

DAIRY FARMERS  
OF CANADA'S

SPRING  
2024



# QUARTERLY SKIM





Welcome to the latest edition of Dairy Farmers of Canada's Quarterly Skim, where we take a glimpse into what is happening in the marketplace and provide insight into what to expect in the upcoming months.

**Our goal?** To help you keep tabs on how the marketplace for dairy products is evolving.

In this edition for the first quarter of 2024, we examine dairy sales trends in the Canadian market (retail, food service and further processing), cheese fill rates and trade data under Canada's trade agreements for the 2023 calendar year.

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# CONSUMPTION TRENDS IN THE TOTAL MARKET

A growing Canadian population has led to increased demand and consumption of milk, cream, refrigerated yogurt and cheese. While there has been a slight increase in overall milk sales, retail and further processing sectors have experienced contraction compared to the same period last year. Higher milk consumption has primarily come from the Hotel, Restaurants and Institutional (HRI) sector, where sales have increased. This trend is likely driven by the re-opening of restaurant and food service establishments after the pandemic. As well, more people returned to the office in 2023, which led to increased consumption in the HRI sector.

Cream consumption has shown growth in the total market but declined in the retail sector. The yogurt market has seen growth in retail and the HRI sector, reflecting its appeal to health-conscious consumers who have increased demand.

Retail accounts for about 95% of yogurt sales, where there has been a shift from small to large formats. This shift has led to increased consumption because larger formats encourage higher intake volumes.

Natural cheese sales increased due to factors such as population growth and the re-opening of restaurants. The butter market had declines across all sectors, excluding HRI, primarily due to price sensitivity among consumers and their preference for cost-effective alternatives.

**FIGURE 1:  
CANADIAN MARKET - 12 MONTH PERIOD ENDING DECEMBER 2023  
VS. 12-MONTH PERIOD ENDING DECEMBER 2022**

PERIOD	MARKET	TOTAL	RETAIL		HOTEL, RESTAURANTS, INSTITUTIONS (HRI)		CLASS 5 FURTHER PROCESSING	
		Sales in Volume (% Change)	Sales in Volume (% Change)	Sales in Volume (% Share)	Sales in Volume (% Change)	Sales in Volume (% Share)	Sales in Volume (% Change)	Sales in Volume (% Share)
12-MONTH PERIOD ENDING IN DECEMBER 2023	Milk (litres)	+ 1.1%	- 1.4%	77.8%	+ 12.2%	20.4%	- 5.3%	1.7%
	Cream (litres)	+ 3.2%	- 2.3%	39.2%	+ 7.1%	52.6%	+ 6.5%	8.2%
	Refrigerated yogurt (kilograms)	+ 4.1%	+ 3.3%	94.3%	+ 22.2%	4.9%	+ 6.3%	0.8%
	Natural cheese (kilograms)	+ 1.1%	+ 1.7%	54.8%	+ 3.3%	36.7%	- 10.5%	8.5%
	Butter (kilograms)	- 6.1%	- 2.3%	57.5%	+ 2.1%	23.2%	- 22.5%	19.2%

## Notes

1. Total market for milk, cream and refrigerated yogurt = production + imports for domestic market - domestic exports.
2. Total market for natural cheese, and butter = production + imports for domestic market +/- destocking - domestic exports.
3. IREP, over access committed imports, and foreign exports (re-exports) are not included in the total market.
4. HRI = total market - retail market - class 5.
5. HRI = hotels, restaurants, institutions, independent retailers that are not captured by Nielsen, class 5 further processing when not available, and all other further processing not included in Class 5.
6. Does not capture cross-border shopping of dairy products. These were estimated by Agriculture and Agri-Food Canada (AAFC) at 64,500 tonnes per year for fluid milk between 1989 and 1991.

Sources: Statistics Canada, GAC, CDC, NielsenIQ, AAFC, and DFC calculations



## MILK

Within the overall market, milk experienced a marginal upturn in sales, rising by 1.1% in the 12-month period ending December 2023 compared to the same period a year earlier. Various factors have contributed to trends in milk consumption, including demographic shifts, and the influence of anti-farming and anti-milk movements. Interestingly, despite the rising popularity of plant-based beverages, for the first time in 2023, a decline in their market share was noted, and in addition to positive drivers such as population growth, we have been able to offset these barriers, resulting in milk consumption growth in 2023. This positive trend contrasts with small losses observed in the retail sector, where milk consumption declined by -1.4% over the same period, representing 77.8% of the total market. The decline at the retail level is mainly explained by the shift of consumption from retail to HRI.

Milk sales increased in this period compared to the previous year in the HRI sector by 12.2%. One contributing factor could be the recovery of the hospitality industry from pandemic-related restrictions, leading to higher demand for dairy products like milk in HRI markets. Additionally, shifts in consumer spending, such as increased purchases of milk as an additive in coffee due to the return to a hybrid work model, may have played a role. HRI markets account for 20.4% of the plain milk market. In the products used for further processing (Class 5) market, milk decreased by -5.3% compared to a year ago. However, this market is much smaller and only accounts for 1.7% of the total milk market in Canada.

## CREAM

During the 12-month period ending in December 2023, overall cream consumption exhibited a notable uptick of 3.2% compared to the preceding 12-month period ending in December 2022. However, at the retail level there was a contrasting trend with cream sales experiencing a downturn by -2.3%. This retail category represents 39.2% of the overall market. The decline in retail sales could potentially be attributed to a shift in consumer behavior, with more individuals opting to purchase cream within the HRI sector rather than for home consumption. Coupled with sustained high retail prices, this may hurt retail cream sales.

As these high price changes started to come down in the last quarter of 2023, demand in the retail space also started to show signs of recovery. The HRI markets, which make up 52.6% of the market share for the period of comparison, grew by 7.1%. Purchasing cream in the HRI sector may offer convenience for consumers who frequent these settings, where cream products are readily available. For cream used in further processing, consumption increased by 6.5% compared to the same period a year ago. Further processing products make up 8.2% of the cream market.



## REFRIGERATED YOGURT

In the total market, refrigerated yogurt sales experienced a notable upswing of 4.1% in the 12-month period ending December 2023, compared to the 12-month period ending December 2022. Retail sales captured 94.3% of the market share during this period. Within the retail market, yogurt sales grew 3.3%. Recognized for its nutritional value, including high protein content, probiotics and essential nutrients like calcium, yogurt has become a favoured choice among health-conscious consumers. There has also been a shift towards larger format sizes. This may also have played a role in driving increased consumption, as larger formats often result in higher intake volumes. Refrigerated yogurt also often comes in convenient packaging options which make it convenient for on-the-go, and as a result, a portion of this growth could come from routines getting back to “normal” after the pandemic.

In the HRI sector, which accounts for 4.9% of the market, yogurt grew by 22.2%. This growth could be a result of the continued trend of more consumers going out to eat rather than cooking at home. There has also been increased yogurt consumption in hospitals and retirement homes where good nutrition is essential for overall health and recovery. The smooth texture of yogurt also makes it a more accessible option for individuals with swallowing difficulties in these healthcare environments. In the products used for further processing (Class 5) market, yogurt increased by 6.3% compared to a year ago. However, this market is much smaller, accounting for only 0.8% of the total yogurt market in Canada.



## NATURAL CHEESE

In the case of natural cheese, the total market sales increased by 1.1%. Retail purchases increased by 1.7% in the 12-month period ending December 2023, compared to the same period a year earlier. This may be the result of a combination of factors. Higher immigration levels have contributed to population growth in Canada, resulting in higher overall consumption of food products. Cheese is also very versatile and convenient and is an on-the-go ingredient used in a wide range of dishes. Health-conscious consumers are increasingly incorporating cheese into their diets as part of a balanced eating plan.

Retail purchases make up 54.8% of the total market. In the HRI market, cheese sales increased by 3.3% in the 12-month period ending December 2023 compared to the same period a year ago. The uptick in the HRI sector can largely be attributed to the re-opening of restaurants, hotels and other food service establishments post-pandemic. More people returned to the office in 2023 which stimulated consumption in the HRI. HRI accounts for 36.7% of the market. Meanwhile, in the further processing (Class 5) market, cheese sales experienced a notable decline of -10.5% compared to the 12-month period ending in December 2022. Despite this downturn, the Class 5 market for cheese still commands a significant 8.5% share of the natural cheese market in Canada.

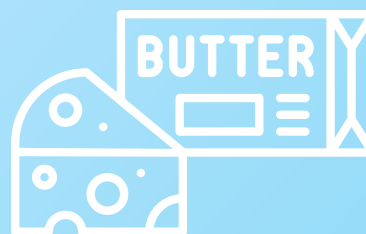
## BUTTER

In the 12-month period ending December 2023, butter consumption decreased by -6.1% compared to the previous year, with noticeable drops observed across various sectors including retail (-2.3%) and further processing (-22.5%). However, Butter sales increased in the HRI sector for the period of comparison (2.1%). Retail purchases constitute 57.5% of the total market, followed by the HRI market representing 23.2%, and further processing contributing 19.2% of the overall market. The decline in butter sales can be attributed to various factors. Initially during the COVID-19 pandemic, increased home cooking and baking led to an upsurge in butter demand. As restrictions were lifted, there has been a shift to more away-from-home food purchases. Some consumers are also opting for more cost-effective alternatives like canola oil. In the retail sector, butter sales have shown sensitivity to significant price fluctuations, with Canadian consumers exhibiting a tendency to purchase during discount periods. This behaviour, coupled with the considerable price differential between butter and its substitutes, likely plays a role in the overall decline observed in butter consumption.

## MILK AND PLANT-BASED BEVERAGES

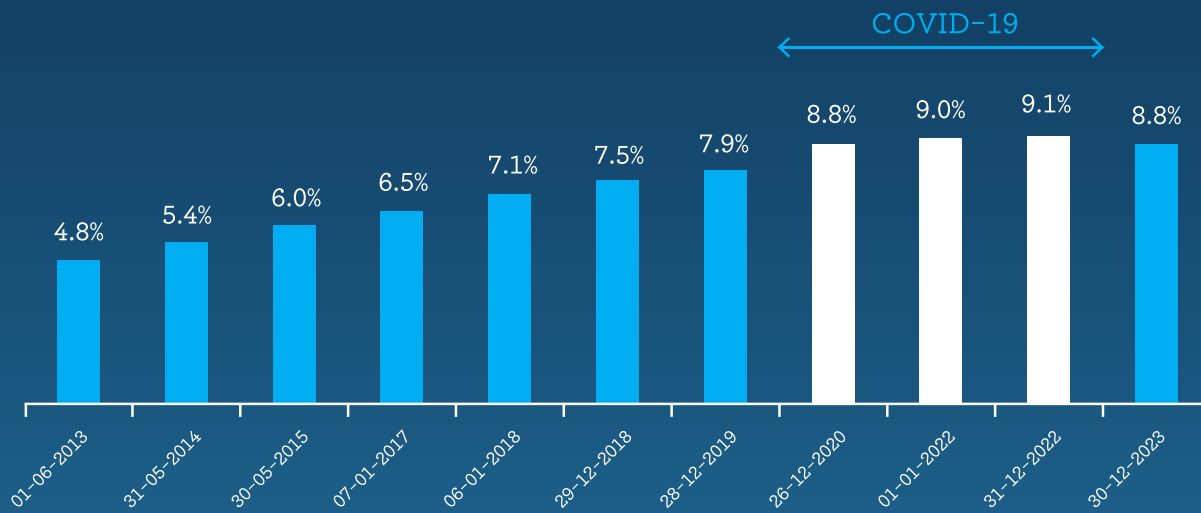
In the category of milk and plant-based beverages, over the past 10 years there were gradual gains in market share of plant-based beverages in the retail segment, reaching a 9% share of the category sales in 2022. In 2023, for the first time, a decline in the market share of plant-based beverages was detected, which tended to return to its pre-pandemic level. At the HRI level, similar findings were seen. Between 2018 and 2023, while milk was losing market share, plant-based beverages were increasing year-over-year during that period with a significant gain in market shares during 2020, 2021 and 2022.

This trend of gaining market share took a turn in 2023, and for the first time in the last five years, plant-based beverages sales experienced a contraction in the Canadian market. This contraction is explained by the fact that the average price was higher than the average price of milk, against a backdrop of high food inflation. Consumers have changed their habits as food prices have risen more sharply than average personal income. Finally, this resulted in a shift from plant-based beverages to milk for some Canadians in 2023.



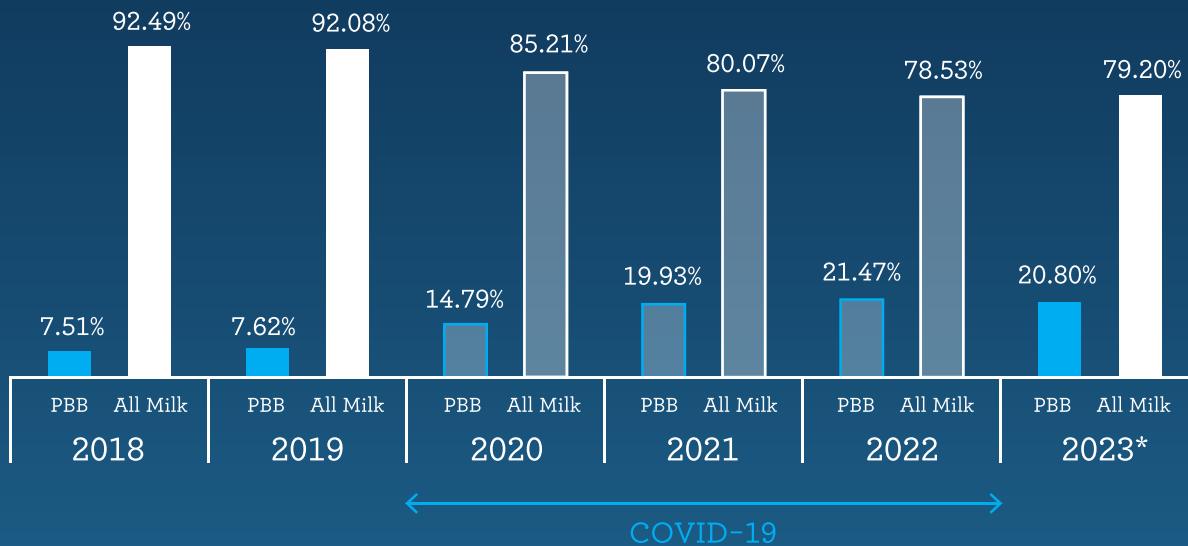


**FIGURE 2:  
MARKET SHARE OF THE CATEGORY “PLANT-BASED BEVERAGES” AT THE RETAIL LEVEL  
(52-WEEK PERIODS)**



Source: Nielsen

**FIGURE 3:  
MARKET SHARE OF PLANT-BASED BEVERAGES (PBB) AND MILK AT THE FOOD SERVICE LEVEL - CANADA**



Source: Direct Link



# TRADE

Imports of dairy products into Canada are managed using tariff rate quotas (TRQs), allowing a pre-determined quantity of dairy products to be imported at preferential tariff rates. This report will examine the volume and TRQ fill rates at the end of 2023 for cheese, industrial cheese, products consisting of natural milk constituents, ice cream and mixes, and yogurt.

## CHEESE

Under the World Trade Organization (WTO), cheese import quantities have stayed relatively stable, declining slightly from 19,768 tonnes in 2022 to 19,573 tonnes in 2023. This remains noteworthy, with a 95.9% fill rate.

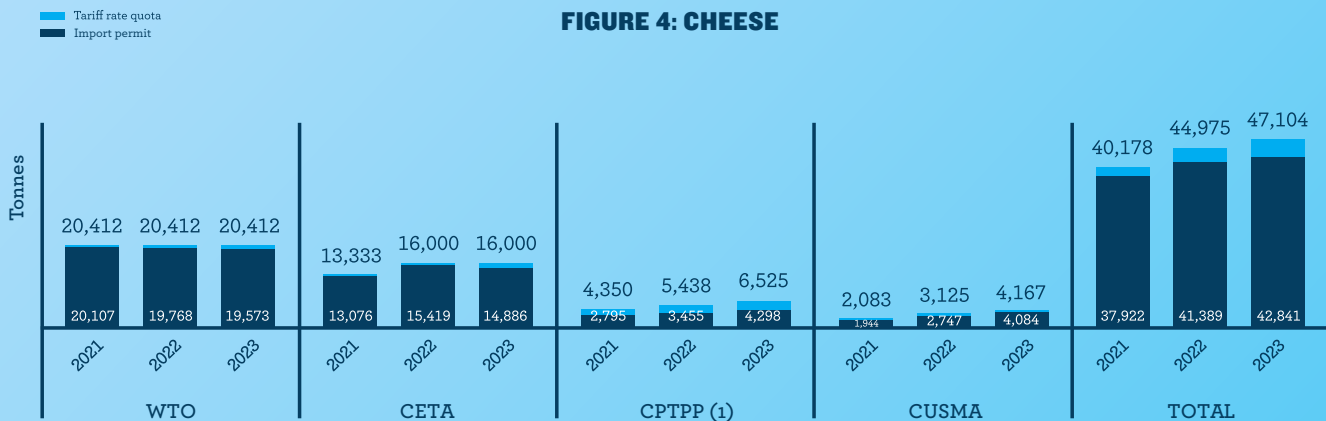
Historically, cheese fill rates from Europe under the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) have consistently maintained high levels. In 2020, 10,228 tonnes of cheese were imported to Canada. This increased to 13,076 tonnes in 2021, then to 15,419 tonnes in 2022. Although there was a slight dip in 2023, with 14,886 tonnes of cheese imported under CETA, this remains substantial, with a 93% fill rate.

Cheese imports from the Asia-Pacific region under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have also increased, both in terms of fill rates and volumes.

Imports are up from 3,455 tonnes in 2022 to 4,298 tonnes in 2023, representing 65.9% fill rate under the agreement. These cheese imports originate mainly from Oceania, particularly New Zealand and Australia, a large dairy-producing and exporting region.

Since the implementation of the Canada-United States-Mexico Agreement (CUSMA), the fill rate for cheese has consistently been high. The fill rate increased from 87.9% (2,747 tonnes) in 2022 to 98% (4,084 tonnes) in 2023, marking a high under CUSMA.

In summary, the combined cheese import volumes and TRQs show consistent annual growth. In 2021, cheese imports across these agreements amounted to 37,922 tonnes, rising to 41,389 tonnes in 2022, and further increasing to 42,841 tonnes in 2023.



**Note**  
 (1) For the CPTPP, the tariff rate quota and import permits also include the additional access level granted specifically for mozzarella and prepared cheese (grated, powdered, or processed).

Source: Global Affairs Canada



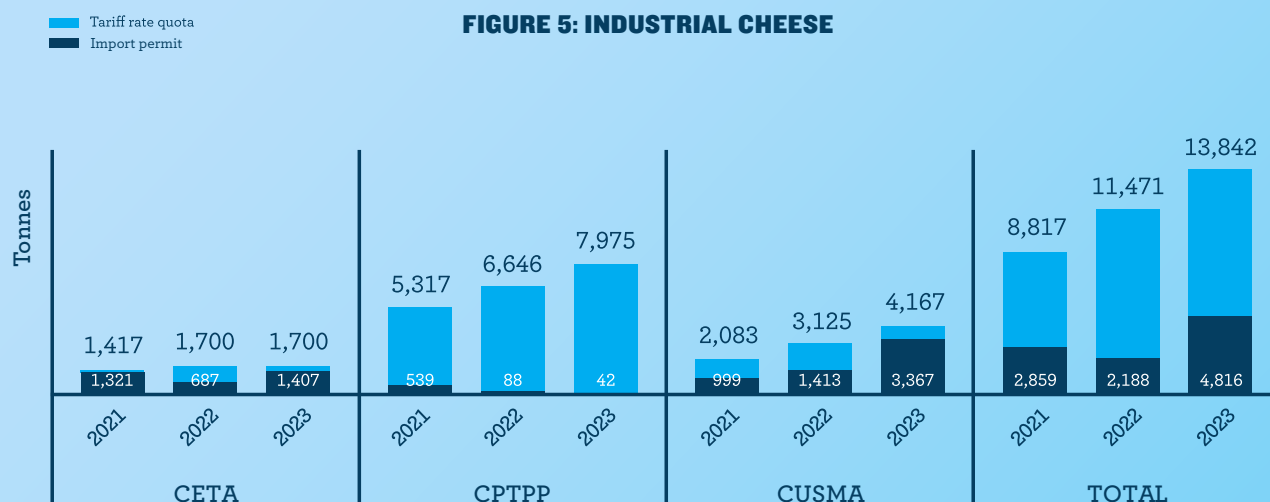
## INDUSTRIAL CHEESE

Under CETA, imports of industrial cheese (i.e. cheese used for further food processing), increased significantly in 2023 compared to 2022, up from 687 tonnes to 1,407 tonnes. However, this increment represents only a marginal uptick from 2021 import levels of 1,321 tonnes. The fill rate under this agreement reached 82.8% in 2023.

For industrial cheese imports under CPTPP, the TRQ has increased from 6,646 tonnes in 2022 to 7,975 tonnes in 2023. However, despite the growing cap, the fill rate has historically been low. Imports for 2023 stand at just 42 tonnes, a decrease from the 88 tonnes recorded in 2022. In 2021, industrial cheese imports under CPTPP were slightly more substantial, totalling 539 tonnes.

Finally, under CUSMA, the TRQ for industrial cheese has increased from 3,125 tonnes in 2022 to 4,167 tonnes in 2023. Import volumes also exhibit a continuous upward trajectory, reaching 3,367 tonnes in 2023. This marks a substantial increase in volume compared to 2022 levels.

There has been a notable rise in both industrial cheese import volumes and TRQs compared to 2022. The combined TRQ across all agreements increased by 20.4% in 2023 compared to the previous year, while the total import volume increased by 120.1%. The increase is mainly attributed to heightened import levels under CETA compared to 2022, alongside significant growth in imports under CUSMA.



Source: Global Affairs Canada

## TOTAL CHEESE TRQ

The increasing total cheese TRQ under CPTPP and CUSMA has heightened the competitive landscape for Canadian producers within the domestic market. By 2036 the total cheese TRQ under CPTPP will reach 16,502 tonnes, which is 14% higher than the 2023 level. CUSMA will reach its cap in 2038 at 14,226 tonnes, which is 71% higher than the 2023 level.

In 2023, 32% of Canada's cheese imports came from the U.S. Of these imports, 28% were imports of mozzarella cheese, 16% were of cream cheese, and 15% were imports of cheddar cheese to Canada, further intensifying competition for domestic producers.

These cheese varieties are well-known to Canadian consumers and highlight the limited assortment of imported cheeses when compared to the diverse range found domestically.

This is very similar to imports coming from Australia and New Zealand, which made up 6.0% of the total Canadian cheese imports in 2023. Their imports consisted mainly of cheddar and mozzarella cheese types, reaching 69% and 28% respectively. This is significant because, with the increasing TRQ, imports of cheese from the U.S. and Oceania will continue to increase.

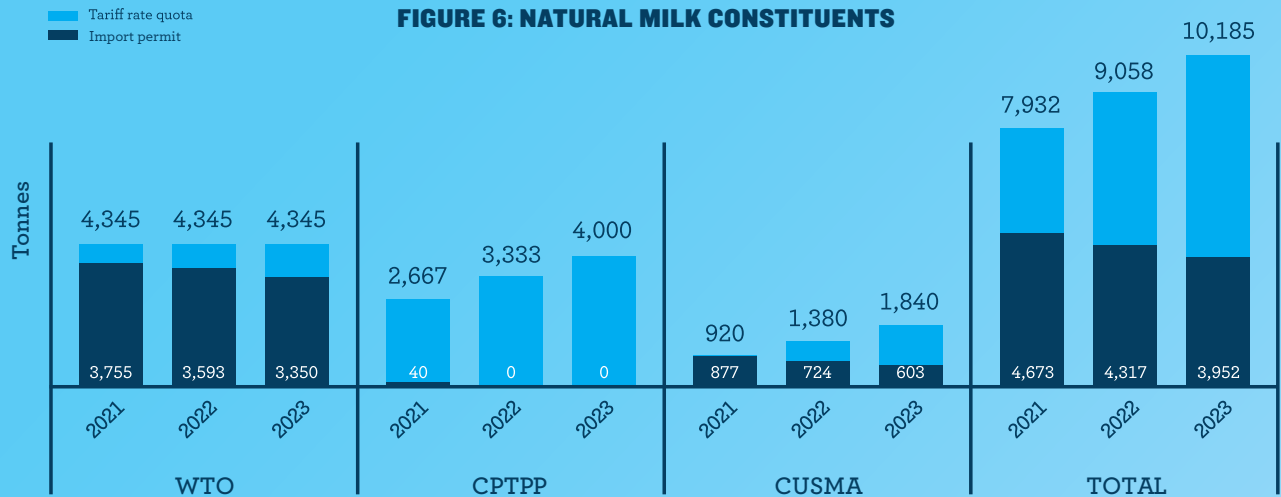


## NATURAL MILK CONSTITUENTS

Under the World Trade Organization (WTO), imports of products consisting of Natural Milk Constituents (NMC) were down slightly in 2023 with a 77.1% fill rate. As a comparison, fill rates in 2022 were 82.7% under WTO. These products are classified as NMC at the border but are commonly referred to as Milk Protein Concentrates.

In 2023 there were no imports of products consisting of NMC under CPTPP. This is consistent with 2022.

In 2023 imports of products consisting of NMC under CUSMA were filled to 32.7%. This represents a decline from the levels observed in 2021 and 2022, which stood at 95.4% and 52.5% respectively.



Source: Global Affairs Canada

## CONCLUSION

In summary, increased consumption of milk, cream, yogurt and cheese is partially attributed to the expanding Canadian population. Milk and cream sales have increased in the HRI sector post-pandemic. Similarly, yogurt and natural cheese sales have also increased due to product convenience and a portion of the population returning to the office. The butter market has faced declines due to consumer price sensitivity.

Cheese imports have seen high volumes and fill rates. Imports of products consisting of natural milk constituents have shown a decrease in 2023 compared to the previous year.

There has been a notable fluctuation in market share of milk and plant-based beverages over the past decade, with the latter experiencing gains in both the retail and HRI sector since 2018. However, in 2023 there was a noticeable decline in plant-based beverage sales, marking a reversal from previous trends.

Should you have any suggestions for topics in future editions, we invite you to send them to [communications@dfc-plc.ca](mailto:communications@dfc-plc.ca).

