

CDC's 7th Annual Public Meeting

Welcome and Opening Remarks

Randy Williamson, Chairman



AGENDA

- * *Opening Remarks*
- * *An Industry Overview and 2012-2013 Highlights*
- * *CDC's Recent Achievements and The Way Forward*
- * *Financial Report*
- * *Update on the CDC's 2013-2014 Strategic Goals*
- * *Question Period*
- * *Closing Remarks*
- * *Wine and Cheese*



CDC Panel

- * Randy Williamson, Chairman
- * Hennie Bos, Commissioner
- * Jacques Laforge, Chief Executive Officer
- * Gaëtan Paquette, Senior Director of Commercial Operations and Marketing



Industry Overview and 2012-2013 Highlights

Randy Williamson, Chairman



Overview

2013	1993
12,529 dairy farms	29,358 dairy farms
77 cows per farm	41 cows per farm
production per farm approx. 25,200 kg of butterfat	production per farm approx. 8,400 kg of butterfat
Dairy processing industry = \$14 billion worth of product shipped	Dairy processing industry = \$7.5 billion worth of product shipped
24,500 workers	19,800 workers



2012-2013 Highlights

- * Skim Milk Redirection Program was created and put in place
- * Permanent 1% growth allowance was added to the industrial milk quota
- * Class 3(d), a new class for mozzarella used by restaurant operators for fresh pizzas, was created

2012-2013 Highlights

- * Canadian requirements increased by 1.74%
- * Industrial milk production increased by 1.36%
- * 2,438 tonnes of butter was exported
- * inventories of SMP in Class 4(m) were lowered
- * support prices of SMP and butter were increased by 1%
- * \$14.5 million in surplus was refunded to producers
- * a new three-year strategy was created



2013-2013 Highlights

- * Gilles Froment, Chief Operating Officer
- * Gaëtan Paquette, Senior Director of Commercial Operations and Marketing
- * Chantal Laframboise, Director of Finance and Administration
- * Hossein Behzadi, Director of Audit and Program Evaluation
- * Corporate Secretary and Manager, Human Resources report to CEO

CDC's Recent Achievements and The Way Forward

Jacques Laforge, CEO



Achievements

- * COP manual was updated
- * discussions are ongoing to lower COP study costs
- * standard milk composition was dropped from all price calculations
- * 33 new applications under MIF; 5 were approved
- * CDC created a new computer application for SMCPP
- * CDC created new DIP
- * pooling administration was performed efficiently



Achievements

- * 74 Special Class audits; 8 IREP audits; 3 internal audits and 1 program evaluation
- * production was high; stocks were rebuild
- * exports of solids non fat were maximized at 100%
- * no shortages reported by provincial milk marketing board

Achievements

- * adopted the dairy year for all activities (Aug 1 - July 31)
- * implemented a new values and ethics code
- * increased efficiencies in the CDC's reporting systems, data collection services, programs and operations
- * initiated an assessment of current and future HR requirements
- * increased information sharing within the organization (cooperation, exchange of ideas, sharing of resources)



The Way Forward

- * Three-year strategy:
 - * gradually eliminating the structural surplus of SNF over 5 years (preferable 3)
 - * growing the market for mozzarella cheese in Canada;
 - * creating a more flexible allocation system for processors to stimulate the use of SNF in yogurts and cheese, increase blend returns to producers and improving the opportunity for innovation;
 - * creating of a market development fund

The Way Forward

- * Class 3(d) was created
- * 1% permanent growth allowance was added to the industrial milk quota
- * CDC is working to update its three-year strategy to help address new challenges
 - * Market Development Fund
 - * Planned Export Program for Cheese
 - * Canadian and foreign investments in new initiatives aimed at increasing dairy markets



FINANCIAL REPORT

Gaëtan Paquette
Senior Director, Commercial
Operations and Marketing



Statement of Financial Position as of July 31 – Assets (p.52)

(in thousands)	July 31, 2013	July 31, 2012
Assets		
Current		
Cash	\$1,266	\$ 134
Trade and other receivables		
Trade receivables	4,167	2,907
Advance to provincial milk boards and agencies	71	1,794
Milk pools	1,121	993
Derivative asset - foreign exchange contracts	361	54
Inventory	157,691	159,888
	\$164,677	\$ 165,770
Non-Current		
Equipment	48	2
Intangible asset	183	-
	\$ 164,908	\$ 165,772

Statement of Financial Position as of July 31 – Liabilities and Equity(p.52)

Liabilities	July 31, 2013	July 31, 2012
Current		
Bank overdraft	\$ 71	\$ 1,794
Trade and other payables		
Trade payables	14,459	14,321
Distribution to prov. milk boards & agencies	14,531	8,672
Other liabilities	2,399	1,211
Derivative liability - foreign exchange contracts	-	61
Loans from the Government of Canada	122,323	127,277
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	\$ 153,783	\$ 153,336
Non-Current		
Post-employment benefits	140	596
Equity		
Retained earnings	10,985	11,840
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	\$ 164,908	\$ 165,772
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Statement of Operations and Comprehensive Loss for the year ended July 31 (p. 53)

(In thousands)

	July 31, 2013	July 31, 2012
Sales and Cost of Sales		
Domestic sales revenue	\$ 252,686	\$ 211,280
Cost of goods sold - domestic	234,423	189,808
Transport and carrying charges	5,330	4,790
Finance costs	1,126	579
Gross profit on domestic sales	<u>11,807</u>	<u>16,103</u>
Export sales revenue	51,131	27,076
Cost of goods sold - exports	49,266	26,111
Transport and carrying charges	1,336	978
Finance costs	21	1
Gross profit (loss) on export sales	<u>508</u>	<u>(14)</u>
Total gross profit	<u>12,315</u>	<u>16,089</u>
Other income		
Funding from milk pools	6,418	5,676
Funding from the Government of Canada	4,496	4,668
Audit services	178	237
	<u>11,092</u>	<u>10,581</u>
Total gross profit and other income	<u><u>\$ 23,407</u></u>	<u><u>\$ 26,670</u></u>



Statement of Operations and Comprehensive Loss for the year ended July 31 (p. 53)

(in thousands)

July 31, 2013

July 31, 2012

Operating Expenses

Industry initiatives	1,597	2,524
Cost of Production study	862	840
Other charges (recoveries)	(406)	(301)
	<u>2,053</u>	<u>3,063</u>

Administrative Expenses

Salaries and employee benefits	5,912	5,842
Other administrative expenses	1,766	2,025
	<u>7,678</u>	<u>7,867</u>

Total operating and administrative expenses

9,731 10,930

Profit before distribution to provincial milk boards and agencies

13,676 15,740

Distribution to provincial milk boards and agencies

14,531 18,672

Total comprehensive loss

\$ (855) \$ (2,932)



Statement of Changes in Equity for the year ended July 31 (p. 54)

(In thousands)

	July 31, 2013	July 31, 2012
Retained earnings, beginning of the year	\$ 11,840	\$ 14,772
Total comprehensive loss for the year	(855)	(2,932)
Retained earnings, the end of the year	\$ 10,985	\$ 11,840

Update on the CDC's 2013-2014 Strategic Goals

Hennie Bos, Commissioner



2013-2014 Strategic Goals

- * 2 main goals:
 - * to provide efficient producers of milk and cream with the opportunity to obtain a fair return for their labour and investment
 - * to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality.

2013-2014 Strategic Goals

Activities under Goal 1:

- * pricing of industrial and fluid milk; market development; pool administration, and external audits

Activities under Goal 2:

- * manage the national industrial milk supply and seasonality programs

2013-2014 Strategic Goals

- * updated processor margin and yields for butter and SMP
- * efficient COP study
- * new pricing formula for Classes 2 and 3
- * reduce structural surplus of SNF
- * develop international markets for cheese
- * Increase use of SNF in higher-value Classes
- * develop manufacturing of infant formula
- * Implement P10 Negotiating Committee recommendations
- * match milk production with demand
- * maximize exports of SNF
- * predictable and stable milk production system



QUESTION PERIOD

Any questions or comments?



Thank you

Enjoy the Wine and Cheese
Reception.

