A Justified Increase

Last fall, the Canadian Dairy Commission (CDC) announced an 8.4% increase in Classes 1 to 4 starting in February 2022. I would like to use this editorial to revisit this decision.

For Les Producteurs de lait du Québec, it was clear in the first few months of 2021 that skyrocketing production costs on farms was a problem that required the CDC's urgent attention. That is why in May 2021, we sent a letter to Dairy Farmers of Canada (DFC) that explained the difficult situation and the importance of taking the higher costs into consideration in the next indexation. We also explained that the consultation process needed to be triggered due to the exceptional circumstances and showed leadership by rallying the other provinces behind this request. When it comes to national issues, it is essential for producers in all provinces to speak with one and the same voice.

The indexation formula yielded a result of 6.4%. Given the much higher costs, DFC and the provinces asked the CDC to trigger the consultation process for exceptional circumstances, which enabled producers to cite the effects of the higher costs as a justification for requesting more than the formula. The CDC held consultations with producers, processors, retailers, restaurant owners and consumers to help guide its decision. After these consultations, it announced an 8.4% increase for Classes 1 to 4, excluding ingredients, which will have an estimated effect of around 6¢ per litre for producers across Canada starting on February 1, 2022. 75% of the increase will be applied to butterfat and 25% to solids non-fat.

The higher price will partially compensate for the considerable increase in the cost of producing milk, which was 13% last year. It must be said that the last few years have not exactly been an easy in terms of our revenue. Our financial stability has often been undermined, especially due to the COVID-19 crisis, the instability of the price of milk in connection with lower world prices, the recent trade agreements concluded by the Canadian government and, of course, the higher production costs on farms.

In the last year alone, dairy cattle feed costs rose by 24%, fertilizers and herbicides by 16%, and fuel by 45%. This is putting tremendous pressure on our finances! The 2% price increase in February 2021 has not covered the higher production costs. The deterioration of our sales structure also has a significant impact on our revenue. Your Board of Directors is taking the situation seriously and searching for potential solutions to improve it. The adjustments that are currently made just once per year are also being discussed at the national level so that we can have a more reactive system that responds better to producers' needs when we are in a situation of heavily fluctuating production costs or inflation.

There is definitely still a gap between the production costs and the market price. The 8.4% adjustment is nevertheless a considerable increase. Historically speaking, it is even the largest we have ever obtained.

Remember that this adjustment concerns the farm gate price of milk and not the retail price of fluid milk, which is set by the Régie des marchés agricoles et

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alimentaires du Québec at the request of processors and retailers. The price of other dairy products is not regulated and is set directly by retailers. Processors have been asking for a code of conduct for retailers for a number of years to ensure sound business rules between processors and retailers. If this type of code existed, it would ensure that price increases would be transferred from processors to retailers, among other things. Governments must establish codes of conduct that are subject to legislation and have force of law. If these relations were more transparent, equitable and predictable, it would benefit the entire dairy industry, but also consumers, thanks to an even more dynamic and innovative industry.

In the current inflationary environment, it is true that consumers have seen their grocery bills rise considerably in recent years. Still, it is worth noting that the Consumer Price Index (CPI) for dairy products has increased less rapidly than the CPIs of all other foods in Quebec in the last five years, with the CPI for dairy products posting 2.8% growth versus 8.4% for the other foods.

To ensure better revenue, as producers, we must continue our efforts to improve our production costs. As a marketing board, we will keep working to develop the more financially rewarding markets and find every potential opportunity for surplus SNF while continuing to meet consumer expectations.

As producers, we are constantly exposed to a range of different stressors, such as unpredictable changes in the weather, isolation, fluctuations in revenue, paperwork, uncertainty linked to trade agreements, but also criticisms and comments from the outside that are often difficult to hear. But rest assured that your elected officers and organization are staying on track with the mission and not sparing any effort to obtain the best milk marketing conditions that will ensure the survival, profitability, and sustainable development of dairy farms.

In closing, I encourage you to participate in large numbers in your district tours and regional meetings this winter. They will give you an opportunity to share your views and suggest inspiring solutions and ideas on how to develop our production. We look forward to seeing and talking to you!

DANIEL GOBEIL
Chairman

By AUDREY GENDRON,
Editorial Assistant, PLQ

Review of the Brainstorming Days

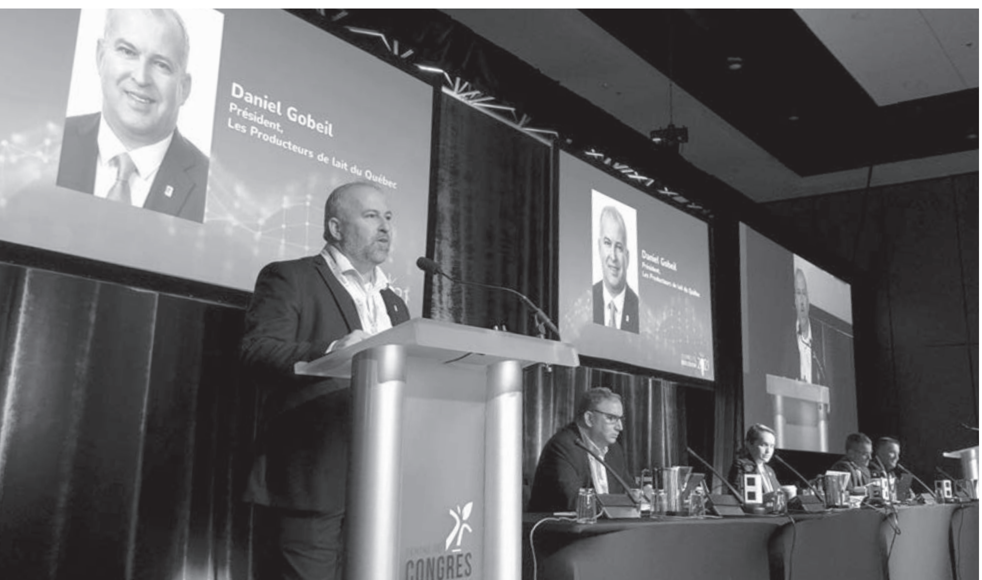
For the first time in two years, the delegates of Les Producteurs de lait du Québec (PLQ) met in person in Saint-Hyacinthe on November 17 and 18 for the annual Brainstorming Days. The public portion of this meeting was broadcast live on the PLQ's Facebook page and YouTube channel. It is still available for viewing on both platforms.

The quota increase at the Canadian level was 2.8%, while total needs increased 4.1%.

REVIEW OF THE DAIRY YEAR

Rock Éric Hounhouigan, agroeconomist at Les Producteurs de lait du Québec, reviewed a dairy year that was greatly influenced by government-announced lockdown measures. He mentioned that fluid milk sales grew during the lockdown, but then lost momentum and continued the downward trend observed in the last few years. Unlike fluid milk, cream sales, which were growing before the COVID-19 crisis, but then plummeted when restaurants closed, have been on the rise since March 2021. He also explained that cheese and butter sales continue to grow.

Rock Éric Hounhouigan went on to discuss the issue of total Canadian market needs. In 2020-2021, they amounted to 410.8 million kilos of butterfat, up 4.1% from 2019-2020. However, a large portion of this growth was filled by imports, which reached 12.85 million kilos of butterfat. "The quota increase at the Canadian level was 2.8%, while total needs increased 4.1%," he stated. Cheese and butter are the most imported products in Canada.



What can we expect in the next dairy year? Mr. Hounhouigan explained that quota is allocated to producers not only based on market conditions and whether previously allocated quota is being filled, but also on processing capacity and the growing volume of imports. "In consideration of all these factors, the Canadian Dairy Commission expects a quota increase of between 0 and 1.5%," he stated.

PRICES AND PROSPECTS

Geneviève Rainville, General Manager of Les Producteurs de lait du Québec, reviewed the last year and the price prospects. In the last dairy year that went from August 2020 to July 2021, the price per average hectolitre was $81.68, up $1.07/hl from the previous period. The increase in cheese sales (+8%), the higher world prices, the indexation of Classes 1 to 4 in February 2021 by the Canadian Dairy Commission (CDC), and the pooling of all P10 revenue had a positive impact on the price. Geneviève Rainville recalled that since June 1, 2020, all revenue has been pooled across the P10, which ensures better risk sharing and equity between producers. "The transition to national pooling is a three-year process, so for the moment, we are talking about a slight effect of around $0.15," she explained.

The slower fluid milk sales (-1.9%) and the higher sales in cream and butter generating surplus solids non-fat have had a negative impact on the price. In addition, demand for butter for secondary processing, which has seen strong growth in the last few years, is slowing the price progression, but increasing the quota. "25% of the quota growth in the last year is associated with the increase in butterfat sales in secondary processing classes," she added.

Based on the scenarios presented by Ms. Rainville for 2021-2022, the price could increase from $5.42 to $6.62 per average hectolitre. These projections take into account the indexation on February 1 announced by the CDC, the downward trend in demand for fluid milk, and the anticipated increase in butter, cream and secondary processing sales. We will also have to monitor developments in world prices and cheese sales, which are rising but could be filled by the available stocks.

ONWARD TO THE REGIONAL MEETINGS

Behind closed doors, delegates discussed surplus solids non-fat, resumption of tolerances, consumer expectations, compensation for CUSMA concessions, and other topics. Their brainstorming serves as the basis for setting organizational priorities and directions in the next year. The results of the discussions are disclosed at regional winter and spring meetings so that all producers can take them into consideration. ■

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)

NOVEMBER 2021 — Fixed Price: $24,000.00

	Number	kg of BF/day
Offers to sell		
Total	64	792.89
Eligible for allocation	64	792.89
Successful	64	792.89
Reserve		
Quantity purchased (-) / sold (+)		+0.84
Offers to buy		
Total	1,780	19,936.55
Eligible for allocation	1,780	19,936.55
Successful	1,780	792.05

Participation on a prorata basis in any unprocessed purchase offers of 0.28 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 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			
64	792.89	792.89	**24,000.00 ceiling price**	1,780	19,936.55	19,936.55

ALLOCATION TO BUYERS AND SELLERS

Buyers	Number	kg of BF/day	%
PRIORITY: Startup Assistance Program	1	16.00	2.0
PRIORITY: Holding of less than 12 kg of BF/day	0	0.00	0.0
Reimbursement of startup loans	24	2.40	0.3
Regional priority	0	0.00	0.0
Iteration (0.22 kg of BF/day)	1,775	389.44	49.2
Prorata (1.96%)	1,761	383.66	48.5
3.97% of the offers have been processed		**791.50**	**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	64	792.89	100.0
100.00% of the offers have been processed	**64**	**792,89**	**100.0**

Quota prices in Canadian provinces NOVEMBER 2021

	$/kg of BF/day		$/kg of BF/day		$/kg of BF/day
Nova Scotia	24,000 ceiling	**Quebec**	24,000 ceiling	**Alberta**	50,050
Prince Edward Island	24,000 ceiling	**Ontario**	24,000 ceiling	**Saskatchewan**	–
New Brunswick	24,000 ceiling	**Manitoba**	–	**British Columbia**	–