For our editorial, we have chosen to publish excerpts from the address delivered by the chair of Les Producteurs de lait du Québec at the organization's Annual General Meeting.

This is our first Annual General Meeting in two years, and my first as chair. I began my new duties in a context of unprecedented crisis. Our industry had to adapt quickly to unstable and chaotic market needs, while all of Québec went into lockdown.

Food production was quickly recognized as an essential service by the Québec government. This allowed us to continue doing what we do best: provide high-quality food to Quebecers.

You, as dairy farmers, were asked to make a major contribution by reducing production in the middle of spring, when herds were at peak production. Your solidarity and collaboration helped achieve the desired results and demonstrated the flexibility of our supply management model.

This would not have been possible without the essential collective marketing tools our dairy farmers have adopted. The Québec and Canadian response to the crisis has been quicker, better coordinated and more efficient than in countries not benefiting from this tool, particularly the United States.

South of the Canada-U.S. border, the government had to invest major amounts to support its industry. The Farm Bill, which compensates farmers when their profit margin drops below a certain threshold, rose from US$279 million in 2019 to $637 million in 2020. The government also invested nearly $4 billion in dairy programs and products for food aid.

Our revenues were definitely lower than what was envisioned for 2020, with an increase of only 0.46% over the entire year. However, the joint efforts of all the provinces resulted in triggering the exceptional circumstances mechanism, which led to an increase of nearly 2% for Classes 1 to 4 in February 2021.

The pandemic also highlighted the importance of sharing risks. That is what the 10 Canadian provinces did by deciding to pool all their revenues starting on June 1, 2020 to restore the economic environment and position us better for the future as Canadian dairy farmers.

The context of the pandemic, combined with the increase in imports linked to the trade agreements, resulted in reducing our growth rate. Over the past year, Canadian market requirements have risen by 0.49% and the P5 quota by 0.64%. This is in contrast to the 3.7% average of the past five years. Despite growth that was lower than expected and the limitation of production from April to June, provincial production nonetheless increased by 1% in 2020.

We owe this growth to our consumers, who remained loyal to our products even though the crisis changed their habits and places of consumption. Quebecers became aware of the fragility of the supply lines in several fields, particularly the food sector. They developed a common determination to consume locally, according to local rules, and reduce our dependence on foreign products. This desire for autonomy is at the very core of our agricultural model. We must seize this opportunity to strengthen public support for supply management. The situation shows that our model is dynamic and innovative, that it still has its place and that it can renew itself.

For a long time, we have appealed to this consumer solidarity. The little blue cow logo is the ideal tool to help consumers recognize dairy products 100% made with our milk to encourage local farmers. We deserve this confidence, but we must continue our efforts to preserve it.

Consumers are increasingly concerned about the quality of the food they put on their plate. They ask for natural, local products, produced in respect for animals and the environment. This is precisely what we offer them. With our proAction certification program, we have the means to prove our good practices and continuous improvement efforts.

We won a major battle in 2020 by obtaining an official announcement for the payment of compensation in relation to the market shares conceded under CETA and the CPTPP. However, this announcement doesn't end our battle for compensation. Despite the many commitments, no announcement has been made yet regarding the Canada-United States-Mexico Agreement. In addition to market concessions that affect our production level on the farm and our incomes, this agreement ties our hands by limiting exports of products that allowed us to enhance returns from solids-non-fat surpluses (SNF). The 35,000-tonne limit on milk protein concentrate and skim milk powder exports represents a serious challenge.

The entire industry must address this problem. At the farm level, we will work to reduce the quantities of SNF produced in all provinces. The processors must increase their processing capacity and develop new outlets. This will require significant investments for which we will need government support. I call on all our governments to show imagination and work with us to implement a long-term vision for our industry.

As for the future, we are continuing to request that the government honour its commitment not to make any more concessions in the dairy sector in future trade negotiations. Canada showed it was capable of this by concluding a transitional trade agreement with the United Kingdom without sacrificing any additional market share.

Whenever our government concedes access to dairy markets, a greater number of Canadian dairy products are replaced with foreign products on our store shelves. Our farms are jeopardized by this type of decision. This impacts our farm families, people who earn their livings thanks to the dairy sector, and our rural communities. We must end this erosion if we want the Canadian dairy industry to continue to be vigorous and dynamic.

In March, the House of Commons voted for a committee review of Bill C-216, which seeks to prevent breaches in supply management in the next negotiations of trade agreements. Even though it still has to be adopted in third reading, this is a very important moment in the defence of our system! The Québec National Assembly also renewed its support by adopting a motion that calls on the Government of Canada to protect the supply management model in its entirety in the context of future international agreements. This is another significant initiative.

This support is the reflection of long years of discussions with our elected representatives to make them aware of our issues and the impacts of their decisions on our industry, our businesses and our families. It is also the result of a nation-wide effort, as well as actions taken by the leadership of our province and our farmers.

Other trade agreements will undoubtedly be negotiated in coming years. It is important to maintain our support to ensure that there are no further breaches of our supply management system or erosion of our markets. It is up to us to promote our supply management system, which provides local produce and food security for everyone. Quebec has over 10,000 dairy farmers. We must not underestimate the importance of our role in informing our fellow citizens.

DANIEL GOBEIL
Chairman

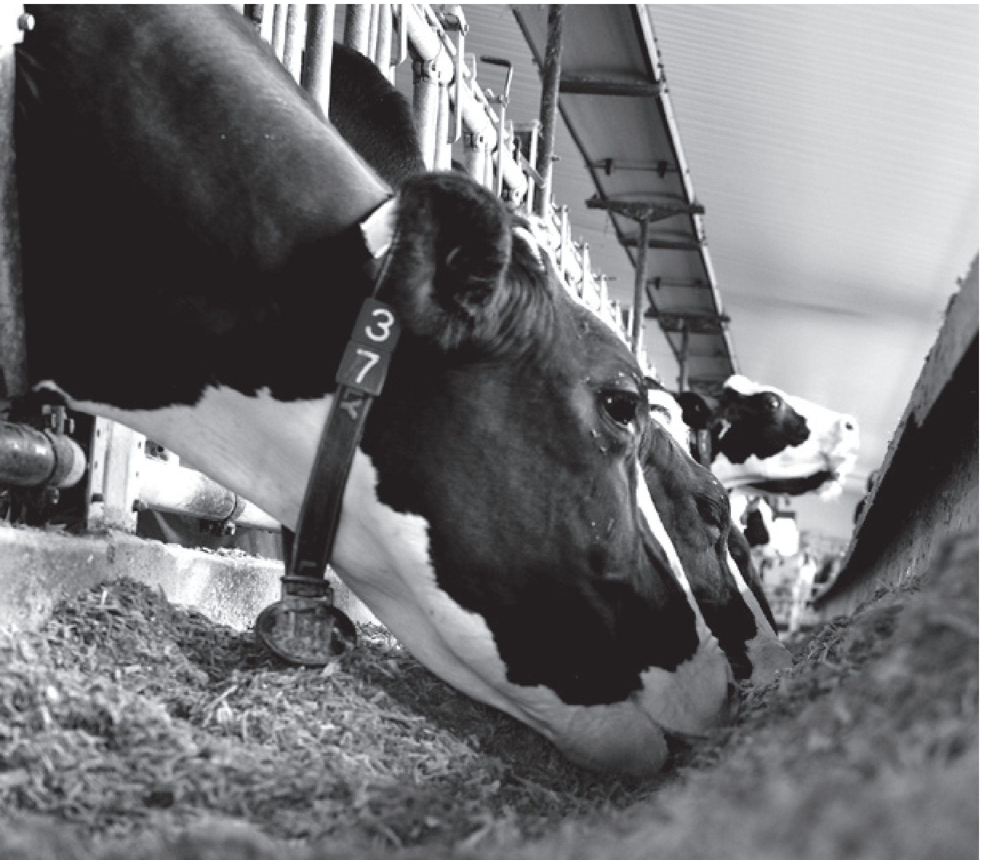
By ANDRÉ PIETTE, Journalist

Keeping an eye on your feed margin

Increases in the cost of concentrates in recent months have hurt producers' profit margins. To reduce the impact, it is best that you perform a diagnosis of your operations. This article suggests a simple way to do this.

Data gathered by Lactanet show that sharp increases in the price of concentrates have reduced most producers' profit margin. Strategic Advisor Karen Bergeron analyzed 1,198 profit margins for lactating cows. "Between November 2020 and March 2021, the cost of all types of concentrates rose from $469 to $518 per tonne," said Ms. Bergeron. "There was a steady monthly increase which resulted in an overall increase of 10%."

"Fortunately," she added, "the increase in the cost of concentrates was not fully transferred to the cost of concentrates per hectolitre or per kilo of butterfat since the ratio of kilos of milk to kilos of concentrates improved by 7% during the same period."



How can producers mitigate the repercussions of this cost increase? "Producers have very little control over the cost of concentrates," explains Karen Bergeron. "When the price of soy meal increases, so does the price of other protein sources. I suggest that producers focus on factors that they can control."

Specifically, Ms. Bergeron recommends that producers calculate their feed margin and identify the areas needing improvement. This exercise was in fact performed by the 600 participants at Lactanet's *Master your feed margin* workshop. Producers were surprised by what they discovered! "Some felt that their feed costs were high and wanted to reduce them," says the advisor. However, upon analysis, they realized that their costs were within the average range and that it was milk production that needed improvement. It is important to be wary of preconceived ideas."

STEP 1: CALCULATE YOUR FEED MARGIN

Karen Bergeron suggests a simple method for calculating the feed margin. Firstly, determine the milk revenue for a typical day and the number of cows fed that day. Then, calculate the total cost of all concentrates used on that day based on their quantities and purchase prices.

You will note that forage is not considered. "It's for a practical reason," says the agronomist advisor. "Many producers do not know how much it costs to grow forage. But by including only the concentrates, we have a good indication."

She suggests calculating three feed margins: the margin per cow, per hectolitre and per kilo of butterfat. "The three indicators are not equivalent, and none of them is perfect," Karen pointed out. "However, each one is important in assessing the overall performance of a business."

SECOND STEP: DETERMINE THE CAUSE OF WEAK AREAS

Once the feed margin has been calculated, Karen Bergeron suggests that producers then focus on two indicators: the cost of concentrates per tonne and kilos of milk per kilo of concentrates. "The answers can be found in these ratios," she said. "Either you're paying too much per tonne for concentrates, some concentrates are not justified, or you're not producing enough milk for each kilo of concentrates that the cows consume. If your concentrate costs are under control, but you still feel the cost of this item is high, it may be that your revenues are not what they should be. In this case, you should investigate milk output per cow and the fat and protein tests."

As an example, the ratios of approximately 200 margin analyses conducted by Lactanet in March, excluding dry cows, were as follows: cost of concentrates/hectolitre: \$15.03; cost of concentrates/kg butterfat: \$3.48.

THIS EXERCISE SHOULD BE PERFORMED REGULARLY

Karen Bergeron suggests that producers calculate their feed margin every month. "You are in the moment and you can see the monthly trends. This way you can quickly adjust. We should always keep an eye on the feed margin, even when there is no price increase. Knowing the exact situation rather than using gut feeling will help ensure that the necessary changes are made."

She has noticed that an increasing number of producers monitor the feed margin. "The trend of rising costs of the past few months is not good, but at least it has led several producers to question their approach. It has had a catalysing effect," she said. ■

For input on articles, to obtain information, ask questions or make suggestions on the content of your magazine, please contact

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Also, visit the PLQ's Web site: www.lait.org

Centralized Quota Sales System (SCVQ)

APRIL 2021 — Fixed Price: \$24,000.00

	Number	kg of BF/day
Offers to sell		
Total	27	313.71
Eligible for allocation	27	313.71
Successful	27	313.71
Reserve		
Quantity purchased (-) / sold (+)		-0.62
Offers to buy		
Total	2,048	21,580.35
Eligible for allocation	2,048	21,580.35
Successful	2,048	313.09

Participation on a prorata basis in any unprocessed purchase offers of 0.76 kg of BF/day or higher.

After the sale, the balance of quantities available for regional priorities is 36.32 kg of BF/day for Gaspésie-Les Iles 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
			< 24,000.00			
27	313.71	313.71	**24,000.00 ceiling price**	2,048	21,580.35	21,580.35

ALLOCATION TO BUYERS AND SELLERS

Buyers	Number	kg of BF/day	%
PRIORITY Startup Assistance Program	0	0.00	0.0
PRIORITY Holding of less than 12 kg of BF/day	0	1.00	0.0
Reimbursement of startup loans	23	2.30	0.7
Regional priority	3	15.82	5.1
Iteration (0.06 kg of BF/day)	2,045	143.15	45.7
Prorata (0.49%)	2,014	151.82	48.5
1.45% of the offers have been processed		**313.,9**	**100.0**

Sellers	Number	kg of BF/day	%
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	27	313.71	100.0
100.00% of the offers have been processed	**27**	**313.71**	**100.0**

Quota prices in Canadian provinces MARCH 2021

	\$/kg of BF/day		\$/kg of BF/day		\$/kg of BF/day
Nova Scotia	24,000 ceiling	**Quebec**	24,000 ceiling	**Alberta**	47,728
Prince Edward Island	24,000 ceiling	**Ontario**	24,000 ceiling	**Saskatchewan**	41,000
New Brunswick	24,000 ceiling	**Manitoba**	–	**British Columbia**	36,500