

CDC's 8th Annual Public Meeting

Welcome and Opening Remarks

Randy Williamson, Chairman



Agenda

- * *Opening Remarks*
- * *2013-2014 Financial Report*
- * *An Update on CDC's 2014-2015 Strategic Goals*
- * *CDC's Recent Achievements and The Way Forward*
- * *Guest speaker: Mr. Ted Bilyea, Chair of CAPI*
- * *Question Period*
- * *Closing Remarks*
- * *Wine and Cheese*

CDC Panel

- * Randy Williamson, Chairman
- * Hennie Bos, Commissioner
- * Jacques Laforge, Chief Executive Officer
- * Chantal Laframboise, Director of Finance and Administration

Opening Remarks

Randy Williamson, Chairman



2013-2014 Financial Report

Chantal Laframboise
Director of Finance and
Administration



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

(in thousands)	July 31, 2014	July 31, 2013
Assets		
Current		
Cash	\$ 859	\$ 1,266
Trade and other receivables		
Trade receivables	2,385	4,167
Advance to provincial milk boards and agencies	1,264	71
Milk pools	904	1,121
Derivative asset - foreign exchange contracts	103	361
Inventory	111,444	157,691
	116,959	\$ 164,677
Non-Current		
Equipment	40	48
Intangible asset	284	183
	\$ 117,283	\$ 164,908

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

Liabilities	July 31, 2014	July 31, 2013
Current		
Bank overdraft	\$ 1,264	\$ 71
Trade and other payables		
Trade payables	19,924	14,459
Distribution to prov. milk boards & agencies	27,388	14,531
Other liabilities	2,017	2,399
Derivative liability - foreign exchange contracts	67	-
Loans from the Government of Canada	58,404	122,323
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	\$ 109,064	\$ 153,783
Non-Current		
Post-employment benefits	148	140
Equity		
Retained earnings	8,071	10,985
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	\$ 117,283	\$ 164,908
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Statement of Operations and Comprehensive Loss for the year ended July 31 (p. 53)

(In thousands)

	July 31, 2014	July 31, 2013
Sales and Cost of Sales		
Domestic sales revenue	\$ 256,645	\$ 252,686
Cost of goods sold - domestic	226,539	234,423
Transport and carrying charges	4,255	5,330
Finance costs	757	1,126
Gross profit on domestic sales	<u>25,094</u>	<u>11,807</u>
Export sales revenue	92,832	51,131
Cost of goods sold - exports	90,862	49,266
Transport and carrying charges	2,189	1,336
Finance costs	1	21
Gross profit (loss) on export sales	<u>(220)</u>	<u>508</u>
Total gross profit	<u>24,874</u>	<u>12,315</u>
Other income		
Funding from milk pools	5,697	6,418
Funding from the Government of Canada	4,025	4,496
Audit services	155	178
	<u>9,877</u>	<u>11,092</u>
Total gross profit and other income	<u>\$ 34,751</u>	<u>\$ 23,407</u>



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

(in thousands)

July 31, 2014

July 31, 2013

Operating Expenses

Industry initiatives	1,788	1,597
Cost of Production study	801	862
Other charges (recoveries)	294	(406)
	<u>2,883</u>	<u>2,053</u>

Administrative Expenses

Salaries and employee benefits	5,591	5,912
Other administrative expenses	1,803	1,766
	<u>7,394</u>	<u>7,678</u>

Total operating and administrative expenses

10,277 9,731

Profit before distribution to provincial milk boards and agencies

24,474 13,676

Distribution to provincial milk boards and agencies

27,388 14,531

Total comprehensive loss

\$ (2,914) \$ (855)



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

(In thousands)

July 31, 2014 **July 31, 2013**

Retained earnings, beginning of the year	\$ 10,985	\$ 11,840
Total comprehensive loss for the year	(2,914)	(855)
Retained earnings, the end of the year	<u>\$ 8,071</u>	<u>\$ 10,985</u>

Update on the CDC's 2014-2015 Strategic Goals

Hennie Bos, Commissioner



2014-2015 Strategic Goals

- * Growing markets
- * A well-managed supply management system
- * An industry that adapts, and
- * A well-managed CDC

Growing Markets

Create an environment that is conducive to market growth and innovation:

- * review CDC/CMSMC programs and propose modifications or new programs;
- * promote timely supply of milk to growing markets by developing mechanisms:
 - * Class 3(d), Dairy Marketing Program, Dairy Innovation Program, On-going consultations

A Well-Administered Supply Management System

- * Efficient producers receive a fair return
- * Canadian milk production meets demand
- * Pooling calculations are performed monthly
- * Pooling and WTO agreements are respected
- * Measures that improve the administration of the supply management system are created
- * Harmonization among provinces is increased

An Industry That Adapts

- * Maintain stability and predictability of the industry
- * Improve access to market intelligence
- * Support investments
- * Develop new markets for solids non-fat (SNF)
- * Ensure processor margin and COP capture efficiency gains
- * Monitor CETA as it pertains to dairy imports

A Well-Managed CDC

- * Improve employee satisfaction and engagement
- * Implement the new Public Service Directive on Performance Management
- * Perform annual employee surveys
- * Improve process efficiency

CDC's Recent Achievements and The Way Forward

Jacques Laforge, CEO



Update on 3-Year Strategy

- * Maintain the predictability and stability in the milk production system and the dairy industry
- * Grow the market for mozzarella cheese in Canada
- * Create a more flexible milk allocation system for processors to stimulate the use of SNF in Classes 2 and 3, increase revenues to dairy producers and improve opportunity for innovation in the marketplace
- * Gradually eliminate the structural surplus of SNF

Achievements

- * Class 3(d) for restaurant pizza mozzarella
- * Skim milk redirection program for yogurt
- * Pro-rata system for butter/powder processors for the supply of skim milk
- * Dairy Innovation Program
- * Monitoring the impacts of CETA
- * Permanent growth allowance to Classes 2/3
- * Planned Export Program for Cheese
- * Partnerships with Canadian and foreign investors



The Way Forward

- * Maintain the predictability and stability in the milk production system to prevent potential erosion of markets and explore market growth
- * Grow the market for Canadian cheeses
- * Gradually eliminate the structural surplus of solids non-fat
- * Assist the dairy industry in implementing the necessary and agreed changes to grow the market to have an increasingly flexible supply management system



Next Steps

- * Assess the idea of a Market Development Fund
- * Expand the Class 3(d) to include all uses of Mozzarella
- * Develop niche domestic and export markets for solids non-fat (SNF)
- * Work with the industry to find a source of milk at the national level to supply the processors who are developing new markets

Ted Bilyea

Chair, The Canadian Agri-Food Policy Institute

A Perspective on the Current and Future
Trends of Canadian and International
Agriculture Policy and Trade



QUESTION PERIOD

Any questions or comments?



Closing Remarks

Enjoy the Wine and Cheese
Reception

