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 and investments offset by the coming into force of trade agreements

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Quebec City, April 11, 2018 – "When I think of the twelve last months, I see progress, positive change, but also a lot of concern for our future. Our sector's outstanding growth has continued. In concrete terms, milk producers delivered on average over nine million litres of milk per day to the various processing plants. That is a 10% increase from 2015! I do not know many sectors that have grown so much" stated Bruno Letendre, Chair of Les Producteurs de lait du Québec, when presenting his annual review at the organization's Annual General Meeting.

One of the main causes of this growth is greater demand for butterfat for cream and industrial milk in the last four years, which can be specifically explained by the fact that the latest scientific evidence tends to show that there is no significant link between saturated fats in dairy products and cardiovascular diseases; on the contrary, dairy products may even help reduce the incidence of these diseases. Nevertheless, the Canadian Dairy Commission now predicts that growth in demand will be more moderate in the coming years.

From a more detailed perspective, between March 2017 and March 2018, Canadian retail sales rose 4.5% for butter, 4.4% for cream, 3.3% for cheese, and 0.6% for yogurt. These increases more than compensated for the 1.8% decline in overall fluid milk sales, a common trend in many major milk consuming countries. Despite the decrease in fluid milk sales, 3.25% milk sales climbed 7.9%, even though they had been in decline from the 80s until 2012. Organic milk sales also rose, increasing 5.8%.

The growth of the dairy industry has beneficial effects on the entire economy in Quebec and Canada. In 2017, it is estimated that investments in buildings, machinery and equipment on farms surpassed the $520 million mark in Quebec. Milk producers invested in their enterprises to make them more effective, efficient and sustainable. All these investments have had considerable ripple effects on Quebec's economy.

Growth will be offset by the coming into force of the trade agreements

"Our evaluation of market requirements inevitably has to take the effects of the Comprehensive Economic and Trade Agreement into account, and this includes cheese imports, which will reach nearly 6,000 tonnes in 2018," added Mr. Letendre. In fact, the Comprehensive Economic and Trade Agreement (CETA), which came into force on September 21 between Canada and the European Union, not only hurts milk production, but also the cheese processing sector. Every year until 2022-2023, thousands of additional tonnes of cheese will displace our production. Due to the 17,700 tonnes of European cheese that will be imported, Canadian dairy farmers will ultimately face a permanent annual loss of $100 million.

For Les Producteurs de lait du Québec, this has been a bitter pill to swallow after three months of the CETA's implementation. Canada imported 719 tonnes of European cheese, which accounted for 97% of the import permits granted. However, Canada exported only 2.3% of the access granted for beef, and 0.5% for pork. The incoming cheeses are products that compete directly with local cheeses: Parmesan mostly, but also Brie, Gouda and Cheddar. **"The pill would have been easier to swallow if the government had set up fair mitigation measures and had assigned entire**

tariff rate quotas to cheese makers, but Ottawa preferred to divide the tariff rate quotas 50-50 between cheese makers and retailers. It makes no sense to give retailers a share. Their business is in no way affected by the CETA," protested Mr. Letendre.

Furthermore, the new Trans-Pacific Partnership (TPP), which was signed last month, did not revise the dairy concessions downward after the withdrawal of the United States. That will hurt family farms here. This means another $160 million in permanent annual losses for Canadian dairy farms in addition to the $100 million in losses resulting from the CETA. **"We will continue to pressure the government so that it acknowledges these new losses and wastes no time in setting up a plan with fair mitigation measures for producers,"** concluded the Chair of Les Producteurs de lait du Québec.

Farm milk prices have not recovered since 2014

Despite the market growth and considerable increase in production, Quebec milk producers are still confronted by a difficult situation in terms of the farm price of milk. The average price in 2017 was $69.99/hl, while it was $70.97/hl in 2016, $71.46/hl in 2015 and $76.33/hl in 2014. These low prices are partially attributable to the fact that a large portion of butter production also results in the production of milk solids non-fat not required by the market and sold at the world price for skim milk powder. World prices for solids non-fat, like skim milk powder, remain low due to strong demand for butter and overproduction in the United States and Europe, and these low prices are affecting milk producers around the world.

About Les Producteurs de lait du Québec

Les Producteurs de lait du Québec, affiliated with the UPA, represents Quebec's 5,308 dairy farms, which deliver roughly 3.3 billion litres of milk, for a total of over $2.58 billion in farm receipts. Milk production and processing generate around 83,000 direct, indirect and induced jobs in Quebec and contribute as much as $6.2 billion to the gross domestic product. Finally, they generate $1.3 billion in tax receipts. For more information, visit our Web site at www.lait.org or follow us on Twitter.

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