



Les
Producteurs
de lait
du Québec

PRESS RELEASE
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Annual dairy market review of Les producteurs de lait du Québec

Despite higher retail sales, dairy production growth has been weakened by the pandemic and the trade agreements

LONGUEUIL, November 18, 2020 – “In 2020, COVID-19 hit the dairy industry hard, just like the rest of society. This unexpected situation has shaken even the most resilient of us. Despite everything, we can see some positives in the situation. For over six months, retail sales have shown huge growth in several dairy products, including fluid milk. This confirms that consumers are loyal to our products even though the pandemic has changed where and when they consume them,” explained Daniel Gobeil, Chair of Les Producteurs de lait du Québec, when presenting the review of the year at the organization’s virtual information meeting.

The dairy market continued to grow in 2019-2020, but at a slower rate than in the past five years. Canadian demand grew 0.56% in the 12 months ending in September 2020, compared to 3.76% in the previous period. It peaked in 2016-2017 with an increase of 5.6%. Government measures aimed at stopping the spread of COVID-19, such as closing restaurants and schools and teleworking, had a significant effect on Canadian consumption, which was mostly felt in April 2020.

Overall, dairy products posted higher retail sales in the 52 weeks ending in October 2020. Retail sales grew 13.4% for butter, 11.4% for cream, 8.1% for cheese, 3.6% for fluid milk and 0.5% for yogurt. However, the portion of sales targeting the hotel, restaurant and institutional (HRI) sector, which accounts for around 35% of dairy product sales in Canada, decreased. The growth in retail sales has not fully offset the decreases caused by the rapid closure of the HRI sector. Now that part of the sector has reopened and the food service sector has adapted, sales have gradually resumed.

“In such a volatile context, producers had to quickly adapt to unstable and chaotic market needs. The speed with which we succeeded in reducing the effects of the crisis shows just how agile our supply management model is. On that note, I would like to mention the solidarity, collaboration and discipline of all Quebec producers, because our efforts yielded results,” added Mr. Gobeil. The COVID-19 pandemic has impacted food purchases around the world. Thanks to supply management, Canadian dairy farmers were able to quickly react and effectively reduce their production as a whole.

Effect of the trade agreements

With the ratification and implementation of the Canada–United States–Mexico Agreement (CUSMA) in July 2020, Quebec dairy farmers must ultimately cope with losing 8.4% of their market due to the concessions granted in the three trade agreements signed by the federal government: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Comprehensive and Economic Trade Agreement (CETA), and CUSMA. At the Canadian level, this represents \$450 million in annual milk sales on farms. For Quebec, it represents \$165 million per year of primary economic activities that our regions will never recoup. **“The economic shock that our enterprises will have to absorb is huge and will reduce much of the market growth that our farms were in a position to fully fill, thanks to the investments we previously made,”** explained Mr. Gobeil. Milk producers are still waiting on the payment for the second year of the compensation program announced last year for CETA and the CPTPP. Furthermore, no compensation program has been announced yet for CUSMA, despite the fact that the agreement came into force earlier than scheduled in July.

Investments on farms

It is estimated that over \$500 million was invested in buildings, machinery and equipment on Quebec farms last year. Dairy farmers invested in their enterprises so that they would perform better and become more efficient and sustainable. The nearly \$3 billion that they have invested in the last five years has gone back into our economy.

About Les Producteurs de lait du Québec

Les Producteurs de lait du Québec, affiliated with the UPA, represents Quebec’s 4,877 dairy farms, which deliver roughly 3.33 billion litres of milk, for a total of over \$2.7 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. Ultimately, they generate \$1.3 billion in tax receipts.

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