

DAIRY FARMERS
OF CANADA

SUMMER
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 second quarter 2026 edition, we provide an update on global dairy commodity prices, review recent trade developments, look at the growing share of protein production, and analyze consumption trends in the Canadian market.

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GLOBAL DAIRY COMMODITY PRICES UPDATE

WORLD PRICES RISE AS DEMAND OUTPACES STRONG SUPPLY IN 2026

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 showed global milk prices declined from the second half of 2025, reaching a low of CAD 58.66 per 100 kg Solid Corrected Milk (SCM)² in December. By March, prices started to recover as global demand strengthened, increasing to CAD 69.99 per 100 kg SCM in April 2026.

Global milk production remains above last year's levels across most major exporting regions, particularly in the EU and the U.S., but supply growth is beginning to stabilize. New Zealand is approaching the end of its production season, which typically leads to a seasonal decline in milk output as pasture growth slows and herds move into the new production season.

Skim milk powder (SMP) demand from China, Southeast Asia and the EU remains strong. In addition, stock piling of milk powders is occurring in the Middle East amid ongoing geopolitical tensions. This is supporting firmer prices (Figure 1A and 1B), particularly for skim milk powder (SMP) and whey, while butter prices remain weaker.

There has also been a growing global demand for dairy proteins. Strong investment in milk powder, whey, and milk protein processing capacity, particularly in the U.S., has supported expansion in products such as whey protein concentrates (WPC), whey protein isolates (WPI), and milk protein concentrates (MPC).

In 2025, this shift coincided with elevated U.S. butter inventories, which remained above the 2017–2024 average and averaged 5.9% higher over the year ([CLAL, based on USDA Cold Storage data](#)). At the same time, U.S. butter exports increased sharply from 31,877 tonnes in 2024 to 83,524 tonnes in 2025 (+162%) ([USDA FAS GATS](#)).

Similar butter price weakness was observed across the EU and Oceania during the second half of 2025 and into 2026. However, Oceania butter prices began to rebound by the end of March 2026 and maintain a premium over other export markets.

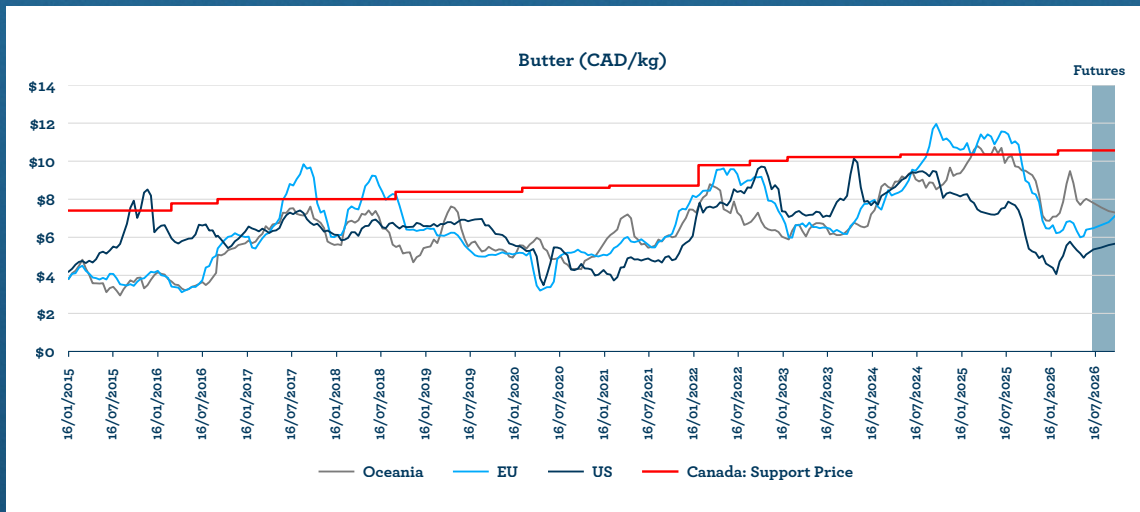
Geopolitical uncertainty has also contributed to volatility in feed markets. Corn supplies are currently well supported globally, but markets began tightening in May 2025 anticipating tighter supplies in 2026–27. This reflects expectations of higher production costs due to more expensive energy and fertilizer, along with possible weather risks linked to El Niño in Latin America towards the end of 2026. Global supply of soybeans is expected to increase, but demand is also strengthening, indicating a tighter global balance than in recent years.

Movements in global dairy commodity markets can affect domestic farmgate milk prices through both butterfat (BF) and solid non-fat (SNF) prices. Class 4(a) prices provide a useful example of this, as they are closely linked to international SMP markets. Global SMP markets weakened through the second half of 2025, contributing to a decline in Class 4(a) SNF prices to a low of CAD 2.59/kg in December 2025. As global demand strengthened and SMP markets recovered, Class 4(a) SNF prices rebounded, reaching CAD 4.47/kg in April 2026 (Figure 2). Over the 12-month average for the period ending April 2026, Class 4(a) SNF prices averaged CAD 3.04/kg. At the same time, softer global butter markets limited upward pressure on competitive class BF prices, showing how changes in global markets can influence Canadian pricing. Futures suggest Class 4(a) SNF prices may soften slightly but should remain firm in the months ahead. 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.

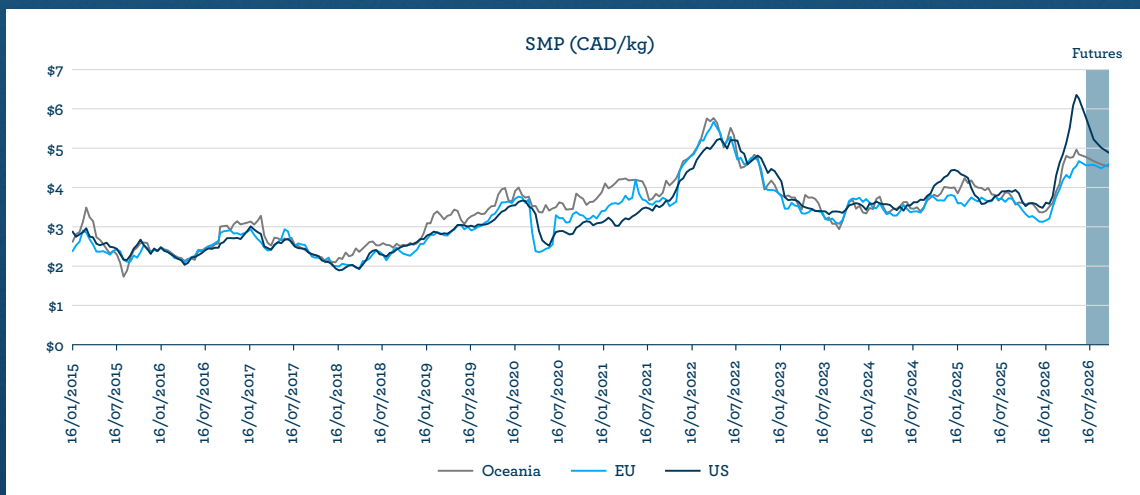
² The IFCN World Milk Price Indicator is a weighted average of three components: SMP & butter (32%), cheese & whey (51%), and WMP (17%), with the weights adjusted quarterly based on the global trade shares of these commodities.

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



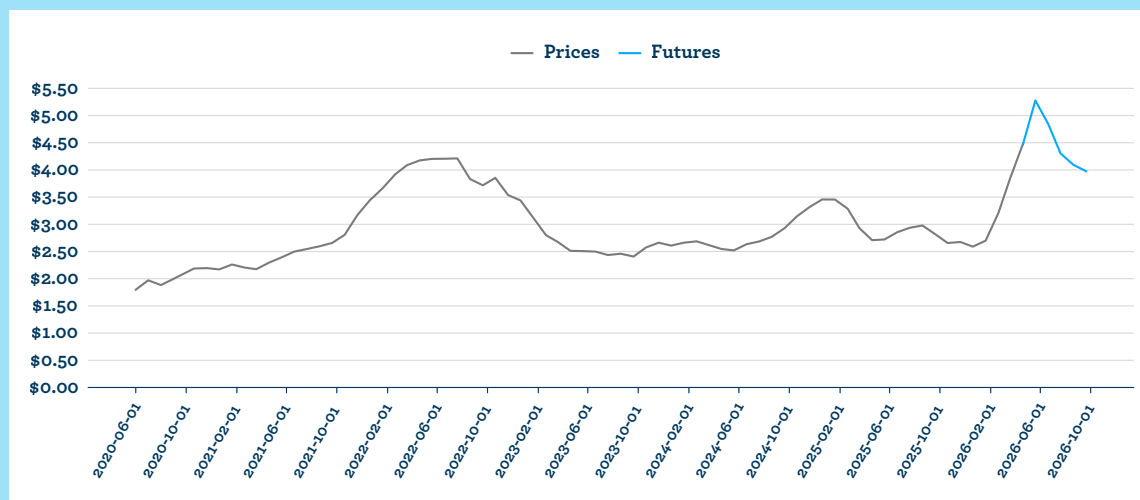
Sources: USDA, CME, NZX, EEX and DFC calculations as of June 2, 2026.

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.



Sources: USDA, CME, NZX, EEX and DFC calculations as of June 2, 2026.

FIGURE 2: 4A SNF PRICE



Sources: CDC (prices), CME (futures), and DFC calculations from June 2, 2026.

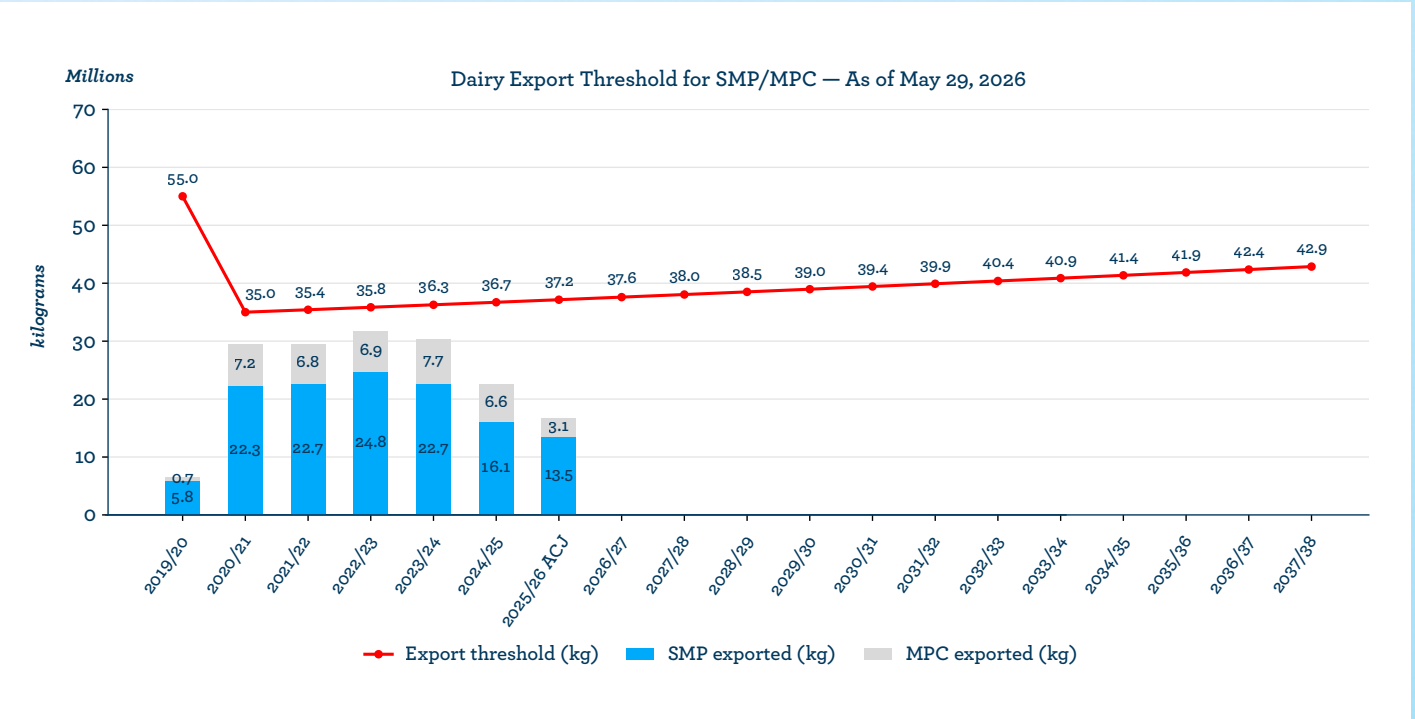
Note: Futures data is based on settled futures prices for the prior trading day.

TRADE

EXPORTS

Under CUSMA, Canada is subject to export thresholds for Skim Milk Powder (SMP) and Milk Protein Concentrate (MPC). For the 2025-26 dairy year, the combined export limit for SMP and MPC is 37.2 million kilograms. With two months remaining, Canada has exported 13.5 million kg of SMP and 3.1 million kilograms of MPC, totalling 16.6 million kilograms, well within the export threshold.

FIGURE 3: EXPORT THRESHOLD FOR SKIM MILK POWDER (SMP) AND MILK PROTEIN CONCENTRATE (MPC)



IMPORTS

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

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.

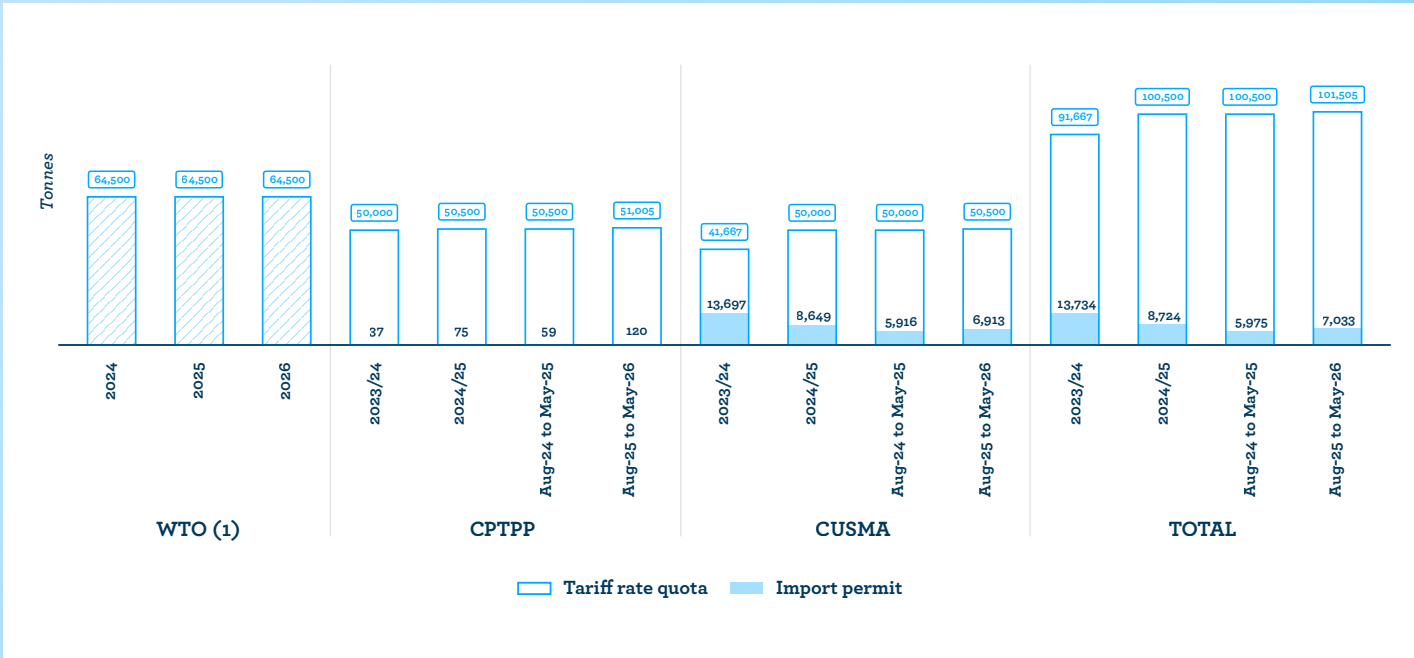
Historically, Canada has imported very limited volumes of fluid milk under CPTPP. Only 0.2% of the TRQ has been filled so far this dairy year, consistent with the same period last year.

Under CUSMA, 13.7% of the fluid milk TRQ was filled from August to May. At the same point last year, the fill rate stood at 11.8%, indicating a slight increase in import volumes.

Across all agreements, milk imports are up from 5,975 tonnes at the same time last year to 7,033 tonnes so far this year.



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’s WTO TRQ remains fixed at 3,274 tonnes each year. In the 2024-25 dairy year, the quota was almost fully utilized, with a fill rate of 99.8%. So far in the current dairy year, 95.7% of the quota has already been filled, with two months remaining.

Under CPTPP, the butter TRQ reached a 96.6% fill rate in the 2024-25 dairy year. However, utilization has been slower this year, with the quota only 37.5% filled to date, compared to 62.1% at the same time last year. The slower pace may be linked to elevated Oceania butter prices and strong international demand. 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). At the same time, domestic demand for butter has remained strong, increasing by 10% in the 12-month period ending March 2026 compared to the same period a year prior.

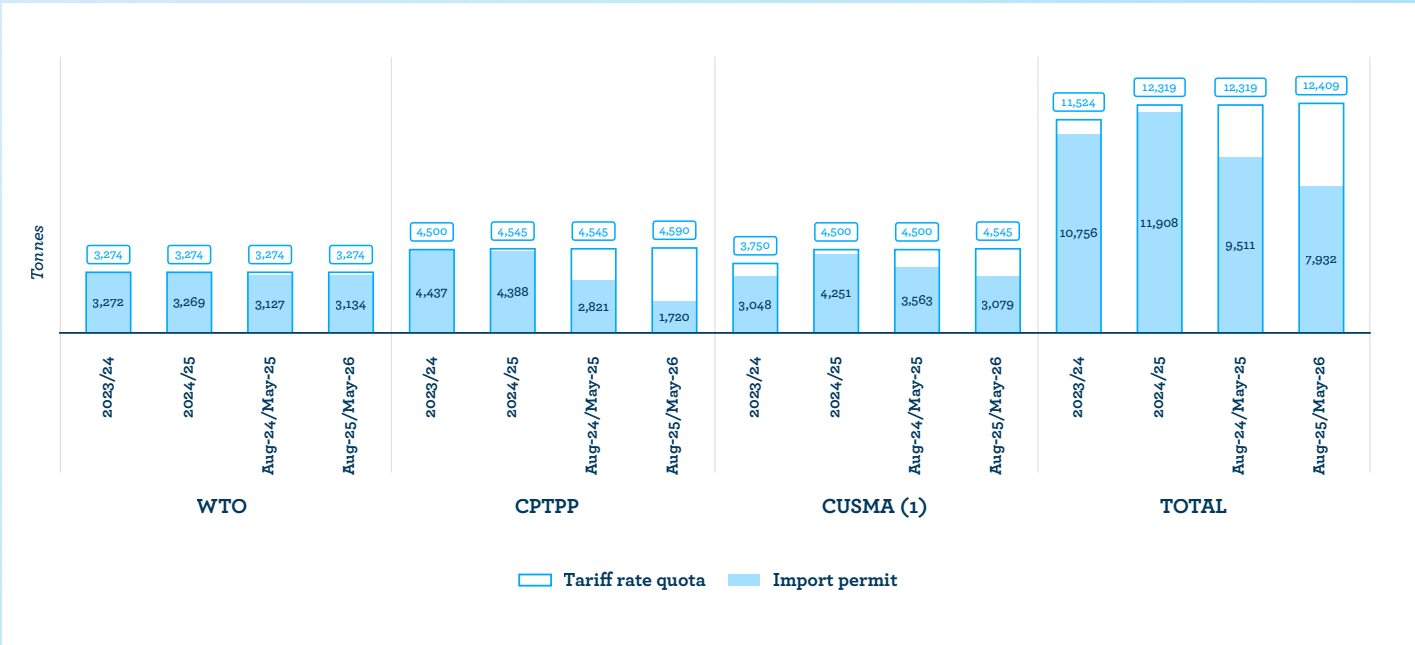
Under CUSMA, butter imports have filled 67.7% of the TRQ so far this dairy year. At the same time last year, the quota was 79.2% filled. Despite the slower pace to date, fill rates are expected to remain consistent with historical levels by the end of the dairy year, as imports tend to accelerate in the final months.

Import data also indicated that the U.S. butter continues to enter Canada at competitive prices, averaging CAD 6.72 per kg during the 2025-26 dairy year to date, compared to CAD 9.76 per kg for New Zealand butter and CAD 11.05 per kg for French butter.

Overall, total butter imports are currently at 7,932 tonnes, a decrease of 1,579 tonnes compared to the same time last year. However, current utilization patterns suggest that year-end fill rates are likely to remain within the range observed in recent years.



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 PROTEIN SUBSTANCES (MPI)

In the 12-month period ending May 2026, Canada imported 27,948 tonnes of milk protein substances (MPI), of which 20,758 tonnes were liquid MPI, and 7,190 tonnes were powder MPI. Liquid MPI accounted for 74.3% of the total MPI imports, up from 68.8% in the 12-month period ending April 2024.

A significant portion of this growth has occurred in recent months. From January to May 2026, MPI imports totaled 14,362 tonnes, more than double the volume imported during the same period in 2025. Liquid MPI imports

reached 10,570 tonnes, up from the 4,135 tonnes imported from January to May 2025, while powder MPI imports increased to 3,792 tonnes from 2,769 tonnes.

Although the first 5 months of the year don't represent the full year, preliminary indications show that the annual imports converted in SMP equivalent could increase to around 33,000 tonnes by end of year. This increase in imported protein occurs in a context of increasing consumer demand for protein.

FIGURE 6: MILK PROTEIN SUBSTANCES (MPI) IMPORTS

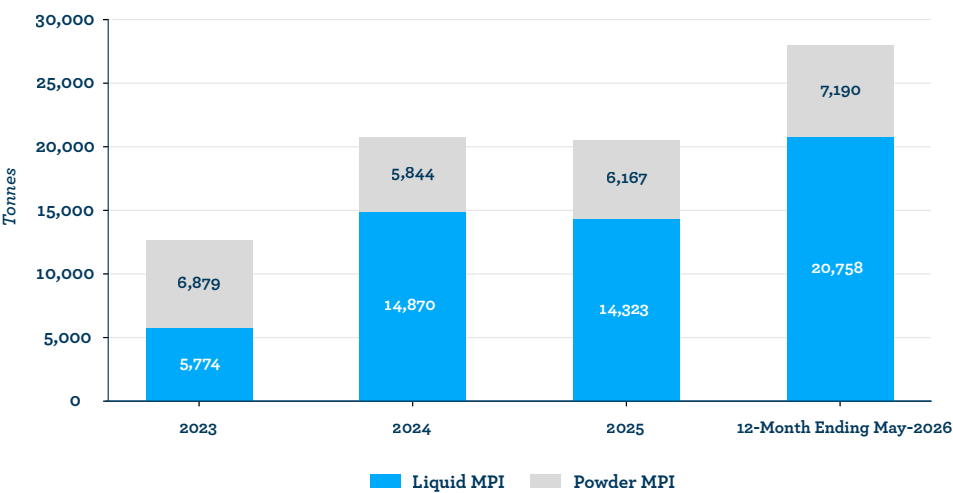
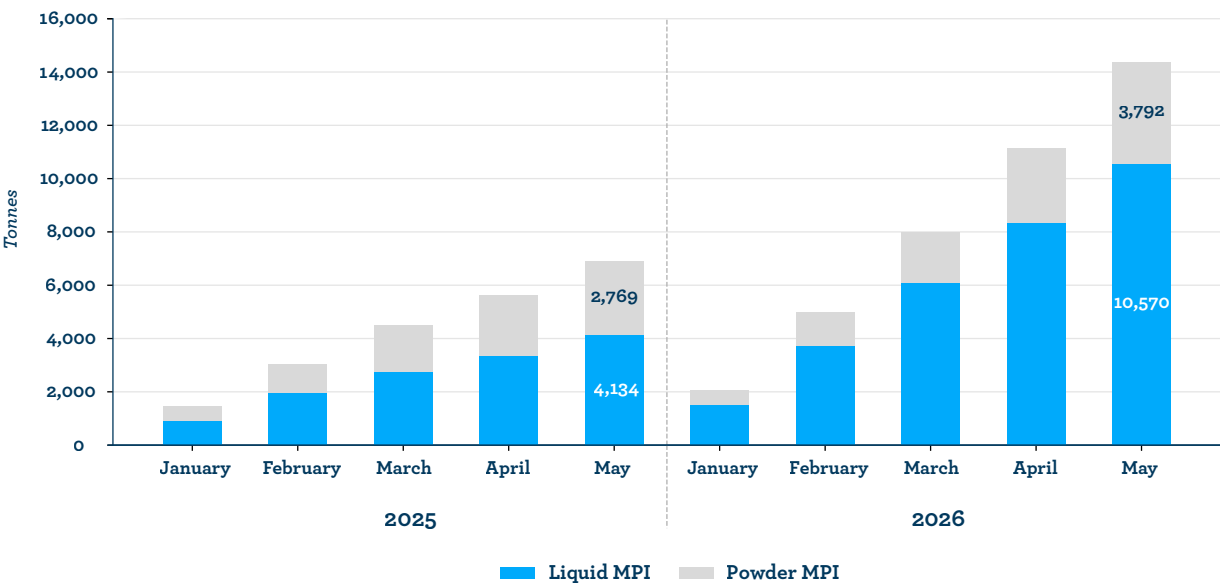


FIGURE 6: MILK PROTEIN SUBSTANCES (MPI) MONTHLY CUMULATIVE IMPORTS



Source: Canadian Dairy Information Centre (CDIC)

PROTEIN-DRIVEN SHIFTS IN MILK UTILIZATION

Recent shifts in consumer food preferences reflect the growing importance of protein in the dairy sector. While overall milk production growth continues to be driven mainly by butterfat, utilization trends increasingly reflect stronger demand for high-protein products.

Canadian milk production increased from 9,278.8 million L in 2022 to 9,663.6 million L in 2025, reflecting a CAGR (consolidated annual growth rate) of 1.4%. Over the same period, milk components grew faster than total production volume, led by butterfat.

Butterfat utilization increased at a CAGR of 2.9%, compared to 2.2% for protein and 1.5% for other solids. A similar pattern has been observed in the United States, where butterfat (referred to as milkfat in USDA publications) utilization grew at a CAGR of 2.7% between 2022 and 2025, outpacing protein (2.1%) and other solids (1.5%) ([USDA, 2025](#)).

TABLE 1: EVOLUTION OF THE CANADIAN UTILIZATION OF MILK COMPONENTS

Canadian Milk Utilization and Sales	2022	2025	CAGR (2022-2025)
Production (L)	9,278,800,476	9,663,623,607	1.4%
Butterfat (kg)	395,650,309	431,177,157	2.9%
Protein (kg)	301,366,073	321,503,037	2.2%
Other solids (kg)	548,163,557	573,737,145	1.5%

Source: CDIC

Protein utilization has shifted, however. In 2025, total protein availability increased by 8.2 million kg compared to the year prior, driven by higher production (+10.0 million kg), partially offset by a 1.8 million kg protein-to-butterfat composition effect. At the same time, protein utilization in Class 4 declined by -3.7 million kg, while utilization across all other classes increased by 11.9 million kg, representing a 4.7% increase outside of Class 4 compared to the previous year.

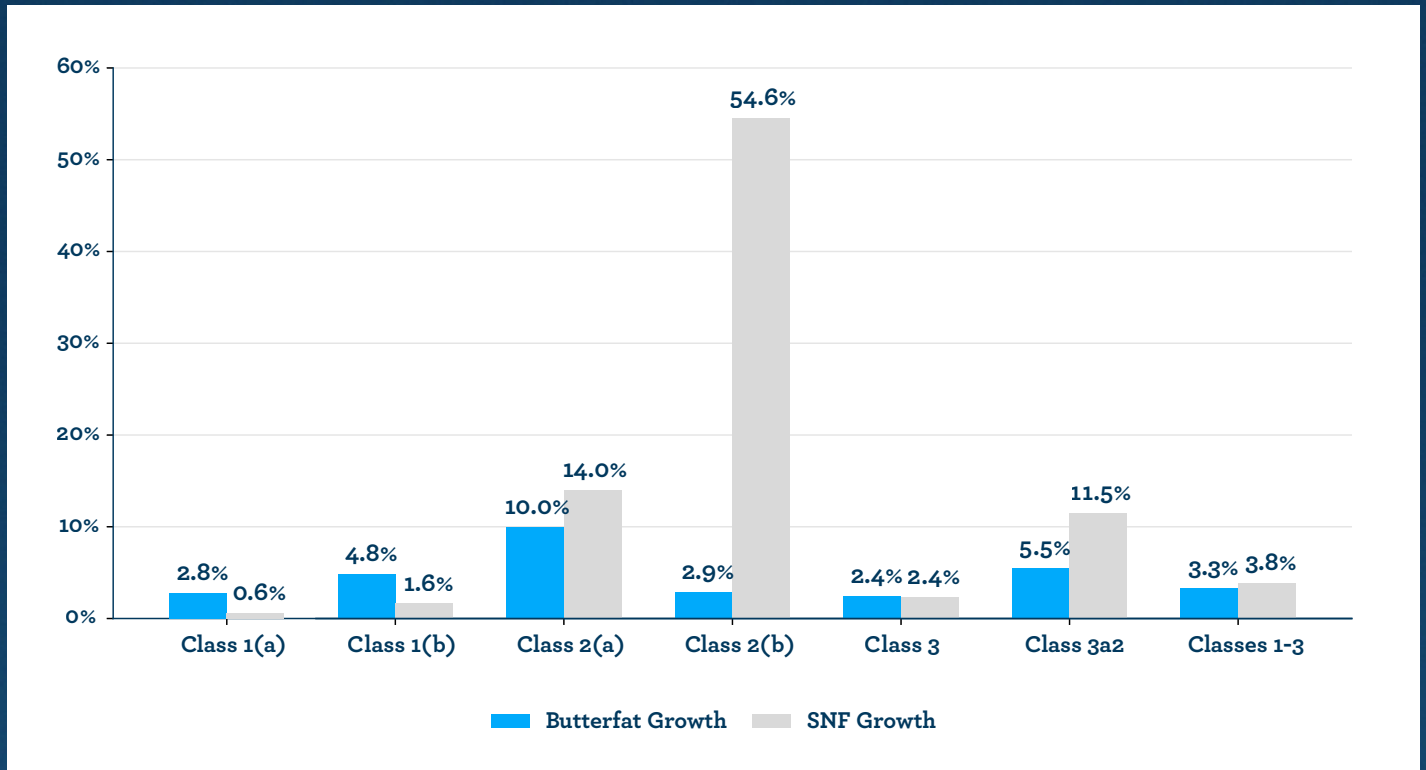
Growth in solid-non-fat (SNF) was strongest in classes associated with higher-protein dairy products, particularly within Class 2 and Class 3(a)2. In Class 2(a), which includes Greek and Skyr yogurts, SNF utilization increased from 61.6 million kg in 2024 to 70.2 million kg in 2025 (+14.0%), while butterfat utilization grew 10%. In Class 2(b), which includes high-protein milk shakes, SNF utilization increased from 12.7 million kg to 19.6 million kg (+54.6%), while butterfat utilization increased 2.9%.

A similar trend was observed in Class 3(a)2, which includes cottage cheese. SNF utilization increased from 52.8 million kg in 2024 to 58.9 million kg in 2025 (+11.5%), outpacing butterfat growth of 5.5%. In comparison, Class 3 overall showed balanced growth in both butterfat and SNF utilization (+2.4%).

The trend reflects continued demand for high-protein dairy products. Fluid milk classes showed stronger butterfat utilization growth. In Class 1(a), butterfat utilization increased 2.8% compared to 0.6% for SNF, while in Class 2(b), butterfat utilization increased 4.8% compared to 1.6% for SNF.

Overall, Classes 1-3, SNF utilization increased by 3.8% in 2025, slightly outpacing butterfat utilization growth of 3.3%.

FIGURE 7: MILK COMPONENT GROWTH BY CLASS (2025 VS. 2024)



Source: CDIC



CONSUMPTION TRENDS IN THE CANADIAN MARKET

Consumption increased across all major dairy categories in the 12-month period ending March 2026 compared with the same period a year earlier. Growth was strongest for yogurt and butter, up 6% and 10%, respectively. Milk sales rose modestly by 0.3%, driven entirely by the Hotel, Restaurant and Institutional (HRI) sector. Cream sales increased by 0.9%, while natural cheese consumption rose by 3.4%.

The 12-month average population growth rate slowed to 0.4% in March 2026, down from 2.7% in the previous 12-month period. This suggests that, although population growth had supported gains in overall dairy consumption, per capita dairy consumption has remained relatively resilient despite the slowdown. This aligns with broader trends in the Canadian food sector, where consumer spending on food at home and away from home continued to grow despite renewed food price inflation and ongoing pressure on household budgets. According to Statistics Canada,

food prices rose by an average of 4.3% over the same 12-month period, the highest rate since June 2024. By comparison, dairy prices increased at a more moderate 1.9%.

Consumers have continued to look for ways to manage food spending, including shopping more often at discount grocers, mass merchandisers, and warehouse retailers. Similarly, when dining away from home, many are opting for limited-service restaurants. These shifts are unlikely to affect all dairy products equally. Products commonly used as food service ingredients, such as natural cheese and cream, may be more exposed to changes in restaurant spending patterns than products like yogurt, which are primarily purchased at retail for at-home consumption.

FIGURE 8: CANADIAN MARKET
12-MONTH PERIOD ENDING MARCH 2026 VS. 12-MONTH PERIOD ENDING MARCH 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 MARCH 2026	Milk (litres)	0.3%	-0.5%	76.3%	3.1%	23.7%
	Cream (litres)	0.9%	0.8%	39.4%	1.1%	60.6%
	Refrigerated yogurt (kilograms)	6.0%	5.8%	94.8%	9.9%	5.2%
	Natural cheese (kilograms)	3.4%	2.4%	55.3%	4.8%	44.7%
	Butter (Kilograms)	10.0%	7.4%	56.9%	13.5%	43.1%

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 9: PER CAPITA CONSUMPTION

12-MONTH PERIOD ENDING MARCH 2026 VS. 12-MONTH PERIOD ENDING MARCH 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 MARCH 2026	Milk (litres)	-0.1%	-0.9%	76.3%	2.6%	23.7%
	Cream (litres)	0.5%	0.3%	39.4%	0.6%	60.6%
	Refrigerated yogurt (kilograms)	5.6%	5.4%	94.8%	9.4%	5.2%
	Natural cheese (kilograms)	3.0%	1.9%	55.3%	4.3%	44.7%
	Butter (Kilograms)	9.5%	7.0%	56.9%	13.0%	43.1%

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 increased by 0.3% in the 12-month period ending March 2026 compared with the same period a year earlier. All growth in domestic milk consumption came from the HRI and further processing markets, where sales rose by 3%. These channels now account for 23.7% 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 76.3% of the total milk market. The decline likely reflects increased out-of-home consumption 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 post strong sales growth.

Consumption of plant-based beverages declined during the current period. However, sales fell more slowly than fluid milk sales, increasing their market share from the previous reporting period to 8.4% of total retail sales in the milk and substitutes category. As noted previously, consumer habits in this category have been affected by high prices and the lingering effects of the July 2024 plant-based beverage recall. In response to growing interest in high-protein products such as ultrafiltered protein-enriched milk, Silk has introduced a new high-protein plant-based beverage. DFC will closely monitor developments in this segment.

CREAM

Total cream consumption rose by 0.9% in the 12 months ending March 2026 compared with the same period a year earlier. Growth was broadly distributed across the market. At retail, which accounted for 39.4% of total consumption, sales increased by 0.8%. As with other dairy products, cream sales continue to be supported by stronger demand for higher-fat varieties.

In other market channels, cream sales increased by 1.1% and accounted for 60.6% of the total cream market. Direct Link HRI data point to two offsetting trends. Pressure on household budgets has reduced spending at fine-dining restaurants, weighing on cream consumption.

At the same time, stronger out-of-home consumption linked to more in-office workdays has supported cream use in counter-service restaurants and hotels. Notably, growth was also observed in hospitals and residential care facilities. 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 6% in the 12-month period ending March 2026 compared with the same period a year earlier. Per capita yogurt consumption also rose by 5.6%. 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 94.8%. This was supported by a shift toward larger formats, which offer better value and can encourage higher consumption because they are not limited to single servings. Consumers are also buying more plain yogurt and more products with higher protein content. Sales of higher-protein yogurt, including Skyr and Greek yogurt, increased by a combined 19.7% over the 52-week period ending March 28, 2026.

In all other market channels, yogurt sales rose by 9.9% from a year earlier and accounted for 5.2% 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 March 2026, natural cheese consumption rose by 3.4% from a year earlier, driven by stronger demand outside retail, especially in HRI. Canadian Dairy Commission (CDC) milk utilization data show that milk used in Class 3D—a key indicator of cheese consumption at fresh pizza establishments—increased by 7.6%.

Retail sales increased by 2.4% during this period and accounted for 55.3% of natural cheese consumption in Canada. On a per capita basis, sales rose by 1.9% from a year earlier. Cottage cheese posted particularly strong retail growth, rising 23.4% over the 52-week period ending March 28, 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.

The main exception was natural cheese used in Class 5 for further processing, which declined during the current reporting period.



BUTTER

In the 12-month period ending March 2026, butter consumption increased 10% year over year, while per capita sales rose 9.5%.

Growth occurred across all market segments, with the strongest gains in butter consumed outside retail, which now represents 43.1% of total consumption. As noted earlier, higher spending on food away from home also boosted butter consumption in the HRI market. However, 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 30% during the 12-month period ending March 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 56.9% of total butter consumption. Retail butter sales rose 7.4% 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 56.6% of total sales by volume, up from 53.1% 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 immigration-driven demand, and they now account for 2.2% of the category.

CONCLUSION

Global dairy markets strengthened through the first half of 2026 as demand improved and supply growth began to level off in key exporting regions. This has supported a recovery in commodity prices for SMP and butter after weakness in the second half of 2025.

Canada remains well below its CUSMA export threshold for SMP and MPC, with 16.6 million kilograms exported out of the 37.2 million kilogram threshold for 2025-26. Milk and butter imports continue to show steady utilization.

Historically, butterfat has been the primary driver of milk utilization growth, contributing the largest share of growth in both Canada and the U.S. Recent years show stronger SNF utilization in higher-value processing classes, highlighting the shift in demand towards high-protein products.

In the total market, consumption increased across all major dairy categories in the 12-month period ending March 2026, with particularly strong growth in butter and yogurt. Butter was supported by competitive pricing and substitution away from alternative fats, while yogurt growth was driven by demand for high-protein, convenient products. Despite slower population growth, consumption remained resilient due to stronger per capita consumption. Consumer spending on both food at-home and away-from-home increased, despite a resurgence in food price inflation.



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

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