



February 10, 2012

File: 44200-40 QUOTA
ALLOCATIONS

DELIVERED BY EMAIL

Jim Byrne
Chair
BC Milk Marketing Board
200 – 32160 South Fraser Way
Abbotsford BC V2T 1W5

Dear Mr. Byrne:

FIRST IN, FIRST OUT vs. LAST IN, FIRST OUT (LIFO) AND 10/10/10

The purpose of this letter is to recap the recent discussions between you, myself and BC Farm Industry Review Board (BCFIRB) Chair Ron Kilmury concerning the subject. My hope is that this will be helpful to you.

Firstly, Mr. Kilmury's April 5, 2011 letter outlined in detail BCFIRB's position but also opened the door to the BC Milk Marketing Board to address this issue on a "principled" basis. The direction in that letter still stands.

As you know, BCFIRB and the boards are now well into the development of a framework for principles-based regulation that includes six guiding principles: *strategic, accountable, fair, effective, transparent* and *inclusive* (SAFETI). You should find those principles – as they have been defined in discussion between BCFIRB and the boards – useful in the Milk Board's addressing of LIFO and 10/10/10.

As Mr. Kilmury and I recently spoke to the BC Egg Marketing Board Chair and Executive Director regarding this issue, and because they also received a copy of the April 5, 2011 letter, I am copying the Egg Board. The Egg Board, as you are aware, is engaged in its own internal policy discussion regarding LIFO and 10/10/10. The boards have issues of mutual concern.

As we talked about in Ottawa, quota is the property of the Milk Board. Any new proposal must demonstrate that the Milk Board's quota allocation decisions are providing appropriate, principled consideration to the overarching policy framework laid out in the Ministry of Agriculture's July 2004 Regulated Economic Marketing Policy and the operational policy expectations of BCFIRB outlined in the Specialty Review and other supervisory direction.

**British Columbia
Farm Industry Review Board**

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There are, as communicated in previous correspondence and discussed between you and Mr. Kilmury on Wednesday, a number of questions respecting the new entrant and specialty programs of the Milk Board that will need answering in any new proposal. We can review those questions with your board if desired. The Egg Board also has program management concerns of its own that it is working to address in advance of its new quota allocation proposal.

LIFO and 10/10/10 are unique to BC and have been identified as a contributing factor in BC underproducing its quota allocation. However, underproduction was an issue all across the country in the fall of 2011. There may be different reasons in other provinces for underproduction but it would be helpful if the Milk Board explained what those are.

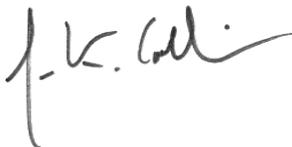
Finally, and as you also discussed with Mr. Kilmury, there is the fundamental issue of what BC milk producers should be allowed to do with growth quota upon receipt. It is our understanding that most retain and actively farm the quota. Others have reasons for wanting to immediately transfer the quota – examples of which provided to BCFIRB include: not wishing to expand their operations; transferring quota in/out on a temporary basis for herd management purposes; the rebuilding of barns or purchasing of new equipment; the paying down of farm debt; and the purchasing of off-farm homes for children as part of succession planning.

I make no comment on what is “active farming” or the appropriateness of these or any other purposes behind the transfer of growth quota. It must be noted, though, that in other provinces such as Ontario new quota is now issued on a permanently non-transferrable basis. Producers can transfer older quota or quota which they have otherwise acquired but not new growth quota. The Milk Board will have to demonstrate why the Ontario model – mirroring the policy principles underlying the BC LIFO and 10/10/10 program – is not appropriate for BC.

I reiterate that BCFIRB will expect the Milk Board (and Egg Board) to be able to develop, demonstrate and defend its proposal using the six guiding principles, including the “T” in SAFETI – transparency. The Milk Board will be expected to demonstrate to all its stakeholders – which include the public – that its quota allocation policies effectively and appropriately reconcile industry business and Government policy objectives in terms of allocation principles and criteria that serve the overall public interest.

If we can be of any assistance to you or the Milk Board in this matter, please let us know.

Yours truly,



Jim Collins
Executive Director

pc: Ron Kilmury, Chair
BC Farm Industry Review

Richard King, Chair
BC Egg Marketing Board