



MEMORANDUM

DATE: June 21, 2022

To: Canadian Federation of Independent Grocers
Canadian Retail Council
Consumers Association of Canada
Dairy Farmers of Canada
Dairy Processors Association of Canada
Restaurant Canada

FROM: Jennifer Hayes, Chair, Canadian Dairy Commission

OBJECT: Increase in the farm gate milk prices and the CDC support price for butter

In June 2022, at the request of the Dairy Farmers of Canada, the Canadian Dairy Commission (CDC) conducted a review of Canadian farm gate milk prices and various other costs used in administering the supply management system. As a result of the review and consultations, the CDC intends to implement the following changes on September 1, 2022.

First, the farm gate milk price will increase by \$1.92/hl (or \$0.0192 per litre). The increase in producers' revenues will partially offset increased production costs due to the current inflation. Feed, energy, and fertilizer costs have been particularly impacted, with increase of 22%, 55% and 45% respectively since August 2021. This will increase by an average of 2.5% the cost of milk used to make dairy products such as milk, cream, yogurt, cheese and butter for the retail and restaurant sectors. This increase will be reflected in the milk class prices according to a ratio of 60% on butterfat and 40% on solids non fat.

The new farm milk prices will become official once they are approved by provincial authorities in mid-July 2022. When the CDC reviews prices again in the fall, the September 1 adjustment will be deducted from any adjustment for February 1, 2023.

The CDC's butter storage fees will remain at \$0.0137 per kg of butter. The Commission stores a certain quantity of butter to guarantee an adequate supply throughout the year, and to prevent shortages. In the case of butter sold at retail, for example, these fees represent half a cent per pound of butter (454 grams).

In addition, the CDC recognizes a 2.5% increase in milk processing costs such as energy, packaging, labour, and transportation. This applies to butter sold by manufacturers to the CDC in the context of its storage programs.

To reflect these changes, the support price for butter used by the CDC in its storage programs will increase from \$9.7923 to \$10.0206 per kg on September 1, 2022.

The impact of these adjustments on retail prices will depend on many factors such as manufacturing, transportation, distribution, and packaging costs throughout the supply chain.

Ashlee Martin will contact you to set up a briefing with the CDC. You may also contact her at ashlee.martin@cdc-ccl.gc.ca.