Les Producteurs de lait du Québec

STRONG AND UNITED FOR SUPPLY MANAGEMENT

SUPPLY MANAGEMENT AND TRADE AGREEMENTS

Supply management is the system by which milk, chicken, turkey and table and hatching egg producers strike the best possible balance between supply and demand for their products in Quebec and Canada.

In this system, producers only produce the quantities required to adequately meet local consumer demand and avoid producing surpluses that will have to be dumped. Canadian producers under supply management rely entirely on the market price and receive no government subsidies to support their incomes. They need the Canadian market to be protected to prevent export countries that heavily subsidize their producers, enjoy climate conditions that we cannot compete against or have more lenient rules and cheap labour from invading their market.

THE THREE PILLARS OF SUPPLY MANAGEMENT:

- Planned production based on demand by Canadian consumers;
- Production prices negotiated on the basis of cost of production;
- Import controls to effectively adjust supply and demand.

SUPPLY MANAGEMENT, A BENEFICIAL SYSTEM:

- For citizens who have access to local, high-quality products at reasonable prices, without having to support farmers with their taxes;
- For governments and society as a whole, which receive economic and fiscal benefits from the sector;
- For the agri-food industry, which is guaranteed a regular supply of high-quality products;
- For producers, who earn a fair, stable and predictable income entirely from the market.

ECONOMIC BENEFITS OF QUEBEC'S DAIRY SECTOR IN 2014

Farms	5,624
Farm receipts	$2.4 billion
Quebec's share of agricultural revenue	28%
Direct, indirect and induced jobs	82,661
GDP chain	$6.15 billion
Taxes chain	$1.3 billion

THE COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT WITH EUROPEAN UNION (EU)

On October 18, 2013, the Canadian government signed an agreement in principle with the European Union (EU) in the negotiations for the Comprehensive Economic and Trade Agreement (CETA). The CETA grants the EU a major concession in cheese, i.e. 17,700 tonnes of cheese, including 16,000 tonnes of fine cheese. This concession will potentially impact up to 30% of the retail market for fine cheese. Based on the annual growth of the fine cheese sector, which is only 1%, this sector may have decreased by a total of 25% when the 5-year implementation period for the new tariff quota comes to an end.

THE TRANS-PACIFIC PARTNERSHIP AGREEMENT (TPP)

The multilateral negotiations for the Trans-Pacific Partnership (TPP) free trade agreement in which Canada has been actively involved since 2012 ended in October in Atlanta with an agreement in principle. The agreement in principle must be ratified by the parliaments of the signatory countries before it can come into force. To reach this agreement, Canada made a concession in the dairy sector that impacts between 3.4% and 4% of the Canadian dairy market, depending on how you look at it. Canada's concessions are proportionally greater than those offered by the United States and Japan to other countries.

The basic impacts of the TPP and the CETA:

When these two trade agreements have both come into force, producers will ultimately be hit by a recurrent loss of around 6% of the Canadian dairy market, in addition to the 8% in market segments already conceded by Canada to its trade partners under trade agreements.

- Losses in milk sales (gross revenue) of around $400 million per year:
  - TPP ($250 million);
  - CETA ($150 million);
- Permanent annual losses in milk sales ranging from $29,000 to $33,000 per farm in Quebec.

THE COMPENSATION PROGRAMS ANNOUNCED BY THE PREVIOUS GOVERNMENT:

Income guarantee program

- According to the information released on October 5, 2015, this $2.4 billion program will cover only $11,000 on average per dairy farm for a period of 15 years. No compensation will be provided for the permanent loss of market shares linked to the TPP and CETA concessions.

Quota value guarantee program

- This $1.5 billion program is designed to cover a potential decline in the value of quota when it is sold after the TPP comes into force.
- It is unlikely that the value of quota will drop. If supply management is maintained, it is rather more likely that demand for quota will remain steady and even increase because producers will want to replace lost production.
- The TPP and the CETA will ultimately cause butterfat sales to decrease by 19,700 tonnes in Canada. For a medium-sized farm, that is equal to a decrease in sales of just over 1,700 kg of BF, i.e. around 6% of its total annual production. To return to its initial situation, the farm would have to buy back the equivalent in quota. Given that the price is $25,000 per kg of BF/day, the farm would have to spend $115,000.

Processor modernization program to help supply-managed processors become more competitive and grow

- $450 million program intended for processors and not producers.

OUR DEMANDS ON THE GOVERNMENT OF CANADA:

Given the fact that the income compensation program will only partially and temporarily compensate gross revenue losses in connection with imported quantities and the fact that the planned compensation amounts for a hypothetical decrease in the value of quota will not likely be used, we demand that:

The government maintain the planned $2.4 billion in guaranteed income and pay the $1.5 billion instead based on the value of quota held by producers, in proportion to the market shares that have been lost due to imported quantities.