

DAIRY FARMERS
OF CANADA

FALL
2026



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 is to help you stay informed on how the marketplace for dairy products is evolving.

In this third-quarter 2026 edition, we provide an update on global dairy commodity prices, review recent trade developments, examine Canada-U.S. trade dynamics, and analyze dairy consumption trends in the Canadian market.

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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 reflects the theoretical price a processor could pay to farmers if dairy products were sold on the world spot market¹, assuming standardized production costs. The IFCN World Milk Price Indicator strengthened from the beginning of the year through June 2026, reaching CAD 73.09 per 100 kg of solid corrected milk (SCM). Prices have since softened, declining to CAD 67.43 per 100 kg of SCM in July 2026.

The recent decline in the indicator reflects a combination of supply and demand factors. Global milk production is still increasing, although at a slower pace than in previous months, with differences across regions. There is higher milk availability in the U.S., which has put downward pressure on U.S. prices. European milk production also has remained relatively strong, while production in Oceania is entering its seasonal decline. On the demand side, purchasing activity has been softer in recent months, partly due to seasonal factors such as summer holidays. High stock levels over the same period also reflect this weaker demand. Overall, these supply and demand conditions have weakened dairy commodity prices in the short term. Looking ahead, slower milk supply growth could support prices. Recent heat waves in Europe could constrain production in the coming months, while a potential El Niño could further affect production in Oceania. Futures point to relatively stable prices through the rest of 2026.

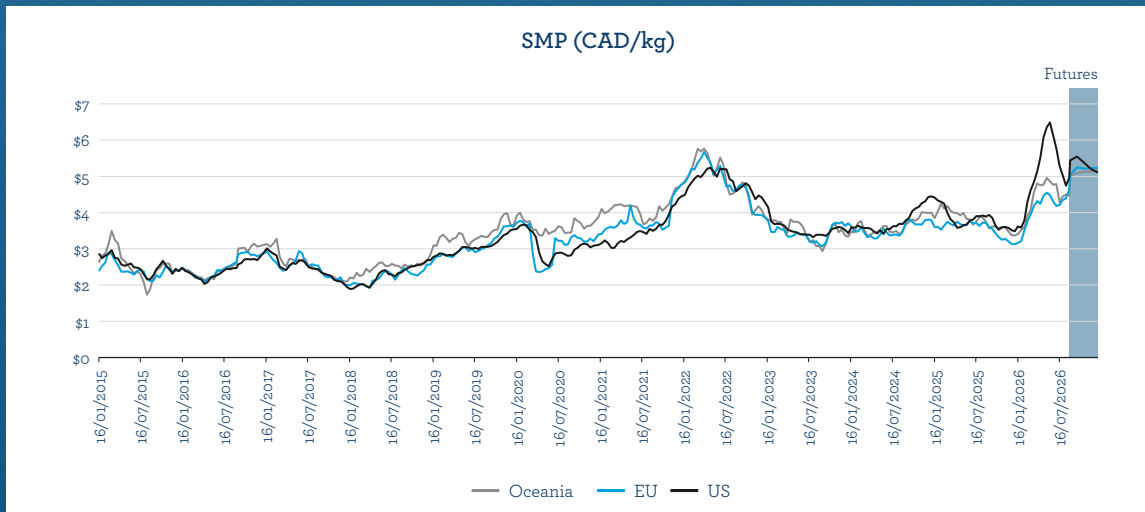
Skim Milk Powder (SMP) prices strengthened through the first half of 2026 before easing in recent months (Figure 1B). Stronger global demand for dairy proteins has supported SMP prices across Oceania, the EU and the U.S. in 2026. Recently, prices softened as purchasing activity has slowed and milk availability has increased. Futures prices remain above 2025 levels and suggest relatively stable prices through the rest of the year.

Butter prices increased through the first quarter of 2026 before easing in Oceania and the U.S., while European prices have been more stable in recent months (Figure 1A). In Oceania, strong New Zealand milk production has increased butter availability, contributing to downward pressure on prices. Increased butter export volumes have helped move some of this additional supply into international markets ([BDO NZ, 2026](#); [USDA Dairy Market News, 2026](#)). European butter prices have been more resilient due to tighter cream availability and steady buyer demand ([USDA Dairy Market News, 2026](#)). Futures vary by region, with further softening expected in Oceania, continued increases in Europe, and lower but relatively stable prices in the U.S.

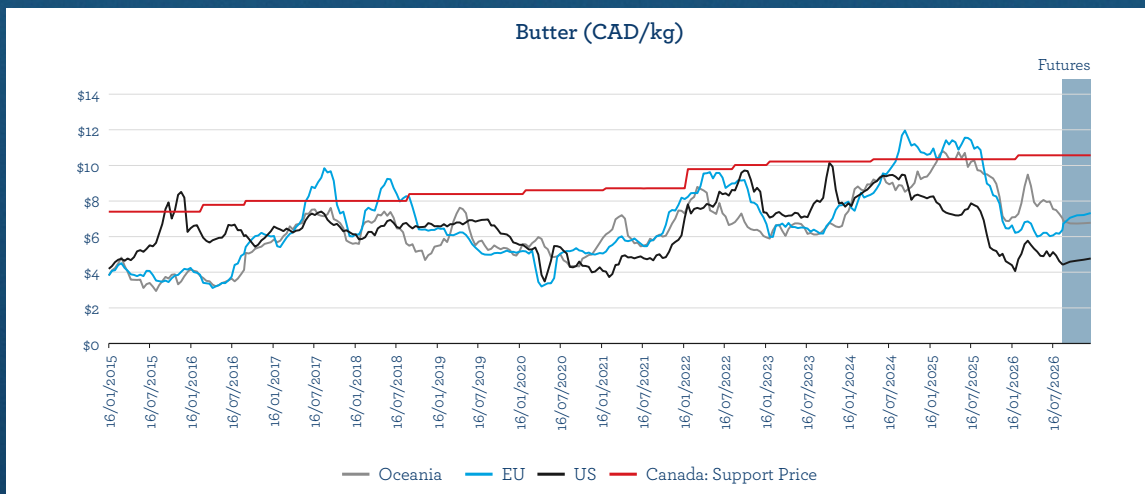
Changes in global dairy commodity markets can affect domestic farmgate milk prices through both butterfat (BF) and solid non-fat (SNF) values. Class 4(a) prices provide an example of this, as they are closely linked to international SMP markets. Class 4(a) SNF prices increased sharply through the first half of 2026, from CAD 2.70/kg in January to CAD 5.37/kg in May, before declining slightly to CAD 3.97/kg in August 2026 (Figure 2). Over the 12-month period ending August 2026, Class 4(a) SNF prices averaged CAD 3.63/kg. The recent decline reflects weaker global SMP markets as strong milk production has increased supply. However, with supply expected to tighten in the coming months, futures markets suggest that Class 4(a) SNF prices could increase from current levels, reaching approximately CAD 4.21/kg by December 2026. These projections are derived from U.S. non-fat dry milk (NFD) futures converted into Canadian Class 4(a) equivalents, and 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

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



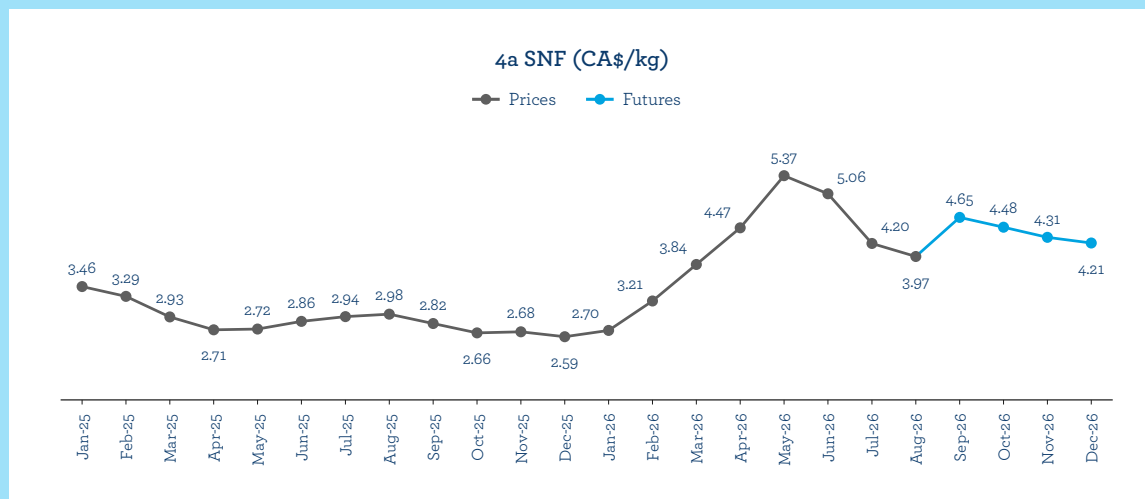
Sources: USDA, CME, NZX, EEX and DFC calculations as of September 4, 2026.



Sources: USDA, CME, NZX, EEX, and DFC calculations as of September 4, 2026.

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.

FIGURE 2: 4A SNF PRICE



Sources: CDC (prices), CME (futures), and DFC calculations from September 4, 2026.

TRADE

IMPORTS

This section will examine tariff rate quotas (TRQs) and fill rates under Canada’s foreign trade agreements up to July 2026. TRQs allow a predetermined quantity to be imported for each dairy product. Data used in this analysis comes from Global Affairs Canada (GAC).

CHEESE

As of July 2026, WTO cheese imports reached 61.6% of the available 2026 TRQ, up slightly from 60.4% during the same period in 2025.

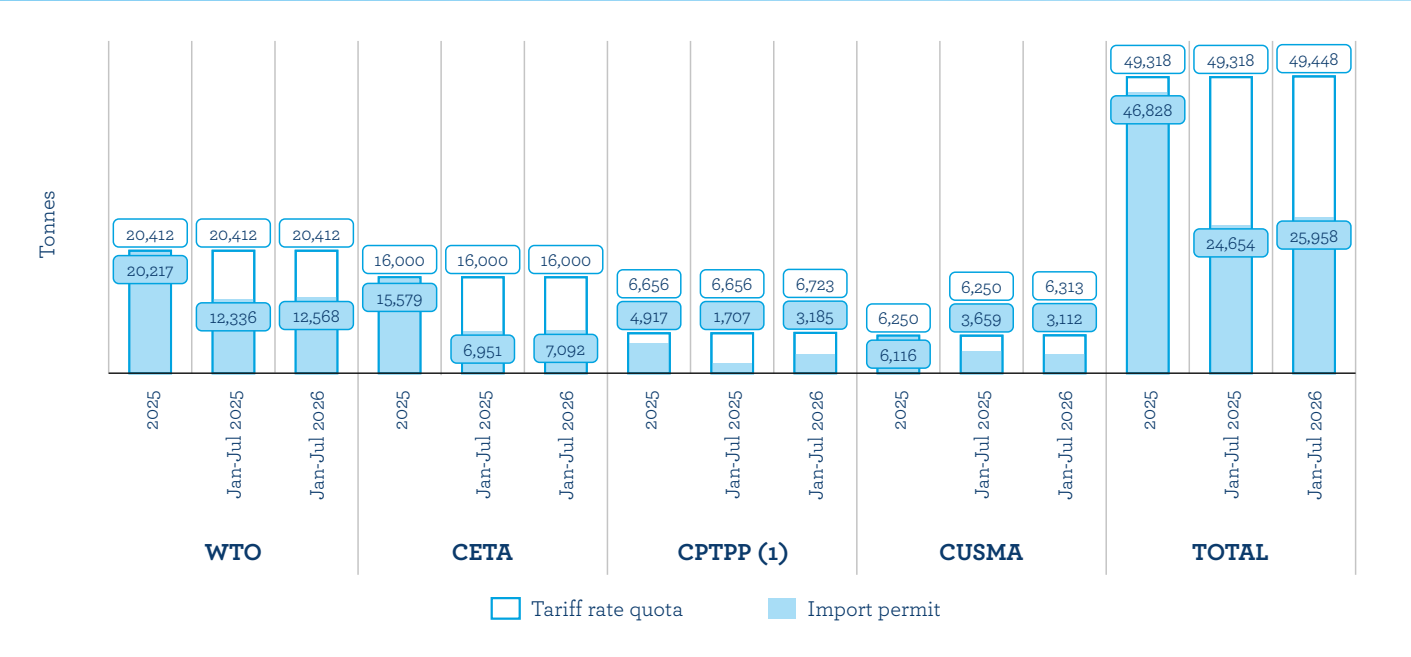
Cheese imports from the European Union under CETA remained stable, with TRQ utilization increasing marginally from 43.4% in January to July 2025 to 44.3% in January to July 2026. This trend suggests, like previous years, that imports are likely to approach the TRQ ceiling by year-end.

Under CPTPP, TRQ utilization increased significantly, rising from 25.6% in January to July 2025 to 47.4% in January to July 2026. Cheese import volumes under CPTPP reached 3,185 tonnes in this recent period.

Under CUSMA, TRQ utilization declined from 58.6% to 49.3% compared to the same period last year. Cheese import volumes reached 3,112 tonnes under CUSMA, equivalent to 50.9% of the total CUSMA cheese imports recorded in 2025. While CUSMA cheese imports are currently tracking slightly below the pace of January to July 2025, utilization could still accelerate later in the year based on previous trends. The impact of the 25% counter-tariff implemented by Canada on U.S. certain cheeses, which came into effect on September 8, will be monitored.

Overall, cheese imports increased by 5.3% compared with the same period last year, rising from 24,654 tonnes to 25,958 tonnes compared with the same period last year. This increase was driven primarily by higher imports under CPTPP.

FIGURE 3: 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).

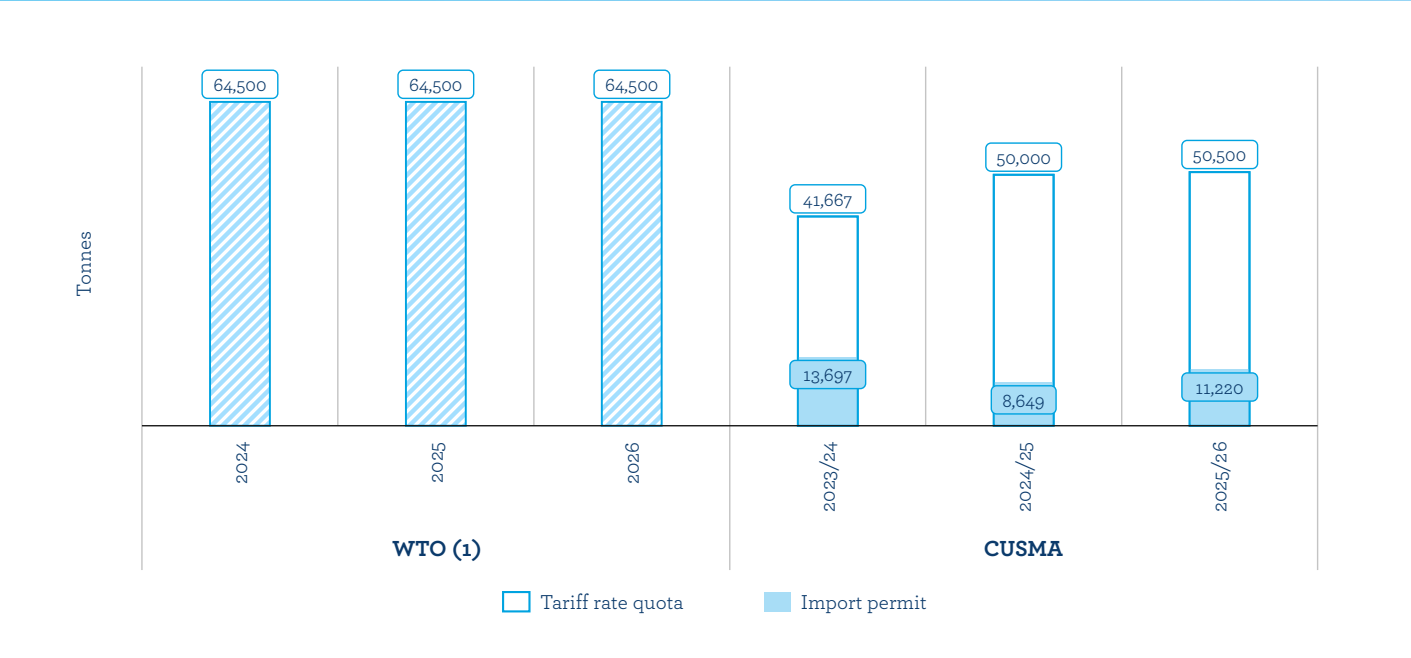
Source: Global Affairs Canada

MILK

Under the WTO, there is a fluid milk access level of 64,500 tonnes for personal consumption. GAC does not issue import permits for cross-border shopping.

Under CUSMA, milk TRQ levels increased by 20% from 2023-2024, 2024-2025, 2025-2026, although growth is expected to slow to just 1% in 2025-2026. The CUSMA fill rate for milk increased from 17.3% to 22.2% in 2025-2026.

FIGURE 4: MILK IMPORTS



(1) For WTO, there is a fluid milk access level of 64,500 tonnes that represents estimated annual cross-border purchases by Canadian consumers. The goods are imported under General Import Permit No. 1: Dairy Products for Personal Use. On January 26, 2000, General Import Permit No. 1 was amended, and the \$20 limit in value for each importation of fluid milk for personal use was removed.

Source: Global Affairs Canada





BUTTER

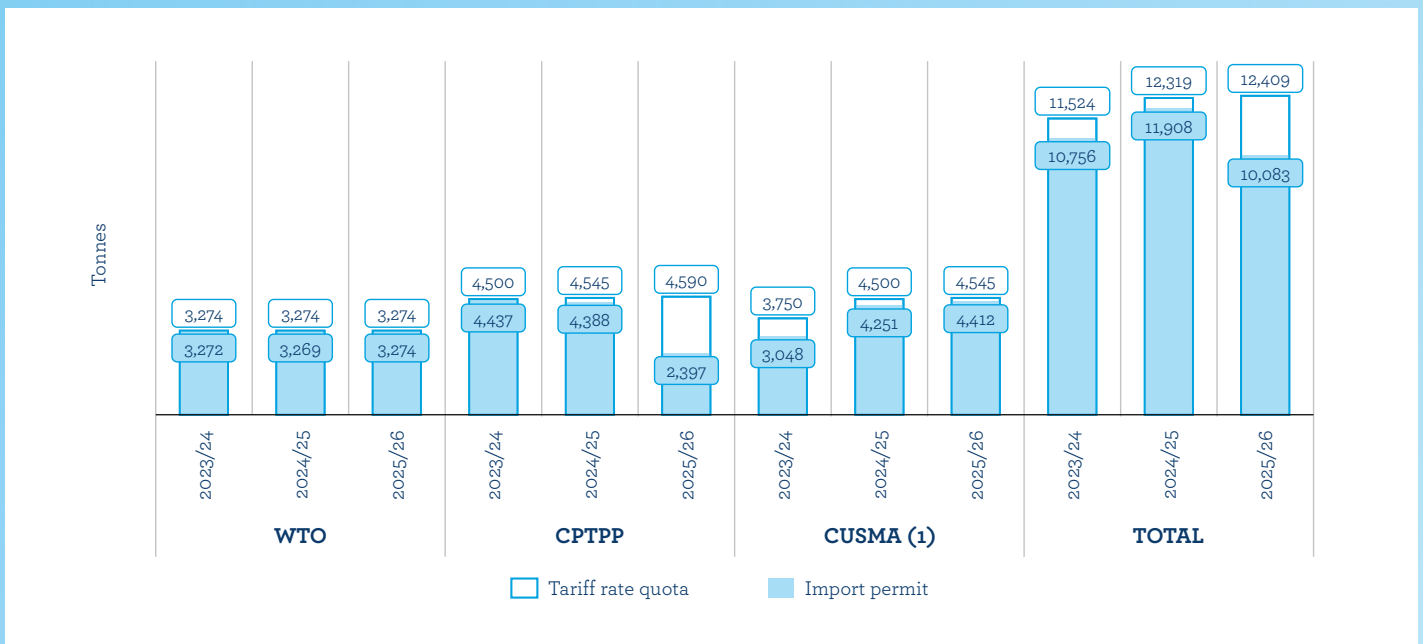
Butter TRQ levels under the WTO remain unchanged each year at 3,274 tonnes. The fill rate reached 100% in the 2025-2026 dairy year, compared with 99.8% in 2024-2025, continuing the consistently high utilization of the WTO allocation.

Under the CPTPP, the butter fill rate declined to 52.2% in the 2025-2026 dairy year, down from 96.6% in 2024-2025. Imports fell from 4,388 tonnes to 2,397 tonnes. In 2025, New Zealand butter exports were driven by strong demand from China, the EU, and Saudi Arabia ([USDA FAS, 2026](#)). This may have led New Zealand exporters to prioritize high-return markets, resulting in a slower pace of CPTPP utilization ([The Cattle Site; USDA FAS, 2025](#)).

Under CUSMA, the butter fill rate increased to 97.1% in the 2025-2026 dairy year, up from 94.5% in 2024/25. In volume terms, butter imports increased from 4,251 tonnes to 4,412 tonnes.

Across all agreements, total butter imports decreased from 11,908 tonnes in 2024-2025 to 10,083 tonnes in 2025-2026, due to the decline in butter imports under the CPTPP.

FIGURE 5: BUTTER IMPORTS



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

Source: Global Affairs Canada

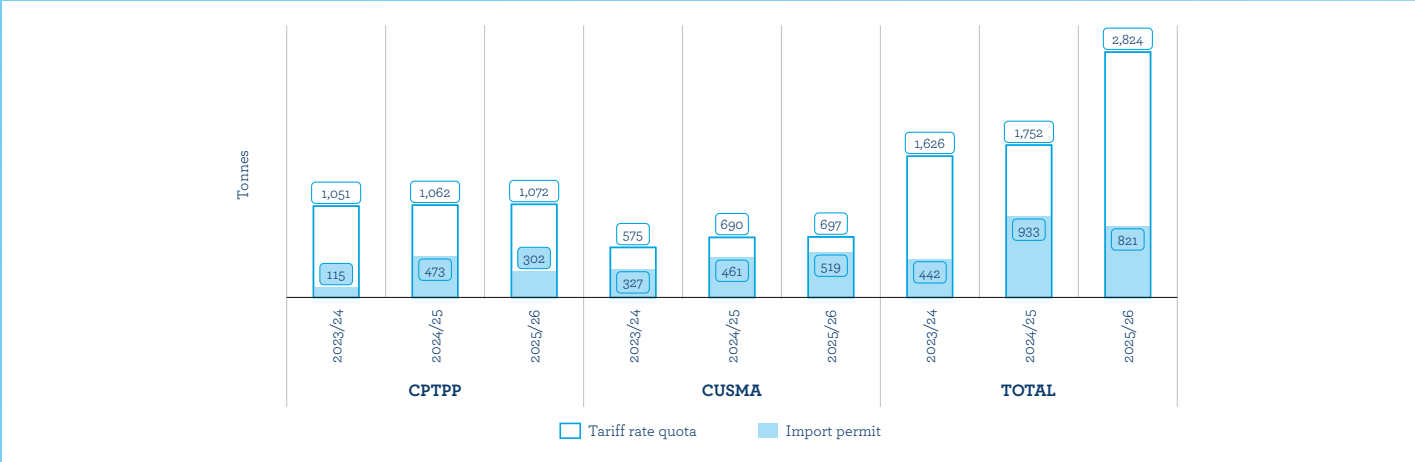
MILK POWDER

Under CPTPP, milk powder fill rates declined from 44.5% in 2024/25 to 28.1% in 2025/26, although they remain above the 10.9% recorded in 2023/24.

Under CUSMA, milk powder fill rates continued to increase, rising from 66.8% in 2024/25 to 74.5% in 2025/26.

Overall, milk powder imports totalled 821 tonnes in 2025/26, down slightly from 933 tonnes in 2024/25.

FIGURE 6: MILK POWDER IMPORTS



Source: Global Affairs Canada

WHEY POWDER

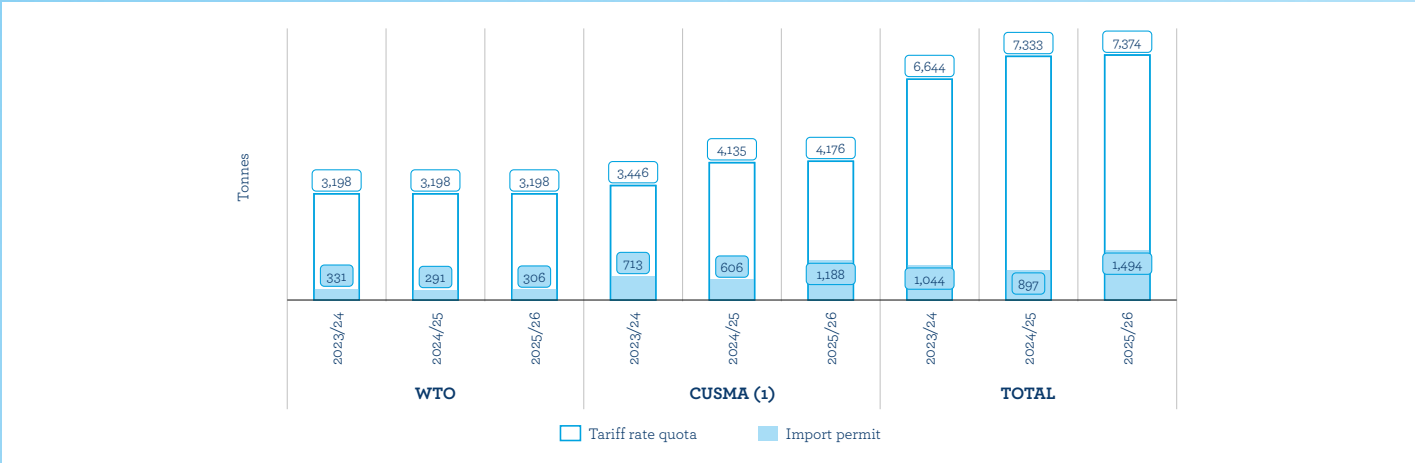
Under the WTO, whey powder fill rates remained stable, increasing slightly from 9.1% in 2024/25 to 9.6% in 2025/26.

No imports were recorded under the CPTPP TRQ, consistent with the previous two years.

Under CUSMA, whey powder fill rates increased to 28.4% in 2025/26, up from 14.7% in 2024/25. The increase was driven by imports rising from 606 tonnes to 1,188 tonnes. With a 50% counter-tariff now applying to U.S. whey powder as of September 8, 2026, future data will be monitored for changes in import volumes.

Overall, whey powder imports totalled 1,494 tonnes in 2025/26, up from 897 tonnes in 2024/25.

FIGURE 7: WHEY POWDER IMPORTS



Source: Global Affairs Canada

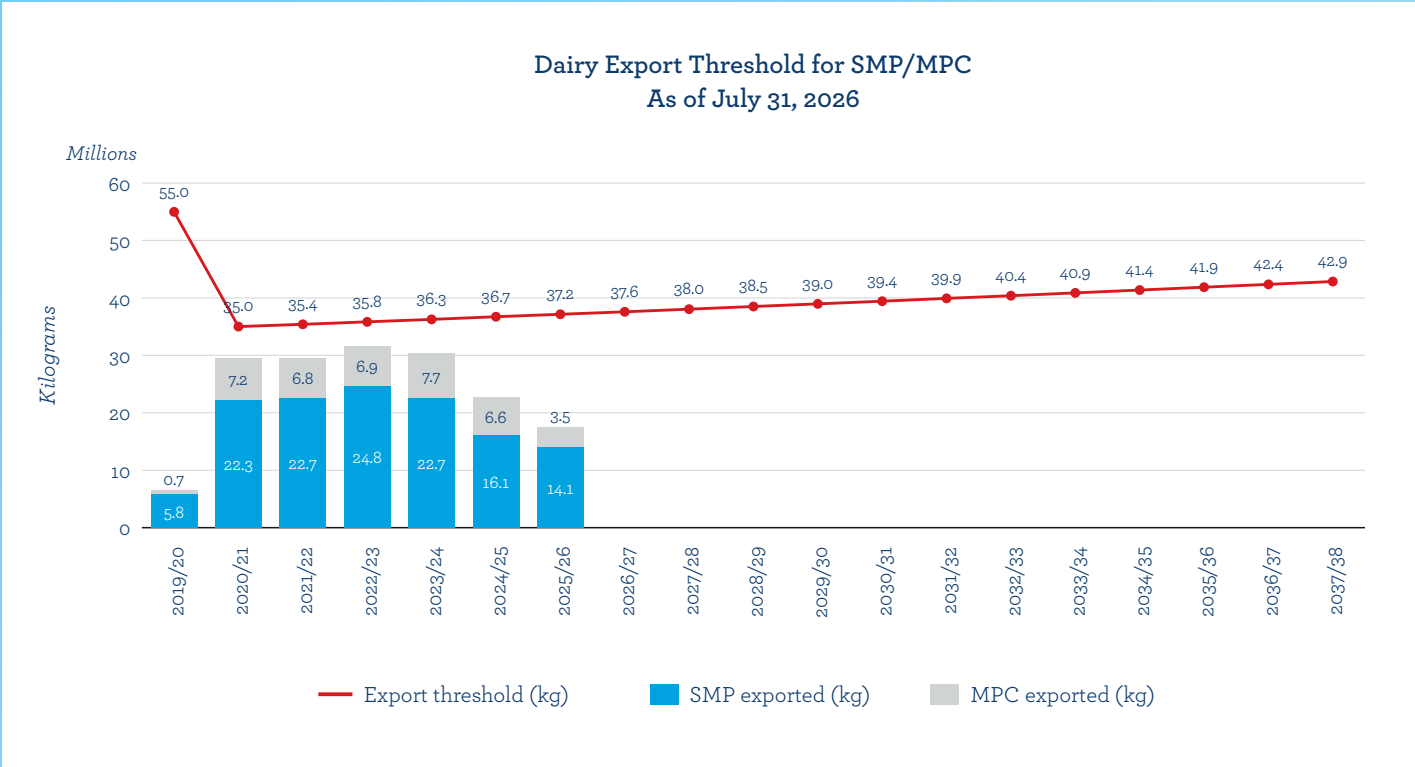
(1) Starting on August 1, 2029, this tariff rate quota shall be eliminated.

EXPORTS OF SMP AND MPC

Skim Milk Powder (SMP) and Milk Protein Concentrates (MPC) exports reached 17.6 million kg during the 2025/26 dairy year, staying within the export threshold of 37.2 million kg. This total included 3.5 million kg of MPC and 14.1 million kg of SMP.

Exports declined for a second year following higher volumes in 2022/23 and 2023/24. The gap between exports and the threshold has continued to widen, increasing from 5.9 million kg in 2023/24 to 14.1 million kg in 2024/25 and 19.6 million kg in 2025/26.

FIGURE 8: EXPORTS OF SMP AND MPC



Source: Global Affairs Canada

CANADA – U.S. TRADE DYNAMICS

U.S. tariffs on certain Canadian dairy products came into effect on August 22, 2026, at a rate of 50%. The tariffs could put pressure on producer revenues if Canadian exports become less competitive in the U.S. market. The targeted products include whole milk powder, whey products, MPCs, lactose, casein and milk protein isolate (MPI). Further measures announced on September 8 added a 50% tariff on cheese products effective September 15 and replaced the 50% tariff with an import ban on Canadian whey products effective September 29.

Canada is also imposed counter tariffs on U.S. dairy products beginning September 8. The products subject to tariffs were selected based on the Government of Canada's assessment of "an uneven playing field" resulting from U.S. tariffs. The counter-tariffs cover 56 dairy-related tariff lines, including a 25% tariff on cheese and 50% tariffs on skim milk powder, whole milk and cream powder, evaporated and condensed milk, whey products, MPCs, casein, albumin, and certain dairy-containing preparations.

In comparison, the 2025 counter-tariffs applied a 25% tariff to U.S. dairy products imported only through over-access harmonized system (HS) codes, covering a range of products including milk, cream, butter, cheese, yogurt, milk powders, and whey products.

Finance Canada has indicated that goods subject to counter-tariffs which are imported into Canada for food manufacturing and processing may be eligible for remission until June 30, 2027. This could cover a significant portion of dairy products on the list, particularly those imported as ingredients. This differs from the 2025 remission treatment under which remission was specifically given for HS codes 3502.20.00 (albumin) and 0404.10.10 (whey protein concentrates).



CONSUMPTION TRENDS IN THE CANADIAN MARKET

Canadian consumption of manufactured dairy products increased in the 12-month period ending June 2026 compared with the same period a year earlier. Yogurt, cheese, and butter experienced strong growth in consumption rising 5.7%, 4.1%, and 9.9%, respectively. Meanwhile, consumption of fluid dairy products stalled. Milk consumption declined by -0.5%, while cream declined by -0.1%. The largest growth in consumption was observed outside the retail market for all products except cream. These markets, which primarily include hotel, restaurant, and institution (HRI) consumption and further processing activities, represent a lower share of total consumption than retail.

The biggest story for dairy consumption is its resilience despite Canada's recent population decline. After an unprecedented surge in temporary immigration beginning in 2023, the federal government introduced measures to slow population growth. As a result, Canada's population contracted for the first time since records began in 1946. The 12-month average population growth rate for the period ending June 2026 was -0.1%, down from 2.2% in the previous 12-month period. A decline in population means fewer people consuming dairy products. For dairy consumption to continue growing, strong per capita consumption is needed. This is the case for yogurt, cheese, and butter. For milk and cream, per capita consumption is declining. Without population growth to offset this decline, a decrease in total consumption is not unexpected.

This resiliency also comes amid continued pressure on household food budgets. According to Statistics Canada, food prices increased by an average of 4.3% over the 12-month period ending June 2026, the highest rate since June 2024. Dairy prices increased by a more moderate 2% over the same period, meaning dairy experienced considerably less price inflation than food overall. This relative price stability may have helped support dairy consumption despite broader food price pressures.

Consumers are continuing to look for ways to manage their food spending, including shopping more often at discount grocers, mass merchandisers, and warehouse retailers. Similarly, according to Statistics Canada data, real per capita food spending outside of the home has begun to decline. Limited-service restaurants appear to be most impacted, as inflation-adjusted per capita spending declined for these establishments. However, weaker overall food service spending does not necessarily translate into lower demand across all dairy categories. Products such as natural cheese and cream have greater exposure to the HRI sector than retail-oriented products such as yogurt, but performance can vary considerably by product and food service segment.

FIGURE 9: CANADIAN MARKET

12-MONTH PERIOD ENDING JUNE 2026 VS. 12-MONTH PERIOD ENDING JUNE 2025

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 JUNE 2026	Milk (litres)	-0.5%	-0.7%	76.4%	0.3%	23.6%
	Cream (litres)	-0.1%	0.3%	40.0%	-0.3%	60.0%
	Refrigerated yogurt (kilograms)	5.7%	5.4%	94.7%	9.6%	5.3%
	Natural cheese (kilograms)	4.1%	2.1%	55.4%	6.8%	44.6%
	Butter (Kilograms)	9.9%	3.8%	55.2%	18.3%	44.8%

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 10: PER CAPITA CONSUMPTION

12-MONTH PERIOD ENDING JUNE 2026 VS. 12-MONTH PERIOD ENDING JUNE 2025

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 JUNE 2026	Milk (litres)	-0.4%	-0.6%	76.4%	0.4%	23.6%
	Cream (litres)	0.0%	0.4%	40.0%	-0.2%	60.0%
	Refrigerated yogurt (kilograms)	5.8%	5.6%	94.7%	9.7%	5.3%
	Natural cheese (kilograms)	4.2%	2.2%	55.4%	6.9%	44.6%
	Butter (Kilograms)	10.0%	3.9%	55.2%	18.4%	44.8%

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 decreased by -0.5% in the 12-month period ending June 2026 compared with the same period a year earlier. Any growth in domestic milk consumption came from the HRI and further processing markets, where sales rose slightly by 0.3%. These channels now account for 23.6% of total milk consumption. The increase in HRI likely reflects shifting consumer habits, including more days spent working in the office, which has supported out-of-home consumption.

In the retail market, milk consumption declined by -0.5% from the previous reporting period and now represents 76.4% of the total milk market. The decline likely reflects increased out-of-home consumption of coffee and tea beverages rather than a shift away from milk overall. Sales of higher-fat milk continued to gain momentum as consumers bought more whole milk. High-protein milk products, including ultrafiltered protein-enriched fluid milk, also continued to drive sales growth.



Retail consumption of plant-based beverages increased during the current period and now represents 8.4% of total retail sales in the milk and substitutes category, up from 8.2% during the same period one year ago. This growth is a result of two popular product types: barista-style beverages and high-protein soy beverages. These two product types are responsible for over half of all volume growth. DFC will continue to closely monitor developments in this segment.

CREAM

Total cream consumption remained the same in the 12 months ending June 2026 compared with the same period a year earlier. The growth in consumption at retail was offset by a decline in consumption for all other markets. The retail market accounted for 40% of total consumption and sales increased by 0.4%. As with other dairy products, cream sales at retail continue to be supported by stronger demand for higher-fat varieties.

In other market channels, cream sales decreased by -0.2% and accounted for 60% of the total cream market. Direct Link HRI data point to two offsetting trends. As mentioned earlier, pressure on household budgets may be weighing on cream consumption away from home. Sales in the further processing market also increased slightly from the previous period.

REFRIGERATED YOGURT

Refrigerated yogurt remained a key driver of dairy consumption growth in Canada. In the total market, sales increased by 5.7% in the 12-month period ending June 2026 compared with the same period a year earlier. Per capita yogurt consumption also rose by 5.8%. This reflects consumer demand for yogurt as a versatile, convenient, high-protein food.

Retail continued to account for the majority of the yogurt market, at 94.7%. Consumers continued to prefer products in larger formats, which offer better value and can encourage higher consumption because they are not limited to a fixed serving size. Plain yogurt and products with higher protein content are also popular options for consumers. Sales of higher-protein yogurt, including Skyr and Greek yogurt, increased by a combined 18.2% over the 52-week period ending June 27, 2026.

In all other market channels, yogurt sales rose by 9.6% from a year earlier and accounted for 5.3% of the total market. The HRI sector drove most of this growth, particularly in hotels, residential care facilities, and offices. Yogurt used in Class 5 for further processing remained a small and declining share of the market.



CHEESE

Over the 12-month period ending June 2026, natural cheese consumption rose by 4.1% from a year earlier, driven by stronger demand outside retail, especially in HRI. This growth stands out against a broader decline in the food service market. One possible contributor is the strength of the fine dining segment, where inflation-adjusted consumer spending increased over the same period.

Retail sales increased by 2.1% during this period and accounted for 55.4% of natural cheese consumption in Canada. On a per capita basis, sales rose by 2.2% from a year earlier. Cottage cheese posted particularly strong retail growth, rising 20.3% over the 52-week period ending June 27, 2026. While difficult to quantify, this increase may be linked to greater attention on social media, where cottage cheese has been promoted as a nutritious, high-protein ingredient in a wide range of recipes. Cottage

cheese now accounts for 10.6% of all-natural cheese purchased at retail. It is important to note that sales of prepackaged imported natural cheese have increased at a faster rate than prepackaged domestic natural cheeses. One contributing factor is increased imported cottage cheese sales, despite a higher price than domestic varieties. Additionally, other imported cheeses, like Emmental, Brie, and Camembert, have had considerable reductions in their prices, contributing to their rise in sales. In total, imported cheese still only accounts for 4% of the total prepackaged natural cheese market.

Lastly, natural cheese used in Class 5 for further processing increased slightly during the current reporting period.

BUTTER

In the 12-month period ending June 2026, butter consumption increased 9.9% year over year, while per capita sales rose 10%.

Growth occurred across all market segments, with the strongest gains in butter consumed outside retail, which now represents 44.8% of total consumption. Most of the growth outside retail came from a significant increase in further processing activities. According to CDC data, butter use in further processing increased by 28.7% during the 12-month period ending June 2026 when compared to the same period in 2025. This reflects a decline in lower special class butter prices during the period.

Retail remains the largest segment, accounting for 55.2% of total butter consumption. Retail butter sales rose 3.8% from a year earlier, supported by lower prices that helped stimulate demand. Consumer preferences are also shifting toward less processed products, strengthening butter's position and contributing to continued declines in margarine sales despite lower margarine prices.

As a result, butter's share of the retail butter and substitutes category rose to 56.7% of total sales by volume, up from 54.4% a year earlier. Another notable trend is the growing presence of clarified and ghee butter products, which have a higher butterfat content than regular butter. Sales of these products continued to increase over the past year, supported by demand from newer Canadians, and they now account for 2.3% of the category.





CONCLUSION

Global dairy markets strengthened through the first half of 2026 before softening in recent months. Despite the recent easing, futures prices remain above 2025 levels. Strong global demand for dairy powders is expected to provide continued support and keep prices relatively stable through the rest of the year.

On the trade side, milk and whey powder imports increased in the 2025/26 dairy year, while butter and milk powder imports declined. SMP and MPC exports remained well below the export threshold in the 2025/26 dairy year, with exports declining for a second consecutive year.

On August 22, 2026, the U.S. imposed a 50% tariff on approximately CAD \$28 billion worth of imports from Canada, which included certain dairy products. Canada imposed counter-tariffs on U.S. dairy products beginning September 8, covering 56 dairy-related tariff lines at rates of 25% for cheese and 50% for specified other products, with remissions potentially available until June 30, 2027, for products used in food manufacturing and processing.

Canadian dairy consumption remained strong in the 12-month period ending June 2026, despite a decline in population and continued household food-budget pressures. Yogurt, cheese and butter consumption increased by 5.7%, 4.1% and 9.9%, respectively, while milk and cream consumption declined by -0.5% and -0.1%, respectively. Growth was strongest in non-retail channels for most products, while higher-protein and higher-fat products continued to perform well at retail.

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

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