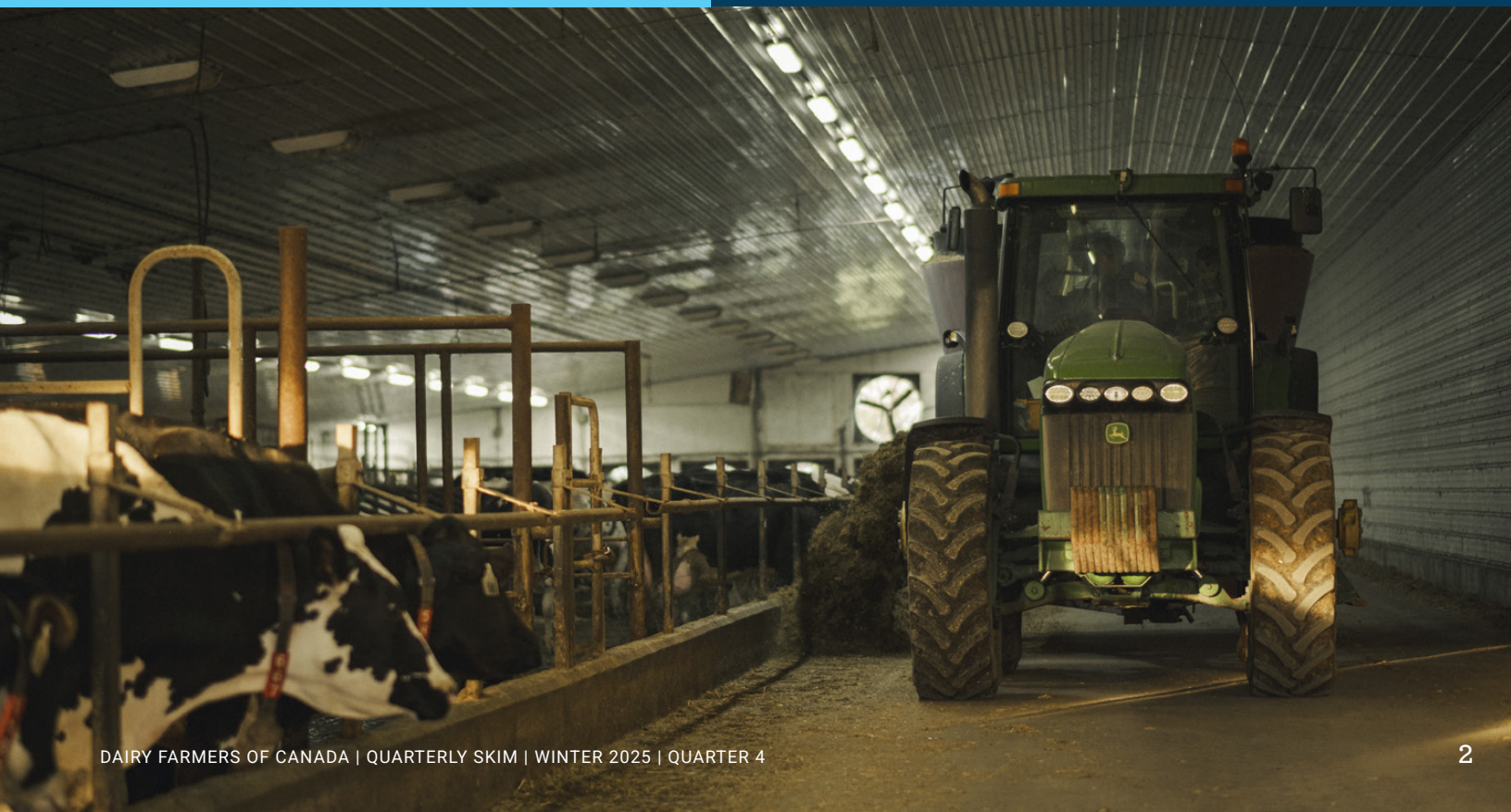
DAIRY FARMERS OF CANADA | WINTER 2025

QUARTERLY SKIM

Welcome to the latest edition of Dairy Farmers of Canada's Quarterly Skim, where we take a glimpse into what's 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 fourth-quarter 2025 edition, we examine the latest cost-of-production data and its impact on farmgate prices. Additionally, we analyze how import levels for selected dairy products have changed compared to last year under Canada's international trade agreements. Finally, we review dairy sales in the Canadian market, including retail and other markets.

TABLE OF CONTENTS



COST OF PRODUCTION

The overall indexed Cost of Production (iCOP) as of August 2025 is $92.82 per standard hectolitre (std hl), which is a 2.72% increase compared to last year. The increase in iCOP is largely due to higher capital and labour costs. Interest expenses rose as loans were renewed at higher rates, while depreciation costs increased with higher equipment and building prices. Hired labour costs also increased, partly due to catch-up wage adjustments following earlier consumer price index increases. Purchased feed, which accounts for a significant portion of the COP, rose by 6% year over year. Overall, the latest results from the Canadian Dairy Commission (CDC) show an increase in on-farm costs.

FARMGATE PRICES

The Consumer Price Index (CPI), which is used to calculate annual price adjustments for dairy farmers, rose 1.93% over the 12-month period ending in August 2025.

Based on this and the latest iCOP results, the CDC announced a 2.3255% price increase at the farm level, effective on February 1, 2026. This price adjustment for domestic classes 1 to 4 reflects the National Milk Pricing Formula, which considers variations in the iCOP (50%) and the CPI (50%).

GLOBAL DAIRY COMMODITY PRICES UPDATE

The International Farm Comparison Network (IFCN) World Milk Price Indicator is a benchmark for tracking global dairy market trends. It represents the theoretical price a processor could pay to farmers if dairy products were sold on the world spot market[1], assuming standardized production costs. The IFCN World Milk Price Indicator showed global milk prices rose steadily through early 2025, climbing from CAD 68.21 per 100 kg Solid Corrected Milk (SCM)[2] in January to CAD 73.87 per 100 kg SCM in May. Since then, prices have softened as production strengthened, falling to CAD 65.06 per 100 kg SCM in October, representing an 11.9% decline from May.

Global milk demand remains firm but oversupply of butter and milk powder has pushed prices down. Demand growth over the next several years is expected to be led by emerging markets, such as India and Pakistan, where dairy consumption continues to increase. Global production increased in 2025, supported by higher yields and favourable conditions across major dairy regions. However, market sentiment has shifted, with futures pointing to a more moderate price environment.

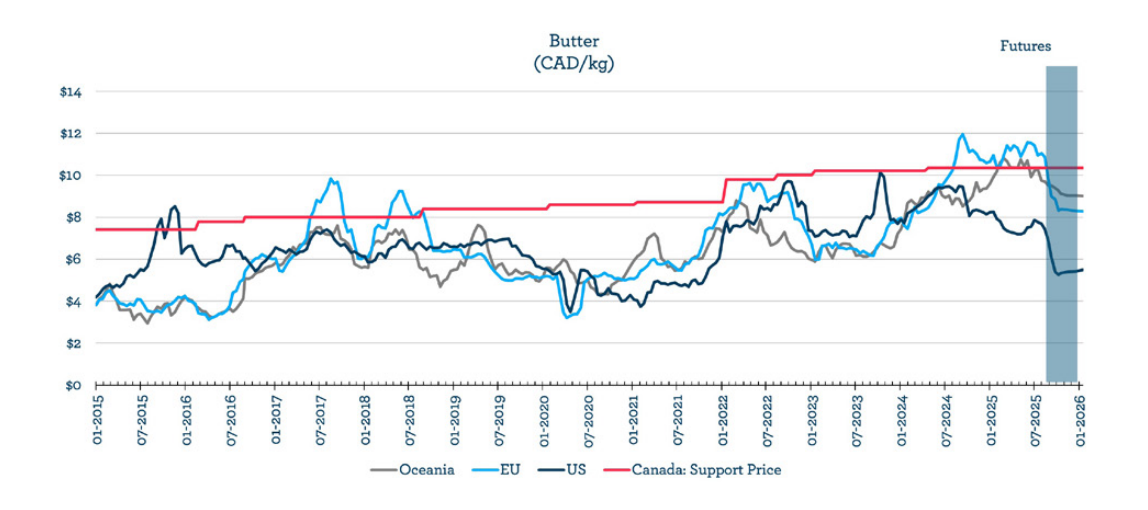
In the United States and the European Union, butter prices are falling month-over-month and are now converging, as increased competition and currency effects have narrowed the gap between the two markets. The EU remains constrained by environmental policies and profitability challenges, while the U.S. market, though still the weakest overall, is showing signs of recovery heading into early 2026, supported by stronger exports and a butter trade surplus after several years of deficit.

In New Zealand, prices have been supported by strong export demand and stable production as a result of favourable weather conditions. Overall, buyers are cautious and are waiting for further market signals, expecting short-term price softening before stabilization.

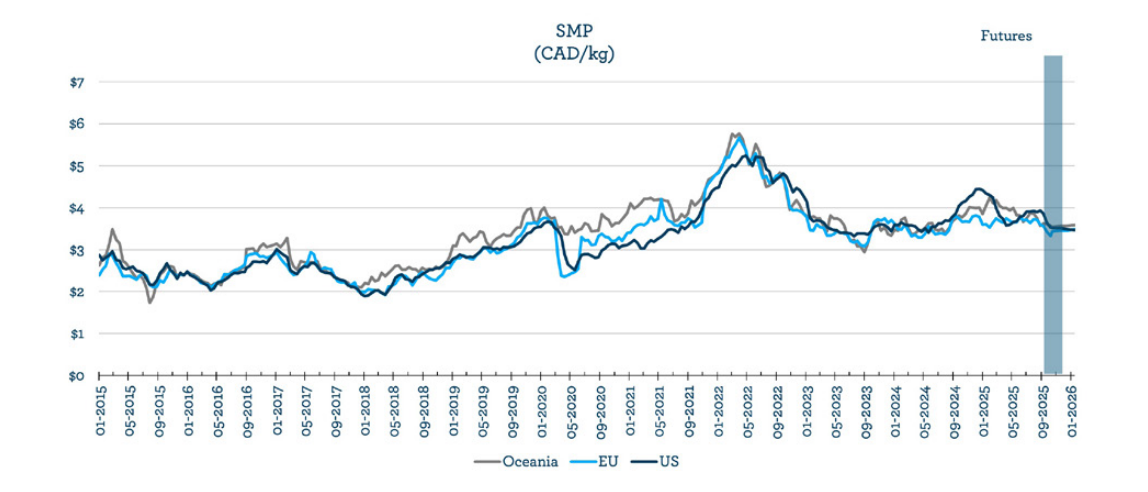
Class 4A solid non-fat (SNF) prices, which generally follow trends in global skim milk powder (SMP) markets, increased from a low of CAD 2.52/kg in May 2024 to CAD 3.46/kg in December 2024, before decreasing to CAD 2.71/kg in April 2025, as depicted in Figure 2. Between April and September 2025, prices increased, reaching CAD 2.82/kg in September 2025. The 12-month average for the period ending September 2025 was CAD 3.05/kg. Futures suggest some softening ahead, with prices expected to slightly decline to about CAD 2.55/kg in early 2026. Actual movements will depend on global SMP trends, currency fluctuations, and transportation costs.

[1] The world spot market is the global market where commodities are sold for immediate delivery at current market prices.
[2] The IFCN World Milk Price Indicator is a weighted average of three components: SMP & butter (32%), cheese & whey (51%), and WMP (17%), with the weights adjusted quarterly based on the global trade shares of these commodities

FIGURE 1A AND 1B: EVOLUTION OF BUTTER AND SMP WORLD PRICES

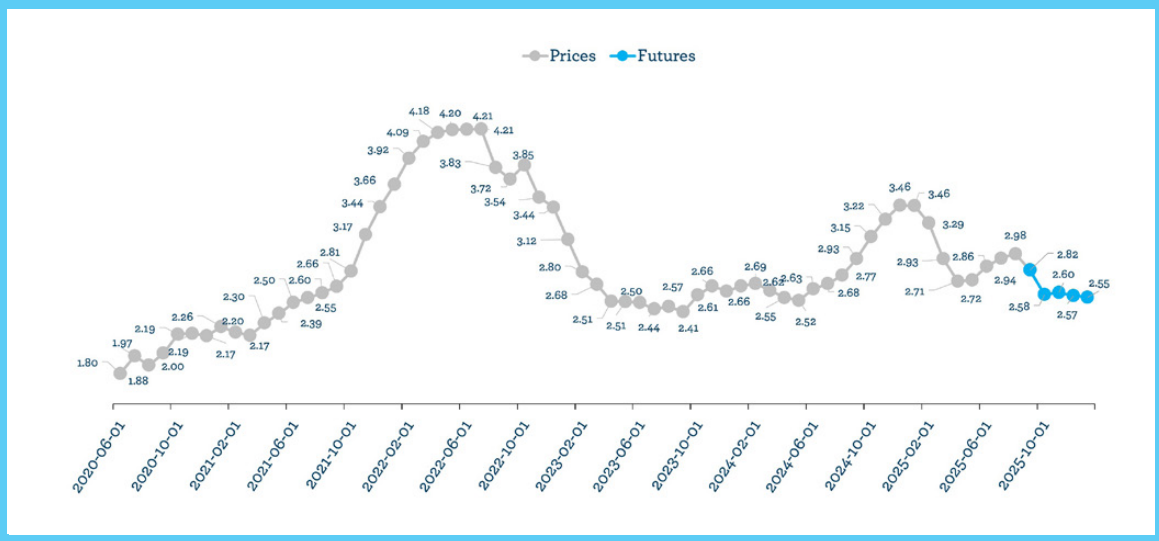


Sources: USDA, CME, NZX, EEX and DFC calculations as of October 27, 2025.
Note: The butter support price shown for Canada is a theoretical reference price and should not be interpreted as the actual market price for manufactured butter.



Sources: USDA, CME, NZX, EEX and DFC calculations as of October 27, 2025.

FIGURE 2: 4A SNF PRICE



Sources: CDC (prices), CME (futures), and DFC calculations from October 27, 2025
Note: Futures data is based on settled futures prices for the prior trading day.

TRADE

This section examines tariff rate quotas (TRQs) and fill rates under Canada's foreign trade agreements up to October 2025. TRQs allow a predetermined quantity to be imported for each dairy product.

The data used in this analysis comes from Global Affairs Canada (GAC) and the Canadian Dairy Information Centre (CDIC).

CHEESE

Total cheese imports under the World Trade Organization (WTO) Agreement are on track to reach the TRQ negotiated-level threshold. As of October 2025, the fill rate has reached 86.0%. This marks an increase compared to a year ago when the fill rate was 78.8%.

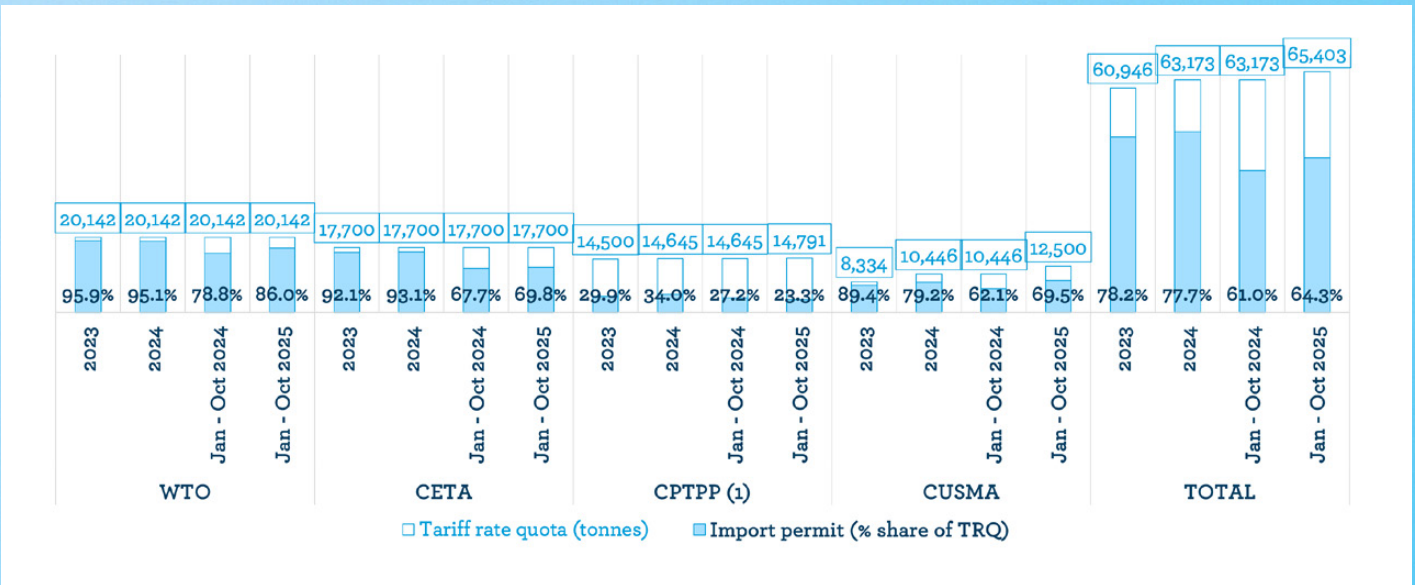
Historically, cheese fill rates from Europe under the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) have been high. As of October 2025, the fill rate stands at 69.8%, consistent with the same period last year. This indicates that, like in 2024, we are on track to reach near-full TRQ utilization by the end of 2025.

The cheese fill rate under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was 23.3% as of October 2025, slightly down from the 27.2% fill rate in October 2024. Import volumes under CPTPP mainly originate from Oceania.

The cheese fill rate under the Canadian-United States-Mexico Agreement (CUSMA) was 69.5% in October 2025, an increase compared to the 62.1% fill rate in October 2024. Import volumes increased from 6,466 to 8,683 tonnes.

Across all agreements, cheese imports saw a 9.2% increase year over year, up from 38,513 tonnes in October 2024 to 42,037 tonnes in October 2025.

FIGURE 3: TOTAL CHEESE IMPORTS



(1) For 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

NATURAL MILK CONSTITUENTS

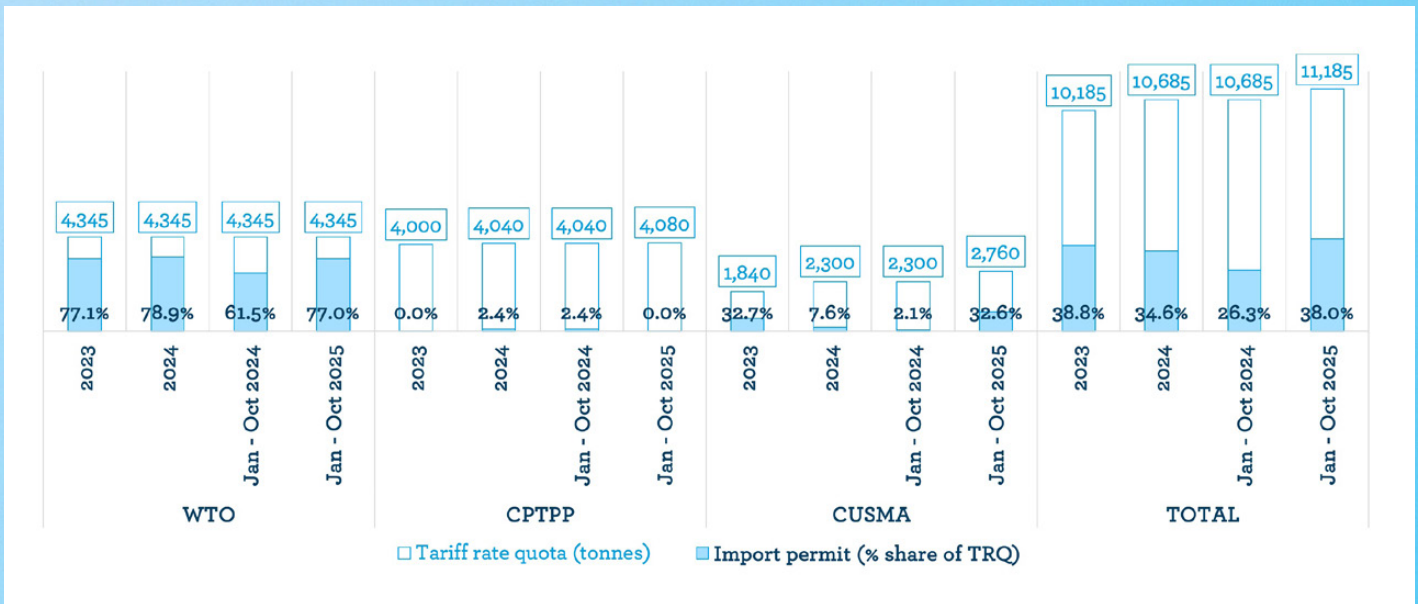
Under the WTO, imports of products containing natural milk constituents (NMC), commonly known as Milk Protein Concentrates (MPC), have increased compared to last year, reaching a fill rate of 77% as of October 2025. This is up from the fill rate of 61.5% during the same period in 2024.

No MPC imports were recorded under CPTPP as of October 2025, consistent with the limited historical imports under this agreement.

Imports of MPC products under CUSMA reached a fill rate of 32.6% by October 2025, up from 2.1% in October 2024.

Overall, MPC imports rose from 2,815 tonnes between January and October 2024 to 4,246 tonnes over the same period in 2025, an increase of 50.8%.

FIGURE 4: MPC IMPORTS



Source: Global Affairs Canada

ICE CREAM AND MIXES

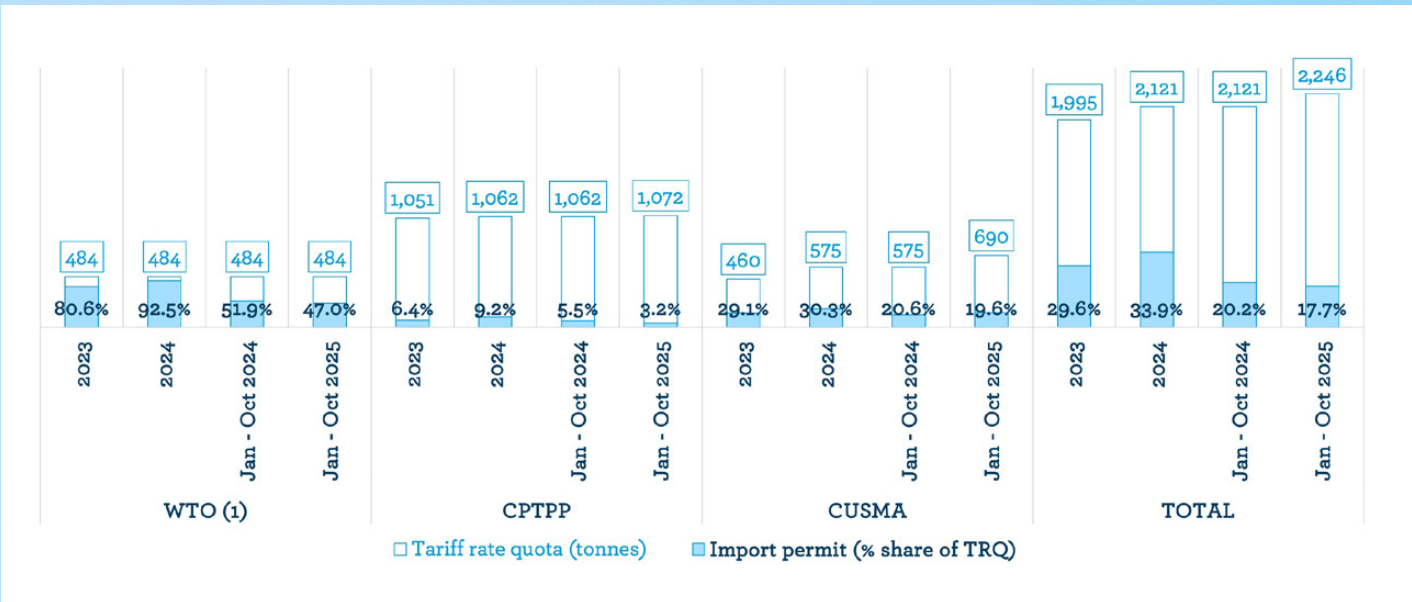
As of October 2025, ice cream and mixes imports under the WTO reached a 47% fill rate, down from the October 2024 rate of 51.9%.

Under CPTPP, imports reached 3.2% in October 2025, slightly down compared to 5.5% a year prior.

CUSMA imports reached a fill rate of 19.6% in October 2025, slightly below the 20.6% recorded in October 2024.

Overall, total ice cream imports decreased from 429 tonnes between January and October 2024 to 397 tonnes over the same period in 2025.

FIGURE 5: ICE CREAM AND MIXES IMPORTS



(1) For the WTO, the tariff rate quota of 484 tonnes and the import permits shall apply only to ice cream. There is no market access for beverages containing milk, and ice cream mix and ice milk mix.

Source: Global Affairs Canada

Separately from TRQ imports, over-access imports of ice cream — which are imports entering Canada outside of the WTO, CPTPP, and CUSMA TRQs — have risen by 11.6% year over year, reaching 65.3 tonnes as of August 2025. The United States is the dominant source, with Illinois alone accounting for 99.5% of Canada's over-access ice cream imports.

BUTTER

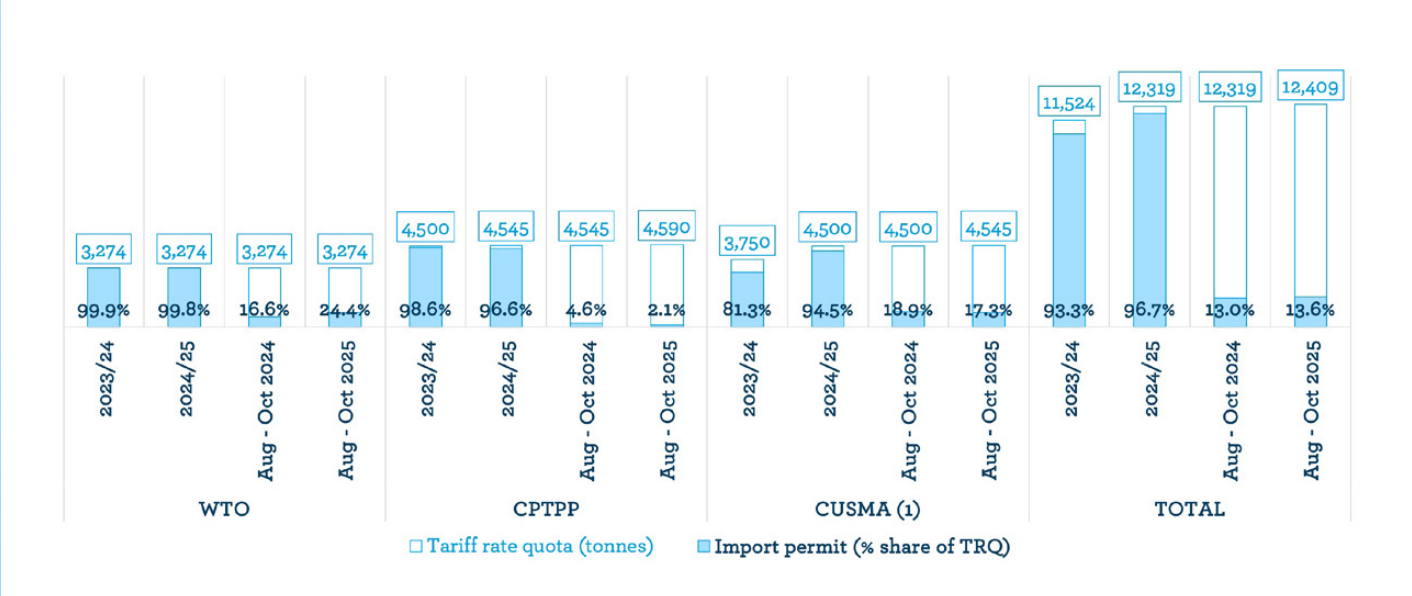
Butter imports remained strong across all trade agreements in 2024/25. The TRQ fill rate reached 99.8% under the WTO, consistent with the previous year. Between August and October 2025, imports reached 24.4%, compared to 16.6% over the same period last year, suggesting a faster start to the new dairy year.

Under CPTPP, butter imports reached 96.6% in 2024/25, slightly below the 98.6% fill rate in the previous year. Imports between August and October 2025 reached 17.3%, slightly down from the same period in 2024.

CUSMA butter imports increased to 4,251 tonnes of butter in 2024/25, filling 94.5% of the CUSMA TRQ, up from 81.3% the previous year. The fill rate between August and October 2025 reached 17.3%, similar to the 18.9% recorded over the same period in 2024.

Across all agreements, total butter imports reached 11,908 tonnes in 2024/25, up from 10,756 tonnes the previous year. For the first three months of 2025/26 (August to October), imports totalled 1,683 tonnes, relatively stable with the same period in 2024/25.

FIGURE 6: BUTTER IMPORTS



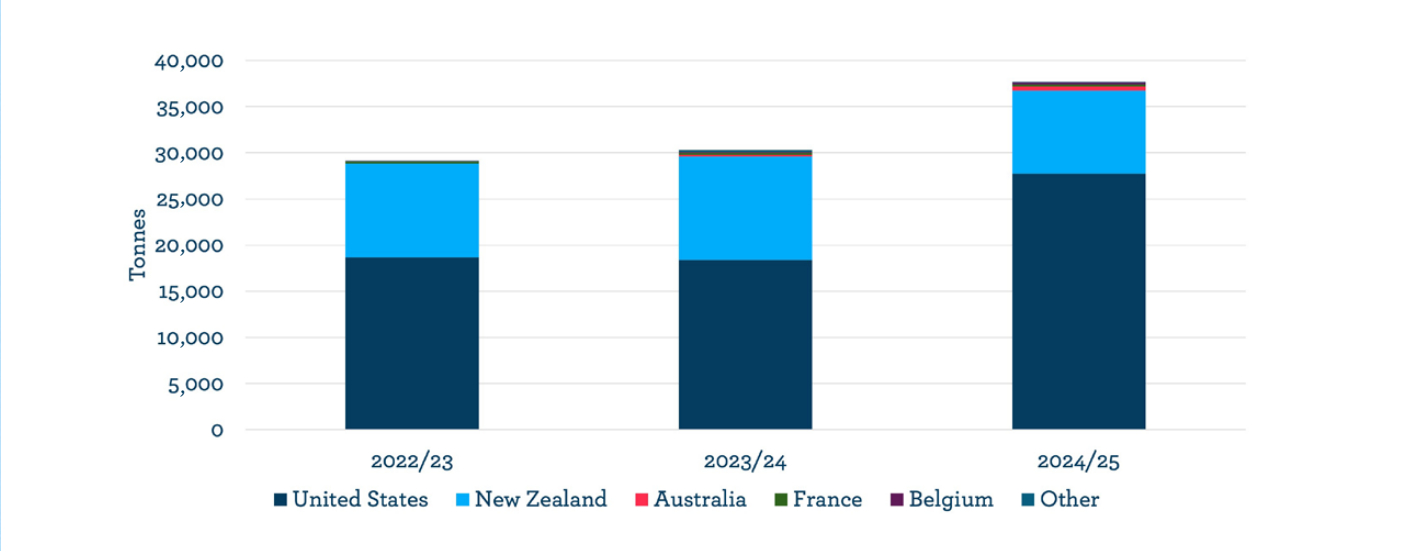
(1) For CUSMA, the tariff rate quota and import permits shall apply to butter or cream powder.

Source: Global Affairs Canada

Data from the CDIC shows that the share of U.S. butter imports in Canada has continued to grow, with the U.S. supplying 27,752 tonnes in the 2024/25 dairy year, up from 18,417 tonnes in the 2023/24 dairy year. According to the IFCN, the U.S. is now, for the first time in several years, in a butter surplus, with Canada among its main buyers. Lower U.S. butter prices compared with other global markets have strengthened its export position.

The U.S. now accounts for 73.8% of Canada's butter imports. In comparison, butter imports from New Zealand have remained relatively stable, decreasing slightly since 2023/24. New Zealand butter imports represent about 23.9% of our total import market. Butter imports from other countries, such as Australia, France, and Belgium, account for only a minor share. This trend highlights the U.S.'s growing presence in the Canadian market.

FIGURE 7: BUTTER IMPORTS BY COUNTRY OF ORIGIN



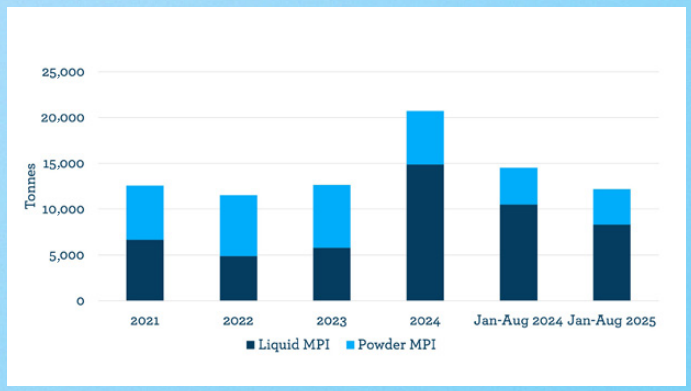
Source: Canadian Dairy Information Centre

MILK PROTEIN SUBSTANCES (MPI)

In 2024, imports of milk protein substances (MPI) reached 12,870 tonnes of liquid and 5,844 tonnes of powder. The 2024 proportion of liquid MPI increased compared to previous years accounting for 72.4% of total MPI imports, compared to 45.6% in 2023. For the first eight months of 2025, imports totalled 8,310 tonnes of liquid MPI and 3,866 tonnes of powder MPI.

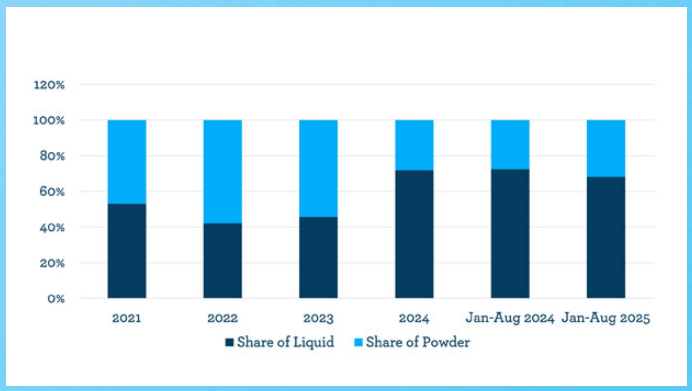
While overall import volumes were 16.2% lower than the same period in 2024, total protein supplied fell by only 9.1%. This smaller decline reflects a larger decrease in liquid MPI, which contains less protein per kg compared to powder MPI. This results in a mix that is slightly more protein-dense than the same period last year. However, liquid MPI continues to make up most of the share at 68.2%, still well above its share from 2021 to 2023.

FIGURE 8: MPI IMPORTS



Source: Canadian Dairy Information Centre

FIGURE 9: MPI IMPORTS COMPOSITION: LIQUID AND POWDER MPI



Source: Canadian Dairy Information Centre

CONSUMPTION TRENDS IN THE CANADIAN DAIRY MARKET

In the 12-month period ending August 2025, overall consumption for all major dairy products increased compared to the same period a year prior. Milk sales rose 0.8% with high consumption in the Hotel, Restaurant and Institutional (HRI) food sector. Cream and natural cheese consumption increased by 0.1% and 1% respectively. Butter consumption growth was strong, increasing by 5.9% year over year due to high use in further processing as well as falling average prices at retail. Lastly, yogurt consumption, supported by a shift to larger format sizes, grew by 5.6%.

The data is more varied when it comes to per capita consumption levels. While there was strong growth in butter (4%) and yogurt (4.4%), other categories like milk, cream and natural cheese showed small declines.

Several demographic and economic factors may be contributing to these trends. The 12-month average population growth rate slowed to 1.9% in August 2025, down from 3.1% in the previous 12-month period. Moreover, economic pressures have consumers turning to discount grocery banners, mass merchandisers, and warehouses in search of lower prices across all food categories. Similarly, consumers are choosing limited-service options when it comes to restaurant expenditures. These changes in consumer habits will not impact the sales of all dairy products in the same manner. For instance, dairy products that are typically used as ingredients in restaurant meals, such as natural cheese or cream, may be more affected by changes in consumption habits than products like yogurt, which are primarily purchased for at-home consumption through retail channels.

FIGURE 10: CANADIAN MARKET

12-MONTH PERIOD ENDING AUGUST 2025 VS. 12-MONTH PERIOD ENDING AUGUST 2024

PERIOD	MARKET	TOTAL	RETAIL (NielsenIQ)		ALL OTHER MARKETS	
	Dairy Product	Sales in Volume (% Change)	Sales in Volume (% Change)	Sales in Volume (% Share)	Sales in Volume (% Change)	Sales in Volume (% Share)
12-MONTH PERIOD ENDING IN AUGUST 2025	Milk (litres)	0.8%	-0.3%	76.6%	4.4%	23.4%
	Cream (litres)	0.1%	0.6%	39.8%	-0.3%	60.2%
	Refrigerated yogurt (kilograms)	6.3%	6.4%	94.9%	5.3%	5.1%
	Natural cheese (kilograms)	1.0%	3.3%	56.3%	-1.8%	43.7%
	Butter (Kilograms)	5.9%	3.3%	57.4%	9.7%	42.6%

Note

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 – stocks variation – 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

FIGURE 11: PER CAPITA CONSUMPTION

12-MONTH PERIOD ENDING AUGUST 2025 VS. 12-MONTH PERIOD ENDING AUGUST 2024

PERIOD	MARKET	TOTAL	RETAIL (NielsenIQ)		ALL OTHER MARKETS	
	Dairy Product	Sales in Volume (% Change)	Sales in Volume (% Change)	Sales in Volume (% Share)	Sales in Volume (% Change)	Sales in Volume (% Share)
12-MONTH PERIOD ENDING IN AUGUST 2025	Milk (litres)	-1.1%	-2.1%	76.6%	2.5%	23.4%
	Cream (litres)	-1.7%	-1.2%	39.8%	-2.1%	60.2%
	Refrigerated yogurt (kilograms)	4.4%	4.4%	94.9%	3.4%	5.1%
	Natural cheese (kilograms)	-0.8%	1.4%	56.3%	-3.6%	43.7%
	Butter (Kilograms)	4.0%	1.4%	57.4%	7.7%	42.6%

Note

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 – stocks variation – 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

In the total market, milk sales have increased by 0.8% in the 12-month period ending August 2025 compared to the same period one year ago. This has been driven largely by population growth, as total milk consumption per capita is down by -1.1%.

All the growth in the total milk market has come from HRI and further processing markets, where sales increased 4.4% compared to the previous period. These markets now account for 23.4% of total milk consumption. The increase in the HRI sector is likely linked to shifting consumer habits, as people are required to work more days in the office than in the previous period (e.g., public servants), leading to an increase in out-of-home consumption. There was also an increase in the amount of milk products used in Class 5 for the further processing market.

In the retail market, milk consumption declined slightly by -0.3% compared to the previous reporting period. It now accounts for 76.5% of the total milk market. The recent decline in retail milk consumption is likely linked to the rise in out-of-home consumption, not to consumers shifting away from milk purchases. In fact, whole milk sales have continued to grow while the decline in milk sales with 1% milk fat (M.F.) and 2% M.F. has slowed. Additionally, strong growth has occurred in lactose-free, organic milk, and ultrafiltered milk products.

Sales of plant-based beverages declined during the current period and now account for only 8.3% of total retail sales in the milk and substitutes category. As previously reported, consumer habits in this category have been impacted by high prices and the continued effects of a July 2024 plant-based beverage recall.

CREAM

Total cream consumption rose by 0.1% in the 12 months ending August 2025 compared to the same period one year prior. However, on a per capita basis, this represents a decrease of -1.7%.

In the retail market, which accounts for 39.8% of the total market, sales grew by 0.6% over this period. As with other dairy products, retail sales growth continues to benefit from the rising total population. Additionally, like fluid milk consumption at retail, cream sales are being driven by higher-fat cream.

Regarding cream consumed in other markets, sales declined by -0.3% and represent 60.2% of the total cream market. Based on trends observed in Direct Link data, two opposing trends appear to be occurring in the HRI market. As mentioned earlier, the economic strain on household budgets has led consumers to purchase fewer meals at fine-dining restaurants, thereby hampering cream consumption. However, this trend has been partially offset by the out-of-home consumption linked to the increased number of days employees are working in the office, similar to the consumption of milk. Regarding the further processing market, sales increased compared to the previous period.

REFRIGERATED YOGURT

In the total market, refrigerated yogurt sales increased by 6.3% in the 12-month period ending August 2025, compared to the same period in 2024. Like other dairy products, population growth has contributed to this increase. However, per capita consumption of yogurt was also strong and increased by 4.4% compared to the same period in 2024. This suggests other factors, like interest in higher protein content, are influencing individual consumption habits.

Retail sales continued to capture the majority (94.9%) of the total yogurt market. Retail purchases also accounted for most of the growth in yogurt consumption, with sales rising 5.4%. This was associated with several factors, including a shift toward larger yogurt formats, which offer more cost-effective options and encourage higher consumption given they are not restricted to a single portion size. Additionally, retail consumers are purchasing more plain yogurts and those with higher protein content. In fact, sales of higher protein yogurt, such as Skyr and Greek yogurt, increased by a combined 21.7% over the 52-week period ending August 30, 2025.

For yogurt consumed in all other markets, sales grew by 5.3% compared to last year and now account for 5.1% of the total market. The HRI market was responsible for most of the growth outside of retail. Yogurt used in Class 5 for the further processing market continues to make up a small portion of the market.

NATURAL CHEESE

During the 12-month period ending August 2025, natural cheese consumption increased by 1% compared to the same period a year ago. Like other dairy products, natural cheese consumption has benefited from population growth; however, other factors are negatively affecting consumption. In fact, per capita consumption of natural cheese declined by -0.8% compared to one year ago.

The decline in per capita natural cheese consumption is due to underperformance in the portion of the market outside retail, which now accounts for 43.7% of the total natural cheese market. Specifically, sales of natural cheese in the HRI sector have decreased notably compared to the same period last year. As mentioned above, the current economic environment and budgetary pressures have reduced the purchases made by consumers of meals outside of their homes. Natural cheese used in Class 5 for further processing also declined slightly during the current reporting period.

Despite a decline on HRI portion of the market, retail sales increased by 3.3% during this period, accounting for 56.3% of natural cheese consumed in Canada. On a per capita basis, sales of natural cheese increased by 1.4% compared to one year ago. The higher per capita consumption of natural cheese compared with other segments of the total market can also be explained by consumers purchasing fewer meals away from home.

Additionally, cottage cheese has experienced strong sales growth at retail, rising 29.1% over the 52-week period ending August 30, 2025. While it is difficult to test quantitatively, it appears that this rise in cottage cheese sales may be linked to increased attention of the product on social media as a nutritious, high-protein ingredient used in many recipes. Cottage cheese now accounts for 9.6% of all-natural cheese purchased at retail. Lastly, the retail share of imported prepackaged natural cheese remained unchanged over the 52-week period ending August 30, 2025.

BUTTER

In the 12-month period ending August 2025, butter consumption increased significantly by 5.9% compared to the previous year. On a per capita basis, sales increased by 4%.

Butter consumption rose across all segments of the total market, though most of the growth has come from butter consumed outside retail, which now represents 42.6% of the total market. The use of butter products in Class 5 for the further processing market grew the most at 22.1% compared to the previous reference period.

The retail segment accounts for 57.4% of total butter market consumption. During the 52-week period ending August 30, 2025, butter sales in retail increased by 1.4% compared to the same period a year earlier. This growth was largely driven by a 2.4% decline in retail prices over the same timeframe, which contributed to higher consumer demand. Similarly, the butter market share has increased during the same period.

It now represents 54.7% of total sales in kilograms within the butter and substitute category, compared to 52.3% a year ago. This has come particularly at the expense of margarine consumption, which, despite also having declining retail prices, saw sales decline by -6% over the current reference period. Additionally, with the influx of new immigrants living in Canada, clarified/ghee butter products, which have a higher butterfat composition than butter, have seen an increasing presence on retail shelves. These products now account for 2.2% of the butter and substitute category.

CONCLUSION

As of February 1, 2026, the national pricing formula will increase prices by 2.3255%. This figure reflects a 2.72% rise in the iCOP to $92.82 per standard hectolitre as of August 2025, compared with last year, and a 1.93% increase in the CPI over the same period (Statistics Canada, 2025).

Global dairy prices have softened since mid-2025, as rising milk production and softer butter and SMP markets put downward pressure on prices. Although the February 1 price adjustment will take effect, weaker global markets may offset the increase in the 2026 blend price.

In terms of trade, total cheese imports have increased so far this calendar year. From January to October 2025, imports of cheese and MPC increased 9.2% and 50.8%, respectively, compared to the same period in 2024.

Imports of ice cream, mixes, and MPI declined slightly year over year. Meanwhile, butter imports in the 2024/25 dairy year continued to grow as the U.S. gained market share. Looking ahead, while imports may continue to rise, the pace of growth is expected to slow as TRQ levels stabilize.

Canada's expanding population has supported higher consumption of milk, cream, yogurt, cheese, and butter over the 12-month period ending August 2025. Growth across all products was driven by population gains, with butter also benefiting from declining retail prices. Increased interest in high-protein foods supported yogurt and cheese consumption, while more in-office work boosted milk demand.

Should you have suggestions for topics in future editions, we invite you to send them to communications@dfc-plc.ca.

DAIRY FARMERS OF CANADA®

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