

DAIRY FARMERS  
OF CANADA

SUMMER  
2024



# QUARTERLY SKIM



Welcome to the latest edition of DFC's Quarterly Skim, where we take a glimpse into what is happening in the marketplace and provide insight into what to expect in the upcoming months.

**Our goal?** To help you keep tabs on how the marketplace for dairy products is evolving.

In this edition for the 2nd quarter of 2024, we look at global dairy commodity prices, data on key dairy exports in 2023, and increasing imports during the last dairy year under Canada's international trade agreements. We also analyze dairy sales in the Canadian market (retail, food service, and further processing).

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# UPWARD TREND FOR GLOBAL DAIRY COMMODITY PRICES

Global milk prices are expected to continue growing in the second quarter of 2024 within the context of limited growth in global milk supply in the main producing and exporting regions, low skim milk powder (SMP) production, low stock level of SMP in the European Union (EU) and United States (US), as well as increasing demand for powders in the Middle East. This supply shortage is attributed to factors such as weather constraints, environmental regulations, high interest rates, and weak demand for powders from China. This situation has led to higher prices and International Farm Comparison Network (IFCN) research experts expect this trend to continue until the end of year.

While the US is struggling to increase milk production as they have issues with declining herd size, weather dynamics in the EU combined with environmental restrictions negatively affect the production in countries such as Germany, the Netherlands and Ireland, which saw a decrease of their herd size as well. In the case of New Zealand, pasture growth is worse than in the past year.

In May 2024, the IFCN world milk price indicator ended at the equivalent of \$57.01 CAD/hl of Solid Corrected Milk (SCM). An increase of 19% since its lowest level in September 2023, which was \$47.79 CAD/hl of SCM. This rise is mainly driven by butter and SMP increased import demand in the Middle East countries.

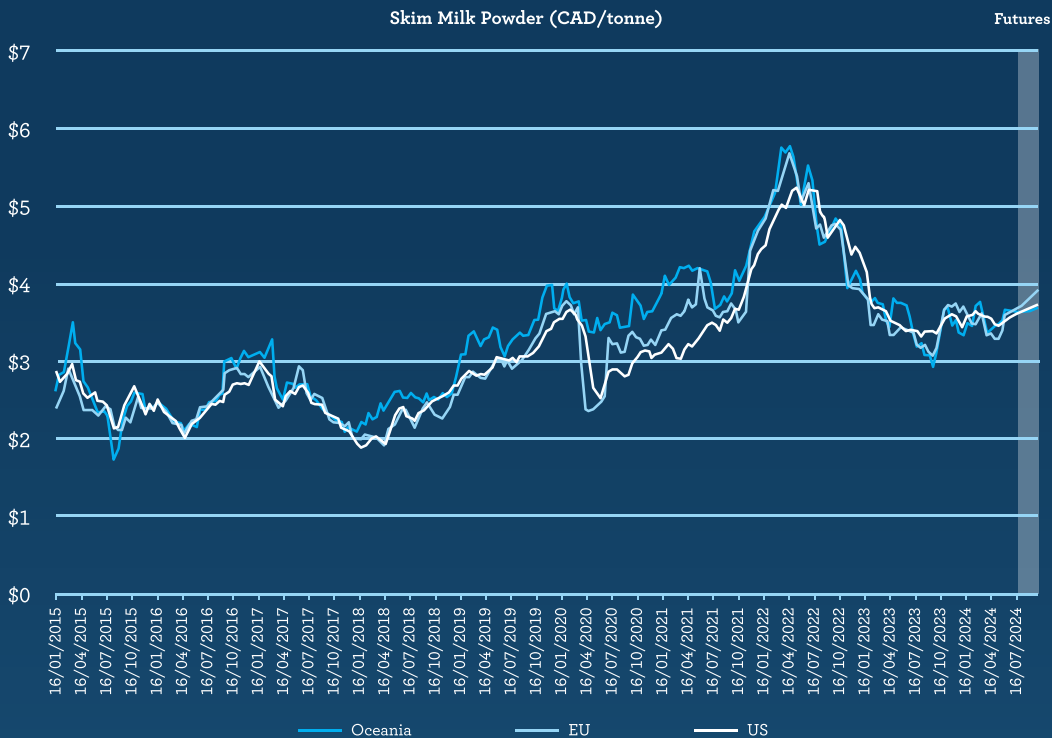
The average world prices for butter and SMP are depicted in Figure 1a and 1b. After the drop in prices observed at the beginning of 2022, prices have started to increase again since October 2023.

On a regional basis, SMP prices in all three regions followed a very similar upward trend in the second quarter of 2024. Butter prices in the US and EU were in an upward trend, while Oceania prices were down. However, IFCN forecasts a rebound for butter prices in the latter region during the second half of the year.

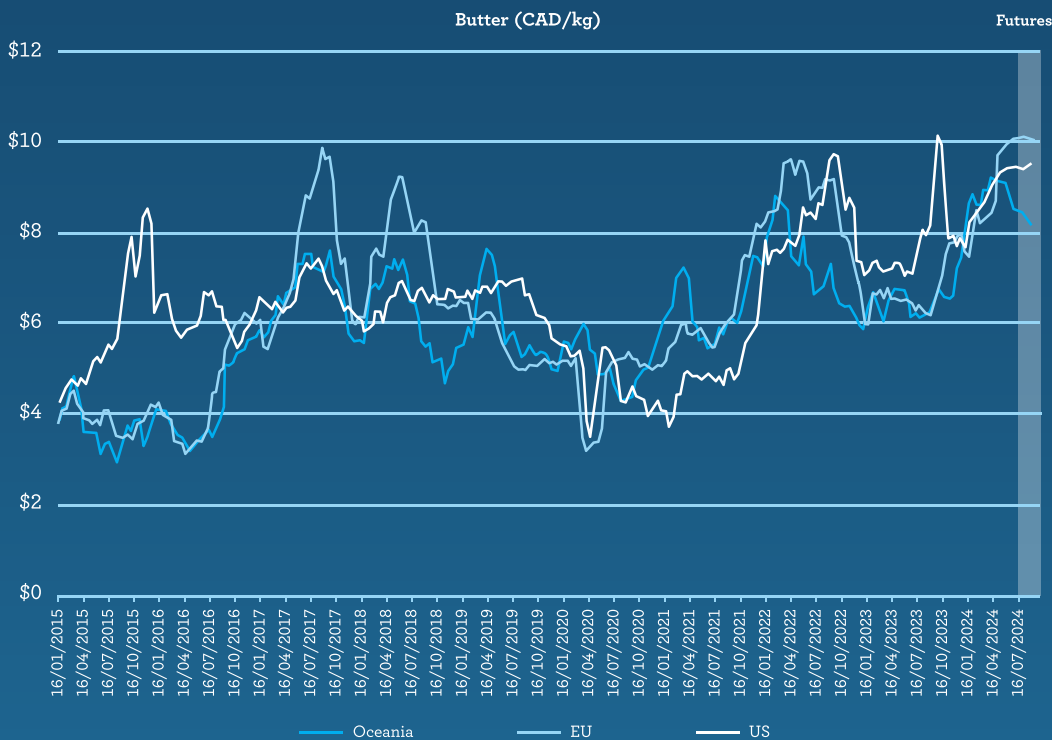
Fluctuations in global supply and demand, production costs, and domestic market conditions all contribute to the shaping of Class 4A solids non-fat (SNF) prices. When international prices rise, Class 4A SNF prices follow, leading to higher revenue for farmers. However, when international prices decline, Class 4A SNF prices follow a similar pattern, impacting farmer's revenues. Prices for domestic Class 4A SNF depicted in Figure 2 show an increase of 5% since their lowest level of \$2.41/kg CAD in September 2023 and have reached \$2.52/kg CAD in May 2024. For future prices, data shows that this upward trend is expected to continue into the second half of the year.



**FIGURE IA AND IB:  
EVOLUTION OF SKIM MILK POWDER AND BUTTER WORLD PRICES**

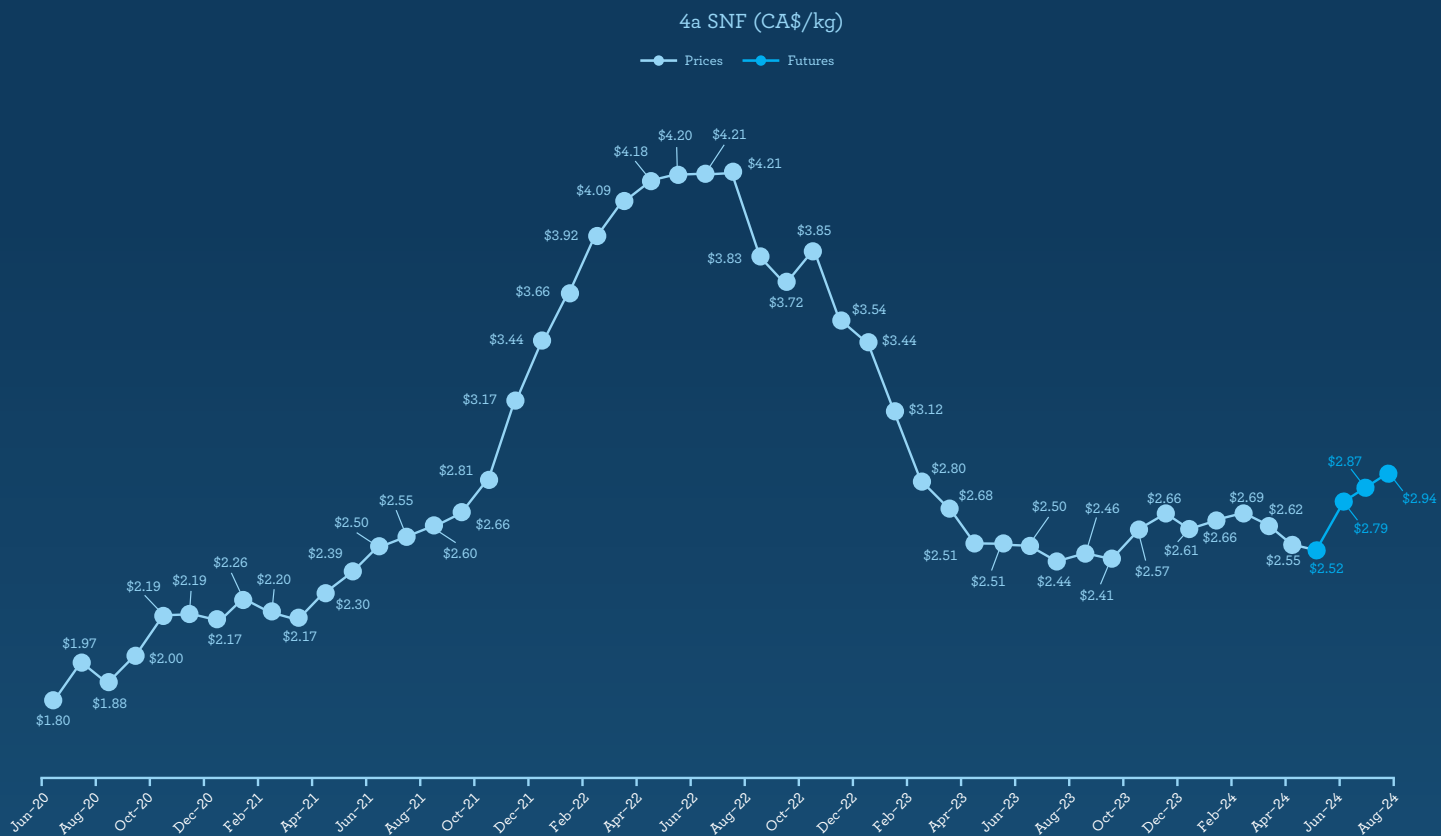


Source: USDA, CME, NZX, EEX and DFC calculations as of June 3, 2024



Source: USDA, CME, NZX, EEX and DFC calculations as of June 3, 2024

**FIGURE 2:  
EVOLUTION OF CLASS 4A SOLIDS NON-FAT (SNF) PRICES**



Note: Futures data is based on settled futures price for the prior trading day.  
Sources: AMS USDA (prices) and DFC estimates based on CME (futures) from June 5, 2024



# TRADE

## CANADIAN EXPORTS

### CHEESE

In 2023, the average price for Canadian cheese exports was \$12.13/kg, with a corresponding quantity of 8,612,071kg. Between 2021 and 2023, cheese exports showed a slight increase, which demonstrated a growing demand for Canadian cheese.

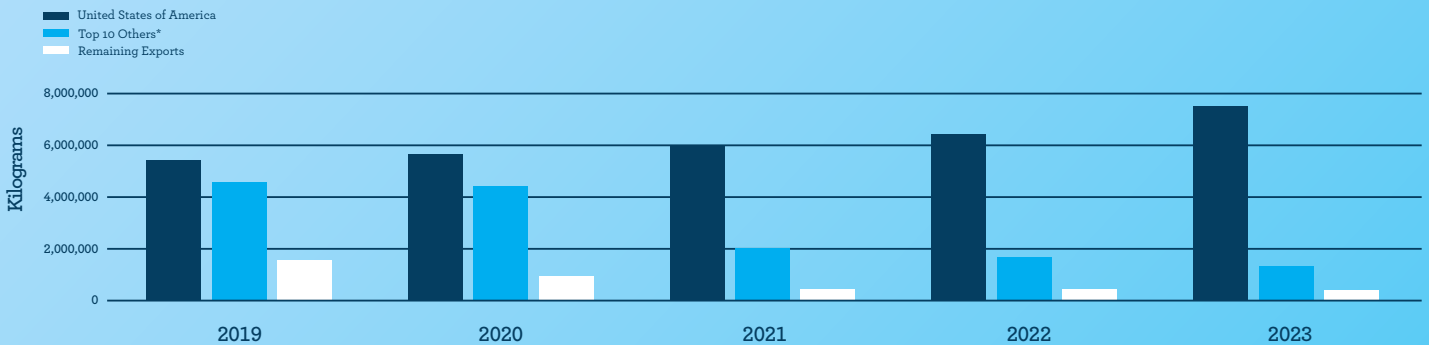
Despite the growth observed, cheese exports have not yet recovered the level they were before the pandemic. 2023 cheese export volumes are still 20% below 2019 levels. In 2019, Canada exported a quantity of 10,700,690kg of cheese at an average price of \$7.17/kg. Altogether, cheese exports represented 21% of the total value of dairy exports in 2023. The total value of cheese exports has been growing over the past five years due to increased export prices (see Figure 3).

**FIGURE 3:  
CANADIAN CHEESE EXPORTS**

YEAR	AVERAGE PRICE (\$)	QUANTITY (KG)	TOTAL VALUE (\$)
2019	\$7.17	10,700,690	\$76,751,798
2020	\$7.58	10,596,101	\$80,284,888
2021	\$9.62	7,106,212	\$68,354,673
2022	\$10.66	7,587,542	\$80,920,731
2023	\$12.13	8,612,071	\$104,499,383

Source: Statistics Canada, Canadian Dairy Information Centre (CDIC)

**FIGURE 4:  
TOTAL CHEESE EXPORTS**



\*Top 10 Others = cheese exporting countries other than the U.S., including Saudi Arabia, Australia, United Arab Emirates, Philippines, Japan, Bahamas, Egypt, Kuwait, Tunisia and Singapore.

Source: Canadian Dairy Information Centre (CDIC)

As seen in Figure 4 (on previous page), over the past five years, USA remains the primary destination of Canadian cheese. Cheese exports to the US have been increasing while they were on a declining trend to other destinations. In 2023, the US market represented 82% of total cheese exports. The share of the US market in total Canadian cheese exports increased by 39% since 2019.

By diversifying its export destinations, Canada could mitigate the risks associated with over-reliance to the US, responding to growing cheese demand opportunities in other markets, while also benefiting from dietary

customs and preferences in different countries. We have seen that, in terms of price, the highest average export price of cheese in 2023 went to the US at \$13.12/kg. This is approximately 11% higher than the total average export price of \$11.82/kg.

Despite Canada experiencing a significant decline in cheese exports to other markets since 2020 with the rise of pandemic, trade data shows that there is a demand for Canadian cheese in Asian and Middle Eastern markets.

## YOGURT

Yogurt exports grew substantially in 2023 (see Figure 5), now making up 17% of the total dairy exports in terms of value. In 2019, the average price was \$3.50/kg, with 15,667,441kg exported. By 2023, the average price had increased by 30% to \$4.55/kg, with 18,563,001kg exported. The US is the primary partner for Canadian yogurt exports, accounting for 99% of total yogurt export share in all five years. This suggests there is an increasing demand for Canadian-made yogurt south of the border.



**FIGURE 5:  
CANADIAN YOGURT EXPORTS**

YEAR	AVERAGE PRICE (\$)	QUANTITY (KG)	TOTAL VALUE (\$)
<b>2019</b>	<b>\$3.50</b>	<b>15,667,441</b>	<b>\$54,763,803</b>
<b>2020</b>	<b>\$4.27</b>	<b>14,733,597</b>	<b>\$62,868,964</b>
<b>2021</b>	<b>\$3.98</b>	<b>11,760,154</b>	<b>\$46,788,610</b>
<b>2022</b>	<b>\$4.19</b>	<b>13,878,864</b>	<b>\$58,103,495</b>
<b>2023</b>	<b>\$4.55</b>	<b>18,563,001</b>	<b>\$84,515,873</b>

Source: Statistics Canada, Canadian Dairy Information Centre (CDIC)

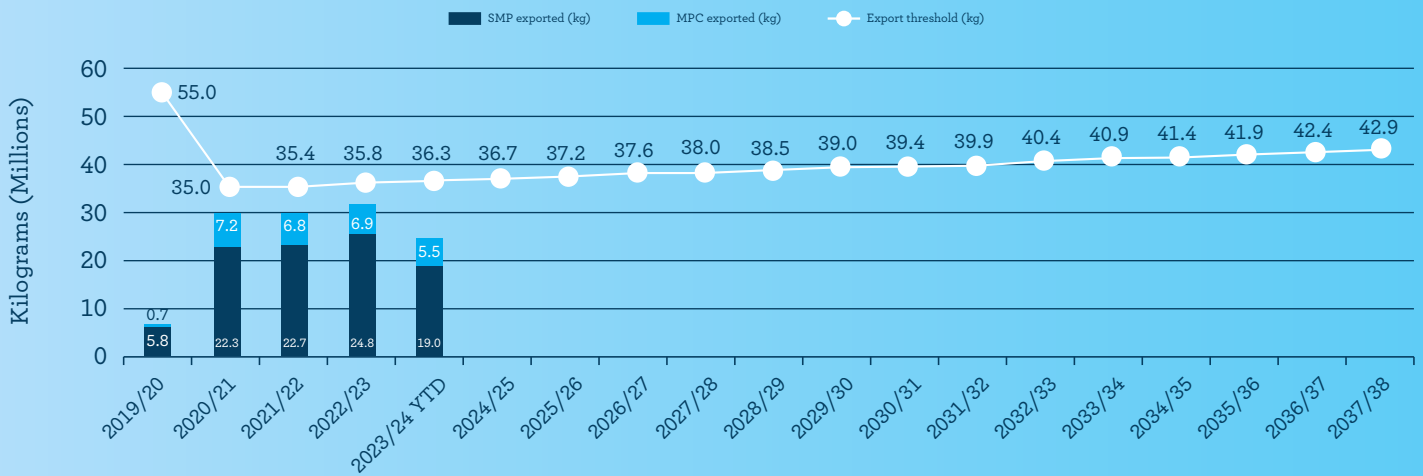
## SKIM MILK POWDER AND MILK PROTEIN CONCENTRATE

Under the Canada-United States-Mexico Agreement (CUSMA), a surcharge is imposed on exports of SMP and MPC that exceed a predetermined threshold. This establishes a limit on Canadian exports of these products. In the 2022/23 dairy year, 31.7 million kg of SMP and MPC were exported, within the export threshold of 35.8 million kg. With 6.9 million kg of MPC and 24.8 million kg of SMP, this is slightly above the 2021/22 dairy year volumes for each category.

Only two months remain in the 2023/24 dairy year, and so far, 16.4 million kg of SMP and 4.6 million kg of MPC were exported, totaling 20 million kg. This is consistent with export volumes at the same time last year and is below the export threshold of 36.3 million kg for this year (see Figure 6).

In 2023, Algeria, Egypt and the United Arab Emirates were the top importers of SMP from Canada: 27% of the total SMP exports went to Algeria, 25% went to Egypt and 13% went to the United Arab Emirates. For MPC, 93% of the total exports went to the US in 2023.

**FIGURE 6: SMP AND MPC EXPORTS**



Source: Global Affairs Canada (GAC)





# IMPORTS

This section will examine tariff rate quotas (TRQs) and fill rates under Canada’s foreign trade agreements up to May 2024. TRQs allow a pre-determined quantity to be imported for each dairy product.

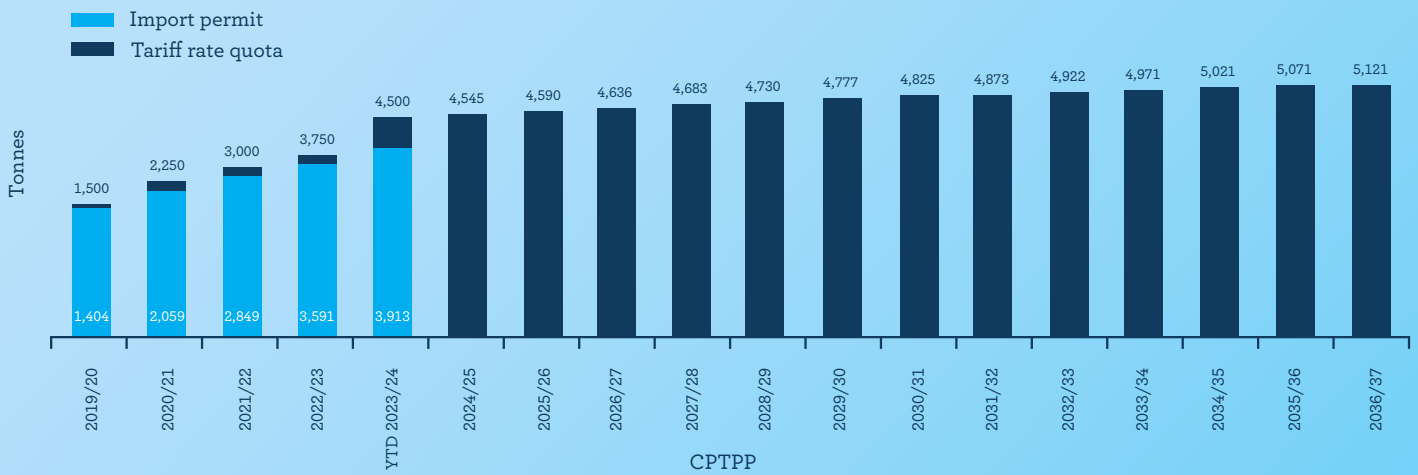
## TRQS: LOWER GROWTH PHASE OF GRANTED ACCESS LEVELS UNDER CPTPP AND CUSMA

While TRQs reached their full maturity in 2022 under the Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU, in the case of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a lower-growth phase will begin in 2024. Under CUSMA, TRQs are still in a high-growth phase until 2025. A lower-growth phase will begin in 2026.

For example, for butter levels under CPTPP (Figure 7), the butter TRQ reached 4,500 tonnes this year. This is up 200% from the 1,500-tonne access level in 2019/20. However, the pace of growth is set to decelerate next year, with an anticipated increase of only 13.8% to 5,121 tonnes from 2023/24 to 2036/37.

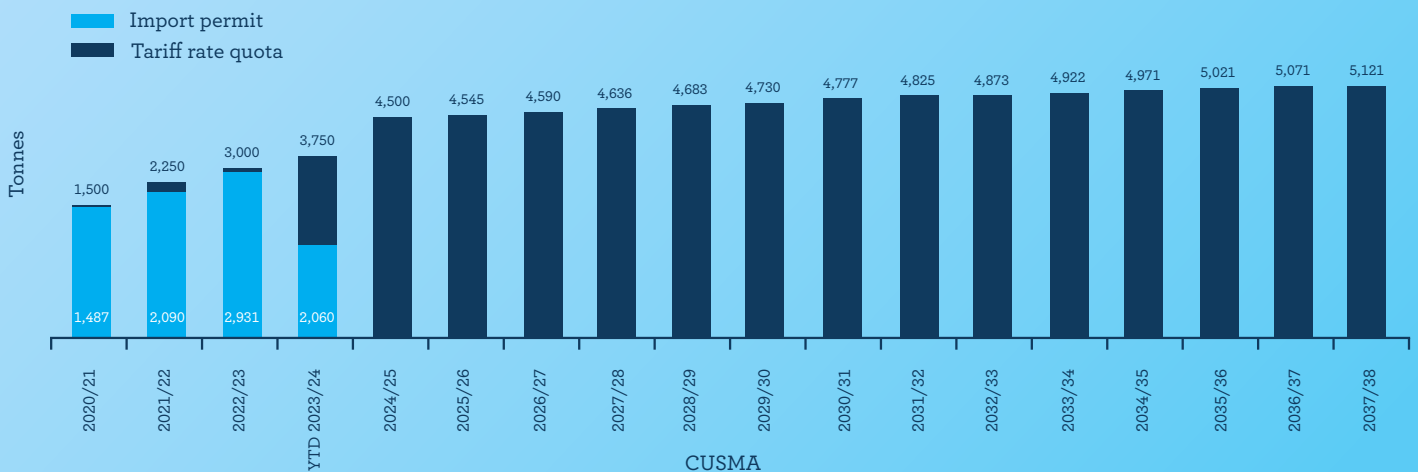
Similarly, under CUSMA (Figure 8), the TRQ for butter increased from by 150% from 1,500 tonnes in 2020/21 to 3,750 tonnes in 2023/2034. The TRQ is projected to slow down once it reaches a 4,500-tonne access level in 2024/2025. From 2024/25 to 2037/38, the TRQ will only increase 13.8% to 5,121.

**FIGURE 7: BUTTER TRQ LEVELS - CPTPP**



Source: Global Affairs Canada

**FIGURE 8: BUTTER TRQ LEVELS - CUSMA**



Note: For CUSMA, the tariff rate quota and import permits shall apply to butter or cream powder.

Source: Global Affairs Canada

## BUTTER

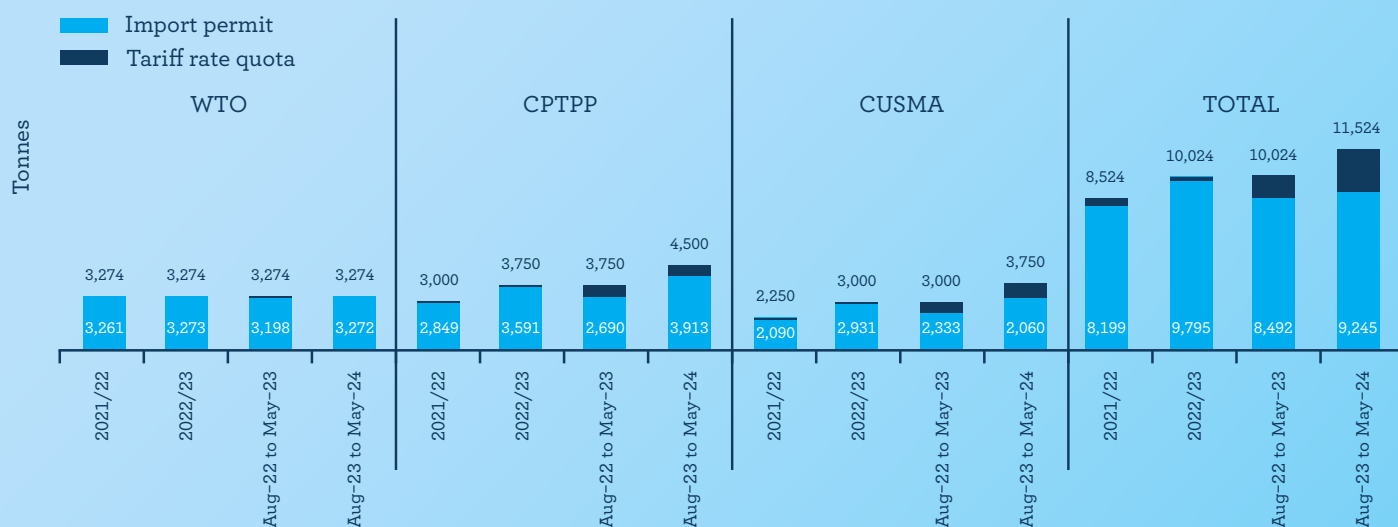
Butter’s TRQ under the World Trade Organization (WTO) is the same each year set at 3,274 tonnes. Fill rates of butter under the WTO were fully filled to 100% in the 2022/23 dairy year. This year to-date, the fill rate is already at 99.9%, with two months in the dairy year remaining.

Under CPTPP, the butter TRQ was nearly filled to capacity at 95.8% in the 2022/23 dairy year. This year, the TRQ has been filled up to 86.9% so far. During the same period last year, this was filled to 78.9%. This shows an acceleration in butter imports under CPTPP compared to last year. During this period, butter prices in the Oceania region have been lower and more competitive relative to other regions.

As seen in Figure 9, under CUSMA, this year to-date, butter imports have been filled 54.9%, with two months in the dairy year remaining. At the same time last year, this was filled to 77.8%. This decline can be partially attributed to a higher negotiated level from one year to the next. Import volumes will continue to be monitored with two months of the dairy year remaining.

Overall, we expect butter imports to grow this dairy year. Total imports are currently up 8.9% compared to the same time last year.

**FIGURE 9: BUTTER IMPORTS**



Note: For CUSMA, the tariff rate quota and import permits shall apply to butter or cream powder.

Source: Global Affairs Canada



## CREAM

For cream under the WTO, Canada’s TRQ commitment is 394 tonnes. During the 2021/2022 dairy year, this TRQ was filled by 65.1%. In the 2022/23 dairy year, this TRQ was filled to 81.5%, showing an increasing trend in imports. This year, the TRQ has been filled up to 64.7% to-date. This is slightly higher than the fill rate during the same period last year, at 60.8%.

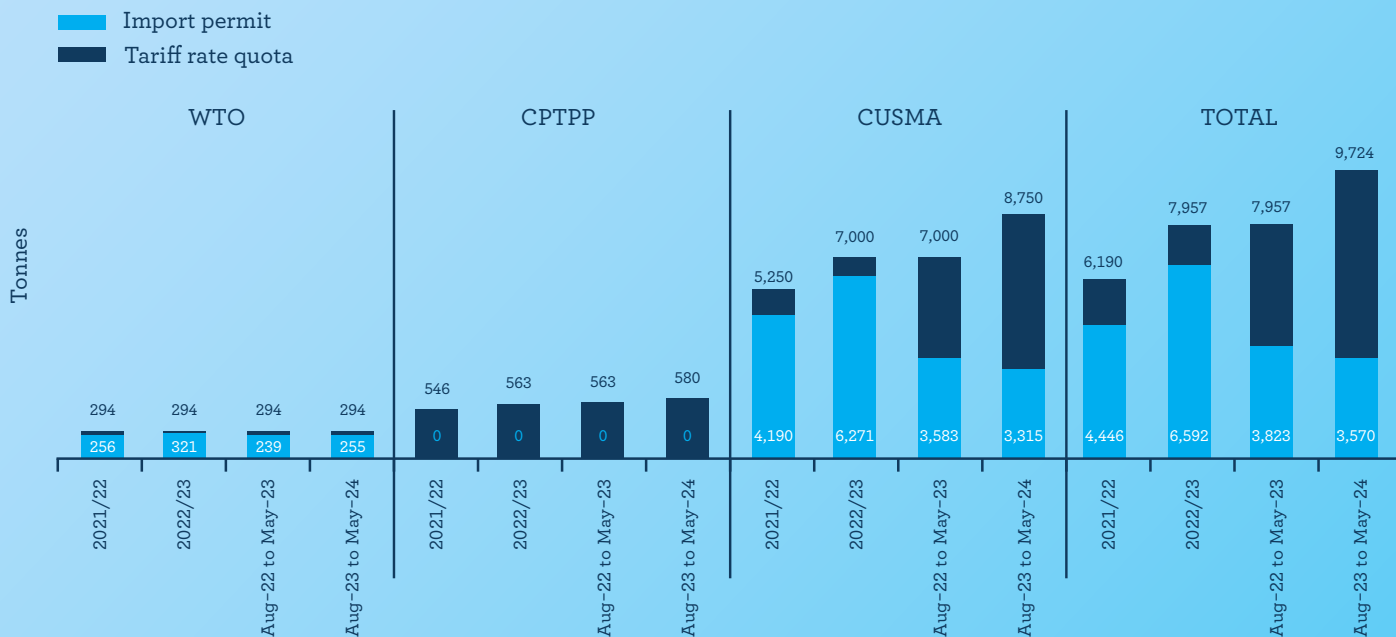
From the 2021/22 to 2022/23 dairy year, Canada’s CPTPP TRQ increased from 563 tonnes to 580 tonnes. There were no cream imports under CPTPP during these periods.

Canada’s CUSMA TRQ increased from 7,000 tonnes in the 2022/23 dairy year to 8,750 tonnes in the 2023/24 dairy year. In 2022/23, the fill rate was 89.6%. This year the fill rate is 37.9% to-date. At the same time last year, the fill rate was higher at 51.2%.

For cream, total year-to-date imports are steady with the previous year’s volumes (see Figure 10) .



**FIGURE 10: CREAM IMPORTS**



Source: Global Affairs Canada

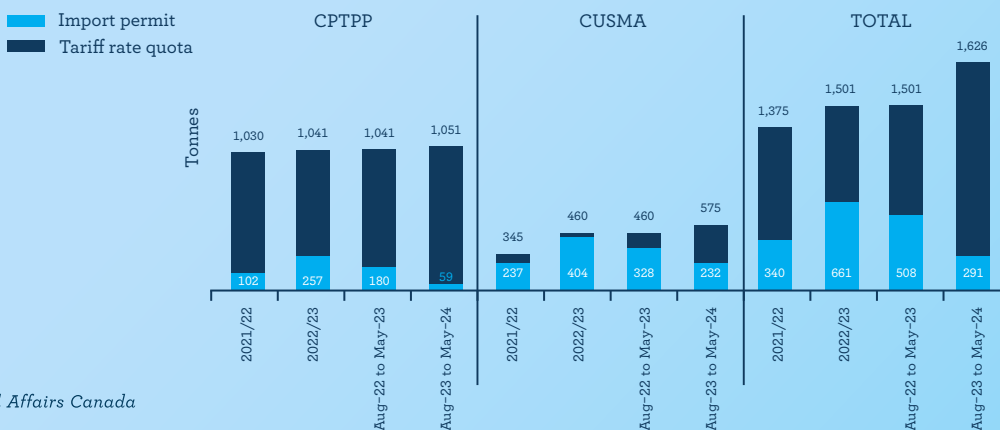
## MILK POWDER

Milk powder includes all powdered milk imports with a fat content by exceeding 1.5%. Imports under CPTPP for milk powder are lower compared to the same period during the 2023/2024 dairy year. As of April 2024, the TRQ has been filled up to 5.6%. This is down compared to the 17.3% it reached during the same period last year.

Under CUSMA, the TRQ increased from 460 tonnes in 2022/23 to 575 tonnes in 2023/24. This year, to date, the fill rate is 40.4%. At the same time last year, the fill rate was higher at 71.4%.

Across all agreements milk powder imports are down compared to the same time last year (Figure 11).

**FIGURE 11: MILK POWDER IMPORTS**



Source: Global Affairs Canada

## WHEY POWDER

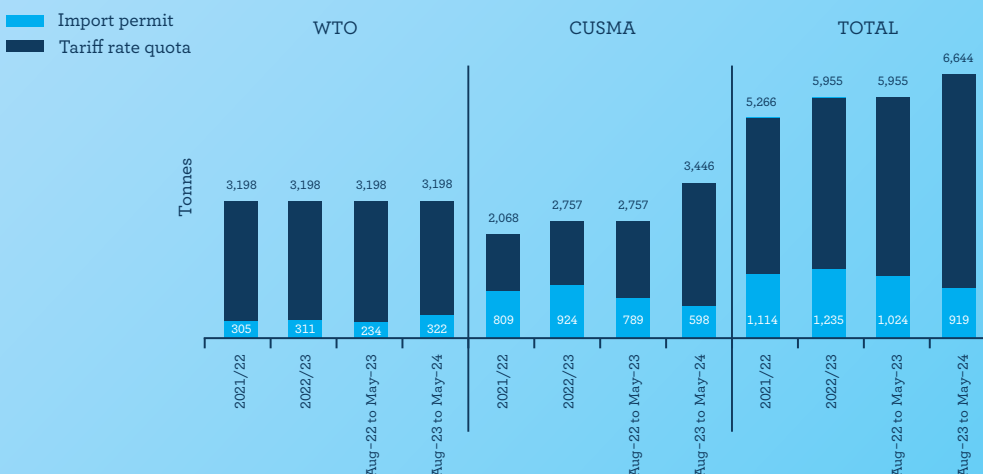
Under the WTO, Canada’s TRQ for whey powder imports is the same every year at 3,198 tonnes. In the 2022/23 dairy year this TRQ was filled to 9.7%. Currently, in the 2023/24 dairy year, this TRQ has been filled to 10.1%. At the same time last year, this was filled to 7.3%, which shows a slight acceleration in whey powder imports.

This year to-date, the TRQ has been filled 17.3% with two months in the dairy year remaining. This represents 598 tonnes of whey powder. At the same time last year, this was only filled to 28.6%, representing 789 tonnes of whey powder imports.

Under CUSMA, the TRQ for whey powder increased from 2,757 tonnes in 2022/23 to 3,446 tonnes in 2023/24.

In total, whey powder imports are down 10.2% compared to the same period last year (Figure 12).

**FIGURE 12: WHEY POWDER IMPORTS**



Note: Starting on August 1, 2029, this tariff rate quota shall be eliminated.

Source: Global Affairs Canada

# CONSUMPTION TRENDS IN THE TOTAL MARKET

**FIGURE 13: DOMESTIC DISAPPEARANCE  
12-MONTH PERIOD ENDING MARCH 2024 VS. 12-MONTH PERIOD ENDING MARCH 2023**

## CANADIAN MARKET

PERIOD	MARKET	TOTAL	RETAIL (NielsenIQ)		HOTEL, RESTAURANTS, INSTITUTIONS (HRI)		CLASS 5 FURTHER PROCESSING (CDC)	
		Sales in Volume (% Change)	Sales in Volume (% Change)	Sales in Volume (% Share)	Sales in Volume (% Change)	Sales in Volume (% Share)	Sales in Volume (% Change)	Sales in Volume (% Share)
12-MONTH PERIOD ENDING IN MARCH 2024	Dairy Product							
	Milk (litres)	+ 1.4%	- 0.4%	78.1%	+ 8.1%	19.9%	+ 10.1%	1.9%
	Cream (litres)	+ 2.9%	- 0.2%	39.5%	+ 2.5%	51.0%	+ 20.5%	9.5%
	Refrigerated yogurt (kilograms)	+ 4.0%	+ 3.5%	94.3%	+ 11.3%	4.7%	+ 29.6%	1.0%
	Butter (kilograms)	- 3.0%	+ 1.6%	59.0%	+ 1.2%	22.9%	- 19.2%	18.1%

### Notes

1. Total market for milk, cream, and refrigerated yogurt = production + imports for domestic market - domestic exports
2. Total market for natural cheese and butter = production + imports for domestic market +/- destocking - domestic exports
3. IREP, over-access committed imports, and foreign exports (re-exports) are not included in the total market
4. HRI = total market - NielsenIQ retail market - CDC class 5
5. HRI = hotels, restaurants and institutions, independent retailers that are not captured by Nielsen, Class 5 further processing when not available, and all other further processing not included in Class 5
6. Does not capture cross-border shopping of dairy products. These were estimated by Agriculture and Agri-Food Canada (AAFC) at 64,500 tonnes per year for fluid milk between 1989 and 1991

Sources: Statistics Canada, GAC, CDC, NielsenIQ, AAFC, and DFC calculations

In the first quarter of 2024, Canada's population grew its highest (3.2%) since 1957 (Statistics Canada, 2024). Most of Canada's recent population growth has stemmed from temporary immigration. The majority of those non-permanent residents were temporary workers responding to labour market needs, followed by international students (Statistics Canada, 2024). We expect population growth to slow down in upcoming years. This year, the Canadian government announced changes to reduce international student permits and limit temporary workers under the Temporary Foreign Worker Program (Government of Canada, 2024a; Government of Canada, 2024b).

Rising immigration offers opportunities to boost the consumption of dairy products. This has led to increased demand and consumption of milk, cream, refrigerated yogurt, and natural cheese in the 12-month period ending March 2024 compared to the same period a year prior (Figure 13).

Hotel, Restaurant, and Institutional (HRI) sales for most dairy products continue to be impacted by the shift to hybrid office work. Initially, the return to office/hybrid work environment hindered retail sales, favouring out-of-home consumption over at-home consumption.

However, the influence of this change in consumption habits is gradually diminishing and is expected to completely disappear by the first quarter of 2025. Milk sales rose by 1.4% with high consumption in the HRI sector and pressure on plant-based beverages due to high prices at retail. Cream consumption increased by 2.9%, mainly driven by the HRI and further processing market. Yogurt sales grew by 4.0%, with shifting consumer preference for healthy food and larger formats gaining popularity. Natural cheese sales rose by 2.7% at retail with prices softening. Butter sales declined by 3.0%, due to a slowdown in the Class 5 further processing sector.

## MILK

In the total market, milk sales have increased by 1.4% in the 12-month period ending March 2024 compared to the same period a year prior. Canada's expanding population has driven this growth. As the population has increased, there has been more demand for milk. Particularly in the HRI market, milk sales increased compared to the previous year by 8.1%, representing 19.9% of the total market. Shifts in consumer spending, as more consumers return to the office, may have stimulated growth in the HRI. At the retail level, which represents 78.1% of the total market, sales have remained stable at -0.4% year-over-year. Sales of whole milk have continued to increase compared to last year, while the decline in sales of 1% and 2% milk fat has slowed.

In today's climate of heightened living expenses, sales of plant-based beverage sales have decreased. Plant-based beverages represent 9.0% of total sales in the milk and substitutes category, down from 9.2% a year ago. This shift can largely be attributed to their higher average price compared to milk. Although milk is approaching a rebound in growth, factors such as demographic shifts, the arrival of new Canadians with different food preferences, and anti-milk and anti-livestock movements continue to put negative pressure on fluid milk sales. In the products used for further processing (Class 5) market, milk increased by 10.1% compared to a year ago. This market accounts for only 1.9% of the total milk sales in Canada.

## CREAM

During the 12-month period ending March 2024, overall cream consumption increased by 2.9% compared to the same period a year ago. The increase in cream sales can be partially attributed to population growth. In the retail-level market, which represents 39.5% of the total market, sales experienced a slight decline of 0.2% during this period. The previous downward pressure on cream sales has gradually eased with prices stabilizing. Current economic conditions have continued to put pressure on retail sales.

The HRI markets, which make up 51.0% of the market share for cream, grew by 2.5%. Purchasing cream in the HRI offers convenience for consumers, as employees transition back to office environments. This has increased demand for cream from coffee sales in the HRI. This convenience factor has played a significant role in influencing consumer choices. For cream used in further processing, which makes up 9.5% of the total market, consumption increased by 20.5% compared to the same period a year ago.



## REFRIGERATED YOGURT

In the total market, refrigerated yogurt sales increased by 4.0% in the 12-month period ending March 2024, compared to the 12-month period ending March 2023. The increasing Canadian population has helped grow this market. Retail sales captured 94.3% of the market share during this period. Within the retail market, yogurt sales grew 3.5%. This growth may be partially attributed to a shift towards larger format sizes, driving higher intake volumes, as higher average prices of smaller formats was particularly notable during periods of high inflation. Additionally, consumers are increasingly gravitating towards plain yogurts and yogurts with higher protein content, reflecting the importance of health and wellness.

In the HRI sector, which accounts for 4.7% of the total market, refrigerated yogurt sales grew 11.3%. Similarly to the retail sector, consumer preference for lighter, healthier alternatives to traditional options has helped grow the demand for yogurt in the HRI sector. In the products used for further processing (Class 5) market, which accounts for 1.0% of the total yogurt market in Canada, sales increased by 29.6% compared to a year ago. Plant-based substitutes for refrigerated yogurt, on the other hand, have been declining in market share – a trend likely influenced by their significant price difference compared to refrigerated yogurt.

## NATURAL CHEESE (RETAIL)

In the retail market for cheese, sales increased by 2.7% in the 12-month period ending March 2024 compared to the same period a year ago. The growth we have seen in at the retail level can be partially attributed to the changing Canadian economic context and the slowing growth of prices. Additionally, it is important to mention that the market share of imported cheese has slowly continued to decline in the category of pre-packaged natural cheeses.

At retail, 3.9% of cheese sales in kilograms originated from outside of Canada, compared to 4.1% a year earlier. For the same type of cheese, the imported price is generally higher than the Canadian price, as is the case for fondue cheese, Gouda, Edam, and farmer cheese, among others. This is due to the scarcity and notoriety of certain imported cheese.

However, with the significant increase in TRQs continuing until 2025 under CUSMA, the gap between imported prices and Canadian prices is expected to continue to narrow and have an impact on the sales of certain Canadian cheeses.

## BUTTER

In the 12-month period ending March 2024, butter consumption decreased by 3.0% compared to the previous year. At the retail level, which makes up 59.0% of the total sales, butter sales have recovered, increasing 1.6% compared to the same period a year ago.

Despite facing a notable price increase compared to other dairy products, which initially hindered sales, the rate of this increase has gradually slowed down. This has led to growth in retail sales of butter. There is still however a price gap between butter and its substitutes that remains significant. The HRI market, which makes up 22.9% of the market share for the period of comparison, increased by 1.2%. At the end of 2022, there appears to have been a shift in the utilization of butterfat in further processing from Class 5 to Class 4a, which explains the lower growth in the HRI sector. In the products used for further processing (Class 5) market, which accounts for 18.1% of the total butter sales in Canada, butter sales have declined 19.2% compared to the same period a year ago.

## SUMMARY

Canada's growing population has led to an increase in demand for dairy products during the 12-month period ending March 2024, compared to the same period a year ago. Sales of milk and cream grew by 1.4% and 2.9% respectively, mainly driven by the HRI and further processing markets. Refrigerated yogurt sales grew by 4.0%, with shifting consumer preference for healthy food and larger formats gaining popularity. Sales of natural cheese sales increased by 2.7% at the retail level with prices softening, highlighting the importance consumers place on affordability. Butter sales declined by 3.0%, due to a slowdown in the Class 5 further processing sector.



## CONCLUSION

International prices are in an upward trend and this is expected to continue in the second quarter of the year. The growing demand for Canadian dairy products in Asian and Middle Eastern markets is an opportunity to strategically diversify export destinations.

Dairy imports continue to grow but TRQs under CPTPP and CUSMA will enter a lower growth phase in upcoming years. All categories of dairy products, except butter are showing a consumption's growth in the Canadian market.

Should you have any suggestions for topics in future editions, we invite you to send them to [communications@dfc-plc.ca](mailto:communications@dfc-plc.ca).

