



April 26, 2010

File: 44200-60/SPEC REV

**DELIVERED BY EMAIL**

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Dear Sirs:

**QUOTA MANAGEMENT**

On March 19, 2010, BC Farm Industry Review Board (BCFIRB) and BC Milk Marketing Board representatives met to discuss various aspects of the subject. I am attaching our March 23, 2010 letter to the Milk Board for your information as I know some of the issues discussed are also of interest to you.

I appreciate that “active” farming is subject to much interpretation. In fact, a producer could “sell” his quota not for windfall gains but in order to manage or refinance his operation (e.g., managing herds, building new facilities, reducing or eliminating debt load, etc.). On the other hand, there are some who do in fact make “windfall” gains by simply flipping their quota. Frankly, that latter scenario is becoming increasingly hard to defend when we have specialty market and new entrant interests competing for those same finite amounts of quota.

I also found it interesting to find out at that meeting – as well as hearing it subsequently from the BC Chicken Marketing Board – that the declining quota transfer assessment makes it difficult for new entrants to use their quota as collateral. One of the reasons for switching from permits, claw-back programs, etc. was to give new entrants increased leverage in order to grow into the industry. If that is not working, then perhaps other options have to be considered.

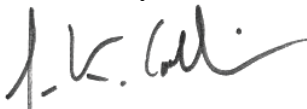
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As part of the Specialty Review, boards were to “establish principles and procedures for distributing the provincial allocation received from the National Agencies to the different quota accounts based on differential market growth.” A logical extension of that and other requirements in the Specialty Review is that boards are demonstrating that they are ensuring allocation priorities are identified and being met, that they are confirming that producers using that quota are “actively farming” and that they are ensuring that all producers – including new entrants – have legitimate opportunity to be viable and grow in the industry. As mentioned in my April 16, 2010 letter regarding new entrant program criteria, allocation decisions are coming under increased scrutiny and all boards have to be prepared to provide substantiated reasons in support of their allocation decisions.

I do not have any answers to the specific issues that the Milk Board brought forward on March 19. At the meeting we discussed a few ideas and the Milk Board is further reviewing potential options. As stated in our March 23 letter, the principles that were identified in the Specialty Review flow from the 2004 Regulated Marketing Economic Policy of the Ministry of Agriculture and Lands and were established following extensive consultation. How those principles might continue to be implemented is something we all should be prepared to discuss on an ongoing basis and any suggestions as to improvements will always be welcome.

Yours truly,

A handwritten signature in black ink, appearing to read "J. K. Collins". The signature is fluid and cursive, written over a vertical line that extends downwards from the start of the signature.

Jim Collins  
Executive Director

Attachment

cc: Ken McCormack, General Manager  
BC Milk Marketing Board