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DAIRYNOMICS

MONTHLY RETAIL MARKETS AND PRODUCTION REPORT



VOLATILITY IN DEMAND MAKES LONG-TERM FORECAST MORE CHALLENGING

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Volatility in demand for the 2023 calendar year has made the establishment of a long-term forecast more challenging for the 2023-24 dairy year.

This volatility in demand has played a role in the more recent fall period, which explains some of the changes around the number of fall incentive days.

Incentive days are mostly used to manage seasonality in the fall period (high demand and lower production) since the fall is normally when P5 demand is the strongest in the year. August and September demand showed stronger numbers than in past years while production was weaker than expected. October demand is on the downside compared with October 2022 at slightly more than minus one per cent.

As for the long-term forecast, production and market are expected to align in a balanced way to meet this year's annual butter stock

target level of 32,500 tonnes. It was agreed at the national level that butter stocks will be established on an annual basis using a five-year Olympic average (drop lowest and highest year) of the equivalent of a three-month period of butter consumption.

"At this point, nothing indicates we will need to make an adjustment to the long-term production signal and the Canadian Dairy Commission (CDC) has set February 2024 as the date to assess if there is a need to review its forecast for the rest of the current dairy year," says Patrice Dubé, Dairy Farmers of Ontario's chief economics and policy development officer. "P10/P5 demand is currently tracking for the first 10 months of the calendar year with the CDC's most conservative demand model, which is the base model minus one per cent, an improvement in comparison to where the P5 demand was during the early summer period."

In October 2023, butter stocks reached 26,857 tonnes, down from September by only 446

tonnes (butter stocks are normally dropping by 2,000 tonnes per month in the fall period). October butter stock levels are still higher than where they were in October 2022 by 5,747 tonnes. Having said that, the butter stock levels did drop only slightly in October in part due to a sharp drop in retail and food service sales in October compared with the same month last year. Overall, from August to the end of October, butter stocks have dropped by 6,500 tonnes, or about 2,000 tonnes a month, which is more normal for the fall period as indicated above.

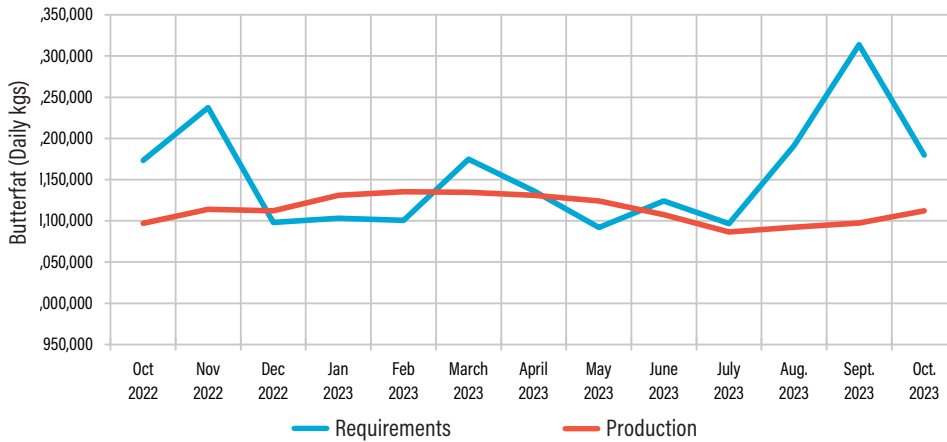
Cheese stock levels for the month of October 2023 were at 99,191 tonnes, up 383 tonnes from September and higher than where they were in October 2022 (97,896).

For the 52-weeks ending Nov. 4, 2023, sales for fluid milk, fluid cream, yogurt, ice cream, cheese and butter increased/decreased by -1.5, -2.6, 3.2, 1.4, 0 and -5.3 per cent, respectively, compared with Sept. 30, 2022.

A monthly recap of markets and production trends in Canada and Ontario

CANADIAN REQUIREMENTS AND PRODUCTION

Canadian butterfat requirements in kilograms and actual butterfat production across the P10.

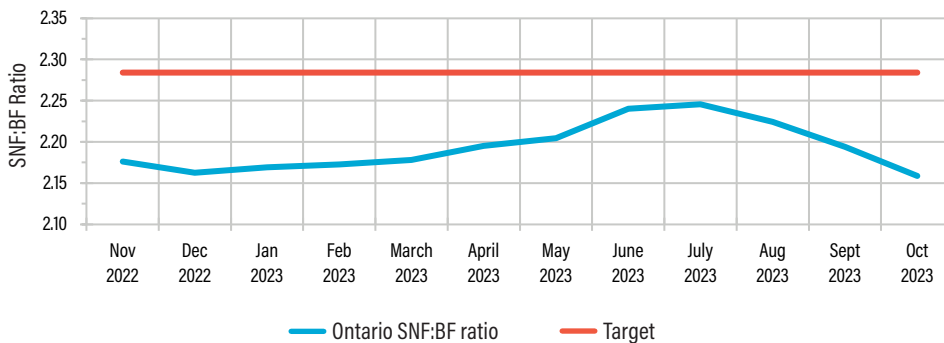


12-month production (in millions of kilograms) **406.9**

12-month requirements (in millions of kilograms) **421.2**

Canadian production has increased by **3.0 per cent** over the previous 12 months, and requirements have increased by **1.2 per cent** over the previous 12 months.

SOLIDS NON-FAT TO BUTTERFAT (SNF-BF) RATIO



This graph shows Ontario's SNF-BF ratio for the last 12 months in relation to Ontario's target SNF-BF ratio of 2.2840.

October 2023: 2.1586

NATIONAL RETAIL SALES

Average increase in retail sales for dairy products sold in Ontario and the dairy product's share of the total market sales, including at hotels, restaurants and institutions.

	12 MONTHS ENDING OCTOBER 28, 2023	RETAIL SHARE OF TOTAL MARKET
Fluid milk	-1.60%	81.50%
Cream	-2.60%	40.90%
Cheese	0.20%	54.40%
Butter	-5.00%	57.60%
Ice cream	1.40%	70.70%
Yogurt	3.10%	94.40%

* Source: AC Nielsen & StatsCan
NOTE: There is a two-month lag in the national retail sales data.

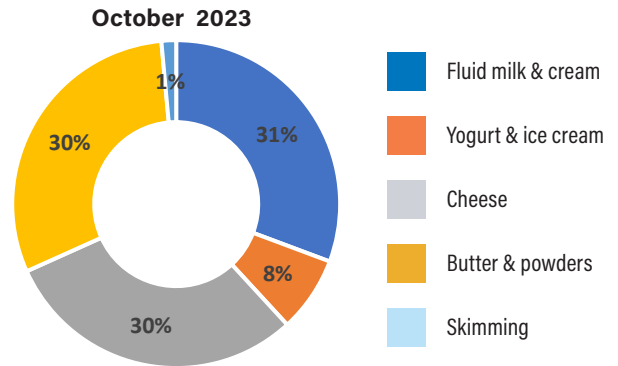
NOVEMBER HIGHLIGHTS

- Incentive days are mostly used to manage seasonality in the fall period (high demand and lower production) since the fall is normally when P5 demand is the strongest in the year. August and September demand showed stronger numbers than in past years while production was weaker than expected;
- As for the long-term forecast, production and market are expected to align in a balanced way to meet this year's annual butter stock target level of 32,500 tonnes;
- P10/P5 demand is currently tracking for the first 10 months of the calendar year with the CDC's most conservative demand model, which is the base model minus one per cent, an improvement in comparison to where the P5 demand was during the early summer period.

ONTARIO UTILIZATION

Percentage of the total milk produced in Ontario that was used to produce dairy products.

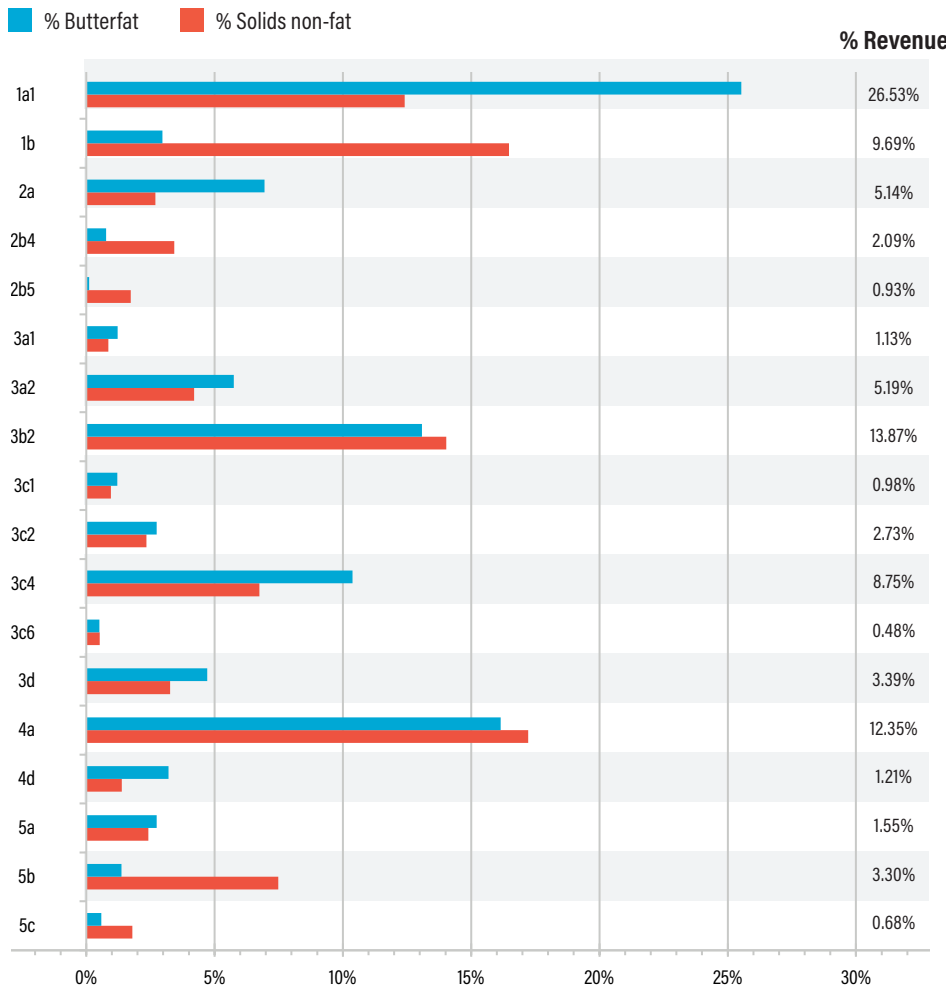
	SEPTEMBER 2023	OCTOBER 2023	12-MONTH AVERAGE
Fluid milk & cream	30.7%	30.7%	29.4%
Yogurt & ice cream	7.1%	7.5%	7.2%
Cheese	29.2%	30.1%	28.8%
Butter & powders	32.4%	30.3%	31.2%
Skimming	0.6%	1.4%	3.4%



P10 UTILIZATION BY CLASS

For October 2023 (kg of butterfat/kg of solids non-fat)

*There is a two-month lag reporting these figures



Class 1a1 (includes Classes 1a2, 1a3, 1c and 1d for confidentiality reasons) Fluid milk and beverages

Class 1b Fluid creams Class 2a Yogurt, yogurt beverages, kefir and lassi

Class 2b4 (includes Classes 2b1, 2b2 and 2b3 for confidentiality reasons) Fresh dairy desserts, sour cream, milkshakes and sports nutrition drinks

Class 2b5 Ice cream and frozen yogurt

Class 3a1 Specialty cheese

Class 3a2 Cheese curds and fresh cheeses

Class 3b2 (includes Class 3b1 for confidentiality reasons) Cheddar cheese and aged cheddar

Class 3c1 Feta

Class 3c2 Asiago, Gouda, Havarti, Parmesan and Swiss

Class 3c4 (includes Classes 3c3 and 3c5 for confidentiality reasons) Brick, Colby, farmer's, jack, Monterey jack, muenster, pizza cheese, pizza mozzarella and mozzarella other than what falls within 3d

Class 3c6 Paneer

Class 3d Mozzarella used strictly on fresh pizzas by establishments registered with the Canadian Dairy Commission

Class 4a Butter and powders

Class 4d (includes Classes 4b1, 4b2, 4c and 4m for confidentiality reasons) Concentrated milk for retail, losses and animal feed

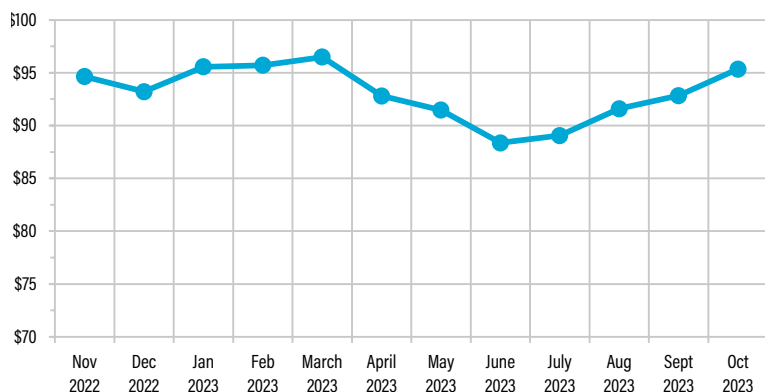
Class 5a Cheese for further processing

Class 5b Non-cheese products for further processing

Class 5c Confectionery products

ONTARIO MONTHLY PRODUCER AVERAGE GROSS BLEND PRICE

A total 3,213 producers sold milk to DFO in October compared with 3,273 a year earlier.



October 2023:
\$95.34

ONTARIO DEDUCTIONS, PER HL

For October 2023

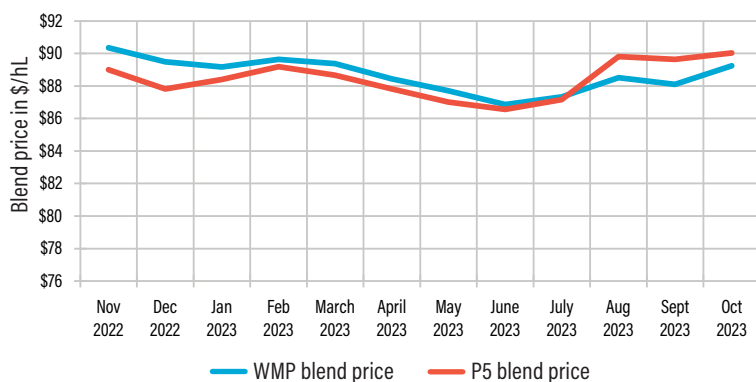
	Within quota	Over-quota
DFO administration	\$0.675	\$0.675
DFO research	\$0.050	\$0.050
CanWest DHI	\$0.060	\$0.060
Transportation	\$3.290	\$3.290
Market expansion	\$1.400	\$1.400
Total deductions	\$5.475	\$5.475
Average total net	\$89.224	-\$5.475

* These figures are based on Ontario's average composition for October 2023 of 4.2730 kg butterfat, 3.2937 kg protein and 5.9300 kg other solids, rounded to the nearest cent.

P5 AND WESTERN MILK POOL BLEND PRICES*

The graph below shows the 12-month blend price for the P5 provinces and Western Milk Pool (WMP).

*There is a two-month lag reporting these figures



WMP: \$89.24

P5: \$90.04

U.S. CLASS PRICES

The November 2023 Class III Price, US\$17.15 per hundredweight, is equivalent to C\$52.90 per hectolitre. This equivalent is based on the exchange rate US\$1 = C\$ 1.35885 the exchange rate when the USDA announced the Class III Price.

The Class III Price is in \$ US per hundredweight at 3.5 per cent butterfat. One hundredweight equals 0.44 hectolitres. Canadian Class 5a and Class 5b prices track U.S. prices set by the U.S. Department of Agriculture.

Source: USDA

MONTHLY QUOTA PRICES (\$/KG)

PROVINCE	PRICE/KG	AMOUNT WANTED/KG	AMOUNT FOR SALE/KG	AMOUNT PURCHASED/
Alberta	\$ 50,788	308.96	140.85	135.85
Saskatchewan	\$ 38,000	70.00	178.70	30.00
Manitoba	\$ 40,800	260.18	309.97	103.00
British Columbia	\$ 36,000	155.57	282.23	155.57
Ontario	\$ 24,000	22,402.67	342.85	343.11
Quebec	\$ 24,000	16,195.45	1,052.58	1,052.52
New Brunswick	\$ 24,000	346.10	28.40	28.40
PEI	No Clearing Price Established			
Nova Scotia	\$ 24,000	NA	0	0

NOVEMBER PRICES

* Newfoundland does not operate a monthly quota exchange. Quota is traded between producers.

** Quota cap price of \$24,000 in effect in Prince Edward Island, New Brunswick, Ontario, Nova Scotia and Quebec.

Co-ordinated by Dairy Farmers of Ontario's communications and economics divisions. Questions? Please email questions@milk.org.

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