

In recent months, P5 demand growth is tracking with the Canadian Dairy Commission's (CDC) optimistic scenario. It is good news and the P5 is hoping this trend continues for the remainder of the 2024-25 dairy year. P5 butterfat production is significantly higher than what was forecasted since the beginning of fall 2024, which is mainly due to high butterfat content level in milk that has reached higher levels than the record level of fall 2023.

"The higher-than-expected butterfat production means P5 production is leading the current and anticipated market, with P5 producer quota being overissued by more than 101 per cent of the market than is anticipated for December 2025," says Patrice Dubé, Dairy Farmers of Ontario's chief economics and policy development officer.

The western milk pool (WMP) recently provided producers a very strong production signal by issuing two per cent quota in January 2025, March 2025, and two incentive days from April to November 2025. The WMP decision was made to realign production to fill their allocated pool quota, as well as meet an increase in cheese demand. This decision could impact overall P10 production levels and will need to be taken in consideration for the coming year in terms of impact on butter and cheese stocks, Dubé says.

In December 2024, cheese stocks reached 98,452 tonnes, down from November by 1,480 tonnes. December cheese stock levels are higher than they have been for the same month in at least three years.

December 2024 butter stocks were at 33,327 tonnes, which were higher than November by 1,800 tonnes, and higher than they have been for the same month in at least five years.

For the 52-weeks ending Dec. 30, 2024, sales for fluid milk, fluid cream, yogurt, ice cream, cheese and butter increased by 0.3, 2.1, 4.1, 1.5, 2.5 and 4.5 per cent, respectively.

60 years of milk production

To mark DFO's 60th anniversary, throughout 2025, we will be looking back through our shared history, how it has shaped Ontario dairy and provide a foundation for tomorrow. This month, we are sharing a brief history of supply management in Ontario, from the origins of the *Milk Act* in 1965, to the creation of DFO in 1995, along with data from 1966 and 2024 to show how the dairy industry in Ontario has changed over the years.

In 1963, Ontario requested a commission of inquiry led by S. J. Hennessey to make recommendations on dairy industry management in the province. Noting Ontario farmers had been comparatively reluctant to join co-operatives, and that marketing associations found it difficult to collaborate, Hennessey recommended Ontario adopt the British system of statutory (mandatory) milk marketing programs. Not long after, former Premier of Ontario John Robarts implemented his recommendations and passed the *Milk Act* in 1965.

The act called for the creation of the Ontario Milk Marketing Board (OMMB), which was delegated responsibility and authority for buying all milk produced on Ontario farms and selling it to processors. The organization was led by founding chair George McLaughlin from its inception in 1965 until 1977. McLaughlin unified Ontario's regional producer associations, established production quotas, quality standards and marketing strategies, and negotiated farmgate prices for milk so producers could earn a fair return for their labour.

The OMMB replaced the Concentrated Milk Producers' Marketing Board and the Whole Milk Producers' League and, in 1966, the Ontario Cheese Producers' Marketing Board merged with the OMMB. Four years later, the Cheese Producers' Co-operative established an agreement with the OMMB. Then in 1995, revised Ontario legislation merged the Ontario Cream Producers' Marketing

Board with the OMMB and called the new entity Dairy Farmers of Ontario. Since that time, DFO has been the marketing board for the largest sector of Ontario agriculture.

When examining the history of milk production in Ontario, there have been significant changes, such as the number of farms decreasing to 3,187 farms in 2024 from 40,420 farms in 1966, while overall annual production has remained about the same. Milk production has been steady at 3,182,687,117 litres in 2024 compared with 3,083,676,059 L in 1966. Also, the number of cows dropped to 320,000 in 2024 from 903,000 in 1966, while milk produced per cow has increased to 9,946 L from 3,415 L. Thanks to advances in the dairy industry, production has increased in volume and efficiency with almost three times fewer cows, and the number of cows per farm has grown to 100 cows in 2024 from 22 cows in 1967.

Processing has seen similar results over the years with fewer plants processing higher milk volumes per plant. The table on second page shows the split between industrial and fluid has remained relatively the same from 66.88 per cent and 33.12 per cent in 1966 to 69.3 per cent per cent and 30.7 per cent in 2024.

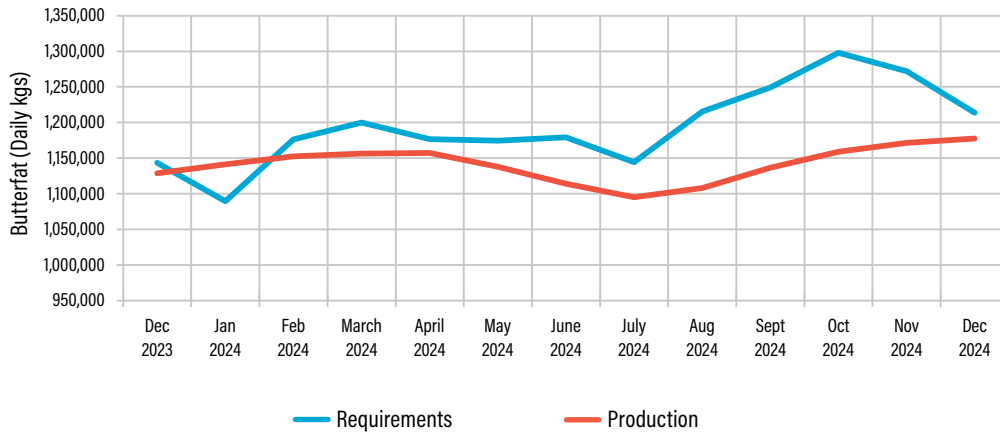
Producer pricing has also varied over the years due to rebalancing of negotiating power between industry players and production cost increases. In 1966, the producer price was \$7.95 per hectolitre, which is equivalent to \$73.09 per hL in 2024.

There have been major transformations in Ontario's dairy industry, but some factors have not changed, such as Ontario dairy farms are still family-run in all regions of the province. As DFO looks forward, its mission remains the same, which is to continue providing leadership and excellence in the production and marketing of Canadian milk for a dynamic, profitable, growing dairy industry.

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.

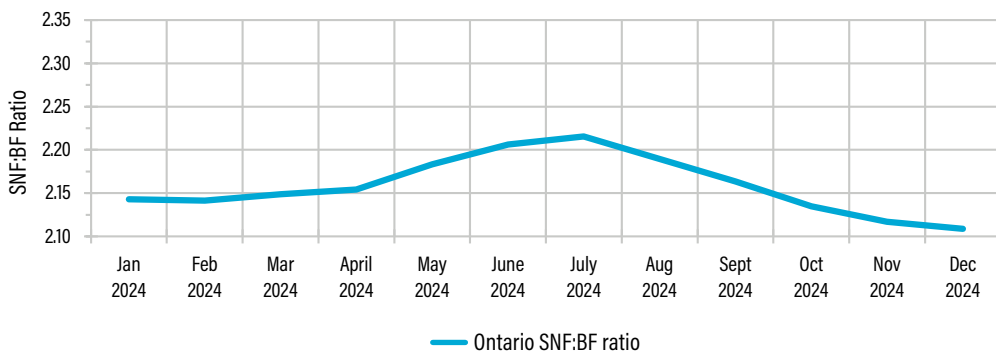


12-month production (in millions of kilograms) **418.0**

12-month requirements (in millions of kilograms) **438.8**

Canadian production has increased by **2.2 per cent** over the previous 12 months, and requirements have increased by **2.2 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.

December 2024: 2.109

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 DEC 28, 2024	RETAIL SHARE OF TOTAL MARKET
Fluid milk	0.30%	76.90%
Cream	2.00%	39.70%
Cheese	2.50%	55.40%
Butter	4.50%	58.70%
Ice cream	1.50%	70.70%
Yogurt	4.10%	94.90%

* Source: AC Nielsen & StatsCan

NOTE: There is a two-month lag in the national retail sales data.

60 years of milk production

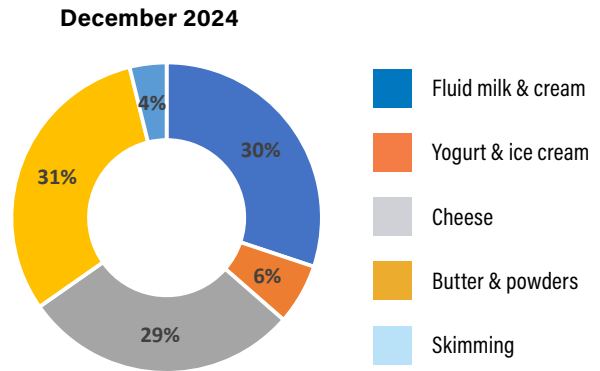
Production	1966	2024
Number of farms (with shipments of milk)	40,420 farms (1967*)	3,187 farms
Average size of farm	22 cows per farm	100 cows per farm
Annual production	3,083,676,059 L	3,182,687,117 L
Number of cows	903,000	320,000
Milk per cow	3,415 L	9,946 L
Processing		
Number of plants	195 (1968*)	89
Industrial vs. fluid	66.88% industrial vs. 33.12% fluid	69.3% industrial vs. 30.7% fluid
Pricing		
Producer price	\$7.85 per hectolitre (\$72.17 with inflation)	\$94.84 per hectolitre (\$88.91 after deduction)

Source: Statistics Canada, Dairy Farmers of Ontario, Milk Commission of Ontario
 References: [1] Hennessey, H.G. (1965) "Report of the Ontario Milk Industry Inquiry Committee" Online Computer Library Center (OCLC) Global Cooperative WorldCat <http://www.worldcat.org/>

ONTARIO UTILIZATION

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

	NOVEMBER 2024	DECEMBER 2024	12-MONTH AVERAGE
Fluid milk & cream	31.0%	30.1%	29.8%
Yogurt & ice cream	7.2%	6.3%	7.4%
Cheese	28.6%	28.8%	30.1%
Butter & powders	32.1%	30.9%	31.7%
Skimming	1.0%	3.8%	0.9%



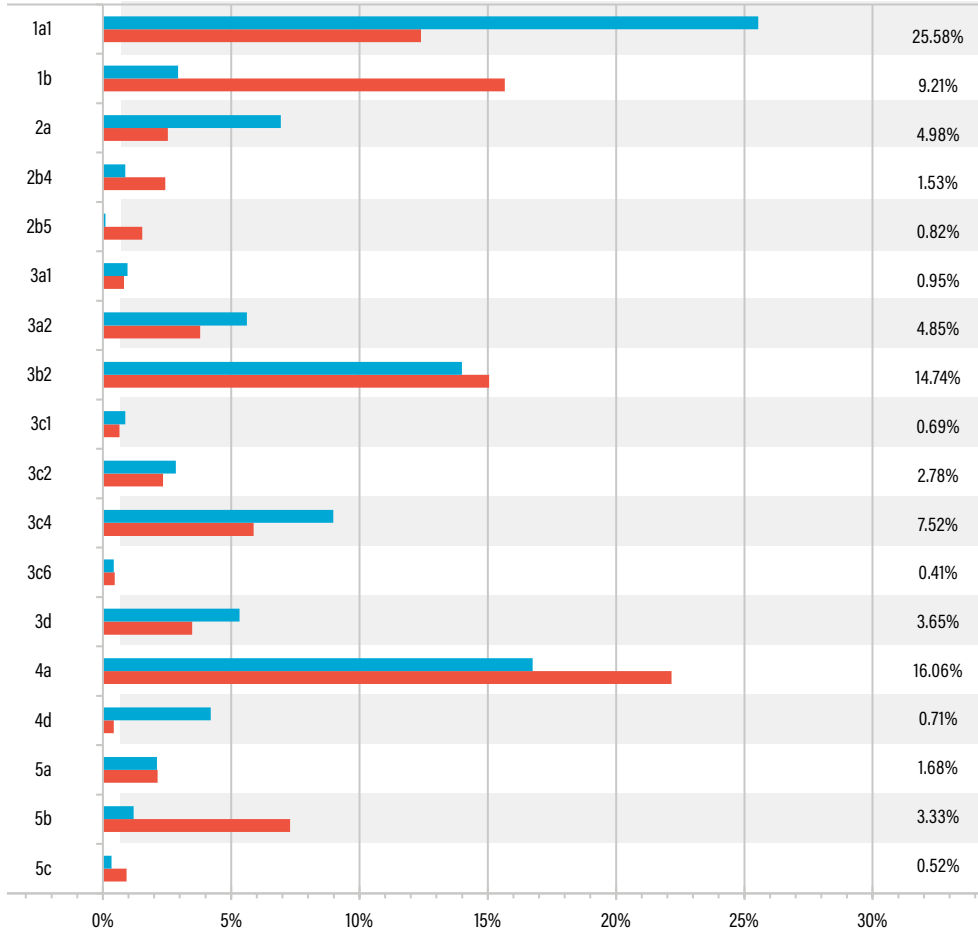
P10 UTILIZATION BY CLASS

For December 2024 (kg of butterfat/kg of solids non-fat)

*There is a two-month lag reporting these figures

■ % Solids non-fat ■ % Butterfat

% Revenue



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

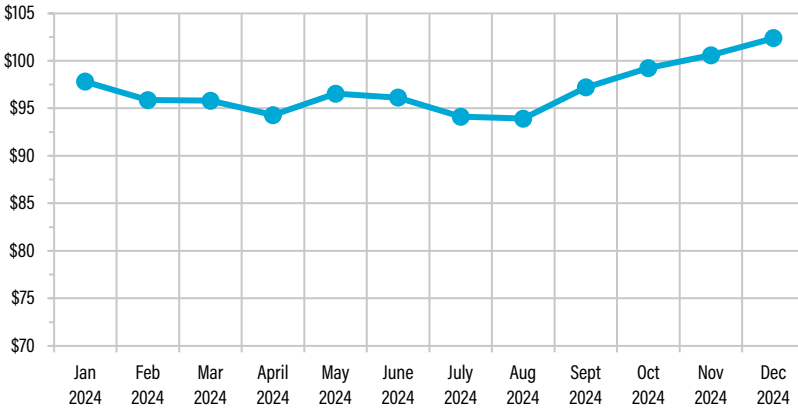
Class 5a Cheese for further processing

Class 5b Non-cheese products for further processing

Class 5c Confectionery products

ONTARIO MONTHLY PRODUCER AVERAGE GROSS BLEND PRICE

A total 3,162 producers sold milk to DFO in December compared with 3,203 a year earlier.



December 2024:
\$102.38

ONTARIO DEDUCTIONS, PER HL

For December 2024

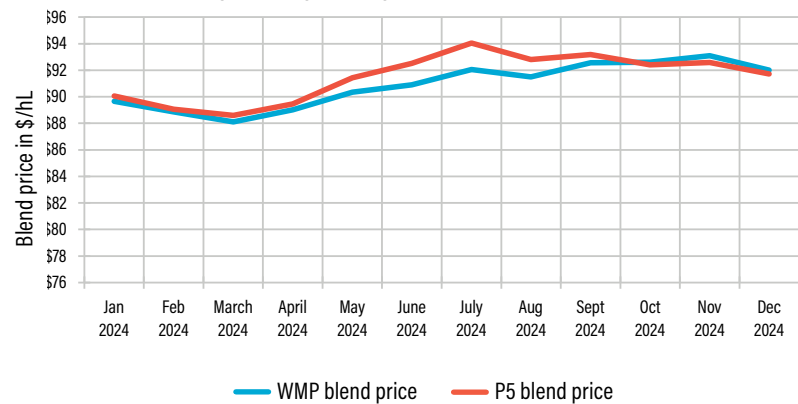
	Within quota	Over-quota
DFO administration	\$0.675	\$0.675
DFO research	\$0.050	\$0.050
CanWest DHI	\$0.060	\$0.060
Transportation	\$3.650	\$3.650
Market expansion	\$1.500	\$1.500
Total deductions	\$5.935	\$5.935
Average total net	\$95.825	-\$5.935

** These figures are based on Ontario's average composition for December 2024 of 4.4090 kg butterfat, 3.3579 kg protein and 5.9397 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: \$92.00
P5: \$91.71

U.S. CLASS PRICES

The January 2025 Class III Price, US\$20.34 per hundredweight, is equivalent to C\$66.49 per hectolitre. This equivalent is based on the exchange rate US \$1 = C\$ 1.43993 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/KG
Alberta	\$56,800	412.30	275.22	145.00
Saskatchewan	\$41,519	81.00	21.63	21.00
Manitoba	\$44,000	248.13	136.27	19.00
British Columbia	\$35,500	345.28	74.00	74.00
Ontario*	\$24,000	24,460.14	218.77	216.47
Quebec*	\$24,000	19,156.30	406.03	405.98
New Brunswick*	\$24,000	567.20	0.90	0.90
PEI*	No Clearing Price Established			
Nova Scotia*	\$24,000	1,573.34	2.17	2.16

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.

JANUARY PRICES

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

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