BC milk MARKETING BOARD

Public Accountability Report

August 1, 2017 - July 31, 2018

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Introduction

This report is issued to BC Farm Industry Review Board (BCFIRB) by the BC Milk Marketing Board (BC Milk) as our submission for the Public Accountability and Reporting Project (PARP). BCFIRB has stated that the overall goal of PARP is "*to support and demonstrate effective governance and sound leadership of the regulated agricultural sectors".* The report is divided into three reporting components: Industry Performance Targets; Governance; and, Quota Management and Movement. This first report is based on the BC Milk fiscal period of August 1, 2017 to July 31, 2018 and will establish a baseline for the Dairy sector in BC to compare results in future years.

Performance reporting has been measured against strategic goals as set out in the current BC Milk 2016-2020 strategic plan. BC Milk will be performing a strategic planning process in 2020 to develop new long-term strategic goals covering the 2020-2025 horizon.

About the BC Milk Marketing Board

The creation of the BC Milk Marketing Board is governed by the British Columbia Milk Marketing Board Regulation 167/94, established under the Natural Products Marketing (BC) Act (NPMA), creates a system for the regulated marketing of milk and manufactured milk products in the province and for BC's participation in the national supply management system.

The British Columbia Milk Marketing Board has the authority to promote, control and regulate the production, transportation, packing, storing and marketing of milk, fluid milk and manufactured milk products within British Columbia. The Board exercises its powers under federal and provincial enactments

Administration responsibilities are given to Board staff managed by the General Manager who reports to the Board. Some of the duties and responsibilities of the BC Milk Marketing Board are to:

- maintain a register of licensed producers
- license all producers, vendors, producer vendors and milk transporters
- allot milk quota to licensed producers
- serve as the registrar of milk quota and administer the transfer of milk quota among licensed producers
- administer the timely changes to authorized, published milk prices
- administer the monthly producer equalization pool, including the reconciliation of milk production with reported processed industrial milk product production and fluid sales
- coordinate daily on-farm milk pick-up and delivery to processors
- administer milk marketing regulations for industry compliance purposes, including, when warranted, making use of inspection authority
- prepare and disseminate accurate and timely industry information through established communication devices including newsletters, brochures, web sites and broadcast E-Mail

Industry Performance Targets

BC Milk's strategic plan includes the long-term vision of a dynamic, responsive, sustainable and consumer focused dairy industry in BC. The goals, strategies, and expected outcomes are outlined in our 2016-2020 Strategic Plan. For the purposes of this report, we will focus on the Key Performance Measures under our four Pillars.

Pillar – Milk Supply

1) **Provide effective and efficient quota management policies and address the future consolidation of farming.** A key strategy was to provide growth opportunities and assess the current Graduated Entry Program (GEP) to identify opportunities for improvement.

   BC Milk followed an extensive analysis and consultation process (described in the governance section of this report) to develop a new program to replace the previous GEP program. After extensive review of the consultation feedback and in consideration of the NEP Committee's recommendations and the Board's decision-making framework, the Board made decisions, which formed the foundation for the BC Milk's New Entrant Program. The full details of the New Entrant Program can be found in the governance section of the BC Milk website.

Pillar – Growth Through Innovation & Renewal

1) **Provide policies for producers and processors growth and innovation in BC. Enable and maximize the Innovation Policy**. A key strategy was to communicate and promote new processor opportunities and available programs to industry. In support of this strategy BC Milk has assisted in the start up of the BC Artisanal Cheese Association (BCACA), along with the help of the BC Dairy Association and the BC Ministry of Agriculture. The BC Artisanal Cheese Association represents 25 processors as well as others involved in the cheesemaking process. The purpose of the association is to facilitate the sharing of knowledge and best practices, as well as educating consumers on locally produced artisanal cheese. The first strategic planning meeting occurred this past year in Vernon in which the BC Milk both attended and supported this through a sponsorship. BC Milk is excited to work with BCACA and use BCACA as a consultation tool as we develop policies to support innovation and growth in the artisanal processing sector.

2) **Maintain high quality milk to meet the Consumer demands. Ensure the integrity of the dairy industry and quality products through proAction (CQM) program and the Milk Industry Act requirements**. Our goal is for BC to lead the country in mandatory producer compliance of proAction modules. On July 13, 2017, the Board signed Amending Order 59 to the Consolidated Order (C.O.) of September 1, 2013. This formally makes registration (and therefore compliance) with the proAction programs for Animal Care, Food Safety (formerly CQM) and Livestock Traceability a mandatory condition of licensing for all BC producers, effective January 1, 2018.

The outcome of the Board's actions resulted in 100% compliance by producers in BC with the proAction program. This helps to achieves the Board's vision of being consumer focused, and the program is targeted at all stakeholders.

Further, the actions taken by BC Milk are consistent with BCFIRB's expectation that boards will continue to demonstrate that they are taking a "proactive and risk management approach" to animal welfare. This continues to include: Adopting up to date, enforceable standards and putting measures in place to respond quickly, effectively and appropriately to such issues as they arise; and, Public reporting on animal welfare management.

Pillar – Sound Fiscal Administration & Management

1) **Maintain sound financial and administrative management, ensure a culture of sound governance**. A key measure is to have clean and timely audit reports issued after the end of the fiscal year and no significant errors found or reported on in the findings report. BC Milk has consistently achieved 100% on the performance measure, including the 2017-2018 fiscal year.

2) **Effective strategic direction and optimize BC Boards effectiveness.** A key measure is to have the Powers & Duties review of the Board, as required by the NPMA, completed every three years and accepted by BCFIRB. The review is required to ensure an accountable regulatory system by clarifying roles and authorities in relation to the legislation. During the reporting period BC Milk conducted a Powers and Duties of the Board review and submitted the report to BCFIRB.

Pillar – Effective Communication

1) **Effective policy communication and industry relations. Ensure accountability and principle-based approach to regulatory policy development (SAFETI).** A key measure is to ensure BC Milk maintains a consultative policy development process to build understanding and support in the development of policies. During this reporting period BC Milk continued its QTAR consultation with the BCFIRB and provided strategic rationale as to why change to the current policy structure was needed to support the continued growth in the dairy sector. On March 1, 2018, the Milk Board effectively applied the QTAR directives by advising stakeholders of changes using both the BCFIRB directive and a simplified version for ease of understanding. In addition to the QTAR policies, during the reporting period BC Milk successfully completed the consultation and implementation of new NEP program.

Governance Measures

Board Governance – General

Board Composition and approved board election rules
The BC Milk Board consists of a six-member board; a non-producer Chair appointed by the BC Lieutenant Governor by Order-In-Council, a non-producer member appointed by the Milk Industry Advisory Committee (MIAC), and four members elected at large by registered producers on staggered 3-year terms at the Annual General Meeting. The approved Election Rules and Procedures which can be found in the Governance section of the BC Milk website.

Board Responsibilities are clearly defined with job descriptions
The Board responsibilities are established as shown in Appendix 1.

Director orientation in place
Each new Board member receives an orientation session provided by senior staff to ensure they are familiar with the policies and procedures of BC Milk. The member is also provided with educational sessions on the dairy industry. BC Milk has a Board Member Manual that is provided to each new Board Member at the orientation session. This manual is updated as policies are changed and is reviewed at least annually.

Training and professional development plans and programs in place for board and staff
BC Milk Board and Staff participate in training and development sessions throughout the year. These sessions are either; provided by the Council of Marketing Boards, in-house sessions led by outside consultants, or through external professional development.

Training and professional development on director responsibilities, mandate and fiduciary duties, role of officers, ethics, confidentiality, privacy, conflict of interest and recusal policies and governance best practices
The training and professional development on director responsibilities is described in the previous paragraph. The ethics, confidentiality, privacy, conflict of interest and recusal policies are described in the BC Milk Code of Conduct policy which can be found in the Governance section of the BC Milk website.

Performance expectations & evaluations
BC Milk conducts an annual evaluation that surveys Board members on board effectiveness, self evaluation, peer evaluation, and Chair evaluation. The survey results are reviewed by outside consultants and then reviewed with the Board to determine any actions that can be taken to enhance board performance and governance.

Code of ethics/conduct
BC Milk has a Code of Conduct policy, which can be found in the Governance section of the BC Milk website.

Strategic plan
The BC Milk strategic plan summary is included in Appendix 2. The plan is supported by a detailed workplan that directs the activities or the organization. The workplan is reviewed annually with the Board to report on the progress towards achieving the goals and actions.

Annual report
The annual report can be found on the BC Milk website and is presented to industry participants during the Annual General Meeting held in November each year.

Succession Planning
The development of future leaders is facilitated by encouraging producers to participate in their regional associations, board committees, and becoming Board Members at BC Dairy Association.

Communications strategies with industry stakeholders, including crisis management
BC Milk communicates with industry through monthly newsletters and industry statistics. Communications on specific issues are sent by Notice to Producer/Processor/Industry as appropriate and as needed. BC Milk utilizes the Notices as well to consult with industry during any policy consultation process.

Consolidated orders and other policies published and up to date
BC Milk Consolidated Orders (CO's) and Amending Orders (AO's) are posted to the BC Milk website on a timely basis, typically the day after they are approved by the Board. The CO's and AO's can be found in the Governance Section of the BC Milk Website.

Organizational governance controls up to date and accessible (published)
BC Milk has recently approved a Code of Conduct policy which is posted in the Governance section of the BC Milk website. The Board is currently conducting a review of all governance policies and documents to update and consolidate the policies into one document that can be published to the BC Milk website.

Financial Responsibility and Accountability

Audited annual financial statements, presented in annual reports and at annual general meetings
BC Milk through the BC Milk Audit Advisory Committee works with the external accountants on the direction and approval of the annual audited financial statements. The results of the annual audit including the financial statements are presented in the Annual Report and at the Annual General Meeting each year. The results for the most recently completed year of 2017-18 received an unqualified audit report.

Auditors appointed in accordance with Scheme requirements
The auditors are appointed by the membership at the AGM each year for the following fiscal year in accordance with Section 4(2)(a) of BC Milk Marketing Board Regulation to appoint the Auditor at the AGM each year.

Approved commodity board member remuneration and expense policy consistent with legislation and relevant policies
The Board Member remuneration is approved in accordance Section 4(2)(b) of BC Milk Marketing Board Regulation to determine the employment benefits and rate of remuneration for Board members at the AGM each year.

Internal controls and policy checklist defined, in place and published
BC Milk has internal controls in place which protect the assets of BC Milk. These policies are kept up-to-date and reviewed annually with the external auditors. There are Standard Operating Procedures which have been developed for each job responsibility. To protect the organization from potential fraud, these documents are not published outside of the organization.

Evidence that the Board engaged senior staff in annual budget development and approval
The budgeting process for BC Milk starts just prior to the end of the current fiscal year. Senior staff prepare an initial draft budget and then meet with the Board's Treasurer (Board Member) to review the assumptions and estimates included in the draft budget. The budget is then presented to the entire Board for review and approval. Once approved the budget is implemented and financial results throughout the year are analyzed and presented to the Board quarterly.

Accounting practices that are in accordance with legislation, regulations, published standards and stakeholder expectations of accountability and transparency
The accounting procedures used by BC Milk are done in accordance with the Canadian Accounting Standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook – Accounting, which are part of Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

Establishing and maintaining appropriate financial accountabilities with producer associations and other organizations that may receive funding from boards to carry out delegated responsibilities under the Natural Products Marketing Act and the schemes. This includes evidence that the Board, in its budget approval process, has satisfied itself that any producer association expenses the board funds are legally authorized and the expenditures are consistent with sound marketing policy
BC Milk collects and remits funds on behalf of the Dairy Industry Development Council for use by the BC Dairy Association under the Farming and Fishing Industry Development Act (FFIDA). These funds are collected outside the authority of BC Milk and does not require budget approval by BC Milk. A BC Milk Board member serves on the BC Dairy Association Audit Committee to ensure that the funds are used as intended by the scheme.

Stakeholders / Producer Consultation and Involvement

Stakeholder experience with board operations, processes and policies and communications
BC Milk conducts a bi-annual industry survey and uses the results to evaluate the effectiveness of its policies and procedures and to determine areas of improvement or potential future policy changes.

Stakeholder feedback actioned where appropriate
Same as above, the feedback from the survey is used for future policy development. Also see the following sections for further examples and explanations.

Consultation with stakeholders (e.g., producers, other supply chain members, BCFIRB, national agencies, other provincial agencies, Ministry of Agriculture), as deemed appropriate and meaningful by the boards, to address sound marketing and public interest expectations including emerging social, environmental, production and demand issues in BC
BC Milk utilizes consultation with industry stakeholders as a key component of policy development. Depending on the amount of input required, the consultation can range from a Notice asking for written feedback, up to regional meetings throughout the province to engage stakeholders. The Board also utilizes established or ad-hoc committees to consider policy options and to make recommendations to the Board.

Sound Decision Making / Sound Marketing Policy

Type and outcome of appeals to BCFIRB
There were no appeals or appeal decisions during the reporting period.

Demonstrated transparency on significant or major commodity board decisions (e.g., pricing or quota allocation), including process and rationale for decisions or reasons for change
The most significant board decision for the reporting period was the New Entrant Program (NEP) which replaced the existing Graduated Entry Program (GEP). BC Milk developed an extensive consultation plan and launched the consultation process in October 2017, including a separate web page to advise and track the progress of the consultation. An industry survey was conducted to gather feedback on program considerations. A committee was established to review survey results, gather more focused input, and determine some potential policy options for the consideration of the Board. The Board also sought feedback directly from industry by holding industry meetings in December 2017 and April 2018. The NEP Consultation and Policy Decision document was posted on the BC Milk website August 2018 and a Notice to Industry was emailed at the same time. This document included the NEP background, overview of the consultation process, feedback themes, decision making framework, policy options & considerations, the Board Decision on NEP, and a SAFETI analysis and rationale for the Board's decision.

Meeting quorum and other decision-making governance requirements, including management, documentation and disclosure of conflicts of interest and recusals
The Board follows section 3.3 (1) of the British Columbia Milk Marketing Board Regulation (under the NPMA), the quorum of the board is a majority of its members. Voting will be by a simple majority with the Chair casting a second deciding vote if necessary. Board members make a written annual declaration and discloser of conflicts of interest. When a potential conflict arises, the Board will discuss whether an actual conflict is present, and if so, the member will recuse themselves from that portion of the Board meeting.

Prompt timing, delivery and disclosure of commodity board decisions
Board decisions are communicated, typically the next business day, by official Notice on the BC Milk website, or written communication to the affected party.

Copies of all minutes, orders, reports, rules and regulation of every commodity board shall be forwarded as they are made or amended, to BCFIRB
Minutes are sent to BCFIRB, typically the next business day, after they have been approved by the Board.

Quota Management & Movement

Glossary

CDQ – Continuous Daily Quota

Small Farm - CDQ is less than 85 kg/day

Medium Farm – CDQ is between 85.1 -185 kg/day

Large Farm – CDQ is greater than 185 kg/day

Small processor - processes less than 1 million litres annually

Medium processor - processes between 1 - 16 million litres annually

Large processor – processes more than 16 million litres annually

New Entrant – Producers who started on the Graduated Entrant Program or purchased initial quota in August 1, 2009 or later

Established Producer – Producers who started in the dairy industry prior to August 1, 2009

Succession – Producers who transferred quota to an exempt person

1. Quota is managed in accord with legislation, regulations, agreements and FIRB decisions and directions.

The BC Milk Marketing Board uses the Consolidated Order of September 1, 2013 (C.O.) as a framework to ensure effective governance in decision making. The C.O. encompasses decisions/directives made by the BC Farm Industry Review Board (BCFIRB), Western Milk Pool Coordinating Committee (WMP CC) and the Canadian Milk Supply Managed Committee (CMSMC).

In addition to the C.O., BC Milk uses the Specialty Policy Guide (June 2018) for specific administrative policies relating to the specialty industry and reviews the Regulated Marketing Economic Policy (2004), the BC Specialty Review (2005) and the Quota Assessment Tools Supervisory Review (February 2018) for guidance as required.

2. Strategic planning and sustainable industry development supported by sound quota management over time that supports the board's vision and goals for the industry.

1) Definition of sustainable industry development

BC Milk follows a strategic planning process which includes an annual review with the Board on the progress towards achieving the goals and actions. A key action which was completed during the reporting period was the development of the New Entrant Program as described in other sections of this report. A goal of the NEP is to assist with sustainable industry development. BC

Milk received 95 applications to this program in its first year. This is an indicator of the success of the new policy to attract new producers to the dairy industry in a sustainable manner to support industry development.

2) Industry structure in the 2017-2018 Dairy Year

During the 2017-2018 dairy year, there was a net 170.86 kg/day reduction in allotted quota. The difference is attributed to the 10/10/10 retraction policy and the 5% assessment policy that were applied on a sizeable going concern sale and all quota exchange transactions between August 1, 2017 to February 1, 2018. The 10/10 retraction policy was applied from March 1 to July 31, 2018.

Quota Distribution of New Entrant and Established Producers (kg/day)

Date	Established		New Entrant		Total	
	Producers	CDQ	Producers	CDQ	Producers	CDQ
2017-08-01	427	86,949	60	3,647	487	90,596
2018-07-31	413	86,220	63	4,205	476	90,425

August 1, 2017 – Quota Distribution of Established Producers by Type and Size (kg/day)

Size	Established	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Small	6,510	6,022	341	35	111
Medium	21,409	19,781	689	295	811
Large	59,030	57,653	1,377	-	-
Total	86,949	83,456	2,407	330	922

July 31, 2018 -Quota Distribution of Established Producers by Type and Size (kg/day)

Size	Established	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Small	6,134	5,680	343	-	111
Medium	20,391	18,472	678	429	811
Large	59,695	58,317	1,378	-	-
Total	86,220	82,469	2,399	429	922

August 1, 2017 – Quota Distribution of New Entrant Producers by Type and Size (kg/day)

Size	New Entrant	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Small	1,982	1,674	267	-	40
Medium	1,665	1,665	-	-	-
Large	-	-	-	-	-
Total	3,647	3,339	267	-	40

July 31, 2018 – Quota Distribution of New Entrant Producers by Type and Size (kg/day)

Size	New Entrant	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Small	2,066	1,758	267	-	40
Medium	1,864	1,864	-	-	-
Large	276	-	276	-	-
Total	4,206	3,622	543	-	40

August 1, 2017 – Quota Distribution of Established Producers by Type and Region (kg/day)

Region	Established	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Fraser Valley	66,549	63,661	1,822	330	736
Vancouver Island	6,461	6,461	-	-	-
Bulkley Valley & Cariboo	1,836	1,836	-	-	-
Kootenays	1,319	1,261	58	-	-
Okanagan	10,622	9,910	527	-	185
Peace River	162	162	-	-	-
Total	86,949	83,291	2,407	330	921

July 31, 2018 – Quota Distribution of Established Producers by Type and Region (kg/day)

Region	Established	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Fraser Valley	66,602	63,439	1,811	429	922
Vancouver Island	6,120	6,120	-	-	-
Bulkley Valley & Cariboo	1,797	1,797	-	-	-
Kootenays	1,306	1,246	59	-	-
Okanagan	10,233	9,705	528	-	-
Peace River	162	162	-	-	-
Total	86,220	82,469	2,398	429	922

August 1, 2017 – Quota Distribution of New Entrant Producers by Type and Region (kg/day)

Region	New Entrant	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Fraser Valley	3,223	2,951	232	-	40
Vancouver Island	-	-	-	-	-
Bulkley Valley & Cariboo	34	34	-	-	-
Kootenays	-	-	-	-	-
Okanagan	390	355	36	-	-
Peace River	-	-	-	-	-
Total	3,647	3,340	268	-	40

July 31, 2018 – Quota Distribution of New Entrant Producers by Type and Region (kg/day)

Region	New Entrant	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Fraser Valley	3,794	3,522	232	-	40
Vancouver Island	-	-	-	-	-
Bulkley Valley & Cariboo	34	34	-	-	-
Kootenays	-	-	-	-	-
Okanagan	378	342	36	-	-
Peace River	-	-	-	-	-
Total	4,206	3,898	268	-	40

August 1, 2017 -Quota Distribution of Established and New Entrant Producers by Type (kg/day)

Type	Established		New Entrant		Total	
	Producers	Quota	Producers	Quota	Producers	Quota
Conventional	400	83,291	53	3,339	453	86,630
Specialty	16	2,407	6	267	22	2,674
Lifestyle	3	330	0	-	3	330
Specialty Lifestyle	8	921	1	40	9	961
Total	427	86,949	60	3,646	487	90,595

July 31, 2018 -Quota Distribution of Established and New Entrant Producers by Type (kg/day)

Type	Established		New Entrant		Total	
	Producers	Quota	Producers	Quota	Producers	Quota
Conventional	386	82,470	56	3,898	442	86,368
Specialty	16	2,398	6	267	22	2,666
Lifestyle	3	429	0	-	3	429
Specialty Lifestyle	8	922	1	40	9	962
Total	413	86,219	63	4,205	476	90,425

3) Production Summary for the period August 1, 2017-July 31, 2018

Dairy Year Summary of Production by Type of Production (kg)

Type	Production	%
Conventional	32,050,554	95.50%
Specialty	1,015,468	3.03%
Lifestyle	157,912	0.47%
Specialty Lifestyle	335,296	1.00%
Total	33,559,230	100.00%

Dairy Year Summary Production by Producer and Production Type (kg)

Producer Type	Conventional	Specialty	Lifestyle	Lifestyle Specialty	Total
Established	31,163,149	969,347	157,912	315,066	32,605,474
New Entrant	887,405	46,121	-	20,230	953,756
Total	32,050,554	1,015,468	157,912	335,296	33,559,230

Dairy Year Summary Production for Established Producers By Size (kg)

Size	Conventional	Specialty	Lifestyle	Specialty Lifestyle	Total
Small	2,415,118	158,246	28,962	45,257	2,647,583
Medium	6,964,414	230,944	49,846	197,871	7,443,075
Large	21,783,618	580,157	79,104	71,938	22,514,817
Total	31,163,150	969,347	157,912	315,066	32,605,475

Dairy Year Summary Production for New Entrant Producers by Size (kg)

Size	Conventional	Specialty	Lifestyle	Specialty Lifestyle	Total
Small	535,883	46,121	-	20,230	602,234
Medium	279,910	-	-	-	279,910
Large	71,612	-	-	-	71,612
Total	887,405	46,121	-	20,230	953,756

Dairy Year Summary Production for Established Producers by Type & Region (kg)

Region	Conventional	Specialty	Lifestyle	Specialty Lifestyle	Total
Fraser Valley	23,323,398	764,969	157,912	273,639	24,519,919
Vancouver Island	2,252,040	-	-	-	2,252,040
Bulkley Valley & Cariboo	683,658	-	-	41,427	725,085
Kootenays	473,396	27,973	-	-	501,369
Okanagan	4,371,230	176,405	-	-	4,547,635
Peace River	59,428	-	-	-	59,428
Total	31,163,150	969,347	157,912	315,066	32,605,475

Dairy Year Summary Production for New Entrant Producers by Type & Region (kg)

Region	Conventional	Specialty	Lifestyle	Specialty Lifestyle	Total
Fraser Valley	783,464	46,121	-	20,230	849,815
Vancouver Island	-	-	-	-	-
Bulkley Valley & Cariboo	12,796	-	-	-	12,796
Kootenays	-	-	-	-	-
Okanagan	91,145	-	-	-	91,145
Peace River	-	-	-	-	-
Total	887,405	46,121	-	20,230	953,756

4) Growth

Growth Quota Issued to Qualifying Producers - July 31, 2018

BC Milk issued a 4% quota allocation on August 1, 2017 to all qualifying producers. At this time, QTAR directives were not applied, therefore no producers were ineligible for the allocation and no producer turned down the allocation. No other allocations were applied during the reporting period.

Growth Quota for Established Producers by Region (kg/day)

Region	Established		
	Producers	Allocation	CDQ
Fraser Valley	291	2,526	66,549
Vancouver Island	42	249	6,461
Bulkley Valley & Cariboo	16	71	1,836
Kootenays	7	50	1,319
Okanagan	69	402	10,621
Peace River	2	6	162
Total	427	3,304	86,948

Growth Quota for Established Producers by Size (kg/day)

Size	Established		
	Producers	Allocation	Quota
Small	111	241	6,510
Medium	165	801	21,408
Large	151	2,262	59,030
Total	427	3,304	86,948

Growth Quota for Established Producers by Region and Type (kg/day)

Region	Established	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Fraser Valley	2,525	2,433	56	13	23
Vancouver Island	249	249	-	-	-
Bulkley Valley & Cariboo	71	71	-	-	-
Kootenays	51	49	2	-	-
Okanagan	402	378	17	-	7
Peace River	6	6	-	-	-
Total	3,304	3,186	75	13	30

Growth Quota for New Entrant Producers by Region (kg/day)

Region	New Entrant		
	Producers	Allocation	CDQ
Fraser Valley	52	123	3,223
Vancouver Island	0	-	-
Bulkley Valley & Cariboo	1	1	34
Kootenays	0	-	-
Okanagan	7	15	390
Peace River	0	-	-
Total	60	139	3,647

Growth Quota for New Entrant Producers by Size (kg/day)

Size	New Entrant		
	Producers	Allocation	Quota
Small	48	75	1,982
Medium	12	64	1,665
Large	0	-	-
Total	60	139	3,647

Growth Quota for New Entrant Producers by Region and Type (kg/day)

Region	New Entrant	Conventional	Specialty	Lifestyle	Specialty Lifestyle
Fraser Valley	123	114	8	-	1
Vancouver Island	-	-	-	-	-
Bulkley Valley & Cariboo	1	1	-	-	-
Kootenays	-	-	-	-	-
Okanagan	15	14	1	-	-
Peace River	-	-	-	-	-
Total	139	129	9	-	1

5) Retraction

No quota was retracted through the reporting period other than assessments.

6) Quota Movement

Conventional Transfers for Established Producers by Region (kg/day)

Region	Assessments	Retractions
Fraser Valley	12	83
Vancouver Island	6	30
Bulkley Valley & Cariboo	-	-
Kootenays	-	4
Okanagan	-	-
Peace River	-	-
Total	18	117

The Fraser Valley had one going concern sale during this period which resulted in an assessment of 2.79 kg/day and a retraction of 20.56 kg/day. No other regions had going concern sales during this reporting period.

Conventional Transfers -New Entrant Producers

In the 2017-2018 dairy year, new entrant transfers occurred in the Fraser Valley. A total of 27.40 kg/day were allocated to new entrants with an additional 14.50 kg/day applied as matching quota. Total assessments were 1.00 kg/day and total retractions were 12.48 kg/day. No other regions had new entrant transfers during this reporting period.

Quota Exchange Transfers for Established Producers by Region (kg/day)

Region	Transfers Out	Transfers In	Change
Fraser Valley	-679	869	190
Vancouver Island	-240	25	-215
Bulkley Valley & Cariboo	-40	1	-39
Kootenays	-	21	21
Okanagan	-33	36	3
Peace River	-	-	-
Total	-992	952	-40

Quota Exchange Transfers for New Entrant Producers by Region (kg/day)

Region	Transfers Out	Transfers In	Change
Fraser Valley	-145	204	59
Vancouver Island	-	-	-
Bulkley Valley & Cariboo	-	-	-
Kootenays	-32	-	-32
Okanagan	-21	32	11
Peace River	-	-	-
Total	-198	236	40

During the 2017-2018 dairy year no specialty quota exchanges were administered by the Milk Board.

Going Concern Transfer – Established Producers

During the 2017-2018 dairy year, one going concern transfer occurred in the Fraser valley resulting in 56 kg/day being transferred within the Fraser Valley.

Farm Transfers (location change) for Established Producers by Region (kg/day)

Region	Transfers Out	Transfers In	# of Producers
Fraser Valley	-1,335	1,150	7
Vancouver Island	-	-	0
Bulkley Valley & Cariboo	-	-	0
Kootenays	-	-	0
Okanagan	-122	307	1
Peace River	-	-	0
Total	-1,457	1,457	8

Farm Transfers (location change) for New Entrant Producers

During the 2017-2018 dairy year, two new entrant producers transferred 103.22 kg/day within the Fraser Valley to change farm location. No other regions had new entrant farm location transfers during this period.

Succession Transfers for Established Producers by Region (kg/day)

Region	Transfers Out	Transfers In	# of Producers
Fraser Valley	-1,137	1,435	18
Fraser Valley Specialty	-11*	-	1
Vancouver Island	-	-	0
Bulkley Valley & Cariboo	-	-	0
Kootenays	-	-	0
Okanagan	-309	22	1
Peace River	-	-	0
Total	-1,457	1,457	20

*Specialty producer transferring to conventional production within the Fraser Valley.

Succession Transfers for New Entrant Producers

During the 2017-2018 dairy year, there were no new entrant succession transfers.

7) New Entrants

Two new entrants started production through the Graduated Entrant Program during the 2017-2018 dairy year, both producers were in the Fraser Valley. Four new farms were added by established producers during the same time, three of these farms were in the Fraser Valley and one was in the Okanagan.

8) Small lot/permit production

This is section is not applicable to the BC Milk.

9) Processing capacity

BC Milk only has data relating to milk buyers registered by the CFIA or BC CDC to manufacture milk products.

Processing Capacity by Size

Size	Number of Processors
Large	5
Medium	5
Small	41
Total	51

Processing Capacity by Region

Region	Number of Processors
Fraser Valley	28
Okanagan	12
Vancouver Island	8
Kootenay	2
Bulkley Valley & Cariboo	1
Peace River	0
Total	51

Processing Capacity by License

License Type	Number of Processors
Federal	28
Provincial	51

Processing Capacity by Product Type

Product	Number of Processors
Fluid	23
Cheese /Yogurt/Ice cream	5
Yogurt	2
Cheese	18
Ice cream	3
Total	51

10) Quota Price

Quota Exchange Clearing Prices ($/kg)

Month	First Exchange CDQ	Second Exchange CDQ
August 2017	$41,000	N/A
September 2017	$41,000	N/A
October 2017	$41,000	$40,500
November 2017	$40,000	$39,500
December 2017	$39,000	$38,500
January 2018	$38,500	N/A
February 2018	$38,500	N/A
March 2018	$38,500	N/A
April 2018	$38,500	N/A
May 2018	$38,500	N/A
June 2018	$38,500	N/A
July 2018	$38,500	N/A

3. Producer Engagement and Commitment to the Industry

a. Average volume of quota leased as percentage of individual holdings

BC Milk does not recognize quota leasing; however, the BC Milk does administer a private transfer of credits monthly. A summary of conventional credits utilized by farm size is provided below. Specialty credit transfers are not limited to 10% on a 12-month basis and therefore were not tracked during this period.

Range	Size	Average % of Credits Utilized
0-85 kgs	**Small Farms**	46.00%
86-185 kgs	**Medium Farms**	34.67%
over 186 kgs	**Large Farms**	29.62%

b. #of new entrant exits within the first 5 years of entering the industry

Two new entrants exited within the first 5 years of entering the industry.

c. #of new entrant exits after 5 years and before 10 years

Three new entrants exited after 5 years and before 10 years.

d. # of established producer exits (10 years or longer)

Nine established producers exited the industry after 10 years.

4. Quota Management supports delivery of Ministry Policy (Regulated Marketing Economic Policy 2004)

a. Description of specialty and niche markets being filled -quota and non-quota programs

Specialty (Organic)

In the 2017-2018 dairy year, the specialty market made up 4.04% of the total production in BC. BC Milk actively manages the production of specialty milk. The Board ensures supply is met by reviewing production and processing requirements twice a year and initially extending a sleeve to existing producers if market growth occurs. Once the BC Milk is assured the market growth is an increase in sales, a new organic producer is invited to participate in specialty market production. BC Milk offers a quota incentive to producers to convert from conventional to organic production and administers a financial premium to produce the milk. A maximum of 25 kgs can be earned during this conversion. BC Milk maintains an Expression of Interest List of eligible organic producers to be prepared should the need arise. Organic processors were required to pay $0.30/litre premium on all milk utilised at the plant and/or a minimum of 95% of ordered milk. In the 2017-2018 dairy year, organic producers received an average of $0.287 /litre premium on all in-quota milk produced.

Lifestyle (Omega and Grass-fed)

In the 2017-2018 dairy year, the lifestyle market made up less than 1% of the total production in BC. BC Milk administers a financial premium based on the type of milk produced which is paid by the processors who utilise the milk. Producers who participate in these markets use their own quota.

Specialty Lifestyle (Specialty Grass-fed)

In the 2017-2018 dairy year, the specialty lifestyle market made up .81% of the total production in BC, and 20.1% of the specialty market. BC Milk administers a financial premium based on the type of milk produced which is paid by the processors who utilise the milk. Qualifying organic producers are able to participate in this production and any quota incentive is provided for the organic production.

b. Provincial share of total national production compared to other provinces

BC Compared to National Production- July 31, 2018

Province	Continuous Quota kg/bf	Percentage (%)
BC	2,759,259	9.02
AB	2,741,453	8.96
SK	955,314	3.12
MB	1,333,333	4.36
ON	9,776,529	31.95
QC	11,268,491	36.83
NB	515,064	1.68
NS	660,885	2.16
PEI	387,190	1.27
NL	199,945	0.65
Total	30,597,463	100.00

c. Amount of product exported by commodity type, by market destination, if information available. If available how many import volume supplements were granted by the federal government this year?

Canadian Exports of Dairy Products

2017 to 2018 - Total of All Dairy Products by Product

TOTAL OF ALL DAIRY PRODUCTS BY PRODUCT

		2017		2018		2018 %	
		Value (Cdn $)	Quantity (Kg)	Value (Cdn $)	Quantity (Kg)	Value (Cdn $)	Quantity (Kg)
Dairy Products	Milk Powders	175,217,290	72,696,817	147,198,834	66,340,827	38.9%	38.3%
	Whey Products	62,965,920	63,951,133	53,854,676	67,653,124	14.2%	39.1%
	Other	43,459,748	10,705,136	43,149,479	11,804,234	11.4%	6.8%
	Products Consisting of Natural Milk Constituents	25,324,294	3,312,690	38,694,869	6,905,295	10.2%	4.0%
	Specialty Cheese	35,972,480	4,389,458	37,365,838	4,218,280	9.9%	2.4%
	Cheddar and Cheddar Types	18,054,403	2,927,255	13,697,179	2,548,320	3.6%	1.5%
	Fresh Cheese	13,065,169	2,713,081	12,456,233	2,566,515	3.3%	1.5%
	Butter & Other Fats and Oils	5,758,357	1,177,961	10,210,813	1,721,413	2.7%	1.0%
	Milk and Cream	10,189,148	8,834,033	9,210,857	7,113,990	2.4%	4.1%
	Buttermilk Products	6,482,992	309,892	7,937,675	602,712	2.1%	0.3%
	Casein	512,917	212,666	2,369,933	875,326	0.6%	0.5%
	Evaporated and Condensed Milk	1,202,475	400,049	1,546,498	574,017	0.4%	0.3%
	Ice Cream	462,818	134,616	584,532	156,391	0.2%	0.1%
	Processed Cheese	198,768	45,826	322,162	114,394	0.1%	0.1%
	Dairy Spreads	8,360	4,581	5,792	3,122	0.0%	0.0%
TOTAL		398,875,139	171,815,194	378,605,370	173,197,960	100.0%	100.0%

BC Imports of Dairy Products

Calendar Year - 2017 to 2018

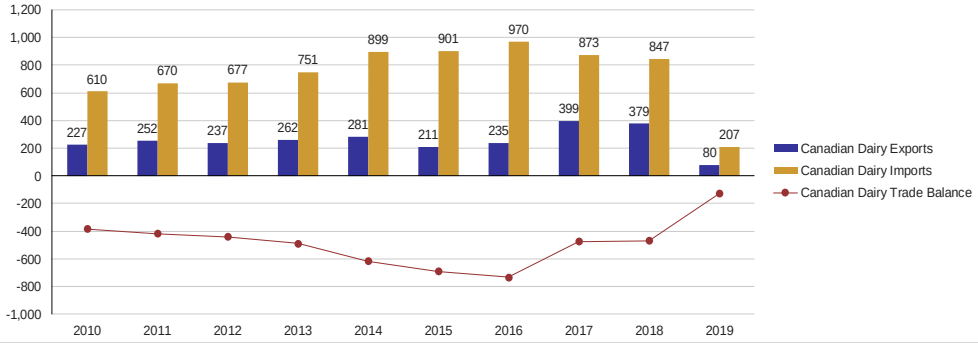
Product		British Columbia CDN $ 2017	British Columbia CDN $ 2018
Milk		8,045,314	7,919,307
Cream		265,329	11,467
Cheese	Cheddar and cheddar types	1,013,420	1,198,451
	Specialty Cheese	8,127,754	10,507,094
	Processed Cheese	252,532	339,555
	Fresh Cheese	200,882	388,002
	Total Cheese	**9,594,588**	**12,433,102**
Ice Cream and Ice Cream Novelties		842,870	1,262,622
Yogurt		123,365	192,753
Butter and other fats and oils derived from milk		11,839,890	17,673,386
Evaporated Milk		7,005	3,967
Condensed Milk		11,396	4,640
Skim Milk Powder		70,845	58,013
Whole Milk Powder		35,883	29,378
Whey Products		18,140,054	8,572,145
Casein and Casein Products		4,170,926	5,469,498
Dairy Spreads		-	-
Products Consisting of Natural Milk Constituents		2,590,374	2,687,276
Milk Protein Substances		1,857,722	1,252,693
Others		9,210,489	11,831,641
TOTAL DAIRY PRODUCTS		**66,806,050**	**69,401,888**

Canadian Dairy Trade Balance

Calendar Year - 2010 to 2019

(Million Dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Variation % (+/-)
Exports	227.2	252.0	237.4	262.0	281.5	211.1	235.3	398.9	378.6	80.2	-79%
Imports	610.4	669.9	677.4	751.2	899.2	900.6	969.7	872.6	846.9	207.1	-76%
Trade Balance	(383.1)	(417.9)	(440.0)	(489.2)	(617.7)	(689.5)	(734.4)	(473.7)	(468.3)	(126.9)	-73%



Appendix 1 - Responsibilities of a Board Member

Board Members are responsible to represent the interests of all stakeholders in the dairy industry.

It is incumbent on each Board Member to conduct themselves and their affairs in a manner so as to set a positive example for his fellow producers. When Board Members do not do so they may be assured that the processors involved will be quick to bring any shortcoming to the Board's attention. This specifically includes public criticism of the Board. Board Members have a forum to address these concerns and must use it.

It is incumbent on each Board Member to be aware of the facts regarding many industry factors. Specifically, they must be conversant with such things as their costs per unit, the pricing system, quota allocation by CMSMC and the provincial Total Production Quota (TPQ). This is to ensure that when Board Members make recommendations and public statements they are credible and constructive. To help in this regard the Board staff will be available for briefing sessions for Members whenever requested and will provide as much information as possible at all times.

The Board will make every effort to include Members in advisory processes and industry meetings to increase exposure and learning opportunities. It is every Member's responsibility to take full advantage of these opportunities and to challenge the Board to make more of them available. There is no guarantee of long-term success for your industry if you do get involved - But there is a certain guarantee of failure if you do not. As a Board Member you must look beyond your farm gate at all times.

Board members have a combined responsibility for producers and other stakeholders' interests; for example, ensuring that processors have an adequate opportunity to recover an acceptable return for their business. It is up to the Board Members to be aware of the Board's dual role and to ensure that they present the best possible argument when addressing their concerns.

The Canadian Milk industry is known to be a leader in representing its constituency very effectively in Ottawa, and during the recent trade talks, in other capitals of the world. While that activity and leadership continues, there are equally great challenges at home - particularly the need to balance producers returns to those of their processors, while maintaining acceptable volumes for both. This can only be achieved with solid, unified support and direction from the producer groups and their leaders.

Appendix 2 – BC Milk Strategic Plan

BC Milk Marketing Board (BCMMB)
2016-2020 Strategic Plan Summary

Purpose	***Manages the supply of milk to ensure sufficient milk production to meet consumer demand***	**Vision**	***A Dynamic, Responsive, Sustainable and consumer focused Dairy Industry in BC***
Values	***Integrity*** ***Impartial and Independent*** ***Transparency*** ***Equitable*** ***Responsive*** ***Accountable***	**Mission**	***To enhance the vitality of the whole BC dairy industry through a culture of sound governance***

GOALS, STRATEGIES, AND EXPECTED OUTCOMES

PILLAR - MILK SUPPLY	
Goal 1	***Provide Effective & Efficient Quota Management Policy and Address the Future Consolidation of Farming***
Strategies	*Assess BCMMB Quota Policy for changes in future consolidation of farms *Provide "Renewal" Growth opportunities and assess GEP opportunities * Evaluate a Renewal Policy to support new producers and/or capital investments * Develop Corporate Family Farm Policy and evaluate the need for partnership agreements with CSRs. * Review mechanisms for quota exchange management
Outcomes	1a. Enabled the foundation of milk supply with efficient operations and adequate Quota on the exchange. 1b. Developed a Renewal Policy to support sustained farming & industry growth 1c. Consolidation of industry in a balanced, effective approach
Goal 2	***Effectively Manage Supply Management Risks through National Pool Negotiations***
Strategies	*Negotiate National and WMP governance options * Strategically engage P10/DFC New Market Environment negotiations * Review the WMP harmonized policies (eg. PLR)
Outcomes	2a. Ensured a strong representation for BC position in the P10/DFC negotiations 2b. Harmonized WMP policies where appropriate
PILLAR - GROWTH THROUGH INNOVATION & RENEWAL	
Goal 3	***Provide Policies for Producers and Processors Growth and Innovation in BC***
Strategies	*Enable and Maximize Innovation Policy * Develop Direction and Policy for Export Trade Opportunities * Evaluate Organic Policy to assess forecast by market growth vs processor orders * Meet Consumer demand for Life-Style milk (eg. Grass-fed milk)
Outcomes	3a. Diversified products produced in BC for consumer demand 3b. Increased Processing in BC and WMP 3c. Sustained Innovation and growth in the industry 3d. Equitable allocation to processors
Goal 4	***Maintain high quality milk to meet the Consumer demands***
Strategies	*Ensure the integrity of the Dairy Industry and quality products through proAction program and the Milk Industry Act requirements
Outcomes	4a. Achieved proAction compliance 4b. Reduced inhibitor infractions 4c. Enhanced Quality of Milk; Production; and Transportation 4d. Reviewed and adjusted to changes in Ministry and future systems
PILLAR - SOUND FISCAL ADMINISTRATION & MANAGEMENT	
Goal 5	***Maintain Sound Financial and Administrative Management***
Strategies	*Ensure a Culture of Sound Governance * New IT system by March 2016 & completed by July 2016 for improved efficiency and risk management
Outcomes	5a.Full Compliance with all legal requirements 5b. Updated IT systems and infrastructure 5c. Assessed value of CAFL ownership and Board investment
Goal 6	***Effective Strategic Direction and Optimize BC Boards effectiveness***
Strategies	*Ensure a Team-based Culture *Provide Strategic Direction & Plan * Evaluate Options for improved efficiency and effectiveness of producer and regulatory Boards
Outcomes	6a. Maintained a respectful, positive working environment 6b. Enhanced BCDA and BCMMB Boards efficiency and effective collaboration
PILLAR - EFFECTIVE COMMUNICATION	
Goal 7	***Effective Policy Communication & Industry Relations***
Strategies	*Ensure accountability and principle-based approach to regulatory policy development (SAFETI) *Communicate effectively with BCFIRB and key stakeholders (Processors, etc.) * Collaborative Initiatives with BCDA such as proAction implementation
Outcomes	7a. Informed and engaged producers and processors 7b. Effective Board Advisory committees 7c. Stakeholder confidence in BC Milk Supply Management