

Taking the Ups and Downs Out of Seasonal Milk Production

While milk production is highest during the spring months, consumption peaks in December. How do you reconcile your cows and your customers? The Domestic Seasonality Programs of the Canadian Dairy Commission (CDC) do just that. In a nutshell, the CDC encourages manufacturers of dairy products to store butter, butteroil or skim milk powder when milk supply is abundant by offering a financially assisted storage program. When your cows produce less, these products are brought out of storage and the milk you produce at the time is used to make other dairy products which require fresh milk.

Storage programs

The CDC holds a predetermined amount of butter in storage throughout the year. A target of 11 million kilograms of butter at the beginning of each dairy year are referred to as 'normal butter inventories'. These stocks are considered necessary to ensure that the domestic market has a constant supply throughout the year.

Within this targeted level, two programs are operated to manage stocks. Plan A is a storage program for butter held in 25 kilogram blocks. The CDC purchases the butter and holds it for resale in the domestic market at the support price when manufacturers run low on supply of cream to make butter.

Plan B is a storage program used by manufacturers to balance the seasonality of their own production and sales during the calendar year. Under the Plan B program for butter, manufacturers can sell butter to the Commission in retail packaging (454 g) or in 25 kilogram bulk blocks. They must then repurchase this butter within one calendar year from the date of the product's manufacture. There is also a Plan B for butteroil. Companies make their own decisions on the quantity of product they want to put in storage under this program.

The graph on the right shows the variations in butter stocks held by the CDC throughout the last dairy year. These include butter from Plans A and B, as well as import and export butter.

The CDC also operates a program for the storage of specialty types of skim milk powders (SMP). It encourages manufacturers to make these products when the supply of milk is plentiful and minimizes the demand for fresh milk to make these products in the fall when milk production is usually low. Stocks held under this program act to balance the supply and demand of non-fat milk solids.

The Concentrated Milk Assistance Program (CMSP) is used to encourage the production of evaporated and sweetened condensed milk during the period of the year when milk supply is abundant. Unlike the other Domestic Seasonality Programs, where the CDC actually purchases and sells the products, the CMAP is a financial assistance program to compensate manufacturers for the carrying charges associated with additional product storage time.

Who pays for these programs?

Essentially, producers and consumers pay for these programs. Every time a consumer buys butter, a few cents go to the CDC to pay for the storage of the normal 11 million kg of butter. The carrying charges (storage, transportation, insurance, etc.) for any additional butter, as well as for the SMP and CMSP are paid for by producers through the pools. On a monthly basis, producers, through their marketing boards, provide their contribution to finance these programs. This amount will vary according to the quantity of product that is in storage. Your marketing board takes into account these expenses in determining the price paid for your milk.

source: Chantal Paul, Canadian Dairy Commission

