FEBRUARY 2024

DAIRYNOMICS

MONTHLY RETAIL MARKETS AND PRODUCTION REPORT

P5 MESSAGE –INCENTIVE DAY FEBRUARY – CONVENTIONAL

By Constantin Urtilescu ▪ MANAGER, GOVERNMENT RELATIONS

Due to a higher than usual market demand at the beginning of 2024, the P5 Boards announce one incentive day for the month of February, for conventional milk producers.

The P5 provincial boards' primary objective is to continuously monitor the milk market situation and meet demand in the most optimal way and will continue to adapt production signals to address market changes, as required.

The following table summarizes the incentive days:

	Conventional	Organic
January, 2024		
February, 2024	1	
March, 2024		

"Raw milk orders from processors in the P5 have been unusually strong for the month of January and there is no indication at this point that this trend will not continue at least for the early part of the year" says Patrice Dubé, Dairy Farmers of Ontario's chief economics and policy development officer.

It is important to point out that the significant increase in the butterfat tests at the P5 farm level, since October 2023, has resulted in over 30 million litres less of milk compared to what was initially forecasted at the P5 level for the last three months of the calendar year. While dairy producers continue to produce at a level that allows them to meet the butterfat demand in the Canadian market, the reduction in milk volume represents a significant shift for processors that are looking for both butterfat and the solids-non-fat. It will be interesting to watch how the butterfat test will evolve in the coming year, especially after the new crop season.

On the market side, the early year reality is significantly different than what was observed at the end of the last calendar year. For example, in December 2023, the P5 demand has dropped by more than 10 per cent compared to the previous month, which has resulted in butter stocks reaching 27,363 tonnes, up from November by 2,613 tonnes. December butter stock levels are still higher than where they were in December 2022 by 6,489 tonnes.

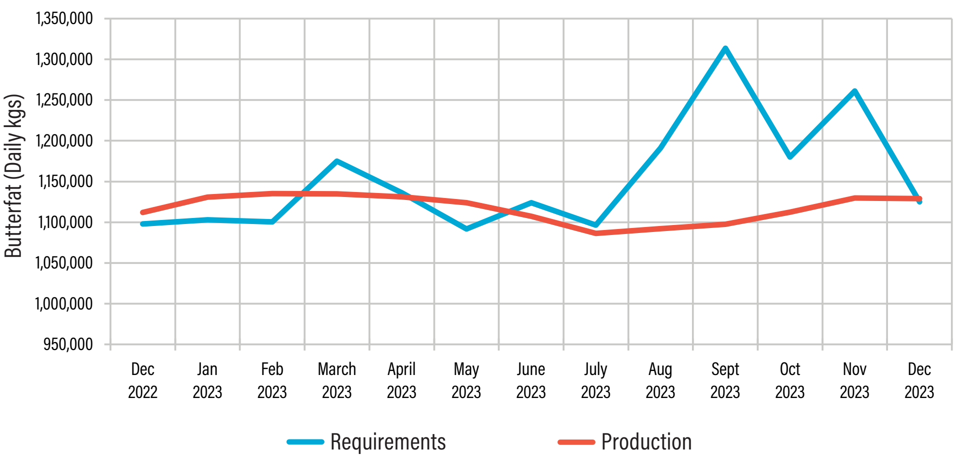
Cheese stock levels for the month of December 2023 were at 96,759 tonnes, down 311 tonnes from November and slightly lower than where they were in December 2022.

For the 52-weeks ending December 2, 2023, sales for fluid milk, fluid cream, yogurt, ice cream, cheese and butter increased/decreased by -1.4, -2.2, 3.1, 1.6, 0.7 and -3.6 per cent, respectively, compared with December 3, 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.

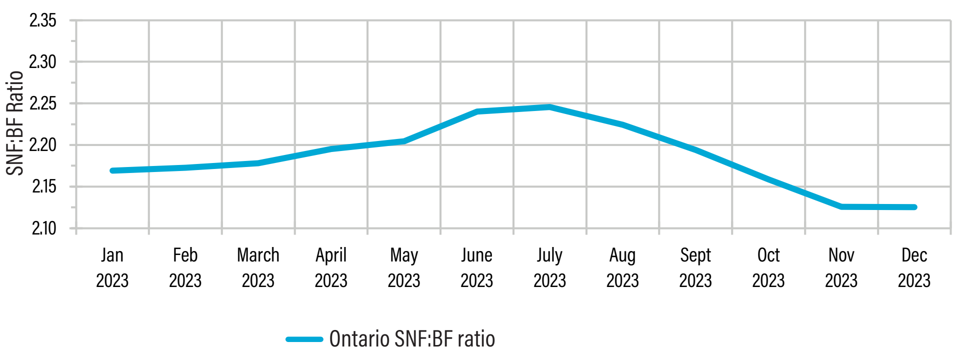


12-month production (in millions of kilograms) **407.9**

12-month requirements (in millions of kilograms) **422.7**

Canadian production has increased by **2.9 per cent** over the previous 12 months, and requirements have increased by **1.7 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.

December 2023: 2.1251

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 DECEMBER 30, 2023	RETAIL SHARE OF TOTAL MARKET
Fluid milk	-1.40%	81.50%
Cream	-2.30%	40.90%
Cheese	1.80%	54.40%
Butter	-2.30%	57.60%
Ice cream	1.70%	70.70%
Yogurt	3.10%	94.40%

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

JANUARY HIGHLIGHTS

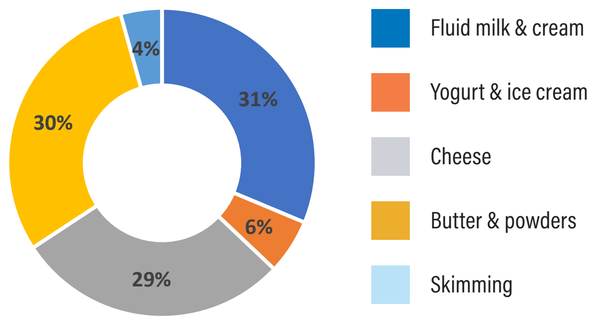
- It is important to point out that the significant increase in the butterfat tests at the P5 farm level, since October 2023, has resulted in over 30 million litres less of milk compared to what was initially forecasted at the P5 level for the last three months of the calendar year.
- While dairy producers continue to produce at a level that allows them to meet the butterfat demand in the Canadian market, the reduction in milk volume represents a significant shift for processors that are looking for both butterfat and the solids-non-fat.
- On the market side, the early year reality is significantly different than what was observed at the end of the last calendar year. For example, in December 2023, the P5 demand has dropped by more than 10 per cent compared to the previous month, which has resulted in butter stocks reaching 27,363 tonnes, up from November by 2,613 tonnes

ONTARIO UTILIZATION

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

	NOVEMBER 2023	DECEMBER 2023	12-MONTH AVERAGE
Fluid milk & cream	32.0%	31.3%	29.7%
Yogurt & ice cream	7.5%	5.8%	7.4%
Cheese	30.1%	28.7%	29.0%
Butter & powders	29.9%	29.9%	30.7%
Skimming	0.4%	4.3%	3.1%

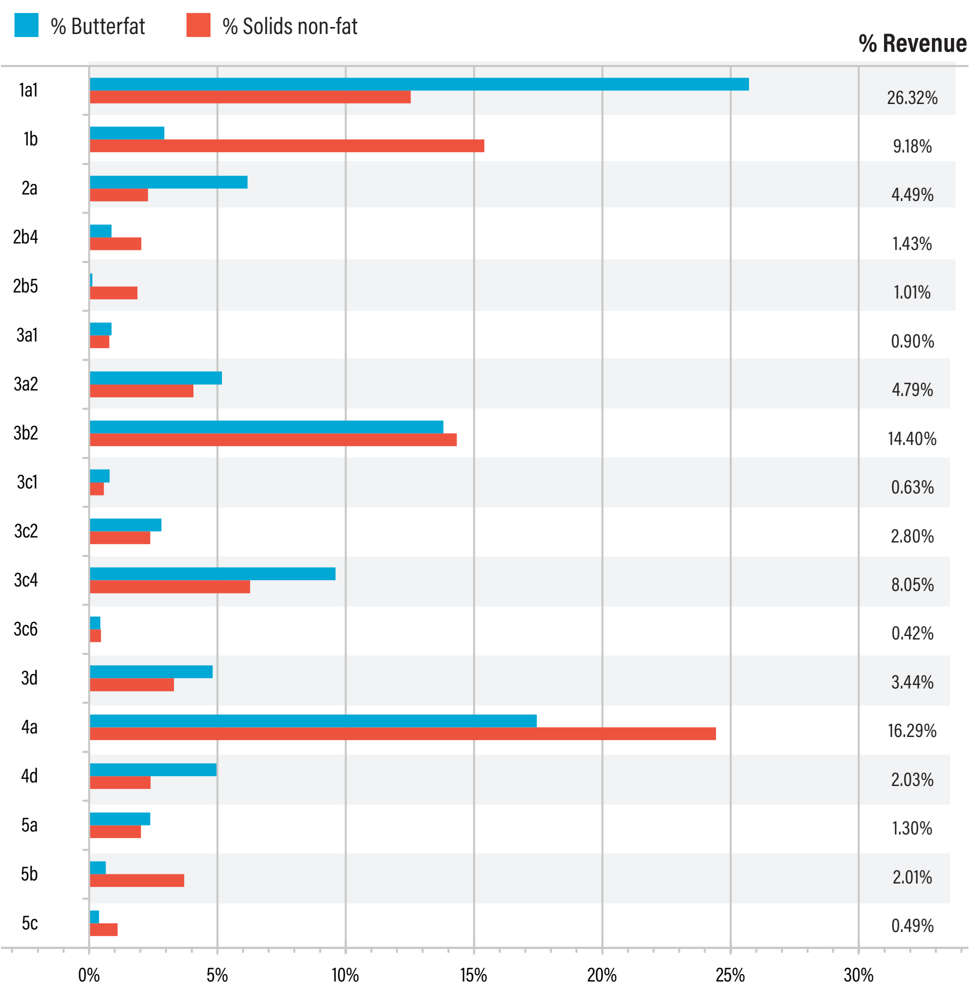
December 2023



P10 UTILIZATION BY CLASS

For December 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

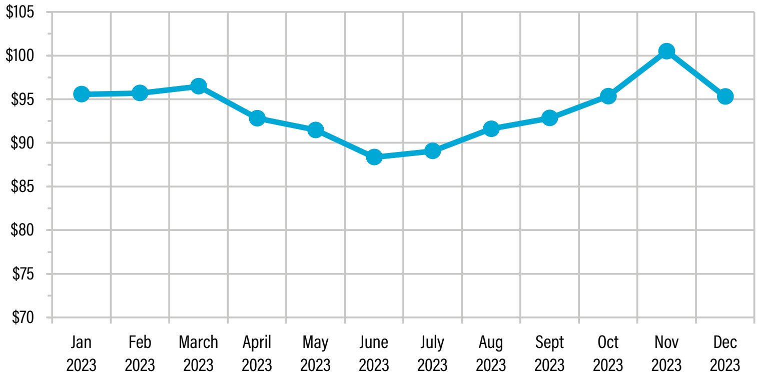
Class 5a Cheese for further processing

Class 5b Non-cheese products for further processing

Class 5c Confectionery products

ONTARIO MONTHLY PRODUCER AVERAGE GROSS BLEND PRICE

A total 3,203 producers sold milk to DFO in December compared with 3,264 a year earlier.



December 2023: $ 95.30

ONTARIO DEDUCTIONS, PER HL

For December 2023

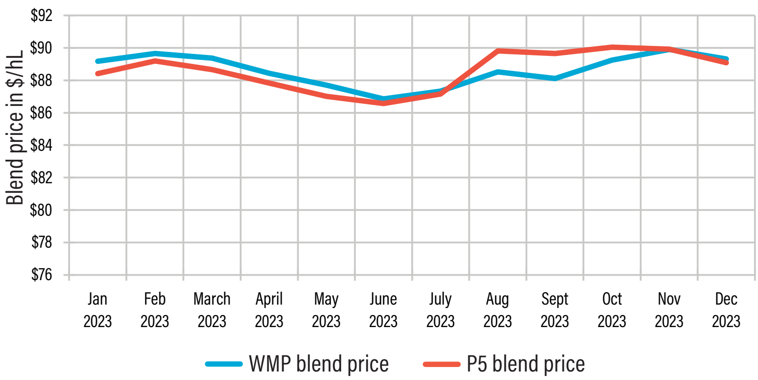
	Within quota	Over-quota
DFO administration	$0.675	$0.675
DFO research	$0.050	$0.050
CanWest DHI	$0.060	$0.060
Transportation	$3.650	$3.650
Market expansion	$1.400	$1.400
Total deductions	$5.835	$5.835
Average total net	$88.899	-$5.835

** These figures are based on Ontario's average composition for December 2023 of 4.3565 kg butterfat, 3.3224 kg protein and 5.9356 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: $89.31

P5: $89.08

U.S. CLASS PRICES

The January 2024 Class III Price, US$15.17 per hundredweight, is equivalent to C$46.18 per hectolitre. This equivalent is based on the exchange rate US$1 = C$ 1.3409 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)

JANUARY PRICES

PROVINCE	PRICE/KG	AMOUNT WANTED/KG	AMOUNT FOR SALE/KG	AMOUNT PURCHASED/
Alberta	$ 55,580	515.15	182.00	157.00
Saskatchewan	$ 41,025	52.00	25.70	10.00
Manitoba	$ 41,200	169.88	141.99	135.95
British Columbia	$ 35,500	173.96	22.37	22.37
Ontario	$ 24,000	23,190.52	437.21	437.09
Quebec	$ 24,000	16,983.23	765.85	765.83
New Brunswick	$ 24,000	302.20	2.00	2.00
PEI	No Clearing Price Established			
Nova Scotia	$ 24,000	1418.58	92.49	92.49

* 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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