

2024 BC DAIRY INDUSTRY CONFERENCE HIGHLIGHTS

Dairy Processors' Perspectives on the Big Themes of 2024

Tars Cheema

A regular presenter at BC's Dairy Industry Conference, Dan Wong brought a sobering look at the dairy marketplace with its myriad complexities between producers, processors, retailers and the unavoidable political vibrations.

Highly regarded for his knowledge and credibility as the President of the Western Dairy Council, Dan's dynamic style ensured the audience was entertained while being informed.

Dan began, "These five big themes I would submit to you, are all essential to the future of the Canadian dairy industry and they're all interrelated."

2024's Five Big Themes from a Processor Perspective

1. Market Growth

"Growth is the key to industry-wide success - it's **necessary**," Dan emphasized. Growth is firmly on the minds of DFC, processor organizations and marketing boards. "It's the central underpinning of the WMP's commitment in collaboration with western dairy processors." While market growth has been good in recent years, thanks in part to population growth, we need to understand what's driving it, and to pay attention to emerging market segments. "We need innovation. New flavours of yogurt aren't going to move the needle anymore," he offered wryly. Cheese is seen as a growth segment worldwide, but it exacerbates the challenge of managing surplus solids. TikTok is credited in some quarters with 'igniting a cottage cheese renaissance.' Some segments are embracing lactose-free dairy, while others are looking for protein-enriched milk. The ethnic market offers more growth potential such as demonstrated by the success of Nanak Paneer cheese. What about Canada's aging demographic? Vitalus is leading the way in applying milk ingredients to products designed specifically to meet the nutritional needs of aging populations (55-70 years is bulk of Canadian population). Canada's dairy products market growth appears consistent with other parts of the world, Dan shared a global snapshot.

He followed up by asking some challenging questions - could there be 'social limits' to growth? Do we have the ability to produce the milk and process it? Do we have markets for the products we want to make and what's the plan to cope with the structural surplus?

2. Investment in Processing Infrastructure

It is generally understood that processing capacity is tight in Canada, particularly in the west. More processing capacity is needed to address the structural surplus, to facilitate product innovation and capture market opportunities. It's also known that many current facilities are aging and need modernization with technologies to improve efficiency and competitiveness.



President of the Western Dairy Council, Dan Wong presented a thought-provoking look at processor perspectives.

"The decision matrix for processors to invest in new capacity is complex." Dan applauded initiatives such as the Market Growth Program (MGP) and Dairy Industry Innovation Fund (DIIF) but noted that programs alone are not a guarantee to bring new processing capacity online. He acknowledged the significant dairy plant investments in BC, identifying Saputo, Vitalus, Nanak, Avalon and Tree Island Yogurt and the Dairy Innovation West milk concentrating plant in Alberta, among others, as being good steps.

3. Collaboration

Historically, producers and processors have often been at odds, each seemingly trying to protect their own interests. "We have much appreciated the increased collaboration more recently which benefits all stakeholders," Dan proffered, recognizing the WMP's efforts to work more closely with the processing community. He cited the 'Rapid Milk Test' working group as an example of important initiatives which require the input and cooperation of all parties to smoothly integrate new technologies. But he added that processors believe collaboration must go deeper than just solving problems. "Collaboration must go into the underlying policy processes of our industry. The processors' role must be embedded in industry institutions and policy-making decisions." He complimented the progress in the west through the WMP working with the Western Dairy Council on common policies for animal welfare and milk quality.

4. Financial Health

Dan emphasized that each link in the dairy value chain must be financially viable, or the growth/investment/collaboration

equation won't work. He said processors are well aware of the financial pressures that producers have been under especially recently, but financial challenges are an ongoing reality for processors too. "We're not where we were pre-pandemic," Dan spoke to declining processor margins. "Dairy processor costs have increased just like producers', and none of us in the industry can rely on price mechanisms alone to resolve our financial challenges anymore," warned Dan. The financial health of the industry depends on the **entire** dairy supply chain.

5. Sustainability

"Sustainability is the central focus in the global dairy industry!" Dan painted a picture of the pressing need for sustainability elements to become an integral part of the dairy landscape. Dairy organizations are now required to make sustainability a commercial requirement going forward as they are subject to regulatory requirements and to equally demanding customer requirements. The Paris Dairy Declaration on Sustainability was signed at the IDF Dairy Leaders Forum last October. Calling global emissions targets 'ambitious,' Dan underscored that success cannot be achieved on the backs of just one part of the dairy supply chain. "This is a global challenge that we can't afford to ignore. We're **all** in this!" he concluded.

Dan is a realist - he recognizes the need to address all challenges and objections but urges industry stakeholders to focus on finding the 'yes' to overcome obstacles and challenges. He believes meaningful 'collaboration' needs institutional reform and that the 'negotiation culture' that permeates the industry needs a rethink. Dan pointed out that 'Canada is not an island unto itself,' referencing the many countries vying for trade access or challenging Canada's trade policies.

"We know there are headwinds, but I'm optimistic - if we remain committed to work together."



Western Canada has experienced significant processor investment over the past several years.

Cows, Community and Cutting-Edge Change BC's Young Dairy Producers Weigh In

Taylor Dekker

Taylor grew up at Vaby Farms, a 450-cow dairy in Abbotsford, BC.

A past 4-H Holstein Club member, Taylor is in her first year at Dordt University in Iowa, studying Agriculture Business.



(L-R) Enthusiastic and engaging dairy panelists, Kevin Mammel, Rebecca Senicar and Russell Reitsma presented optimistic answers to questions posed by moderator, Kevin Lim.

In a session focused on the next generation, three young producers took the stage to discuss what drew them into the dairy industry, why they've stayed, and the outlook they have on the future of dairying in BC. Russell Rietsema, Rebecca Senicar, and Kevin Mammel are all producers in the Fraser Valley, and are equally active in industry organizations such as BC Young Farmers, Mainland Milk Producers, and BC Milk.

Succession is on the minds of many when it comes to thinking about the future of dairy farming. As representatives of the next generation of farmers, the panelists' main reasons for staying in the rapidly evolving dairy industry can be summed up into two words, **community** and **innovation**. Kevin stated, "We are not a room of competitors, we are all on the same team here, which is phenomenal in today's world." The panelists all agreed that it is a rarity to find an industry that is as supportive of fellow members in the community as BC dairy. Rebecca recognized the dairy community's investment in future generations saying, "I think it is just amazing the amount of effort as an industry we invest in the next future

with programs such as Ag in the Classroom and 4-H. We are so committed to tomorrow and that is an exciting thing to be a part of."

Technological innovation impacts all industries including dairy. Russell believes that farming is going to look different in future years, and that means there is always something to get excited about. Kevin agreed and said he is "cautiously optimistic" about the future of technology bettering the dairy industry. He acknowledges that while there is a cost concern with new tech, he is excited for when the costs come down and more farmers can reap the benefits of the new innovations. Rebecca added that while her family usually waits to adopt new technologies, they have seen tremendous benefits to their farm efficiency with the amount of data they are able to collect using newer technologies.

To wrap up the discussion, Russell stated, "The future is now, and we are going to see a lot." The panelists agreed that overall, they have a very hopeful and positive outlook on the future of the dairy industry and are excited to forge ahead with the rest of the dairy community.

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International Dairy Federation Continues to Strengthen Global Dairy Sector

Amanda Poelman

With the promise of keeping things “short and sweet” as the last speaker before lunch, Lactalis Canada Senior VP of Government and Industry Relations, Gilles Froment, is also the newly elected President of the International Dairy



Gilles Froment from Lactalis Canada gave a brief IDF overview at the BC Dairy Industry Conference.

Federation (IDF). He shared perspectives on the dairy industry through an international lens, and highlighted some of the projects IDF has been involved in throughout 2024, as well as worldwide growth opportunities in the dairy sector.

Recognizing that conference attendees might not be entirely familiar with IDF and its work, Gilles noted, “The IDF represents the global dairy sector and ensures the best scientific expertise is used to support high quality milk and nutritious, safe and sustainable dairy products.” Science-based, IDF sets international dairy standards for Codex Alimentarius Commission.

Established in 1903, the IDF has members in 40 countries, collectively representing 75% of the world’s milk. Currently, IDF has less presence in Africa and South America, although these areas are growing. There are 1200 experts, 100 located in Canada, who embody entire dairy sectors, producers, processors, governments, and scientists. The IDF operates four main pillars: Standards, Nutrition

& Health, Safety & Quality, and Sustainability. In honour of their 120 years in business, a special campaign was launched from October 2023 to October 2024, using the hashtag #WeAreDairy to celebrate all the collaboration and innovation that has taken place between IDF and its global partners.

Gilles shared his experiences at the World Dairy Summit held in Paris, France, in October, which was highlighted by various awards for advances in animal health and environmental sustainability. Proud Canadian winners in the ‘Innovation in Climate Action’ category were Semex and Lactanet. Gilles encouraged everyone to consider attending the next World Dairy Summit, to be held in Santiago, Chile, in 2025, where the focus will be “Nourishing a Sustainable World.”

In his four-year term, Gilles wants to position dairy as a possible solution to climate change – not the problem – as it was labeled in Rotterdam in recent years.

The International Dairy Federation website shares a wealth of information! If you’re interested in the science and expertise of dairy and the supply and demand trends of the sector around the globe, visit www.fil-idf.org.

Saputo COO Appeals for Cooperation

Tars Cheema

Saputo’s relatively new Canadian Dairy COO, Haig Poutchigian provided a picture of the dairy giant, before presenting a look at market trends and challenges facing the dairy processing sector.

“We’re almost 6,000 staff across Canada – using all Canadian milk in our eighteen plants,” he began. He referred to Armstrong and Dairyland as “powerhouse brands in the west.”

“Our capacity to process milk exceeds 3B litres,” he added. “We have quite the footprint, we’re a player, we’re here for the long term, and we’ll talk about how we can do things together.”

He mentioned the importance to every one of the ‘ethics of animal welfare’ and environment as two of the seven pillars of the Saputo values.

Trends

Referring to end of September stats, Poutchigian said all dairy product categories are growing – other than butter, which has flatlined. “Food sector inflation has seen the leveling off of product demand.” Another trend shows more people going to full service restaurants than quick serve restaurants, apparently due to the delay in increasing prices to adjust for inflation. Customers apparently feel they get better value at full-service restaurants.

“Discounters are winning the day,” he emphasized the importance of price advantages. Private label foods also seem to be winning, perhaps due to price advantages over ‘brand names.’ Interestingly, convenience products (shredded cheese /slices) seem to be doing well.

Consumers also appear to be paying more attention to health and wellness. There’s more interest in ingredient labels, and labels with more clarity.

Poutchigian spoke to the environmental and corporate responsibilities – which he said are a “requirement” from authorities and customers.

Challenges

“We are facing the same challenges as everyone else.” With Class 1 fluid performing well this year, more capital is needed in processing this high value item with “razor-thin margins” due to the “door-crasher” pricing used to bring shoppers into the stores regularly. “There is opportunity in Class 1,” he reinforced.

“Let’s continue to educate the market about the qualities of our product; it’s second to none and a natural source of protein.”

Cost of capital and inflation are similarly difficult for producers and processors – including a forecasted 4.5-5% increase in labour cost.

Agility and supply – Poutchigian recognized the challenge of producers to increase supply rapidly, “You need to know what’s coming up...but we’re still going to get surprised by certain phenomena. You cannot turn on a dime and affect supply – it’s the industry we’re in, we’re connected at the hip,” he empathized with producer realities. “We’ll have to work together on agility,” he pointed to the demand volatility they have been facing since the pandemic.

Investment is required to meet environmental and sustainability compliance. “It’s increasingly expensive to do business, for you and for us.” He referred to solving systemic issues in the industry to improve efficiency to ‘protect our margins.’



Haig Poutchigian, COO of Saputo’s Canadian Dairy division, described the challenges and opportunities facing both producers and processors.

In the ‘Better for You’ category, he sees protein as a big opportunity – value-added (high protein) products. Supplying “convenience is king right now” products (single serve/bottling), innovative flavours, and ethnic-targeted specialties – “There’s a demand there we need to tap into.” He conveyed an anecdote of his son’s insistence on high-protein Fairlife milk – to meet his fitness nutritional expectations. “The *Better for You* movement is here to stay, it’s powerful, protein is king,” Poutchigian summarized. “Protein resonates with the younger generation.”

Going forward, he sees opportunities for more dairy growth, “Let’s continue to educate the market about the qualities of our product; it’s second to none and a natural source of protein.”

He also brought up the increasing expectations of customers to dairy industry ‘responsibilities,’ calling them “moving targets which affect your everyday, and ours too.” He sees the ‘asks’ being replaced by ‘directives.’

“The Canadian domestic dairy market still has a lot of opportunity and potential. We need to work together to tap into that opportunity. I’m convinced we can do this, otherwise I wouldn’t be here,” Poutchigian concluded.

Protein, Protein, Protein – Modest servings of quality food garnished with Sustainability

Kash Cheema

Chef Ned Bell’s delivery of this year’s “farm to table” message at the dairy conference was compelling and on point. Dairy products are in the right place at the right time to capitalize on the current consumer pursuit of high protein foods. As in past years, he used visual aids to reinforce his message. The array of foods he set out included cartons of milk, yogurt, sticks of butter and jars of products including dairy. His unique aged white cheddar cranberry cookies are a favourite at Children’s Hospital.

He stressed the importance of continuing to educate the public on the value of dairy – as a quality protein



A true champion of dairy and Buy BC, chef Ned Bell offers us an important glimpse into the decision-making values of consumers in search of quality protein.

source and a key ingredient in healthy, healing eating. Whether feeding growing children, aspiring athletes or post-cancer patients, clean, quality protein is critical. His message to producers is that “people do care where their food comes from” and that the leveraging opportunity to market dairy as a quality protein will also need to include messaging to satisfy consumer interest in sustainability.

A chef trained in French Cuisine, he naturally is a huge fan of butter and believes in using ingredients that are local, affordable, consistent and safe. He believes in quality ingredients and that a good diet includes “modest servings of quality foods garnished with sustainability.”