

September 28, 2017

Farm Industry Review Board
PO Box 9129 Stn Prov Govt
Victoria, BC V8W 9B5
Email: firb@gov.bc.ca

Dear FIRB Board:

Quota Assessment Tools Evaluation (QATE) – Further Recommendations

The Milk Board would like to acknowledge the concerns outlined in the letters of September 8, 2017 (follow-up); September 19, 2017 (analysis of lost under-production shippers) and September 19, 2017 (initial proposal analysis and related outcomes).

The Milk Board fully supports the recommendations submitted on June 30, 2017 and is confident the dairy industry would benefit from the changes outlined in the submission. However, in its commitment to work with the FIRB to develop policies that meet all stakeholder interests while continuing to respect sound governance principles; the Board would like to submit the following for further consideration:

The Board recommends the following policies for further consideration:

A. Remove the 10/ 10/10 and LIFO transfer assessment on all allocations of quota and apply the change on all quota (past, present, future) with no retroactive adjustments. (As per initial submission)

~~**B. Lower the quota price by approximately 15% (target price = \$36,000 kg/day)**~~

~~Recognizing the intent of the price adjustment was simply to adjust supply and demand and creating a stable market environment through a policy transition period, the Board is willing to withdraw recommendation “B” from the original submission and allow the mechanics of the quota exchange determine the price of quota providing no unintended consequences occur requiring Board review.~~

C. Apply a policy that restricts the distribution of quota allocations to a producer if an allocation is sold within 12 months of the previous allocation.

~~The Board recognizes the challenge of public perception in the case where farms are not using funds from the sale of allocations for re-investment. A policy in which the Board does not distribute a quota allocation to producers who have sold an allocation in the 12-month period following the previous allocation will create producer accountability for the use of allocations for reinvestment. This policy option would only be considered with the removal of the 10/10/10 and LIFO policy.~~

~~D. Develop a market responsive assessment with a starting value of 5%~~

In order to support the premise of more transferable quota in the marketplace, the Board is removing its recommendation for a market responsive assessment and is adding a 5% global transfer assessment on all non-exempt quota transactions.

E. Modify the Board Incentive Programs (GEP and Specialty incentive quota) and apply a 10/10/X policy for quota accountability

Through the consultation process the Board discussed a 10/10/X option for all incentive quota provided by the Board. This policy would allow the producers to earn 10% of the quota allocated annually until year 10 at which time the global assessment would be applied on the quota when transferred. This option was supported by stakeholders and creates some accountability for the program. [This policy option would only be considered with the removal of the 10/10/10 and LIFO policy.](#)

F. Add farm employee to the exempt transfer policy with an ownership limit of 5% (As per initial submission)

G. Consultations for a new Graduated Entrant Program to start September 2017 with new entrants starting by August 1, 2019. (As per initial submission)

The Milk Board has focused the recommendations to benefit the industry and specifically the public interest. Using the FIRB direction from the September 8th, 2017 letter, the Milk Board would like to address the following;

- **Greater operating efficiencies for producers and other industry members throughout the entire system – enhancing value in the marketplace over the long-term.**

The Milk Board supports the policies recommended above as they ensure the opportunity for decision making to right-size farms and create the movement of quota guaranteeing processors have a steady milk supply in the BC market. Processors and retailers require milk supply to satisfy their consumer base and if milk supply is not met, milk will be supplied from other areas from the country.

The transfer of quota generates a stream of economic activity, the purchaser of quota invests in infrastructure (land, cows, buildings, equipment, technology) and other related industries benefit from this purchase (i.e. banks, feed companies, cattle dealers). This activity creates jobs and supports the BC economy. This is key to the public interest of all British Columbians.

BC is in a unique position in which investment opportunities are expensive in relation to the rest of the country. The Milk Board is concerned that the milk supply will be affected in the long term if these policies are not accepted by the FIRB.

- [Promotion and/or continued overall industry growth and competitiveness.](#)

In order to have a sustainable industry, the province needs renewal and investment from producers in the industry and those entering the industry.

BC producers are at a disadvantage as the rest of the country does not have such punitive assessment policies that limit reinvestments on the farm.

National trade agreements consistently create challenges for dairy producers and BC producers lack the ability to compete with their counterparts because of the high cost of production and assessment policies.

In order for the province to be successful it requires growth from within.

- [Responsiveness to the needs not only of producers, but also processors, consumers and other participants in the British Columbia food system.](#)

All stakeholders (processors, consumers, retailers) are dependent on the milk supply for dairy products in BC. Without the raw milk supply, processors will not invest in the province to make product and products will be shipped in from other provinces like Ontario and Quebec. Processors limit investment in provinces based on milk availability. Remember buying local is important to the consumers and retailers.

- [Contributions to the ongoing development of new and specialty markets \(e.g., Cottage Industry, organic production, others\).](#)

The global assessment and the 10/10/X policies for new entrants will continue to support the Milk Boards initiative to start new entrants in the main-stream and specialty industries. The assessment structure will also provide flexibility to support new markets as they come forward.

- [Reduction of barriers to entry and promotion of growth and sustainability for new entrants and specialty markets.](#)

The Milk Board has focused its policies on current barriers to entry. The policies recommended should increase the amount of quota available for transfer which will decrease the price of quota through the laws of supply and demand.

By increasing the availability of quota and reducing the price, new and small farms can grow. The proposed policies support all farms, new, small, medium and large. BC currently has 190 farms below the industry average for production, these farms need to grow in order to stay long-term.

- [Economic activity and stability in all regions of British Columbia.](#)

The Milk Board is responsible for the production of milk in the province of BC. The production of milk supports an essential industry for the province of BC with respect to GDP, tax revenues and jobs for the economy.

With regard to the BC dairy processing sector, the EcoResources 2016 research showed that the BC dairy processing sector generated GDP of \$831 million 2015. The industry also created nearly 7,400 jobs as well as 138 million in total tax revenues. When encompassing the whole industry including all input sectors such as the dairy farms and so on, the dairy industry generated \$1.5 billion in GDP, \$241 in taxes and nearly 15,000 jobs. The BC dairy industry has total sales of \$1.3 billion in 2015.

A productive dairy industry contributes to the economy of BC through investment in infrastructure on the farm through land, buildings, professional services and taxes (local, provincial, federal and payroll). It is important to note that all regions in BC benefit from the production of milk and maintaining a successful dairy industry is in the best interest of the BC public.

Sincerely,

A handwritten signature in black ink, appearing to read "Ben Janzen", is centered on a light gray rectangular background.

Ben Janzen
BCMMB-Chairman