

# NATIONAL MILK POLICY AND MARKETING



## AT THE NATIONAL LEVEL

### Market growth program

The producer boards of the ten Canadian provinces decided in July 2023 to set up a Market Growth Program (MGP) that was adopted by the Canadian Milk Supply Management Committee (CMSMC) on July 23, 2023.

This Program includes three streams: Pre-production, Excess Capacity, and Milk Supply.

The Pre-production stream aims to support the execution of studies during the project planning phase. The Excess Capacity stream aims to encourage investment in additional processing capacity for surplus solids non-fat (SNF). Finally, the Milk Supply stream aims to provide a stable supply of milk to eligible projects that generate net growth in butterfat in accordance with provincial supply rules.

The Pre-production stream was launched on December 11, 2023. Details of the other components will be announced in 2024.

### Dairy Innovation and Investment Fund

The federal government created a Dairy Innovation and Investment Fund (DIIF). Its goal is to support investments that help the dairy industry better manage the structural surplus of SNF in Canada. The total budget for the period from April 1, 2023, to March 31, 2033, may reach \$333 million, with \$109 million reserved for Québec.

### National programs

The CMSMC activated Plan C on a few occasions. Plan C is a cheese purchasing-repurchasing program used particularly during the holiday season. The Market Committee continues to work on reviewing seasonality and other programs of interest to the industry (e.g. 4m, special classes, etc.).

TOTAL PRODUCTION AND NUMBER OF PRODUCERS IN CANADIAN PROVINCES – 2022-2023<sup>1</sup>

	Total production (kg of BF)	%	Number of producers <sup>2</sup>	%
<b>Newfoundland and Labrador</b>	<b>2,007,868</b>	<b>0.50</b>	<b>23</b>	<b>0.24</b>
Prince Edward Island	5,204,420	1.29	145	1.53
Nova Scotia	8,859,366	2.19	198	2.10
New Brunswick	6,944,295	1.72	164	1.74
Quebec	149,236,653	36.91	4,384	46.43
Ontario	132,299,120	32.72	3,233	34.24
<b>Total P5<sup>3</sup></b>	<b>302,543,854</b>	<b>74.83</b>	<b>8,124</b>	<b>86.04</b>
Manitoba	17,159,377	4.24	232	2.45
Saskatchewan	12,368,427	3.06	150	1.59
Alberta	35,335,621	8.74	477	5.05
British Columbia	34,910,554	8.63	437	4.63
<b>Total WMP<sup>4</sup></b>	<b>99,773,979</b>	<b>24.68</b>	<b>1,296</b>	<b>13.72</b>
<b>Total Canada</b>	<b>404,325,701</b>	<b>100.00</b>	<b>9,443</b>	<b>100.00</b>

1 Source: Canadian Dairy Commission

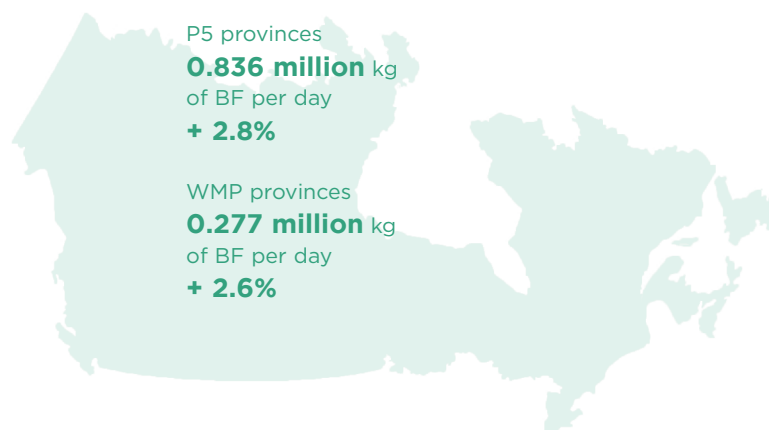
2 As at August 1, 2023

3 Agreement on the Eastern Canadian Milk Pooling

4 Western Milk Pooling Agreement

## Daily national dairy production

Daily milk production over the 12-month period ending in December 2023 reached 1.12 million kg of BF per day in Canada, which is an increase of 2.7% compared to 2022.



## Retail sales of dairy products in Canada

Fluid milk: - 0.7%

Cream: + 1.6%

Yogurt: + 2.1%

Ice cream: + 1.5%

Cheese: + 1.1%

Butter: - 1.0%

Compound annual growth rate for the period from January 4, 2019 to December 30, 2023



Quota allocated to Quebec in December 2023:

**148.9 million kg of BF**

**Net increase of 1,505,605 kg of BF**



**Butter stocks**

Decembre 2023

**27,363 tonnes**

## Disputes under trade agreements

### *Canada-United States-Mexico Agreement*

On December 20, 2022, the United States made new requests for consultations with the Canadian government that once again concerned the measures taken by Canada as part of its dairy tariff rate quota allocation policy for Canadian dairy products.

On November 24, 2023, the second panel formed to review the objection raised by the United States regarding Canada's administration of dairy tariff rate quotas under the Canada-United States-Mexico Agreement (CUSMA) published its final report. This panel decided fully in favour of Canada and rejected all demands made by the United States.

### *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*

New Zealand raised an objection under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The panel in charge of hearing its objection deemed that Canada's administration of tariff rate quotas was incompatible in terms of its use of pools. This is essentially the same position taken by the first panel under CUSMA. Canada will decide how to resolve the matter. The panel has not requested any changes for the other demands.

## PROVINCES THAT SIGNED THE AGREEMENT ON EASTERN CANADIAN MILK POOLING (P5)

### Market and production needs analysis

The P5 provincial boards continued to work together to send the right market signals. P5 Quota Committee meetings were held regularly to analyze the market and react rapidly to needs.

### Review of the quota policy

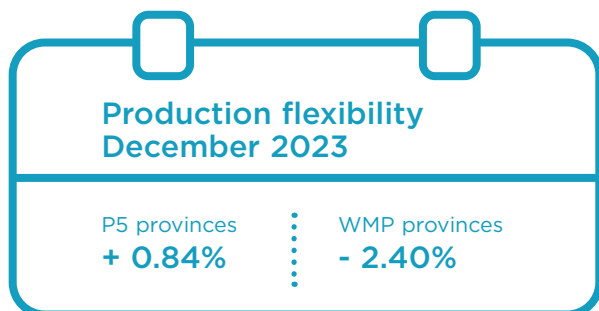
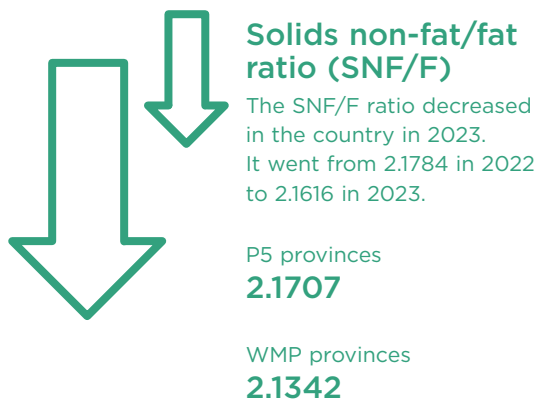
In 2022, the P5 Quota Committee began to review the quota policy.

## IN QUEBEC

### Marketing agreements

All price adjustments resulting from decisions by the P5 Supervisory Body and the CMSMC are integrated into the milk marketing agreements (MMAs) and approved by the Régie des marchés agricoles et alimentaires du Québec (RMAAQ).

The MMA signatories continued to negotiate the agreements that expired on July 31, 2020. Les Producteurs de lait du Québec wants to review the supply guarantees with a view to enhancing the value of SNF and ensuring that milk will be managed in a more effective and orderly manner, which guarantees that all components are processed.



As concerns supplying dairy plants during the holidays, appendix 9, which deals with the obligations surrounding the receipt of milk from enterprises during this more difficult season owing, in particular, to the statutory holidays, was approved by the RMAAQ on September 26, 2023.

On January 23rd, the RMAAQ authorized the request for approval of modifications to the MMAs aimed at positively restructuring the policy for funding the premium related to milk produced using organic methods. Starting from January 1, 2023, \$0.02/hl of the total volume produced (excluding milk donations) is paid monthly as support for organic production to contribute to the payment of the premium for producers in Group B. The number of producers in Group B1 is increased from 5 to 10 producers, and 5 producers make up the new Group B2. It is worth noting that these modifications result from the resolution adopted by the 2022 General Assembly of Les Producteurs de lait du Québec.

### Strategic industry planning

Work continued within various committees toward achieving the industry's strategic planning objectives.

A second edition of the dairy protein and coproduct development forum was held on November 9, 2023. Other industry partners joined this event, where discussions centered specifically on dairy protein value enhancement.

### Steering committee for the organic sector strategic plan

Les Producteurs de lait du Québec continued to actively participate in the activities of the steering committee for Quebec's organic sector strategic plan with the goal of developing the organic milk market in Quebec.

### VARIATIONS IN QUEBEC'S TOTAL QUOTA ALLOCATION – 2023

	Total quota allotted to Quebec (kg of BF)
2022	
Decembre	147,426,544
2023	
January	147,586,765
February	147,531,379
March	147,959,893
April	148,369,510
May	148,111,031
June	148,060,315
July	147,726,448
August	147,933,661
September	149,000,167
October	148,860,767
November	148,857,242
December	148,932,149
<b>Total variation for the year</b>	<b>1,505,605</b>
Quota variation in percentage	1.02%

## SOME FIGURES AND DATA

### Canadian market development

The calculation of total requirements takes all imports from the various trade agreements into account. From December 2022 to December 2023, total Canadian demand rose by 7.26 million kilograms of butterfat per day, or a net increase of 1.7%.

Market needs served by Canadian milk increased by 1.08% compared to December 2022, a lower growth level than for total requirements, given the increase in Canadian imports.

### National Milk Marketing Plan

Since 2018, the national continuous quota policy has been accompanied by a flexibility limit of 2% for underproduction and a flexibility limit of 1.25% for overproduction.

In July 2023, the national continuous quota position reached 1.32% of quota over 12 months ending in July 2023, while the stock level at that date was around 35,000 tonnes, which is considered acceptable in the industry. To resolve this situation, a stock reconciliation mechanism has been introduced. This calculation mechanism will enable production credits to be added in the system and the pooling position to be re-assessed based on market needs.