

Taking stock



After eight years as chair of Producteurs de lait du Québec (PLQ), I stepped down in April, a decision that I had announced over one year ago at the 2019 Annual General Meeting.

Already, at the beginning of the year I did not renew my term as chair of the Estrie organization. Marcel Blais was elected as my successor and I know that producers in my region are in good hands. At the provincial level, the Régie authorized an electronic vote, which was held on May 1st. Daniel Gobeil was elected as chair of the provincial board. He was already doing an excellent job as first vice-chair. He clearly has the confidence of his peers and I am confident that he will be a worthy representative of milk producers.

Whenever we turn the page on an important period of our life, it is customary to take stock of our achievements and challenges. I have worked with milk producers for more than 25 years. When I was elected as chair of the PLQ, in 2011, I had many years' experience behind me. I was fully aware of what was expected of me in order to represent all producers. I was given an opportunity to defend the organization's ideas and values, which were also the ones that I have always held.

Some issues, however, are more difficult to anticipate. Relationships, concerns, and issues evolve over the years. During my term, there were some difficult moments; the supply management system needed adjustments, and we succeeded in making them. While it is true that the federal government did not completely preserve this policy during trade negotiations, we managed to convincingly show that it was a legitimate agricultural policy, and it was maintained. This Canadian model is our strength, but it also comes with challenges since circumstances differ throughout the country.

Another major change in the last decade has been the growing importance of social media. These are practical communication tools, but they can increase psychological stress and disseminate disinformation. Producers must continue to support each other, but not only on-line. Nothing can replace the value of genuine human contact. The same applies to our decision-making process. Meetings will always be needed for in-depth discussions. Hearing other people's ideas puts things in perspective and helps to advance the debate.

Apart from the changes that have taken place during my term, some things have remained constant. For example, collective marketing is still relevant, efficient and strong. Our relationship with processors has progressed in this regard. We are stronger now and there is less conflict. Although we each have our own interests, we must face common threats together. Thus, it is important that we pursue a common approach when developing the industry strategy initiated this year. Solidarity around the issues that unite us is our strongest tool to defend our system and promote our products.

In the last few years, quite a few unexpected issues have arisen, including milk pricing and trade negotiations, and they caused a great deal of uncertainty. Despite these difficult challenges, most producers supported the board of directors. There were criticisms of course, but in the end, we worked together and showed solidarity with other Quebec producers, but also with producers across the country. Constructive criticism will always have a place and is, in fact, necessary in a democratic organization such as ours.

My overriding reflection on my time as chair of the PLQ is that I had the opportunity to work with an extraordinary team. I am proud of our accomplishments and confident in the future of our sector.

But what has disappointed me the most in recent years has been the growth of a discourse by some politicians and commentators that conveys disdain for the industry, as though it has become obsolete. We have always had a vision of the future and continue to improve our practices, and so this disdain is a source of motivation for me. It motivates us to show that together, we remain relevant and are able to stand up against such attacks.

There are many challenging issues. Changes in consumption habits, such as vegetarian and vegan diets, must be considered. Fads come and go but concerns, such as animal welfare and the environment, are here to stay and cannot be ignored. We must continue to demonstrate our good practices and pursue our continuous improvement efforts. We also need to stay attuned to these trends, try to excel, and develop our markets, both large and small.

The COVID-19 crisis has shown, more than ever before, that we are not immune to changes that can disrupt our industry and that we are able to work together and adapt to circumstances. I am proud of all the members of our industry who are collaborating to continue to feed Quebecers during this period of crisis.

Even if I have not achieved everything that I would have liked to, I feel I have done my best in an often difficult and rapidly changing context. I was fortunate to have the support of excellent people. My overriding reflection on my time as chair of the PLQ is that I had the opportunity to work with an extraordinary team. I am proud of our accomplishments and confident in the future of our sector.

I take this opportunity to thank you all for your support. I recognize that some decisions may have appeared inopportune, but they were always based on the interests of all producers. You have been understanding and resilient and I appreciate it.

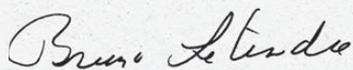
I wish to thank my son Marc-André who, despite some health problems, always kept the farm business running.

I also acknowledge the Ministers of Agriculture André Lamontagne, Laurent Lessard and François Gendron. It was a pleasure to work with them all.

I would also like to express my appreciation for the work of producers with whom I collaborated on issues such as the creation, and later, the removal of Class 7, as well as on the board of Dairy Farmers of Canada. Your determination to preserve and adapt our system is remarkable.

I salute all my colleagues in the other provinces; it was a pleasure working with you.

It has been a source of pride to work for you. I wish good luck to the new chair and the new executive, in the knowledge that by working together, all the members of the board of directors will be worthy, effective representatives. I look forward to meeting you soon.



Chairman

Covid-19 crisis disrupting markets

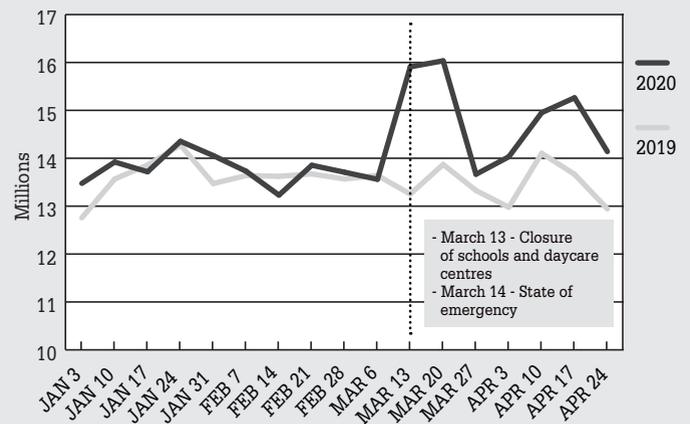
■ The Covid-19 crisis and the measures put in place to contain it have disrupted the demand for milk products. Although the pandemic has worked in favour of the fluid milk sector, with a partial transfer of the sales usually made to the hotel, restaurant, and institutional sectors (HRI), the other market segments have declined overall.

The following directives have had a profound impact on the retail and HRI markets:

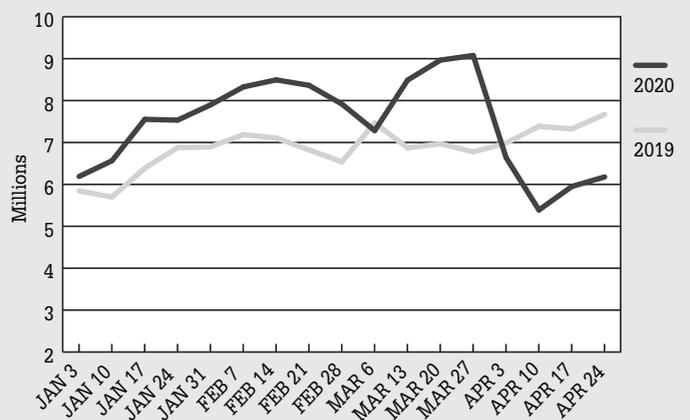
- March 13: School closures
- March 14: State of emergency
- March 15: Restaurants limited to 50% of occupancy
- March 23: Closure of restaurants, except for take-out and delivery

These directives prompted consumers to stock up with groceries. This, in turn, resulted in a strong increase in demand for dairy products in the first two weeks. At the same time, the confinement measures and restaurant

GRAPH 1: INCREASE IN FLUID MILK DEMAND



GRAPH 2: DECLINE IN YOGURT DEMAND



Les Producteurs de lait du Québec

IMPORTANCE OF HRI MARKET

~ 35% HOTELS, RESTAURANTS AND INSTITUTIONS

The remaining share is the further processing market.

	Retail shares	HRI shares
	87%	13%
	71%	25%
	57%	23%
	51%	42%
	35%	59%

closures caused a substantial drop in milk product sales, since the HRI segment accounts for about 35% of milk sales in Canada.

Milk products were not all impacted in the same way. Graph 1 shows that these measures resulted in an increase in fluid milk demand. HRI demand was fully transferred to the retail sector, hence increasing overall consumption.

Although significant quantities of yogurt were being sold at retail outlets, and not into the HRI market, increased consumption of meals at home rather than lunches at school or the office may have contributed to decreasing yogurt demand, as shown in Graph 2.

The current crisis has strongly impacted the specialty and curd cheese segment. HRI closures have denied these cheeses access to a significant market category. While more than 40 per cent of all cheese is sold on the HRI market, this percentage is higher for products such as curd cheese. Economic uncertainty has also contributed to a decline in specialty cheese sales.

Lastly, an increase has been observed in retail sales of commodity cheeses. However, they are also feeling the

effects of the closure of restaurants and cafeterias. Retail sales of butter are also on the rise. Changes in stock levels will need to be monitored to determine the overall impact on consumption.

At the time of publication, the Government had just announced the gradual reopening of schools and daycare centres starting on May 11. However, teleworking, and social distancing remain essential. A phased-in approach to reopening the economy has been announced, but there are many unknowns, and the Government has not ruled out the possibility of reverting to the previous situation if necessary. Recovery in the restaurant sector has not yet begun. We already know that 10 per cent of restaurants had shut down permanently by early April and that surveys show this percentage will rise for each additional month that economic activity is paused. Spending in restaurants is also a significant component of food expenditures. In this difficult economic situation, there will probably be changes in purchasing habits in both the retail and HRI markets. ■

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Centralized Quota Sales System (SCVQ)

APRIL 2020

Fixed Price: \$24,000.00

	Number	kg of BF/day
Offers to sell		
Total	53	1,096.39
Eligible for allocation	53	1,096.39
Successful	53	1,096.39
Reserve		
Quantity purchased (-) / sold (+)		-0.14
Offers to buy		
Total	1,763	18,365.40
Eligible for allocation	1,763	18,365.40
Successful	1,763	1,096.25

Participation on a prorata basis in any unprocessed purchase offers of 0.2 kg of BF/day or higher.
After the sale, the balance of quantities available for regional priorities is 0.00 kg of BF/day for Gaspésie-Les Îles and 0.00 kg of BF/day for Abitibi-Témiscamingue.

ALLOCATION OF OFFERS TO SELL AND TO PURCHASE PER PRICE STRATUM

SALES				PURCHASES		
Number	kg of BF/day	Cumulation	Price offered \$/kg of BF/day	Number	kg of BF/day	Cumulation
2	105.42		< 24,000.00			
51	990.97	1,096.39	24,000.00 ceiling price	1,763	18,365.40	18,365.40

ALLOCATION TO BUYERS AND SELLERS

	Number	kg of BF/day	%
Buyers			
Startup Assistance Program	1	16.00	1.5
Holding of less than 12 kg of BF/day	0	0.00	0.0
Reimbursement of startup loans	7	0.70	0.1
Regional priority	9	19.56	1.8
Iteration (0.09 kg of BF/day)	1,761	526.00	48.0
Prorata (0.94%)	1,740	533.99	48.6
2.32% of the offers have been processed		1,096.25	100.0
Sellers			
Seller who stopped producing 1 or more month ago	0	0.00	0.0
Offers partially processed in the previous month	0	0.00	0.0
Offers in the current month	53	1,096.39	100.0
100.00% of the offers have been processed	53	1,096.39	100.0

Quota prices in Canadian provinces MARCH 2020

	\$/kg of BF/day		\$/kg of BF/day		\$/kg of BF/day
Nova Scotia	24,000 ceiling	Quebec	24,000 ceiling	Alberta	44,930
Prince Edward Island	24,000 ceiling	Ontario	24,000 ceiling	Saskatchewan	40,000
New Brunswick	24,000 ceiling	Manitoba	30,900	British Columbia	36,500