



# National Milk Policy and Marketing

## AT THE NATIONAL LEVEL

### Dispute under the Canada-United States-Mexico Agreement (CUSMA)

In January 2022, the CUSMA special dispute resolution panel filed its report on Canada's administration of its dairy tariff rate quota policies. The panel concluded that Canada could not reserve tariff rate quotas for processors while recognizing Canada's sovereignty over its quota allocation policy. In May, the Canadian government announced the implementation of a new dairy tariff rate quota distribution mechanism pursuant to the Agreement.

### New demands concerning tariff quotas

In May and December 2022, the United States made new requests for consultations with the Canadian government that once again concerned measures taken by Canada as part of its dairy tariff rate quota policy under CUSMA. In May, New Zealand also demanded consultations on the distribution of tariff quotas in connection with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). A special group was formed in November.

### Growth in butterfat demand and structural surpluses

In 2022, the Canadian Dairy Commission (CDC), in collaboration with the provinces, continued to develop and update simulation models to predict growth in demand for butterfat in the Canadian market. They also began work on developing a strategy for adding value to structural surpluses, specifically by estimating requirements for additional solids non-fat (SNF) processing capacities. As a result, steps were taken to develop a national market growth program. The goal is to foster investments in additional processing capacities for surplus SNF at a time when there is growth in the demand for butterfat.

## Daily national dairy production

Daily milk production over the 12-month period ending in December 2022 reached 1.09 million kg of BF per day in Canada, which is a decrease of 0.13% compared to 2021.

P5 provinces  
**0.813 million kg**  
of BF per day  
**+ 0.7%**

WMP provinces  
**0.270 million kg**  
of BF per day  
**- 2.6%**

TOTAL PRODUCTION AND NUMBER OF PRODUCERS IN CANADIAN PROVINCES – 2021-2022<sup>1</sup>

|                                  | Total production (kg of BF) | %             | Number of producers <sup>2</sup> | %             |
|----------------------------------|-----------------------------|---------------|----------------------------------|---------------|
| <b>Newfoundland and Labrador</b> | <b>1,982,062</b>            | <b>0.50</b>   | <b>25</b>                        | <b>0.26</b>   |
| Prince Edward Island             | 5,114,618                   | 1.29          | 154                              | 1.58          |
| Nova Scotia                      | 8,558,636                   | 2.16          | 202                              | 2.07          |
| New Brunswick                    | 6,676,019                   | 1.69          | 167                              | 1.72          |
| Quebec                           | 146,389,651                 | 36.97         | 4,548                            | 46.70         |
| Ontario                          | 128,348,675                 | 32.42         | 3,298                            | 33.86         |
| <b>Total P5<sup>3</sup></b>      | <b>295,087,599</b>          | <b>74.53</b>  | <b>8,369</b>                     | <b>85.93</b>  |
| Manitoba                         | 17,149,371                  | 4.33          | 239                              | 2.46          |
| Saskatchewan                     | 12,285,490                  | 3.10          | 157                              | 1.61          |
| Alberta                          | 34,847,874                  | 8.80          | 488                              | 5.01          |
| British Columbia                 | 34,595,137                  | 8.74          | 461                              | 4.73          |
| <b>Total WMP<sup>4</sup></b>     | <b>98,877,872</b>           | <b>24.97</b>  | <b>1,345</b>                     | <b>13.81</b>  |
| <b>Total Canada</b>              | <b>395,947,533</b>          | <b>100.00</b> | <b>9,739</b>                     | <b>100.00</b> |

1 Source: Canadian Dairy Commission

2 As at August 1, 2022

3 Agreement on the Eastern Canadian Milk Pooling

4 Western Milk Pooling Agreement

## Retail sales of dairy products in Canada

Fluid milk: **- 0.7%**

Cream: **+ 2.9%**

Yogurt: **+ 1.7%**

Ice cream: **+ 1.3%**

Cheese: **+ 1.0%**

Butter: **- 0.6%**

Compound annual growth rate for the period from January 4, 2020 to December 31, 2022



## National programs

The Canadian Milk Supply Management Committee (CMSMC) activated Plan C, a cheese purchasing-repurchasing program, on a few occasions. The Market Committee continued its work on better aligning this program's impact with the industry's needs. Also, a thought process was initiated to assess the potential for developing additional programs to handle the challenge of orders from plants.

## VARIATIONS IN QUEBEC'S TOTAL QUOTA ALLOCATION – 2022

|                                     | Total quota allotted to Quebec<br>(kg of BF) |
|-------------------------------------|--|
| 2021                                |  |
| December                            | 146,607,476                                  |
| 2022                                |  |
| January                             | 146,386,597                                  |
| February                            | 146,932,514                                  |
| March                               | 146,495,453                                  |
| April                               | 145,926,456                                  |
| May                                 | 146,451,595                                  |
| June                                | 146,731,131                                  |
| July                                | 146,797,465                                  |
| August                              | 147,642,620                                  |
| September                           | 147,558,566                                  |
| October                             | 147,779,148                                  |
| November                            | 148,027,653                                  |
| December                            | 147,426,544                                  |
| <b>Total variation for the year</b> | <b>819,068</b>                               |
| Quota variation in percentage       | 0.56%  |



Quota allocated to Quebec  
in December 2022:

**147.4 million kg of BF**

**Net increase of  
819,068 kg of BF**

## PROVINCES THAT SIGNED THE AGREEMENT ON EASTERN CANADIAN MILK POOLING (P5)

### Market and production needs analysis

The P5 provincial boards continued to work together to send the right market signals. P5 Quota Committee meetings were held regularly to analyze the market and react rapidly to needs.

### Review of the component payment policy

In 2022, the P5 Quota Committee began to review the parameters of the component payment policy to ensure that revenue distribution is still aligned with the initial objectives. The objectives of the component payment policy are to better reflect market revenue and components that contribute to yield, limit the growth of surplus SNF, and maintain the quality of dairy components, while aiming to ensure greater equity between producers.

### Other decisions and initiatives

- Further efforts were made to promote the processing of all dairy components and proactively manage situations where not all components are required by dairy enterprises.
- Work wrapped up on rolling out the component payment policy on farms, including changing the maximum ratio from 2.3 to 2.25, starting on August 1, 2022.
- Work also wrapped up on reducing the quota flexibility of -30 to -15 days, starting on August 1, 2022.

## IN QUEBEC

### Collective marketing agreements

All price adjustments resulting from decisions of the P5 Supervisory Body and the CMSMC are integrated into the milk marketing agreements (MMAs) approved by the Régie des marchés agricoles et alimentaires du Québec (RMAAQ).

The MMA signatories began to negotiate the agreements and filed their respective statements. Les Producteurs de lait du Québec wants to review the supply rules so as to enhance the value of SNF and ensure that milk is managed in a more effective and organized fashion, which guarantees that all components will be processed.

As concerns supplying dairy plants during the holidays, appendix 9, which deals with the obligations surrounding the receipt of milk from enterprises during this more difficult season owing, in particular, to the statutory holidays, was approved by the RMAAQ on September 26, 2022.

### Strategic industry planning

Work continued within various committees toward achieving the industry's strategic planning objectives.

After the first forum was held on dairy product market growth and SNF value enhancement in 2021, Les Producteurs de lait du Québec invited participants to submit projects in answer to the issues raised. Work also continued with milk buyers. A second edition of the forum was held in 2022. Other industry partners joined the event where discussions centered on dairy protein value enhancement. Work on this issue has already started and will continue in 2023.

### Steering committee for the organic sector strategic plan

Les Producteurs de lait du Québec continued to actively participate in the activities of the steering committee for Quebec's organic sector strategic plan with the goal of developing the organic milk market in Quebec.

## SOME FIGURES AND DATA

### Canadian market development

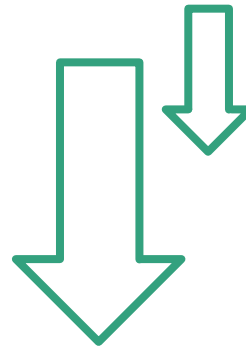
The calculation of total requirements takes all imports from the various trade agreements into account. **From December 2021 to December 2022, total Canadian demand rose by 4.50 million kilograms of butterfat (kg of BF) per day, or a net increase of 1.1%.**

Market needs served by Canadian milk increased by 0.15% compared to December 2021, a lower growth level than in total requirements, given the increase in Canadian imports.

### National Milk Marketing Plan

Since 2018, the national continuous quota policy has been accompanied by a flexibility limit of 2% for underproduction and a flexibility limit of 1.25% for overproduction in the interest of restoring disciplined production.

**Production in the 10 provinces posted -2.05% in September, -2.05% in October and -2.07% in November**, which resulted in a lost opportunity to produce a total of 4.98 million kg of BF. The P5 provinces' share of this total is 2.51 million kg of BF. When the pools generate lost production opportunities, production credits are not transferred and are withdrawn from the system. Lower levels are normal in the fall due to the seasonality of production and demand, which are reversed.



### Solids non-fat/fat ratio (SNF/F)

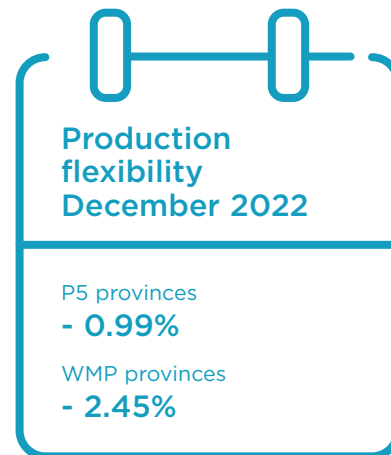
The SNF/F ratio decreased in the country in 2022. It went from 2.1851 in 2021 to 2.1784 in 2022.

P5 provinces

**2.1806**

WMP provinces

**2.1716**



### Production flexibility December 2022

P5 provinces

**- 0.99%**

WMP provinces

**- 2.45%**

### Butter stocks

December 2022

**20,874 tonnes**



**34,641 kg**

of additional imports for 2022