



Les
Producteurs
de lait
du Québec

PRESS RELEASE
FOR IMMEDIATE RELEASE

Annual dairy market review of Les producteurs de lait du Québec

Growth despite the uncertainty caused by trade agreements and the farm gate price of milk

Quebec City, April 18, 2018 – If 2018 was an eventful year for milk producers in political terms with the conclusion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Canada-United States-Mexico Agreement (CUSMA), in market terms, it was a year of adjustment. After years of outstanding growth driven by greater butterfat demand for cream and industrial milk, growth steadied but remained robust.

“In 2018, our milk sales reached \$2.596 billion, up 0.67%, despite a 2.3% increase in shipments, reaching 3,367 billion litres. It is safe to say that dairy products are still popular. However, we have been responsible by managing our production in such a way that we avoid surpluses and adjust to the changes in growth,” stated Bruno Letendre, Chair of Les Producteurs de lait du Québec, when presenting his review of the year at the organization’s Annual General Meeting. More specifically, from March 2018 to March 2019, Canadian retail sales rose 1.9% for butter, 5.9% for cream, 3.7% for cheese, and 8.0% for ice cream. These increases have more than compensated for the 2% decrease in total fluid milk sales and the 1.8% decrease in yogurt sales. Despite the lower sales for fluid milk and yogurt, the market saw 2.73% growth in demand. As for organic milk sales, they grew 2.2%.

Furthermore, Mr. Letendre explained that the Canadian Dairy Commission (CDC) predicts 3% growth in demand for 2018-2019, a prediction which factors in new imports resulting from recent trade agreements with the European Union, the CPTPP and the CUSMA, which may still be ratified before the end of the year.

Canada-United States-Mexico Agreement

Remember that since the Comprehensive Economic and Trade Agreement (CETA) was concluded in October 2013, milk producers have been used as a bargaining chip in two other trade agreements, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in January 2018 and the CUSMA in October of the same year. In total, Canada has permanently conceded the equivalent of 8.4% of Canadian dairy production in these agreements. For Les Producteurs de lait du Québec, the entire access granted to the Canadian market threatens the stability of the domestic market and the financial health of many producers, which is why the compensation announced in the last federal budget was well received, even though the terms and conditions have yet to be determined.

Over \$730 million in investments

“The figures also show that our industry is dynamic and resilient, despite the hard knocks and the uncertainty. In 2018, it is estimated that investments in buildings, machinery and equipment on farms exceeded \$730 million 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,” added Mr. Letendre.

Farm-gate price

Despite the market growth, Quebec milk producers continued to face a difficult situation in terms of the farm gate price of milk for part of 2018. This price hit rock bottom in May 2018 before steadying at \$64.12/hl. The low prices were partially attributable to the fact that a large portion of butter production also results in the production of milk solids non-fat that are not required by the market and sold at world prices for skim milk powder. World prices for solids non-fat, just like skim milk powder, are still 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.

“Les Producteurs de lait du Québec was the first organization in Canada to request that the CDC trigger the price adjustment mechanisms due to exceptional circumstances. This process ultimately resulted in a price adjustment that had an impact of around \$2.37 per hectolitre starting on September 1, 2018,” concluded Bruno Letendre, Chair of Les Producteurs de lait du Québec. While the average price from January to August was \$67.21 per reference hectolitre, it was \$72.35 per hectolitre from September to December.

About Les Producteurs de lait du Québec

Les Producteurs de lait du Québec, affiliated with the UPA, represents Quebec’s 5,050 dairy farms, which deliver roughly 3.37 billion litres of milk, for a total of over \$2.6 billion in farm receipts. Milk production and processing create 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.

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