



Les
Producteurs
de lait
du Québec

Press release *For immediate release*

Annual dairy market review of Les producteurs de lait du Québec **Dairy sector growth is steady despite low prices for producers**

Quebec City, November 17, 2016 – Even with market growth and a much higher production volume, Quebec milk producers continue to face a difficult situation in terms of the price they receive for milk, despite a slight improvement compared to last year. In addition, the sector's growth is still compromised by the Comprehensive Economic Trade Agreement (CETA), which will soon come into force, as well as lax import management. This was revealed in the 2015-2016 annual dairy market review provided today at the Special Annual Meeting of Les Producteurs de lait du Québec in Quebec City.

“We are benefitting from our market's growth,” rejoiced Bruno Letendre, Chair of Les Producteurs de lait du Québec. **“Dairy fat's recovery has resulted in booming demand for richer products such as cream and ice cream as well as yogurt, cheese and butter.”** Unfortunately, the imminent arrival of 17,700 tonnes of European cheese will harm this growth.

From November 2015 to October 2016, Canadian retail sales of cream rose 4.2%, 3.4% for yogurt and 3.1% for ice cream. During the same period, butter sales rose 2.5%, while cheese sales increased 5.1%. These increases have more than compensated for the slight 1.2% decrease in fluid milk sales.

Furthermore, production quota increased by 8% from December 2015 to November 2016. This increase was intended to meet the ongoing growth in sales and rebuild butter stocks. Butter stocks were exhausted because butter, cheese and cream consumption has been growing at an unprecedented rate since 2013.

The higher demand for butter is good news for the dairy sector. However, it has some negative effects that impact all dairy products on a daily basis, such as the low farm price of milk. Although the price in October 2016 was \$72.04, the average price in 2015-2016 was \$70.58/hl compared to \$72.94/hl in 2014-2015. These low prices are partly attributable to the fact that butter production is one of the less lucrative classes for producers because only butterfat is valued and solids non-fat are not required by the market, resulting in surpluses.

The low prices are also due to world milk prices, which affect part of the price that Canadian producers receive. Despite a slight recovery in recent months, average prices remain well below the six-year average. Between 2013 and 2016, the average price of skim milk powder went from USD \$4,500 per tonne to USD \$1,850 per tonne. In October 2016, it rebounded to USD \$2,331 per tonne, which is still far from 2013 prices.

“Overproduction around the world has caused production prices to fall to unsustainable levels, not only in Europe, but also in the United States and in Oceania. What milk has been experiencing for two years around the world perfectly illustrates the agricultural problem: When producers are not grouped together and united in marketing their production, they get themselves organized,” said Mr. Letendre.

“World prices improved slightly a few months ago,” continued Mr. Letendre. **“If this continues, it will have a positive impact on producers. As long as we stay united in our efforts to keep supply management and collective marketing, we will continue to receive a much better price and earn not only a more stable, but also a fairer income than most other producers around the world.”**

Free trade

It should be remembered that the dairy sector will be hit hard by the provisional application of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union, probably in early 2017.

This trade agreement will ultimately cause producers a recurrent loss of around 2% of the total Canadian dairy market, in addition to the 8% in market segments already conceded by Canada to its trade partners under previous trade agreements. **“Canada’s concession to Europe is 180 million litres of milk per year that we will no longer producer, ever. That is the equivalent of removing the annual production of Saguenay–Lac-Saint-Jean or Nova Scotia from the map.”** stated Mr. Letendre.

The fine cheese sector will be one of the biggest losers of this trade agreement. **“Sixteen thousand of the 17,700 tonnes of cheese that enter will be quality fine cheese. This represents 30% of the country’s retail market for this type of cheese, one of our most lucrative markets. And for Quebec, which produces 60% of this type of cheese, the impact will be huge,”** worries the Chair of Les Producteurs de lait du Québec.

Imported milk proteins

Milk producers are also dealing with the problem of the federal government’s lax management of imports, particularly the duty deferral program and the handling of diafiltered milk, which is not considered an ingredient according to cheese compositional standards. Government authorities have known of this problem for at least three years, but it has yet to be resolved.

Economic benefits

Milk production generates around 83,000 direct, indirect and induced jobs in Quebec and contributes as much as \$6.2 billion to the gross domestic product. Finally, it results in \$1.29 billion in tax receipts, including \$678 million for the federal government and \$454 million for the Quebec government.

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 deliver nearly 3 billion litres of milk every year, for a total of over \$2.4 billion in farm receipts. www.lait.org

Information:

François Dumontier
Assistant Director, Public and Government Relations Advisor
Tel.: 450 679-0530, ext. 8704
Cell: 514 713-0530
www.lait.org