



Les
Producteurs
de lait
du Québec

Rebuttal by Les Producteurs de lait du Québec to Sylvain Charlebois' text entitled "Filthy Ice Cream," which was published by La Presse on July 25, 2016.

This rebuttal was published by La Presse and La Tribune on July 27, 2016.

La Presse: http://plus.lapresse.ca/screens/77607d00-1a9f-431e-be08-2278812e1223%7C_0.html

La Tribune: <http://www.lapresse.ca/la-tribune/opinions/201607/26/01-5004696-la-marge-salee-des-restaurateurs.php>

Restaurateurs' Filthy Margin

In his open letter published by La Presse on July 27, Sylvain Charlebois tries to warn consumers about the alleged impact of the higher farm price of milk for industrial milk (which is used to make cheese, butter, yogurt and ice cream). Mr. Charlebois' rhetoric aside, will this higher price actually impact consumers? Not likely. Keep in mind that the producers' share of one kilo of cheese sold for \$40.90 at a grocery store is \$7.57 (18%). At most, the higher farm price should have an impact of a few cents on cheese that costs over \$40. The producers' share of a pizza sold for \$15.59 at a restaurant is only 62 cents (4%), which is less than the tip received by the delivery man. When applied to their share, the higher farm price does not even add one cent to the 62 cents received by producers. In fact, producers could donate all their milk and the pizza would still cost \$15.

Milk producers' financial situation has been deteriorating since early 2015. From the beginning of 2015 to June 2016, milk producers watched the price of milk fall 8%, or 6 cents per litre. For the average farm, this turn of events led to a shortfall of \$37,510, an amount equal to the average levy assumed by milk producing families to afford their cost of living. The recent increase applies to only 43% of producers' milk sales, thereby providing a mere 1.13-cent increase to compensate for the 6-cent decrease incurred by producers at the beginning of 2015. Despite the lower milk price at the farm, consumers have not seen retail prices fall to an equal degree. This shows that the connection between the price received by producers and the retail price is a lot more complex than Mr. Charlebois wants you to believe.

In fact, this decrease in price is partly due to diafiltered milk that is imported from the U.S. and whose status still needs to be clarified between Canadian agencies. These ingredients are meant to replace an ever greater share of Canadian protein in Canadian cheese and yogurt. The government's inaction in this area is quite costly to producers. Moreover, the decrease in price is especially due, as Mr. Charlebois points out, to the decline in world milk prices, to which over 20% of Canadian milk producers' revenue is subject. This decline can

be explained by waning Chinese demand and the Russian embargo. Due to the absence of supply management in the countries that supply these markets and Europe's concurrent dismantling of its supply management system, global supply has quickly exceeded demand, which has led to the current global dairy crisis.

This crisis is pushing milk producers around the world toward bankruptcy, while retail prices are not actually decreasing, but increasing, just like intermediaries' margins. Mr. Charlebois himself provides a very good description of the dramatic consequences of this crisis. To correct its effects, states have to invest a large amount of public funds to save their producers. One such example is France, which announced €500 million in emergency aid (CAD \$718 million) last week, in addition to the billions in subsidies that its milk producers already receive. Is this really the model that Mr. Charlebois wants us to adopt?

In Canada, rather than use subsidies as compensation, the Canadian Dairy Commission tries to set a farm price that covers producers' production costs by requiring intermediaries to pay for milk at its fair value, while giving consumers access to dairy products at stable prices, as Mr. Charlebois acknowledges. This approach also brings stability to a sector that generates 83,000 jobs, adds \$6.2 billion to the GDP and contributes \$1.3 billion in tax receipts, without costing tax payers anything.

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