

FINANCE AND ADMINISTRATION

The Finance and Administration Department is responsible for processing accounting transactions and producing the financial reporting for the various funds of Les Producteurs de lait du Québec (PLQ), including the regional groups. It also performs the financial transactions of the Pool Fund for marketing milk produced in Quebec, which includes payments to producers, transporters and service providers, as well as plant billing. In addition, the Department records quota purchase and sales transactions by Quebec milk producers in the Centralized Quota Sales System (SCVQ). Finally, it provides administrative support and financial advice to the organization's bodies and General Management.



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HIGHLIGHTS OF THE YEAR

Contribution for Joint Plan administration

After the resolution on the contribution for Joint Plan administration was adopted by the Annual General Meeting in 2023, Decision 12375 of the Régie des marchés agricoles et alimentaires du Québec was published in the *Official Gazette of Quebec* on May 24, 2023. Accordingly, on June 1, 2023, the contribution for Joint Plan administration went from \$0.0350 to \$0.0420 per kg of total solids.

Review of the maximum eligible payment ratio and price adjustment

After analyzing the market requirements for solids non-fat (SNF), the P5 marketing boards agreed to reduce the maximum eligible SNF/F payment ratio from 2.25 to 2.20 starting on August 1, 2023. The market ratio remained unchanged at 2.00.

The component payment policy establishes two price tiers depending on SNF/F. To better reflect market revenue and ensure better equity between producers given the structural surplus of SNF in the market, price adjustments were made to SNF that fell between the market ratio and the maximum ratio. The prices paid were adjusted to 70% of the price of Class 4a for protein and to 70% of \$0.90/kilograms for lactose and other solids.

Audit services for milk utilization declarations

In 2023, the Canadian Dairy Commission audited the milk utilization declarations of 124 dairy enterprises in Quebec that were concerned by agreements, for a total of 1,569 audited periods.

As concerns the financial statements for 2023

The results of the General Operating Fund, excluding those allocated to the Milk Quality Programs and the proAction program, show a surplus of revenue over expenses of \$3.77 million. The unallocated fund balance amounts to nearly \$14.80 million, when taking into account the transfer from the Advertising and Promotion Fund.

QUEBEC SALES BY MANUFACTURING CLASS – 2023

Class	Description	% Total solids	% Receipts
1a	Milk and milk-based beverages	14.22	17.91
1b	Cream	3.90	5.15
2a	Yogurt	8.87	8.55
2b	Ice cream, sour cream, milk shakes and nutritional drinks	1.83	1.98
3a	Fine cheeses and cheeses not listed in classes 3b or 3c	10.51	11.19
3b	Cheddar	12.59	13.90
3c	Asiago, Brick, Colby, Farmer, Feta, Gouda, Havarti, Jack, Monterey Jack, Mozzarella, Munster, Paneer, Parmesan and Swiss	19.64	19.12
4a	Butter and milk powder	25.70	18.55
4b	Concentrated milk for retail sales and unusual losses	2.72	3.62
4d	Inventories and rejected fluid milk returns	0.02	0.03
Total		100.00	100.00

As in previous years, the quality deductions were not enough to support the costs of the quality improvement and technical assistance programs for producers who have trouble meeting the standards. The cost of activities involved in improving milk quality was covered by the General Operating Fund. The net result thus attributed to the fund in 2023 is \$0.32 million, while the Milk Quality Programs had posted a deficiency of revenue over expenses of \$0.21 million in 2022.

As at December 31, 2023, the net cost associated with the proAction program showed a deficiency of revenue over expenses of just over \$1.55 million. The balance of the fund allocated to the program is exhausted and this amount is now covered by the General Operating Fund. This can be

FINANCING OF OPERATIONS – 2023

	January to April	May	June to July	August to december
	\$/kg of TS ¹			
Administration of the Joint Plan and Defence Fund	0.02883	0.02883	0.03583	0.03606
Contribution to the UPA	0.00737	0.00737	0.00737	0.00714
Subtotal	0.03620	0.03620	0.04320	0.04320
Advertising and Promotion Development Fund	0.10090	0.10070	0.10070	0.10070
	0.00080	0.00080	0.00080	0.00080
Total	0.13790	0.13770	0.14470	0.14470

¹ Total solids

PAYMENTS TO PRODUCERS – 2023

	Within-quota milk price					Quality premium MMAs ¹	
	Butterfat \$/kg	Tier 1 Protein \$/kg	Tier 1 Lactose and other solids \$/kg	Tier 2 Protein \$/kg	Tier 2 Lactose and other solids \$/kg	Value of average ² \$/hl	Volume \$/hl
January	13,0425	10,5083	0,9000	3,1204	3,1204	95,54	0,1789
February	13,1825	10,4194	0,9000	2,8003	2,8003	96,10	0,1664
March	13,0753	10,4437	0,9000	2,6782	2,6782	95,40	0,1627
April	12,9159	10,6636	0,9000	2,5124	2,5124	94,84	0,1553
May	13,2102	10,2875	0,9000	2,5076	2,5076	94,25	0,1550
June	12,7853	10,0687	0,9000	2,4983	2,4983	90,49	0,1699
July	13,0092	10,5331	0,9000	2,4353	2,4353	91,14	0,2419
August	13,2385	10,8742	0,9000	1,7219	0,6300	93,49	0,2280
September	13,1147	10,5154	0,9000	1,6850	0,6300	92,62	0,2310
October	13,3691	10,8531	0,9000	1,8015	0,6300	96,71	0,2204
November	13,4045	10,6874	0,9000	1,8639	0,6300	98,32	0,1871
December	13,6231	10,3453	0,9000	1,8263	0,6300	98,28	0,1871

	Within-quota milk price			Quality premium MMAs ¹	
	Butterfat \$/kg	Protein (weighted prices) \$/kg	Lactose and other solids (weighted prices) \$/kg	Value of average ² \$/hl	Volume \$/hl
Average annual price 2023	13,1654	9,9375	0,9702	94,74	0,1860
Average annual price 2022	12,7150	9,8945	1,1293	92,88	0,1808

1 Premium applied when the provincial annual weighted average somatic cell count stipulated in the milk marketing agreements has been reached. This premium is funded equally by the producers and dairy enterprises.

2 The composition of an average hectolitre varies annually. In 2022: Butterfat: 4.2391 kg/hl Protein: 3.2655 kg/hl Lactose: 5.9063 kg/hl. In 2023: Butterfat: 4.2665 kg/hl Protein: 3.3035 kg/hl Lactose: 5.9194 kg/hl.

specifically explained by the fact that marketing was halted for milk produced by production units not registered with the proAction program and expenses continued to be incurred for program validations and animal assessments in connection with the animal health module.

Furthermore, the Advertising and Promotion Fund generated a deficiency of \$1.61 million. In accordance with the resolution of the 2021 Annual General Assembly, the amount of \$1.59 million was transferred to the General Operating Fund in order to fund the organization’s IT system modernization work, thereby bringing the balance of the unallocated fund to \$14.69 million.

As for Pool Fund receipts from milk sales, they amounted to nearly \$3.38 billion in 2023. Meanwhile, transportation costs and the cost of pooling transportation increased significantly, from \$120.21 million in 2022 to just under \$131.49 million in 2023. This situation was essentially attributable to the implementation of a new agreement for the Milk Transportation Agreement and the review of the pricing formula, which includes retroactive dates that span several previous years.

The value of transactions in the SCVQ increased once again in 2023, while the quantities transacted through the system were higher by over 37.60% than those in 2022.

Finally, a reminder concerning the Fund for the Defence of Milk Producers, whose results are presented to delegates behind closed doors at the Annual General Meeting. This fund is used to support the costs of defending milk producers’ economic interests, especially those incurred by the Supply Management Movement (SMM), whose administrative aspects are coordinated by the Department. In 2023, expenses were almost exclusively allocated to the conduct of specific studies and research for the Movement.