires the CDC to provide audit services over the span of the dairy year to satisfy the performance obligations. The revenue is recognized equally over the dairy year. The transaction price for audit services is based on individual service contracts.

As an agent in carrying out administrative functions of the DDPP, the CDC prepares and issues payments on behalf of Agriculture and Agri-Food Canada. In exchange for rendering these services, the CDC is entitled to administrative funding from AAFC to offset the costs incurred while administrating the program. Revenues from administrative services are recognized over time at an amount equal to recoverable administrative costs incurred.

Performance Obligation

The CDC has elected to apply the practical expedient to not disclose the information about its remaining performance obligations at the end of the reporting period given they are part of contracts that have an original expected duration of one year or less.

Funding from the Government of Canada

Funding from the Government of Canada is appropriated by Parliament to cover certain administrative expenses. The funding is recognized as revenue in the period the expenses are incurred.

Cost of sales

All butter sold was purchased by the CDC at either the Canadian support price or at other prices established by the CDC, depending on the intended resale markets, except for a portion of butter imported by the CDC at international market prices. These costs are recognized as expense under cost of sales when the sale of goods is recognized as revenue.

Other expenses

All other expenses are recognized in the period in which they are incurred. Estimates for accruals are made at the end of each reporting period.

Foreign currency translation

Transactions in currencies other than Canadian dollars are recognized at the prevailing exchange rate at the date of the transaction. At the end of each reporting period, any trade payables denominated in foreign currencies are adjusted to reflect the prevailing exchange rate on that date.

Exchange differences resulting from the settlement of transactions denominated in foreign currency, as well as exchange differences resulting from the adjustment of any trade payables denominated in foreign currency at the end of the reporting period, are recognized in "Cost of goods sold on the Statement of Operations and Comprehensive Income (Loss).

Employee benefits

Pension benefits

Eligible CDC employees are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the CDC to cover current service cost of the Plan. Pursuant to legislation currently in place, the CDC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the period when employees have rendered service and represent the total pension obligation of the CDC.

Application of new and revised IFRS accounting standards in effect

The below amendments to the standards issued by the International Accounting Standards Board (IASB) are effective for annual periods beginning on or after Sunday, January 1, 2023. They have been adopted by the CDC on August 01, 2023. They did not have an impact on the financial statements.

Definition of Accounting Estimates (IAS 8 – Accounting policies, changes in accounting estimates and errors)

In February 2021, the IASB published amendments to IAS 8 to replace the definition of a change in accounting estimates with a new definition of accounting estimates. This amendment is effective for annual reporting periods beginning on or after January 1, 2023. Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment is intended to help financial statement preparers distinguish between changes in estimates and changes in accounting policies.

New and revised IFRS accounting standards issued, but not yet effective

The below amendments to the standards issued by the IASB are effective for various annual reporting periods beginning on or after January 1, 2024, and have not yet been adopted by the CDC. The CDC is currently assessing the possible impact of these amendments on future financial statements.

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

In January 2020, the IASB published an amendment to IAS 1 relating to the classification of current and non-current liabilities. This amendment is effective for annual reporting periods beginning on or after January 1, 2024. When this amendment is adopted, a liability is to be classified as non-current if the entity has a "right" to defer settlement "at the end of the reporting period" irrespective of the entity's intention to defer its settlement. The amendment defines *settlement* as follows: "for the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability."

Disclosure of Accounting Policies (IAS 1 – Presentation of Financial Statements & IFRS Practice Statement 2)

In February 2021, the IASB published an amendment to IAS 1 and IFRS Practice Statement 2 relating to the disclosure of accounting policies. This amendment is effective for annual reporting periods beginning on or after January 1, 2024. The wording in the standard was changed from requiring the disclosure of significant accounting policies to requiring the disclosure of material accounting policies in the notes to the financial statements. Further guidance is provided to identify accounting policies that are deemed material. In the IFRS Practice Statement 2, a "four-step materiality process" was included to help apply the changes to the standard.

4. Deposit account with the Government of Canada

Pursuant to section 15 of the Canadian Dairy Commission Act, there is established in the public accounts of Canada a special deposit account for the CDC using the Government of Canada's Consolidated Revenue Fund.

All funds deposited by the CDC are first applied against any outstanding loans with the government of Canada. Once all loans have been repaid funds are deposited to this account within the CRF. The ending balance in the account at the reporting period is $8.05 million (July 31, 2023: nil).

5. Advances to provincial milk marketing boards and agencies

Advances are made to certain provincial milk marketing boards and agencies to help them cash manage the monthly timing difference between when they pay producers within their province and when they receive their cash distribution resulting from the monthly pooling calculation of milk revenues.

Eligibility to receive an advance, as well as the maximum allowable advance, are based on a methodology approved by the Canadian Milk Supply Management Committee (CMSMC). The advance is provided using the line of credit established for this purpose (see Note 9 – Bank overdraft).

(in thousands of Canadian dollars, unless otherwise indicated)

6. Inventory

The CDC's inventory includes butter purchased under the Domestic Seasonality Program, and butter imported by the CDC under the World Trade Organization (WTO) Agreement on Agriculture.

Inventory:

	As at:			
	October 31, 2023		July 31, 2023	
	in $	in tonnes	in $	in tonnes
Plan B butter	$ 24,091	2,358	$ 90,954	8,906
Other butter	1,620	274	-	-
Total net realizable value	$ 25,711		$ 90,954	

Inventory expensed in the period ended October 31, 2023 was $85.82 million (October 31, 2022: $91.56 million) and is reported on the Statement of Operations and Comprehensive Income (Loss) in cost of goods sold.

7. Plan C repurchase agreements

Under section 9(1) of the *Canadian Dairy Commission Act*, the CDC operates programs which include the Plan C storage and buy-back program for cheese (Plan C repurchase agreements). The program consists of repurchase agreements to initially purchase cheese from a processor up to an agreed quantity at a pre-established purchase price, and temporarily storing the product for a set period of time, after which the processor is contractually obligated to repurchase the product.

Although legally the cheese is purchased and owned by the CDC, an activity that is consistent with permissible use of government loans under the *Canadian Dairy Commission Act*, IFRS requires the CDC to account for the Plan C repurchase agreements as financial arrangements and must therefore be reported as financial assets, as opposed to inventory. This financial asset is reported in "Plan C repurchase agreements" on the Statement of Financial Position. No domestic sales revenue is reported when Plan C cheese is repurchased.

The following represents a reconciliation of the current and non-current portions of Plan C repurchase agreements as presented on the Statement of Financial Position based on their maximum repurchase dates as at:

	October 31, 2023	July 31, 2023
Current	$ 3,185	$ 6,508
Non-current	5,485	5,484
Total	$ 8,670	$ 11,992

All non-current Plan C repurchase agreements will be repurchased by June 2025.

(in thousands of Canadian dollars, unless otherwise indicated)

Program expenses are recognized in “Plan C program costs” on the Statement of Operations and Comprehensive Income (Loss) and is fully recoverable through funding from milk pools.

8. *Right-of-use asset and lease liability*

The CDC’s only right-of-use asset and lease liability pertain to a building under a lease contract with the Government of Canada. The building is used for its office accommodation and storage space. The lease renewal option for the building lease came into effect on April 1, 2022, which extends through March 31, 2027. As of April 1, 2023, an amendment was made to the current lease contract, amending the lease payment amounts and schedule.

The following represents a reconciliation of the opening and closing balance of the right-of-use building:

Balance as at August 1, 2023		559
Depreciation charge for the year		(38)
Carrying amount as at October 31, 2023	$	521

The following represents a reconciliation of the opening and closing balance of the building lease liability:

Balance as at August 1, 2023	$	651
Interest expense		4
Lease payments		(107)
Balance as at October 31, 2023		548
Current		180
Non-current		368
Balance as at October 31, 2023	$	548

The total cash outflow for the building lease liability for the period ended October 31, 2023 was $0.11 million (October 31, 2022: nil), including principal and interest payments. The total expense relating to short-term leases or leases for which the underlying asset is of low value, is not material.

9. *Bank overdraft*

The CDC has established a line of credit with a member of the Canadian Payments Association. This line of credit was authorized by the Minister of Finance up to a maximum of $50 million with its intended use of advancing funds to the provincial milk marketing boards and agencies. The line of credit is provided in the form of a bank overdraft. As at October 31, 2023, the established credit limit from the bank is $25 million (July 31, 2023: $25 million). This loan is due on demand

(in thousands of Canadian dollars, unless otherwise indicated)

and bears interest calculated at the prime rate of 7.20% per annum as at October 31, 2023 (July 31, 2023: 7.20%).

10. Trade payables and accruals

Trade payables and accruals includes:

	October 31, 2023	July 31, 2023
Trade payables	$ 5,572	$ 6,416
Accruals	11,944	12,091
Total	$ 17,516	$ 18,507

11. Deferred revenue

Deferred revenue is comprised of payments received in advance for the sale of product not transferred to the purchaser as at the end of the reporting period.

Revenue recognized in the period that was included in deferred revenue at the beginning of the reporting period is nil (October 31, 2022: nil). Revenue recognized in the reporting period that was included in deferred revenue at the beginning of the reporting period are as follows:

12. Loans from the Government of Canada

Loans from the Government of Canada's Consolidated Revenue Fund are available to finance operations, up to a maximum of $350 million (July 31, 2023: $350 million). Note however that the combined total outstanding borrowings at any time for the Loans from the Government of Canada and from the Bank overdraft (discussed in Note 9 – Bank overdraft) cannot exceed $350 million (July 31, 2023: $350 million).

Individually, the loans mature one year after the funds are advanced. Principal and interest are paid regularly during the year when funds are available. Changes in Loans from the Government of Canada are due to cash flows from and used in financing activities, which is reflected in the Statement of Cash Flows.

Interest on the loans is calculated at the normal rates established for Crown corporations by the government and based on the latest available yields on comparable term Treasury bills plus one-eighth of one percent at simple interest. Interest rates and interest expense were as follows:

	October 31, 2023	October 31, 2022
Interest rates		
Low	4.58%	1.60%
High	5.28%	2.96%
Interest expense	$ 338	$ 34

(in thousands of Canadian dollars, unless otherwise indicated)

13. Capital management

The CDC's capital management framework ensures sufficient liquidity to settle financial obligations and adequate funding for programs that benefit the dairy industry. The CDC does not utilize any quantitative measurements to monitor its capital, but the CDC adjusts its capital management framework on an ongoing basis as amounts fluctuate during the year. There were no adverse changes made to the capital management framework or its definition thereof.

The CDC's capital structure consists of loans from the Government of Canada (see Note 12) and retained earnings. As at October 31, 2023, these accounts totalled nil (July 31, 2023: $58.71 million) and $27.50 million (July 31, 2023: $27.12 million) respectively. The CDC is not subject to any externally imposed capital requirements.

14. Disaggregation of revenue

The CDC derives its revenue from the following segments:

	October 31, 2023	October 31, 2022
Domestic sales		
Plan A butter	$ -	$ 61
Plan B butter	74,382	81,866
Imported butter	12,277	10,047
Domestic sales revenue	$ 86,659	$ 91,974
Milk pools		
Funding for administrative expenses	$ 1,165	$ 1,130
Funding for Plan A and Plan B butter and Plan C repurchase agreement carrying charges	820	715
Other recoverable expenses	445	264
Funding from milk pools	$ 2,440	$ 2,109
Professional services and Other income		
Administrative services	$ 188	$ -
Audit services	208	232
Interest Income	22	-
Professional services and Other income	$ 418	$ 232
Funding from the Government of Canada	$ 1,093	$ 1,038
Total revenue	$ 90,610	$ 95,353

(in thousands of Canadian dollars, unless otherwise indicated)

15. Salaries and employee benefits

Salaries and employee benefits includes:

	October 31, 2023	October 31, 2022
Salaries expense	$ 1,912	$ 1,656
Pension contributions	265	237
Medical insurance expense	90	77
Other expenses	65	58
Total	$ 2,332	$ 2,028

Pension plan

Substantially all CDC employees are covered by the public service pension plan (the "Plan"). Given the Plan is sponsored by the Government of Canada, the President of the Treasury Board of Canada sets the required employer contributions, which are based on a multiple of the employee's required contribution. The general contribution rate effective for the period ended October 31, 2023, was on average 1.01 times the employee's rate (July 31, 2023: 1.01 times the employee's rate).

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service multiplied by the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

16. Financial instruments

Fair value hierarchy and fair value techniques of financial instruments

Financial instruments reported at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs to valuation techniques used to measure fair value.

The fair value hierarchy, which for the CDC only applies to derivative financial instruments, has the following levels:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs are unobservable inputs for the asset or liability (i.e. not based on observable market data).

The fair value measurement of financial derivative assets and liabilities, specifically the "Derivative asset – foreign exchange contracts" and "Derivative liability – foreign exchange contracts", were classified as level 2 of the fair value hierarchy as at October 31, 2023, and July 31, 2023. The fair value measurement of foreign currency forward contracts is based on the prevailing exchange rate at the end of the reporting period.

All other financial instruments that the CDC holds are reported at amortized cost. The fair value of these financial instruments approximates their carrying amount due to their short-term maturity or nature.

In the normal course of operation, the CDC is exposed to the following risks, which are managed and mitigated with corresponding policies and procedures:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The CDC is exposed to this risk when purchasing goods through its normal international commercial operations. The CDC mitigates this exposure by only contracting in US and Canadian dollars. Also, the CDC uses foreign exchange forward contracts to lock future exchange rates on certain foreign currency exposures. This is done to stabilize the impact of exchange on future cash flows resulting from the purchase of goods on existing contracts requiring payment in US dollars.

As at October 31, 2023 and July 31, 2023, the exposure to currency risk was not material.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The line of credit, for which interest varies as a function of prime, and loans from the Government of Canada, for which interest varies as a function of the yield on comparable Treasury bills, expose the CDC to a cash flow risk. The higher interest rates have not had a material impact on the CDC due to the low levels of government loans this year..

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The CDC is not significantly exposed to this type of risk.

Liquidity risk

Liquidity risk is the risk that the CDC will not be able to meet its financial obligations as they fall due. As at the Statement of Financial Position date, other than some of the Plan C repurchase agreements, all of the CDC's financial instruments are current and the CDC has a current ratio equal to 1.66 (July 31, 2023: 1.24). In managing liquidity risk, the CDC has access to additional borrowings for commercial operations from the Government of Canada in the amount of $ 350.00 million (July 31, 2023: $291.29 million), as well as $10.08 million (July 31, 2023: $13.92 million) on its line of credit for the pooling of market returns, both as at October 31, 2023. The combined total outstanding borrowings at anytime from these two sources cannot exceed $350 million (July 31, 2023: $350 million), meaning that the overall access to additional borrowings, combined for commercial operations and for pooling of market returns, is $335.08 million as at October 31, 2023 (July 31, 2023: $280.21 million).

Credit risk

Credit risk is the risk of financial loss for one party due to another party failing to meet its financial obligations.

The CDC manages the credit risk from trade receivables by selling product on a "payment first" basis. The CDC considers the credit risk associated with other receivables not material given those amounts are withheld from amounts owed back to the provincial milk marketing boards and agencies. As at October 31, 2023, and July 31, 2023, the CDC does not have an allowance for doubtful accounts and all trade and other receivables are current.

The CDC manages the credit risk from Plan C repurchase agreements by only entering into agreements secured by the right to the cheese, and agreements that provide recourse to the CDC if the processor fails to meet its repurchasing obligation. Additionally, losses arising from the Plan C repurchase agreements, if any, are guaranteed by the provincial milk marketing boards and agencies through a decision by the Canadian Milk Supply Management Committee. As at October 31, 2023, and July 31, 2023, the CDC does not have a loss allowance for Plan C repurchase agreements given no credit loss is expected within the next 12 months.

The CDC is exposed to credit risk when it holds foreign exchange forward contracts. This exposure is limited to the notional amount of Derivative asset or liability – foreign exchange contracts when held. The CDC manages this risk by only entering into foreign exchange forward contracts with major Canadian financial institutions. To date, no such counterparty has failed to meet its financial obligation to the CDC.

17. Commitments

Industry Initiatives

Industry initiatives are initiatives that provide benefits to the industry, such as the Matching Investment Fund and the Workforce Development Initiative.

Matching Investment Fund

The CDC funds and administers the Matching Investment Fund which provides non-repayable contributions to Canadian-registered companies or food technology centres for product development, on an investment matching basis. As at October 31, 2023, the CDC has outstanding contractual commitments of up to $0.04 million (July 31, 2023 $0.02 million).

Workforce Development Initiative

The Workforce Development Initiative encourages productivity, competitiveness, and innovation in the Canadian dairy industry by supporting the education and recruitment of a qualified workforce. As at October 31, 2023, the CDC has outstanding contractual commitments of $0.05 million (July 31, 2023 $0.15 million).

Butter Purchase Commitments

As at October 31, 2023, the CDC has commitments to purchase predetermined quantities of butter. These commitments amounted to approximately $2.99 million (July 31, 2023: $0.4 million) and will be fulfilled by November 2023.

WTO Tariff Rate Quotas for Butter

The Government of Canada establishes tariff rate quotas (TRQ) for a number of dairy products, limiting the quantity of product that can enter the country with little or no duty. As part of the terms of the 1994 WTO Agreement, Canada is committed to providing minimum annual market access opportunities for butter totalling 3,274 tonnes. Since 1995, subject to renewal each quota year (August to July), the CDC is mandated by the Minister of International Trade to ensure that this butter TRQ, established in response to the 1994 WTO Agreement, is fully used and that the imported butter is redistributed to the Canadian food sector through butter manufacturers.

The CDC is committed under the same conditions for quota year 2023-2024 and the TRQ on butter remains at 3,274 tonnes. As at October 31, 2023, the unused portion this TRQ is 1,620 tonnes. The financial impact of this commitment for the next quarters is affected by the price variability between countries and type of eligible butter products, as well as the foreign exchange rates

The total cost to purchase imported butter for the period ending October 31, 2023, was $13.77 million (October 31, 2022: $16.06 million).

18. Related party transactions

Government of Canada entities

The CDC, as per the *Canadian Dairy Commission Act*, is an agent of His Majesty the King in right of Canada.

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

Under IAS 24 – *Related Party Disclosures,* the CDC is exempt from certain disclosure requirements relating to transactions and outstanding balances with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Accordingly, the CDC discloses limited information regarding transactions entered with the Government of Canada and its departments, and with all federal Crown corporations not considered to be individually or collectively significant.

The CDC's transactions with government-related entities that were individually significant relate to Loans from the Government of Canada (Note 12) and Funding from the Government of Canada.

All other transactions with government-related entities are individually and collectively insignificant for the reporting periods.

Key management personnel

The CDC's key management personnel are the members of the Commission's Board and the directors.

No loans or similar transactions with key management personnel are outstanding as at October 31, 2023, or July 31, 2023. There were no transactions of this nature during either period.

Post-employment benefit liability for key management personnel reported under "Other payables" on the Statement of Financial Position amounts to $0.05 million as at October 31, 2023 (July 31, 2023: $0.05 million).

Compensation of key management personnel for the reporting period is $0.42 million (October 31, 2022: $0.36 million).