

June 12, 2015

To All Dairy Producers:

**RE: Update on Continued Demand for Milk and Marketing in Ontario**

As producers know, total demand for milk and dairy has been strong for the better part of two years. Most of the growth has been in high butterfat products, especially butter and fluid creams, e.g. table cream, cereal cream and whipping cream. Growth in demand for those products continues. Other dairy products like cheese and yogurt are also experiencing steady growth.

The weakest segment of the market is fluid milk, although the trend to lower butterfat milk seems to have been reversed. The result of all of this is unprecedented growth in quota and the issuance of incentive days. In total, all-milk quota has increased by 6.5 per cent in just over a year ... without a doubt a good news story.

Overall, producers were filling the new quota at a steady pace, at least until April 2015, when there was a big uptick and by the end of May, all the quota was being filled and a good per cent of the incentive days, 51.4 per cent in April and 45.4 per cent in May. We are currently testing the limits of system capacity with the limiting factor being the amount of skim milk that can be dried into skim milk powder. If the skim milk cannot be dried, that limits the amount of milk that can be delivered to butter/powder plants.

As a result, the Board has been challenged to market all the milk every day. I want to put to rest the rumour that Dairy Farmers of Ontario (DFO) has been forced to dump milk. There have been days in the last couple of weeks when we have had to dispose of skim milk in lagoons. There are plants that can separate milk with the butterfat going to butter plants. That is obviously not an ideal situation but better than the alternative. There is still a need to make more butter and I don't see that changing.

I want to say that staff have been doing more than double duty. They are doing everything within their power to come up with creative means to market milk or as many components as possible. Individually and collectively processors are co-operating on all fronts. They understand how important it is to do everything they can to help under the circumstances. You probably all know that, as milk production increases, trucks are having to reconfigure loads and find ways to make sure your milk is picked up. The transporters have done their best too, as usual.

Matters are not made easier because a similar situation exists in all parts of the country. There have been days when Ontario has been able to move some milk into Quebec and some days when Ontario has been able to help Quebec. Right now, we continue to be challenged on a daily basis and there is no obvious end in sight, unless the normal seasonal production trend kicks in or there is a prolonged hot spell.

To sum up, we have not dumped any milk, there is continued demand for butterfat and you can be assured that DFO will do everything it can to get maximum value for the milk.

Ralph Dietrich  
Chair of the Board  
Dairy Farmers of Ontario