

BCMMB Submission
QTAR (QATE) Follow-Up Questions

Questions from September 19th Letter

1. What are the dates that the reported under production is occurring or occurred?

The report covers the dairy year ended July 31, 2017. Note that this only covers one year and might not be representative of every dairy year.

2. Is the Milk Board not meeting its provincial and national production commitments? Why or why not?

The Milk Board has recently been meeting its provincial and national production commitments, in fact BC is currently the only province in Canada that is within the national production limits of plus 0.5% and minus 1.5% (BC was at -1.31% as of July 31, 2017)

However, the data shown on the “Analysis of Lost Under Production Shippers” report indicates to us that the trend of under production is increasing in BC. When we compare the 2017 Lost KG’s of Production to 2016 we get the following comparison:

2015/2016 Lost Under Production 172,532 kgs
2016/2017 Lost Under Production 230,768 kgs

The other indicator we look at is Net Producer Credits, which is the amount of under production that producers are carrying forward. As shown below, this amount has more than doubled in the last year.

July 2016 Net Producer Credits 253,261 kgs
July 2017 Net Producer Credits 553,695 kgs

The conclusion that we draw from the fact that BC is currently within the national production limits yet we have increasing Lost Under Production Credits and increasing Net Producer Credits is that both the BCMMB policies have worked well in the past to ensure we meet our national obligations, and the producers have done a good job of producing quota allocated to them. However, with all of the growth in the industry we are starting to see a worsening trend and our policies need to be reviewed to ensure we can continue to meet our obligations. Producers have worked well within the current rules, but they need more flexibility in order to keep up with the significantly increased growth.

3. Is producer size, based on the total amount of quota held by that producer, directly impacting that producer's ability to meet its production commitments? Why or why not?

We don't think that producer size has a significant impact on the producer's ability to meet their production obligations. Each size of producer has their own challenges and opportunities.

4. Why are producers who are unable to meet their production requirements subsequently required to accept further growth allocations?

All producers are allocated quota on the same basis. As shown in the analysis of under production, generally producers have done a good job of meeting their production requirements. However, there would be a small number of producers who may need to "right size" their farm. Our proposal to remove 10/10/10 and LIFO would allow producers to better adapt to meet the production requirements based on their own individual situation.

5. What production tools and penalties is the Milk Board utilizing to address the reported 'lost' kilograms of production?

The "lost" kilograms of production is a tool that BCMMB uses, as it limits the amount of under production credits a producer can carry forward. This is a lost opportunity to the producer.

In the interests of transparency, BCFIRB's intention is to post the attached documents to its QATE web page. If the Milk Board has any confidentiality concerns, please advise of any redactions deemed necessary.

The document "P10 & WMP Transfer Summary 2016/2017" document should not be posted on a public website as it includes information that is trade sensitive internationally. Specifically, the "Ice Cream Promotion" and Flavoured Milk Promotion" items.