



Les
Producteurs
de lait
du Québec

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

A year marked by the effects of the pandemic and the coming into force of CUSMA

Saint-Hyacinthe, April 14, 2021 – “Last year will be an unforgettable year for the entire population and the dairy industry included. Our industry was affected by both the pandemic and the Canada–United States–Mexico Agreement (CUSMA), which came into force.” This was the review of last year that Daniel Gobeil, Chair of Les Producteurs de lait du Québec, presented to members attending the organization’s virtual Annual General Meeting. The combination of the COVID-19 crisis and higher imports linked to access granted under trade agreements drove down growth significantly. In fact, in 2020, Canadian demand grew 0.49%, which is inconsistent with its average growth in the previous five years, i.e. 3.7%. Provincial production grew 1% over the entire year, despite the huge 4% dive it took in April 2020 due to restaurant and school closures.

According to data provided by The Nielsen Company, retail sales of dairy products continue to grow in Canada. This growth has been especially strong due to the lockdowns, which have caused Quebecers to consume their dairy products in very different places. From February 2020 to February 2021, Canadian retail sales increased by 15.1% for butter (12.7% in Quebec), 14.5% for cream (15.1%), 13.6% for ice cream (19.1%), 13.0% for cheese (10.7%), 6.9% for fluid milk (8.3%) and 2.5% for yogurt (1%).

“We owe this growth to our consumers who stayed loyal to our products even though the crisis has changed their consumption habits. Quebecers became more aware of the fragility of supply lines in many areas, especially in the food industry. They developed a common goal of consuming local, according to local rules, and reducing our dependency on foreign products. This desire for independence is at the very heart of our agricultural model, supply management,” stated Mr. Gobeil. The portion of sales traditionally made in the hotel, restaurant and institutional (HRI) sector, which accounts for approximately 35% of dairy product sales in Canada, declined and harmed overall growth in combination with the effects of the trade agreements.

Trade agreements

The dairy industry also had to suffer the impacts of CUSMA, which came into force on July 1, 2020. **“The effects of CUSMA are considerable: They include requirements that affect our dairy policy, but also additional access to the Canadian market and a ceiling on our exports. These effects are on top of those caused by the Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The entire dairy industry will have to make efforts to manage them. I appeal to all our governments to show imagination and work with us on developing a long-term vision for our industry.”**

In November 2020, the government confirmed the schedule for paying the balance of the compensation amounts announced in 2019 for CETA and the CPTPP. Accordingly, \$1.405 billion will be paid over 3 years, including \$468 million in early 2021, across Canada. The government has not yet announced the compensation amounts for CUSMA. These amounts, which are meant to compensate for the effects of the market concessions, will be reinvested in all of our regions. Once again this year, \$600 million will be invested in our farm buildings, machinery and equipment. These investments and our dairy industry's economic activities generate a \$5.3 billion contribution to the GDP and \$1.03 billion in tax receipts every year.

Producer revenue

As for producer revenue, 2020 started off well with rising world prices (the price of milk intended for further processing and surplus solids non-fat) and a 1.93% increase in the price of milk applied to the other dairy products on February 1. Unfortunately, the significant downturn in cheese demand in the HRI market caused by the pandemic and the drop in world prices during the first months of the crisis undermined the expected increase. Nevertheless, prices gradually recovered in the second half of 2020. The average price paid to producers for a standard hectolitre in 2020 was \$72.25 compared to \$71.92 in 2019. Milk producers are now grappling with a huge increase in the cost of inputs. The organization will monitor the situation closely.

About Les Producteurs de lait du Québec

Les Producteurs de lait du Québec, affiliated with the UPA, represents Quebec's 4,732 dairy farms, which deliver roughly 3.36 billion litres of milk, for a total of over \$2.75 billion in farm receipts. For more information, visit our Web site at www.lait.org or follow us on [Twitter](#), [Facebook](#) and [Instagram](#).

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