



Les
Producteurs
de lait
du Québec

Press release *For immediate release*

2016 Annual General Meeting of Les producteurs de lait du Québec

Diafiltered Milk: The Next Stop is Ottawa

Mont-Tremblant, April 14, 2016 – After their Annual General Meeting, Quebec's milk producers are more determined than ever to get the Canadian government to act rapidly and enforce cheese compositional standards in the case of diafiltered milk. Jean-Claude Poissant, Parliamentary Secretary to the Canadian Minister of Agriculture and Agri-Food, spoke to producers and reaffirmed that the government was well informed of the issue and that the dairy sector and the maintenance of supply management are priorities for his government, but did not announce solutions. In response, Bruno Letendre, Chair of Les Producteurs de lait du Québec, explained to Mr. Poissant that producers have run out of patience in this matter and that if it is not settled soon this spring "**before the corn is planted, producers will bring their message closer to the government and express it louder!**"

On Wednesday, in his speech to producers, Mr. Letendre addressed the Canadian government once again on the issue of imported diafiltered milk in these terms: "**Our message to the Trudeau government is clear and simple: Assume your responsibilities and apply your regulations**" exclaimed Mr. Letendre. "**The problem is known. It has been publically acknowledged by the federal government. The Minister said to all representatives of producers and processors in Ottawa that diafiltered milk was an ingredient.**" Milk producers do not understand why the government processes diafiltered milk as a milk protein concentrate at the border, which allows it to enter tariff-free, but as milk when it is used in cheese, which allows it to circumvent the cheese compositional standards that limit the use of milk protein concentrates.

Market review

As for market performances, from March 2015 to March 2016, retail sales of cream rose by 3.7%, yogurt by 3.5% and Greek yogurt by 9.8%. During the same period, butter sales increased by 2.4% and cheese sales rose 1.7%.

Even though this is good news for the milk sector, producers have faced negative counter-effects, including a 7% decrease in the producer price between 2015 and 2016. Some of these poor prices can be attributed to imported diafiltered milk, which is replacing a growing portion of the Canadian protein in Canadian cheese and yogurt and inflates skim milk powder surpluses, which have to be dumped at very low prices for animal feed.

This price decline is also largely attributable to the fact that the milk class intended for the production of butter is one of the least lucrative for producers, as solids non-fat are not valued and have to be dumped at a discount for animal feed and other uses. It can also be attributed to a drop in world milk prices to which over 10% of butterfat and 25% of solids non-fat are subject. From April 2013 to March 2016, the price of skim milk powder went from USD \$5,100 per tonne to nearly USD \$1,700 per tonne. The record price in 2013 can

be mainly explained by strong Chinese demand and lower global production, due in part to poor climate conditions in New Zealand. These record prices drove up production in exporting countries. At the same time, Chinese demand struggled and Russia imposed an embargo. Supply quickly exceeded demand, which led to the current global dairy crisis.

About Les Producteurs de lait du Québec

Les Producteurs de lait du Québec, affiliated with the UPA, represents Quebec's 5,624 dairy farms, which annually deliver nearly 3 billion litres of milk every year, for a total of over \$2.38 billion in farm receipts. Milk production and processing generate around 83,000 direct, indirect and induced jobs in Quebec and contribute as much as \$6.2 billion to the gross domestic product. Finally, milk production generates \$1.29 billion in tax receipts, including \$678 million for the federal government and \$454 million for the Quebec government.

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