



Les
Producteurs
de lait
du Québec



Supply **management** and
collective milk **marketing**



LES PRODUCTEURS DE LAIT DU QUÉBEC

Mission¹

To bring together Quebec milk producers by providing leadership in marketing high-quality milk, which meets the expectations of society, and to ensure sustainable development of dairy farms.

Vision¹

By 2020, we will have obtained a profitable market growth of at least 10% and will benefit from national pooling of markets and revenues, which will ensure the continuity of strong, dynamic and more and more efficient supply-managed dairy farms in all regions.

¹ Mission and vision adopted by resolution of the Annual General Meeting of Les Producteurs de lait du Québec on April 15 and 16, 2015.



1 ● Feed our own people first

Supply Management and Collective Milk Marketing

Most major countries have laid the foundations for a prosperous economy primarily by developing their agricultural sector. Since the Great Depression of the 1930s, most States have intervened to solve what economists called “the farm problem” in reference to the weakness and chronic instability of farm incomes. The “agricultural exception” has justified special treatment for the sector. As a result, governments have implemented support policies, market regulation and measures to exclude agriculture from trade agreements.

However, beginning in the 1980s, there was a strong wind of economic liberalism in favour of State withdrawal and the opening of agricultural markets. The World Trade Organization, the World Bank, the International Monetary Fund and a number of States believed that the free market would solve the “farm problem” and ensure world food security.

But thirty years of that policy have solved nothing. The recent food and agricultural crises are primarily due to the abandonment of policies fostering a degree of food self-sufficiency through local production and protection of the domestic markets of the most severely affected countries. There will be no lasting solution to these problems without recognizing the right of States to adopt their own agricultural policies so as to ensure a measure of food sovereignty to their population.

Dairy supply management has been in place in Canada since 1971. It ensures local production of high-quality food while providing producers with stable and equitable income, derived entirely from the marketplace, without income support subsidies and without dumping surplus products on the markets of developing countries. Along with collective marketing, it is a concrete model for the application of food sovereignty for Canadian milk producers and consumers.

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• Les Producteurs de lait du Québec

COLLECTIVE MILK MARKETING AND SUPPLY MANAGEMENT

Les Producteurs de lait du Québec are a democratic organization, whose directions are set in the general meetings of its members, and are administered by a board of directors made up of the presidents of the 14 regional boards. Affiliated with the Union des producteurs agricoles (UPA), the organization works to defend and promote the general interests of its members.

Collective Milk Marketing

Quebec's 5,473 dairy farms collectively market more than 3 billion litres of milk through the Plan conjoint (1980) des producteurs de lait du Québec. They have delegated to their organization the responsibility for negotiating all sales conditions on their behalf with the processors' representatives. The producers and processors negotiate and work together through marketing agreements and the various resulting committees on questions of plant supply, milk quality rules and raw material prices. These prices are negotiated on the basis of a target price established at the Canadian level, taking into account the production costs of the most efficient farms and the Consumer Price Index.

The conditions of transporting milk from the farm to the plant, the costs of which are borne by the producers, are negotiated with the carriers by the organization in a provincial agreement. This collective marketing system enables milk producers to draw their income from the marketplace without government subsidies.

Supply Management

Quebec and Canadian producers manage their production to meet all domestic requirements. The representatives of producers in all provinces, in consultation with the industry, set an annual production target called market sharing quota. When production exceeds this target, the surplus must be sold on other markets at a price well below the average price received for planned domestic markets.

The proceeds of all planned milk sales are pooled by the producers who receive an average price based on their monthly milk deliveries within the target.

The quality of the milk they market is an important concern for producers. Various quality improvement programs are managed by the organization. Producers also invest more than \$47 million annually in promotion and advertising of milk and dairy products, as well as in research.

COLLECTIVE MILK MARKETING BY PRODUCERS PROVIDES...

- A single spokesman to negotiate all marketing conditions
- A fair, uniform and stable price to all producers for the milk they put on the market
- Production adjusted to market requirements
- A guaranteed supply to processors on the same conditions and at the same prices for everyone, also available to new businesses
- Priority to high value-added and developing markets
- High standards of quality negotiated with the processors
- Investments in promotion, advertising and nutrition education
- Joint investments by producers and processors in research
- Centrally coordinated routing of milk to 113 plants in Quebec
- Provincial negotiations for optimum milk transportation conditions
- A single average rate for all producers to have their milk transported...
- By 260 tank trucks...
- That travel 27 million kilometres a year...
- On 578 streamlined pickup routes

PROFILE OF THE QUEBEC DAIRY INDUSTRY – 2016

ON FARMS

Number of dairy farms	5,473
Number of owners	11,739
Production volume	3.116 billion litres of milk
Value of production	2.447 billion dollars
Annual investments in machinery, equipment and buildings	565 million dollars

WEIGHT OF QUEBEC'S DAIRY INDUSTRY

Share of farm receipts	36%
Share of Quebec farm revenue	28%

ECONOMIC BENEFITS

	Primary sector	Processing sector	Total
Employment			
Direct jobs	22,050	8,079	30,129
At providers of goods and services	14,252	13,488	27,740
Individuals whose income depends on the dairy industry	12,903	11,889	24,792
Total	49,205	33,456	82,661

Economic contributions (in millions of dollars)

Contribution to GDP	\$3,194.2	\$2,953.0	\$6,147.2
Tax revenue	\$678.2	\$621.7	\$1,299.9

Sources: Les Producteurs de lait du Québec, Ageco Group: *Survey of production costs of Quebec dairy enterprises (2015)* and data from *Economic Benefits of the Canadian Dairy Industry in 2013* conducted by ÉcoRessources Consultants, updated by Les Producteurs de lait du Québec, 2014.

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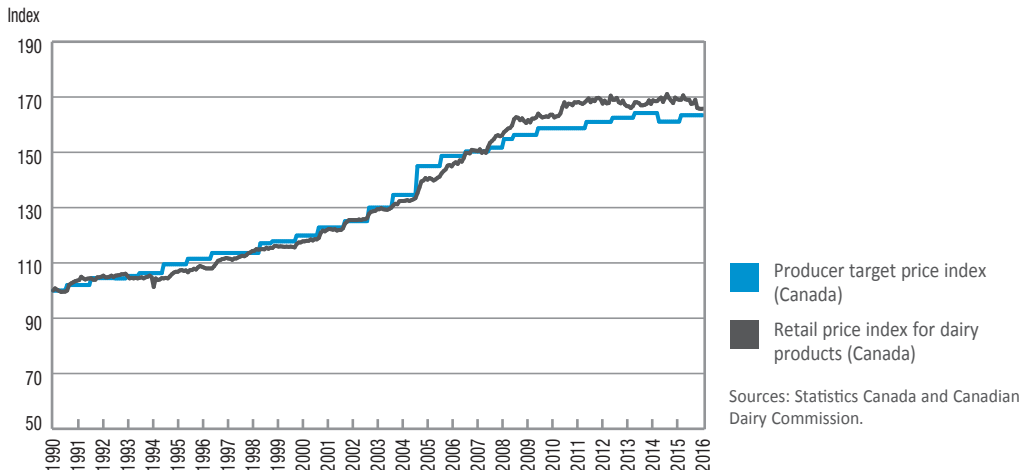
Supply management and collective marketing

... stabilize farmers' income and enable them to obtain a better share of the consumer dollar

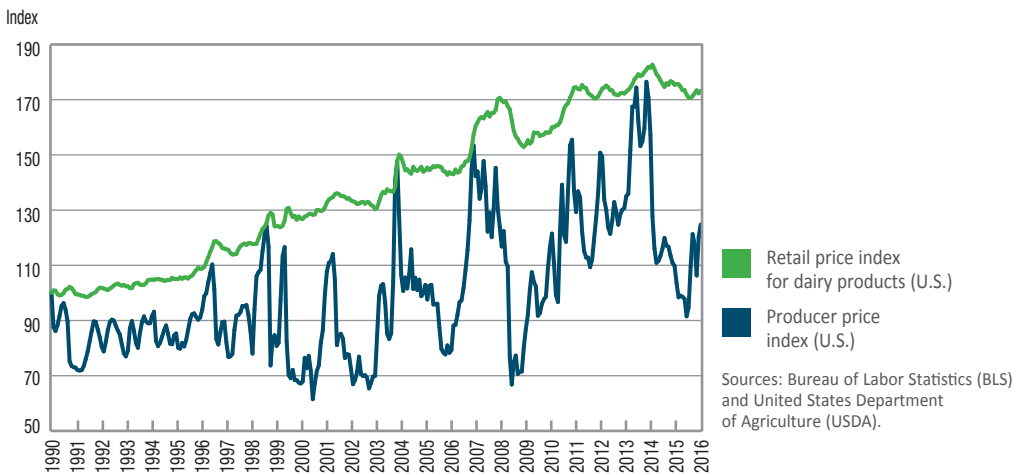
The income of Quebec and Canadian dairy producers from the sale of their milk is considerably more stable than that of their American counterparts, as the graphs show. And, during the same period, the price of dairy products rose more rapidly in the United States than in Canada.

In addition, Canadian producers obtain a more equitable share of the consumer dollar without consumers having to pay any more for their products than elsewhere.

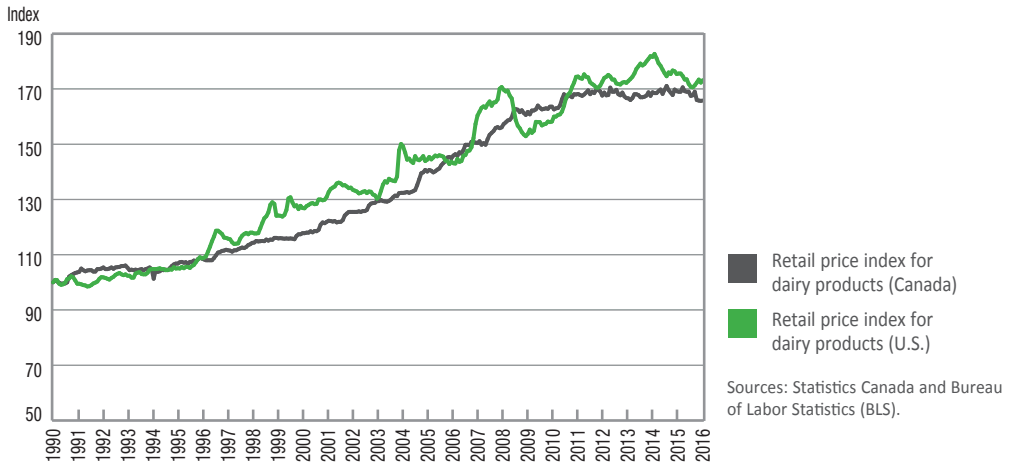
COMPARISON OF DAIRY PRODUCT RETAIL PRICES AND TARGET PRICE IN CANADA, 1990-2016



COMPARISON OF DAIRY PRODUCT RETAIL PRICES AND PRODUCER MILK PRICES IN THE UNITED STATES, 1990-2016



COMPARISON OF DAIRY PRODUCT RETAIL PRICES IN CANADA AND IN THE UNITED STATES, 1990-2016

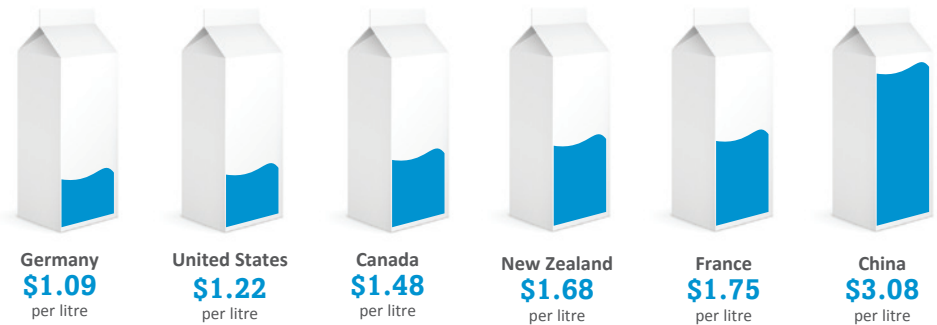


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• Supply management and collective marketing (continued)

... assure consumers of a nutritious basket of dairy products at reasonable prices

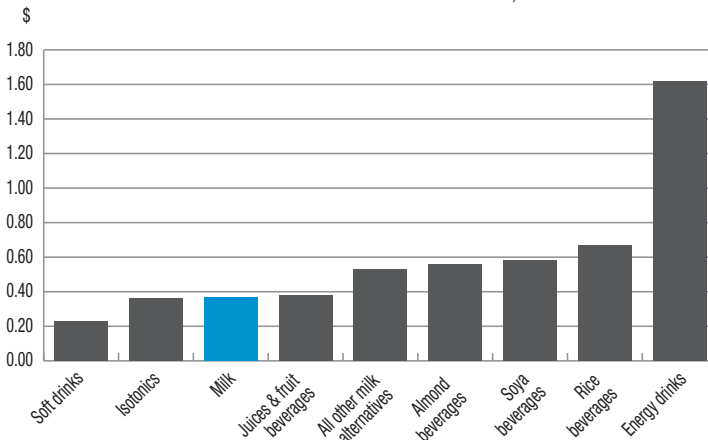
A recent comparison of prices around the world shows that the weighted retail price of milk in Canada holds up well in comparison with other countries around the world.



Sources: Dairy Farmers of Canada and The Nielsen Company, 2016.

MILK IS ONE OF THE MOST INEXPENSIVE BEVERAGES IN CANADA AND PROVIDES 16 ESSENTIAL NUTRIENTS IN OUR DIET

AVERAGE RETAIL PRICE OF BEVERAGES IN CANADA, PER 250 ML PORTION



Sources: Dairy Farmers of Canada and The Nielsen Company, 2016.

... ensure income security for dairy farmers with little government support

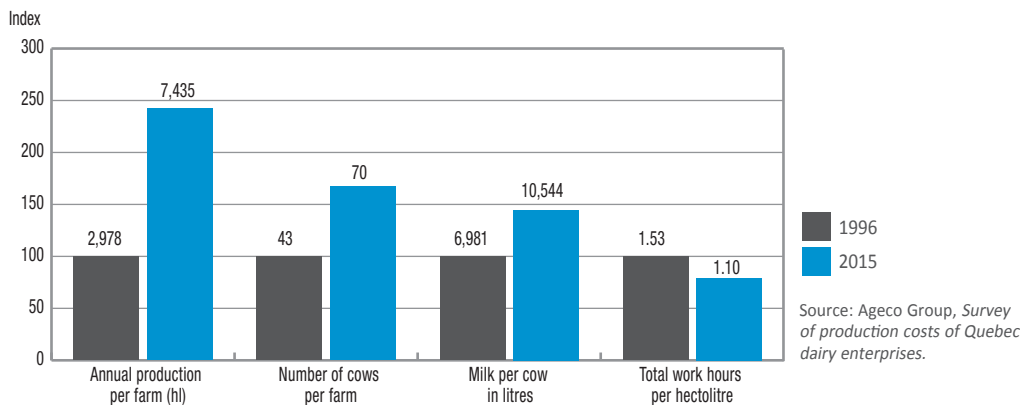
In fact, Canadian dairy farmers receive no income support subsidies and have access to only the minimum support generally offered all farmers like the property tax refund and crop insurance program.

... favour a type of agriculture that respects resources and people and is efficient and human-scale

Collective marketing and supply management are not an impediment to improving efficiency and productivity, as these results show.

With an average of 70 cows per farm in 2015, Quebec dairy farms continue to be family businesses on a human scale. By comparison, California dairy farms have an average of 1,249 cows.

TECHNICAL CHARACTERISTICS OF DAIRY FARMS PARTICIPATING IN THE 1996-2015 COST OF PRODUCTION SURVEY



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● Dairy producers' share of the price

OF RESTAURANT FOOD ITEMS

In the cost of a glass of milk

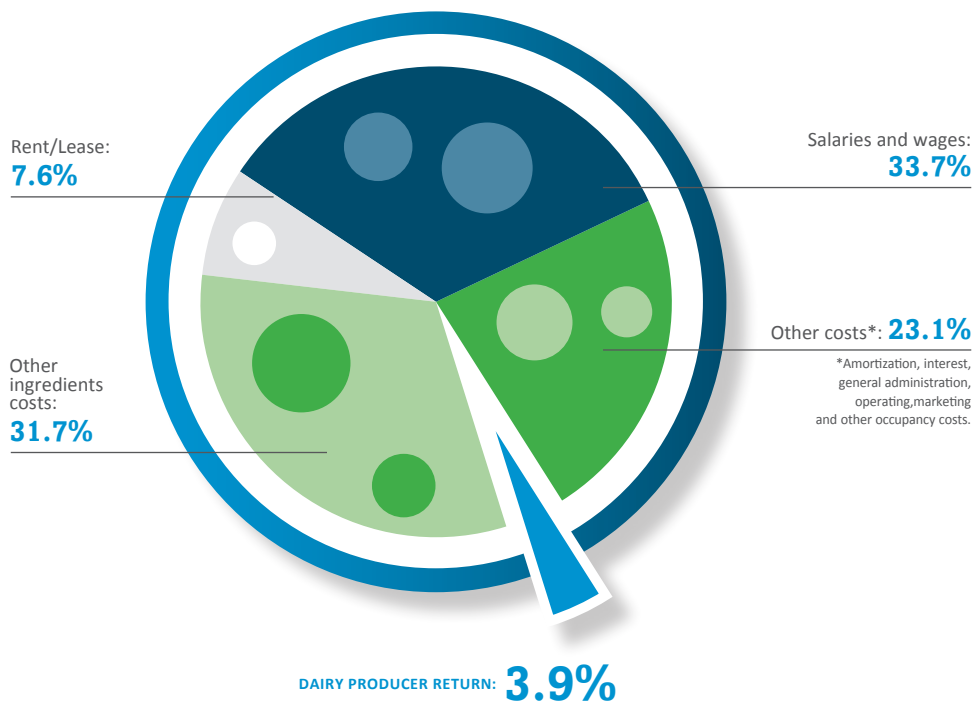
Surveys reveal that a glass of milk of 250 ml typically costs \$2.50 in restaurants. Of that \$2.50, only 23 cents (approximately 9%) goes to the producer, who feeds and milks the cows and transports the milk to the plants.



Source: Dairy Farmers of Canada, 2016

In the cost of a pizza

Surveys also indicate that the cost of a medium pizza in a restaurant (with three toppings) is typically \$16.19. For the milk made into cheese for that pizza the dairy producer receives only 3.9% of the total price or 63 cents.



Sources: Canadian Dairy Commission and Dairy Farmers of Canada, 2016



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G3 11 10 N822 – APRIL 2017
ISBN 978-2-923457-32-1