



March 23, 2010

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DELIVERED BY EMAIL

Blaine Gorrell, Chair
BC Milk Marketing Board
200 – 32160 S Fraser Way
Abbotsford BC V2T 1W5

Dear Mr. Gorrell:

QUOTA MANAGEMENT IN THE BC DAIRY INDUSTRY

Thank you for meeting with us on Friday, March 19 to discuss some of the ongoing challenges in managing quota within the BC dairy industry. We appreciated the opportunity to hear more about the complex on-the-ground realities confronting the BC Milk Marketing Board (Milk Board) in regulating a quota system that aims to be fair, transparent and flexible in responding to dynamic industry needs.

The September 1 and September 2, 2005 Specialty Review Directions of the BC Farm Industry Review Board (BCFIRB), which followed an extensive review, established certain principles to guide the regulated marketing sector in meeting the objectives of the July 2004 Regulated Marketing Economic Policy of the Ministry of Agriculture and Lands. Those principles remain in place today but, as you know from 2008 meetings and correspondence on the subject, BCFIRB is quite prepared to consider suggestions regarding ways that the implementation of these principles can be improved in the dairy industry.

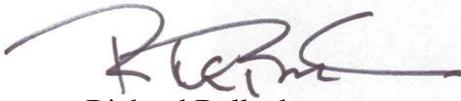
Assessments are one of the methods that can be used to fund market responsive allocation initiatives, including through new entrant programs. However, the 10/10/10 declining transfer assessment and the LIFO rule reflect a different principle. As outlined in the 2005 Directions and as discussed on Friday and previously, it is a basic principle of the supply managed system that producers should be actively engaged and committed to being in the industry. The 10/10/10 and LIFO were established to address this principle, that is, to ensure that new allocations of quota to a producer are “actively” farmed by that producer and to prevent “windfall” gains through the flipping of this quota. These rules were applied to all quota allocated going forward to meet a principle of reciprocity – i.e. what is good for new allocations of specialty or new entrant quota is also good for new allocations of mainstream quota.

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On Friday we had some good discussion on how the original principles might continue to be achieved while at the same time allowing for optimal functioning of the quota system. BCFIRB looks forward to receiving the Milk Board's proposals in that regard.

Thank you again for an informative and useful meeting.

Yours truly,

A handwritten signature in black ink, appearing to read 'Richard Bullock', is written over a light grey rectangular background.

Richard Bullock
Chair

Pc: BC Milk Producers Association
Bulkley Valley Dairymen's Association
Kamloops Okanagan Dairymen's Association