



# BC MILK MARKETING BOARD

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*Annual Report for the 2009/2010 Dairy Year*

TWENTY-FIRST ANNUAL REPORT  
JULY 31, 2010

**BC** **mil**k  
MARKETING BOARD

## 2010 Annual General Meeting

Chairman .....	Jim Byrne
Vice-Chairman .....	Ben Cuthbert
Secretary-Treasurer .....	Ben Janzen
Board Member.....	Walter Goerzen
Board Member.....	John Pruijm
Board Member.....	Cornelis Hertgers
Milk Industry Advisory Committee Chairman .....	Gordon Souter
Specialty Products Advisory Committee Chairman .....	Gordon Souter
Transportation Advisory Committee Chairman.....	John Pruijm
Audit Committee Chairman.....	Al Fadden
General Manager.....	Ken McCormack
Controller .....	Robert Delage
Transportation & Logistics Manager .....	Chris Bowser
Manager, Policy Analysis.....	Zahra Abdalla-Shamji
Transportation Coordinator .....	Gary Broerken
Transportation Coordinator .....	Kelly Harris
Field Service Representative .....	Melanie Lantz
Finance Officer.....	Barbara Pacholko
Quota Officer .....	Kathy Wallis
Milk Pay Officer .....	Sandra Livingston
Executive Assistant.....	Lori Sharpe
Administrative Assistant.....	Lisa Gruban
Financial Institution .....	Bank of Montreal
Auditors.....	KPMG LLP Chilliwack
Vendor Auditors.....	KPMG LLP Chilliwack
Legal Counsel .....	Macaulay McColl LLP

# **BRITISH COLUMBIA MILK MARKETING BOARD TWENTY-FIRST ANNUAL GENERAL MEETING**

## **TIME, DATE AND PLACE**

**8:30 AM  
FRIDAY, DECEMBER 3<sup>RD</sup>, 2010  
STAR SAPPHIRE BALLROOM  
FAIRMONT PACIFIC RIM HOTEL  
1038 CANADA PLACE  
VANCOUVER, BRITISH COLUMBIA**

**PRODUCER REGISTRATION STARTS AT 8:00 AM  
(ONE VOTE PER IRMA NUMBER FOR RESOLUTIONS)  
*NO BOARD ELECTION IN 2010***

## **AGENDA**

- 1. CALL TO ORDER 8:30 AM**
- 2. READING OF THE NOTICE OF MEETING**
- 3. APPROVAL OF THE MINUTES OF THE TWENTIETH AGM**
- 4. BUSINESS ARISING FROM THE MINUTES**
- 5. APPROVAL TO RECEIVE THE BOARD REPORTS FOUND  
IN THE 2010 ANNUAL REPORT**
- 6. REPORT OF THE AUDIT COMMITTEE**
- 7. AUDITORS' REPORT**
- 8. FINANCIAL STATEMENTS**
- 9. APPOINTMENT OF AUDITOR**
- 10. APPROVAL OF MEMBERS' REMUNERATION**
- 11. OTHER BUSINESS**
- 12. ADJOURNMENT**

# Table of Contents

Chairman’s Statement.....	1
General Manager’s Report.....	4
Statistical Overview .....	7
Going Concern Sales and Other Transfers.....	7
Quota Exchange .....	8
Manufactured Milk Quota .....	8
Graduated Entry Program .....	8
Producer Revenue and Milk Composition.....	8
Vendor Audits.....	9
Appeals to the B.C. Farm Industry Review Board .....	9
Financial Statements .....	11
General Fund .....	11
Milk Pool Equalization Fund .....	28
Appendix A .....	37
Table 1 - Regional Statistics.....	39
Table 2 - Qualifying Milk Production .....	39
Table 3 - Class 1 Milk Sales .....	40
Table 4 - Western Milk Pool Statistics.....	40
Table 5 - Licensing Information.....	41
Table 6 - Quota Transfers .....	42
Table 7 - Quota Exchange Market Clearing Prices .....	42
Table 8 - Producers Started on the Graduated Entry Program.....	43
Table 9 - Quota Allotted to Graduated Entry Program Participants.....	43
Table 10 - Gross Monthly Producer Revenue .....	44
Table 11 - Monthly Milk Composition and Prices .....	44

# Chairman's Statement

The 2009/2010 dairy year was to the say the least, active. Numerous policy issues and changes were addressed within the province. Most notable to producers included the conversion to continuous daily quota (CDQ) and substantial changes to the Quota Exchange. The Board started the 2009 dairy year with regional consultations explaining the concept of CDQ. The education continued with sample CDQ statements, policy documents, and the Field Service Representative visiting many producers and holding seminars for the industry. All Board and staff members worked tirelessly to convey the applicable policy changes for the transition which culminated in CDQ implementation on August 1, 2010. Changes to the Quota Exchange focused on improvements to the existing quota exchange to allow for a more transparent and equitable system across the province. The Board consulted with a producer Committee and facilitated a regional focus group in the fall and after consideration of their input and recommendations, the Board communicated the proposed changes to the Quota Exchange at the fall regional meetings. The policy was implemented in February of 2010 and the Board has been pleased with the operation of the exchange and with time feels it will meet the needs of the province.

As a result of a processor appeal of the provincial accommodation levy which serves as processor contribution to offset the costs of the milk on demand system in BC, the BC Farm Industry Review Board (FIRB) directed that a complete study of the BC milk on demand system including the Plant of Last Resort be commissioned through an independent consulting firm. A Milk on Demand Advisory Committee (MODAC) was formed including producers, processors and Board representatives to select the consultant and assist in their efforts. A final draft of the report is expected in August followed by substantial industry consultation leading to changes in the system and how it is funded and administered. The BCMMB thanks the contributions of the MODAC and Meyers Norris Penny in the development of this study and looks forward to completing the effort by the end of 2010.

The total production quota on August 1, 2009 was 24,657,365kg. There were no quota increases or sleeve issuances for the 2009/2010 dairy year partly due to a CMSMC decision to freeze all Canadian requirement increases from April to August 2010 in an effort to control butter stock levels. Due to significant over production within the province, British Columbia milk producers were faced with severe penalties from February through May which resulted in the implementation of a provincial over quota penalty policy for the final quarter of the dairy year. Although all producers were responsible for the payment of the over quota penalties over these months, producers were very quick to correct the over shipping situation. The Board is confident the penalties experienced for overproduction this past year will not be repeated.

The demand from processors for organic milk continued to increase in the 2009/10 dairy year, resulting in the Board issuing a substantial sleeve for specialty milk production. The Board formalized organic production policies in October 2009 and continues to consult with the Specialty Production Advisory Council on additional policy requirements for the betterment of the industry. The Board established a formal wait list for any producers who were interested in engaging in the production of specialty milk and another list for individuals without quota to express their interest and to work with the Board on this potential production opportunity. The Board looks forward to the addition of new producers to the specialty milk pool.

The Western Milk Pool (WMP) partners reviewed the application of price increases/decreases with respect to fluid milk price changes and agreed to change the methodology effective February 2009. The new application allocates \$0.10/kg to the butterfat component of the price and the balance on the solids non-fat components. In the past all increases were applied to the solids non-fat components.

WMP harmonization of policy and practices has been the regional focus over the 2009/2010 dairy year. The Transportation Harmonization Committee including representatives from all four western provinces has focused the year on reviewing policies that included traditional allocations to processors and contracting options for transporters. The committee has focused most of the year on gathering and comparing data and the WMP Coordinating Committee looks forward to reviewing the proposed policies and harmonized practices in the 2010/2011 dairy year.

Ben Janzen was re-elected to the Board for another three year term. A valuable and knowledgeable asset, Ben has been actively participating on the Board for several terms. Cornelis Hertgers is a new welcome addition and although Cornelis is new to the Board, he is familiar with many of the Board's current challenges through his participation over the years on many dairy committees in the province. In November of 2009, Louis Schurmann's term as a Board Member came to an end. I would like to take this opportunity to thank Mr. Schurmann for his commitment and dedication to the dairy industry in British Columbia and wish him well in his future endeavours.

The Board could not complete any of its given tasks without the support of the different committees throughout the industry. The Board would like to thank the British Columbia Dairy Council, the British Columbia Milk Producers Association and the regional dairy organizations for their continued support. In addition, the contributions of the Milk Industry Advisory Committee, the Specialty Production Advisory Committee, the Audit Committee, the Quota Exchange Committee, and the Milk on Demand Advisory Committee have helped guide the Board's decisions on pricing and supply, production, policy and administrative matters respectively.

The 2009 /2010 dairy year has been a transitive year. The demanding environment resulted in the formalization of many policy changes and additions. The Board would like to thank all stakeholders involved in the decision making processes for their time and active feedback. Without the participation of producers, processors, transporters and government, the Board would be challenged to complete its task. The Board would especially like to take this opportunity to thank the industry for their ongoing patience with the various policy changes in this dairy year.

The Board feels confident that the policy changes in this dairy year will result in a stronger dairy industry in British Columbia and will ultimately make us all more successful and profitable.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Blaine Gorrell', written in a cursive style.

Blaine Gorrell  
Chairman

# General Manager's Report

Legislative and regulatory compliance and governance of the British Columbia Milk Marketing Board are the responsibilities of the Chairman and Board Members as supported by staff. Regulatory obligations are met through the Board, the Milk Industry Advisory Committee, the Audit Committee and the holding of the Annual General Meeting. Issues of interest to dairy industry stakeholders are addressed by way of standing committees and working groups.

As part of its regular consultation practices, the Board holds producer meetings in a number of locations throughout the province during the spring and fall. As well, the Board regularly meets with the British Columbia Dairy Council and the British Columbia Milk Producers Association. These organizations are the respective advocacy groups for British Columbia processors and producers. The Board periodically establishes working groups that are composed of appropriate combinations of producer, processor, transporter and government stakeholders to investigate certain issues and make non-binding recommendations. In aggregate, the consultation process permits the examination of Board regulation and policy, and provides for the opportunity to obtain input from dairy industry stakeholders.

Responsibility for daily operations resides with the General Manager and eleven employees. Regulatory and administrative duties are performed through the following divisions:

- Board Governance, Communications and Human Resources
- Finance, Administration and Information Technology
- Milk Order and Transportation

Not to the exclusion of others, the duties and responsibilities of the Board are to:

- Maintain a register of licensed producers;
- License all producers, vendors, producer vendors and milk transporters;
- Allot milk quota to licensed producers;
- Serve as the registrar of milk quota and administer the transfer of quota among producers;
- Administer timely changes to published milk prices;
- Perform the monthly producer equalization pool and remit advance and final producer payments that include the milk quality bonus when applicable;
- Administer third-party auditing of vendors;
- Manage the activity of milk pick-up at farms and delivery to vendors;
- Administer the collection of levies from producers as required by provincial statute and remit said funds to the British Columbia Dairy Industry Development Council;



- Prepare and disseminate accurate and timely industry information through established communication devices including newsletters, brochures, web sites and broadcast e-mail;
- Liaise with government, British Columbia dairy and agriculture organizations, and other milk regulatory agencies outside of British Columbia; and
- Provide secretariat support to the Milk Industry Advisory Committee, the Transportation Advisory Committee and those working groups established by the Board.

A list of accomplishments that occurred during the 2009/2010 dairy year is set out below:

- Conversion to Continuous Daily Quota as a quota management tool, in order to have congruence with the national continuous quota policy
- Quota Exchange policy revisions to allow for a system that is truly transparent and equitable to all producers;
- Updated the Board's web site to make the site more user friendly and a resource for communication with Board and staff; public access to Board publications and password-protected access to individual farm data.
- Management of the over quota provincial situation in a timely manner minimizing long term financial risk to the producer pool;
- responded to appeals filed with the British Columbia Farm Industry Review Board;
- Continued discussions with the British Columbia Farm Industry Review Board to deal with the 10/10/10 and LIFO policies
- continued to provide producers with timely milk component and milk quality data;

During the reporting period, routine changes to published prices for processor billing were authorized by the Board. There were two changes to Class 1 milk prices during the 2009/2010 dairy year. These changes were based on the national fluid pricing formula which was adopted by the WMP Coordinating Committee on October 20, 2009.

A focus of the Board this year was to increase efficiencies in operation through policy and resource changes. The Board increased communication opportunity to producers, processors and transporters through the increased flexibility of the BCMMB website and the addition of the Field Service Representative. These resources provided producers with an increased level of service. Policy changes allowed the industry to continue to remain competitive on a national scale.

As always, the Board Members continue to guide and show leadership on behalf of the industry. I would like to thank them for their continued support. Board staff continue to represent themselves as professional and committed stewards of the dairy industry in BC and they have my appreciation and respect. While this was a challenging dairy year and many existing and new challenges will continue into the new dairy year, I am confident that the personnel in place at the Member and staff level are more than up to the challenges we will face.

Finally, after serving two consecutive terms as Chairman of the BCMMB, Blaine Gorrell was required to step down. Mr. Gorrell was a steadfast supporter of the dairy industry in BC and represented the interests of the provincial industry extremely well at local, regional and National levels. Mr. Gorrell's leadership will be missed and we wish him well in his future endeavours. Jim Byrne replaced Mr. Gorrell as Chairman of the Board in July and with his knowledge and background in the dairy industry he will also serve as a considerable asset to the Board and its many stakeholders.

A handwritten signature in black ink, appearing to read 'Ken W. McCormack', with a long horizontal line extending to the right.

Ken W. McCormack  
General Manager

## **Statistical Overview**

On July 31, 2010 there were 535 milk producers in British Columbia. A breakdown of producer populations and quota distribution by region is presented in Table 1 of Appendix A.

Statistical information on milk production, utilization and sales is presented in Tables 2 to 4 in Appendix A. During the 2009/2010 dairy year 657,211,710 litres of milk were produced in British Columbia (see Table 2). Of this total production, 372,428,159 litres were utilized in the Class 1 market (see Table 3 for a breakdown of Class 1 milk sales by product) and 284,783,551 litres were used in the processing of non-fluid dairy products.

Total milk production in British Columbia increased by 84,374 litres or 0.01% during the period from August 1, 2009 to July 31, 2010 over the corresponding period in 2008 and 2009 (see Table 2). Class 1 utilization during the August 1, 2009 to July 31, 2010 period decreased by 4,660,986 litres or (1.24%) over the same period in 2008 and 2009 (see Table 2). Industrial milk utilization during the 2009/2010 dairy year compared to the 2008/2009 dairy year increased by 4,745,360 litres or 1.69% (see Table 2).

On March 1, 1997 the Western Milk Pool (WMP) was formed consisting of British Columbia, Alberta, Saskatchewan and Manitoba. Production and sales figures for the WMP from August 1, 2009 to July 31, 2010 are presented in Table 4 of Appendix A. Total production of butterfat in the WMP was 70,026,489 kilograms during the 2009/2010 dairy year (see Table 4). Class 1 milk sales in the WMP during the same period were 933,541,647 litres (see Table 4).

There were 33 dairy plants licensed by the Board to process milk as at July 31, 2010. Licensing statistics are provided in Table 5 of Appendix A.

## **Going Concern Sales and Other Transfers**

There were 54 transfers of Total Production Quota (TPQ) processed during the 2009/2010 dairy year without the use of the quota exchange. Included in these 54 transactions were 33 family transfers, 14 name changes and 3 merge/splits that accounted for 2,322,297 kilograms of the total kilograms transferred. 4 Going concern sales resulted in 193,279 kilograms of TPQ being transferred. The Board assessed 19,254 kilograms of TPQ from the going concern sales. Details of TPQ transfers during the 2009/2010 dairy year are shown in Table 6 of Appendix A.

## **Quota Exchange**

Two quota exchanges were run every month from August 2009 – December 2009. In January the Board implemented a policy change that resulted in quota exchanges running only once a month. One quota exchange was run every month from January – June 2010. There was no quota exchange in July. The Board assessed 12,912 kilograms of TPQ under the 5% transfer assessment policy for the quota exchange. The Board also retracted 15,235 kilograms of TPQ through the 10/10/10 policy. Details of the quota exchange market clearing prices for the 2009/2010 dairy year are given in Table 7 of Appendix A.

## **Manufactured Milk Quota**

Manufactured Milk Quota (MMQ) allocated to British Columbia at the start of the 2009/2010 dairy year was 10,287,872 kilograms of butterfat. After a series of adjustments, the province ended the dairy year with 10,424,069 kilograms of MMQ. British Columbia's deemed MMQ under the Western Milk Pooling Agreement was 11,987,093 kilograms as at July 31, 2010.

## **Graduated Entry Program**

To provide a major portion of the quota necessary for the Graduated Entry Program (GEP), an assessment policy was introduced in August 1986 for fluid quota and in January 1991 for MMQ. The assessment was reduced from 10% to 5% in April 1995. On August 1, 1999 the assessment policy was discontinued for TPQ sold on the quota exchange. The assessment policy was reinstated for the quota exchange on November 1, 2006. During the 2009/2010 dairy year the assessment remained at 5% for the quota exchange and going concern sales. Quota allotted through the GEP is transferable under the 10/10/10 assessment policy. Details of the GEP are provided in Tables 8 and 9 of Appendix A.

## **Producer Revenue and Milk Composition**

After including the Marketing Costs and Losses Levy refund and the milk quality bonus, the average producer grossed between \$73.4428 and \$79.0597 per hectolitre of within-quota milk during the 2009/2010 dairy year. Details of producer revenue and milk composition are summarized in Tables 10 and 11 of Appendix A.

# **Vendor Audits**

Vendors were regularly audited during the 2009/2010 dairy year. As was expected, vendor audits uncovered variances that were characterized as insignificant when examined from the perspective of the total value of milk delivered each month by producers. Audit variances were incorporated into subsequent monthly equalization pools as audit adjustments. A review of the audit adjustments made during the 2009/2010 dairy year as set out in each of the monthly producer equalization pools demonstrates that audit variances have occurred. However, they have not been of a nature where the monthly value for any of the three milk components has been significantly affected.

## **Appeals to the B.C. Farm Industry Review Board**

### **Steiger**

As a producer leaving the industry, Jeannette Steiger appealed the decision of the Board to suspend the quota exchange in January 2010. Although there was a hearing with the BC FIRB, Mrs. Steiger withdrew the appeal prior to the BC FIRB rendering its decision.

### **Claus Schwuchow**

Claus Schwuchow launched an appeal with the BC FIRB opposing the BCMMB decision to allocate two separate sets of GEP quota to a single producer under the GEP Regularization Program. The hearing was held on November 16, 2009 and the BC FIRB provided its decision dismissing the appeal July 12, 2010. The BC FIRB determined that the decision of the BCMMB was consistent with the parameters of the Regularization program.

### **Saputo Inc. – Traditional Allocation**

On June 3, 2008, Saputo Inc. filed an appeal with the BC FIRB with respect to the drafting of the BCMMB Traditional Allocation (TA) policy in the Board's Consolidated Orders. It was agreed between Saputo Inc. and the BCMMB that matter could best be resolved through mediation which continued through the remainder of 2008 and 2009 until a final mediated agreement reflected in a redraft of the Consolidated Orders with respect to Traditional Allocations was reached. As a result of the redrafting of the Board's Orders, Saputo Inc. withdrew their appeal on November 13, 2009.

## **Saputo Inc. Accommodation Levy**

On February 19, 2008, Saputo Inc. filed an appeal with the BC FIRB with respect to the BCMMB's Accommodation Levy charged to processors in BC. Following extensive document exchanges and written arguments, the BC FIRB held a Supervisory Review hearing on March 8-11, 2010 to determine if the levy accorded with current sound marketing policy. The BC FIRB rendered its decision on May 4, 2010 in which among other things, it directed the BCMMB to engage a consultant to conduct an independent review of the BC Milk on Demand system including the Plant of Last Resort (PLR). A Milk On Demand Advisory Committee (MODAC) was formed including processor, producer and Board representatives and together they defined the scope of the project, drafted and approved the project RFP and selected Meyers Norris Penny to conduct the review. A final report is expected in August 2010 after which the BCMMB will consider any necessary changes to the Milk on Demand system in BC. In making any necessary changes the BCMMB will consider the results of the review and will consult extensively with the industry on any proposed changes.

## **Evergreen Farms**

On November 23, 2009, Evergreen Farms launched an appeal with the BC FIRB of the BCMMB decision that the 2008/09 specialty sleeve allocation issued on August 1, 2009 would be deducted from any eligible incentive quota for the 2009/2010 dairy year. Early in 2009, the appellant suggested that a meeting to discuss the Board's decision and its rationale may assist in clarifying or perhaps alleviating the appellant's concerns. The BCMMB agreed to a meeting but thus far, the appellants have been unable to meet with the Board. This matter should be resolved either through discussions or through appeal in the next dairy year.

Financial Statements of

**BRITISH COLUMBIA MILK  
MARKETING BOARD**

GENERAL FUND

Year ended July 31, 2010



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## **AUDITORS' REPORT TO MEMBERS**

We have audited the balance sheet of British Columbia Milk Marketing Board General Fund as at July 31, 2010 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the British Columbia Milk Marketing Board General Fund as at July 31, 2010 and the results of its operations, changes in net assets and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Chilliwack, British Columbia  
September 24, 2010



# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Balance Sheet

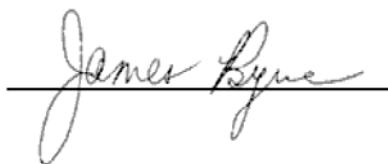
July 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash	\$ 3,147,740	\$ 2,810,780
Accounts receivable (Notes 4 and 15)	165,276	675,101
Prepaid expenses	43,947	24,806
	<u>3,356,963</u>	<u>3,510,687</u>
Investment (Note 5)	2,892,253	2,907,947
Equipment (Note 6)	190,011	223,671
	<u>\$ 6,439,227</u>	<u>\$ 6,642,305</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (Note 15)	\$ 913,146	\$ 239,201
Fees payable or refundable (Note 8)	873,608	335,725
Unearned fees (Note 9)	2,006,662	2,993,748
Unearned license revenue	114,200	115,600
	<u>3,907,616</u>	<u>3,684,274</u>
Net assets:		
Invested in capital assets	190,011	223,671
Internally restricted	1,843,575	1,843,575
Unrestricted	498,025	890,785
	<u>2,531,611</u>	<u>2,958,031</u>
Commitment (Note 13)		
Contingency (Note 14)		
	<u>\$ 6,439,227</u>	<u>\$ 6,642,305</u>

On behalf of the Board:



Chairman



Secretary-Treasurer

# BRITISH COLUMBIA MILK MARKETING BOARD

## GENERAL FUND

### Statement of Revenues and Expenditures

Year ended July 31, 2010, with comparative figures for 2009

	2010	2009
Revenues:		
Board fees (Note 10)	\$ 2,453,325	\$ 2,458,195
Producer and processor fees (Note 11)	6,763,949	6,786,585
Transportation revenues (Note 12)	19,482,795	19,450,900
Gross revenues before the following	28,700,069	28,695,680
Less:		
Transfers to producers, processors, and other agencies (Note 11)	6,763,949	6,786,585
Transportation expenditures (Note 12)	19,482,795	19,450,900
	26,246,744	26,237,485
Net revenues	2,453,325	2,458,195
Interest and other revenue	64,947	294,216
Special projects expense recovery	48,154	57,152
	2,566,426	2,809,563
Expenditures:		
Amortization	27,387	30,774
Audit fees - Board	17,000	16,600
Audit fees - GEP	44,245	-
Audit fees - Vendor	187,730	176,830
Board member per diems	306,063	289,625
Committee	5,980	6,325
Consulting and contract wages	59,754	37,611
Data collection	75,787	81,028
Data processing	175,067	173,409
General office and administration	262,394	195,563
Legal	148,570	122,387
Milk testing charges	-	526,916
Rent (Note 15)	140,345	140,345
Salaries and benefits	1,066,883	1,050,516
Special projects	80,408	61,919
Travel	340,539	245,509
	2,938,152	3,155,357
Deficiency of revenues over expenditures before the undernoted	(371,726)	(345,794)
Equity loss on investment (Note 5)	(54,694)	(10,544)
Deficiency of revenues over expenditures	\$ (426,420)	\$ (356,338)

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

## GENERAL FUND

### Statement of Changes in Net Assets

Year ended July 31, 2010, with comparative figures for 2009

				2010	2009
	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 223,671	\$ 1,843,575	\$ 890,785	\$ 2,958,031	\$ 3,314,369
Deficiency of revenues over expenditures	(47,502)	-	(378,918)	(426,420)	(356,338)
Change in investment in capital assets	13,842	-	(13,842)	-	-
Balance, end of year	\$ 190,011	\$ 1,843,575	\$ 498,025	\$ 2,531,611	\$ 2,958,031

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

## GENERAL FUND

### Statement of Cash Flows

Year ended July 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating:		
Deficiency of revenues over expenditures	\$ (426,420)	\$ (356,338)
Items not involving cash:		
Amortization	47,502	55,917
Equity loss on investment	54,694	10,544
Interest charged on advances to CAFL	(39,000)	(38,740)
Increase in investment	-	(109,433)
Net changes in non-cash working capital balances relating to operations:		
Accounts receivable	509,825	874,227
Prepaid expenses	(19,141)	(8,403)
Accounts payable and accrued liabilities	673,945	42,053
Fees payable or refundable	537,883	(72,457)
Unearned fees	(987,086)	(1,140,292)
Unearned licence revenue	(1,400)	(1,400)
	350,802	(744,322)
Investing:		
Purchase of equipment	(13,842)	(16,595)
Increase (decrease) in cash position	336,960	(760,917)
Cash position, beginning of year	2,810,780	3,571,697
Cash position, end of year	\$ 3,147,740	\$ 2,810,780
Supplementary cash flow information:		
Interest received	\$ 10,627	\$ 65,525

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements

Year ended July 31, 2010

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## 1. General:

- (a) The British Columbia Milk Marketing Board ("the Board") is a regulatory body which receives its authority under the Natural Products Marketing (B.C.) Act, the British Columbia Milk Marketing Board Regulation, the Milk Industry Act, the Agricultural Products Marketing Act, the British Columbia Milk Order, the Canadian Dairy Commission Act, and the Dairy Products Marketing Regulations. The General Fund includes all statutory activities of the Board with the exception of Milk Pool Equalization Fund which is accounted for as a distinct fund and reported on separately.

Effective October 1, 2001, the Board became the first receiver of raw milk. As a consequence the Board acts as a facilitating intermediary between producers and processors with respect to the transportation and sale of raw milk. Raw milk revenues and expenditures are included in the Milk Pool Equalization Fund.

The Milk Pool Equalization Fund has \$521,576,627 in equalization revenue and \$521,576,627 in equalization expenditures and \$46,186,152 in assets and liabilities to July 31, 2010 which are not included in these financial statements. Milk testing charges are deducted from the Milk Pool Equalization Fund.

- (b) The Board remits Equalization payments to the Canadian Dairy Commission ("CDC"). The CDC receives the funds in respect of milk and dairy products in inter-provincial trade and, as agent for the Board, distributes them pursuant to prevailing pooling agreements, and, in respect of milk and dairy products in international export trade, pursuant to the above legislation. The Equalization payments to the CDC are deducted from the Milk Pool Equalization Fund.
- (c) The Board collects an accommodation levy from processors to offset part of the cost of the milk-on-demand system. The plant of last resort ("PLR") is responsible for any surplus milk in the milk-on-demand system. The PLR fees are deducted from the Milk Pool Equalization Fund.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

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## 2. Significant accounting policies:

### (a) Unearned fees:

Unearned fees consists of:

- (i) the difference between the over quota price received by producers and domestic price paid by processors for milk shipments assessed by the Board based on individual producer's market share quota and those computed by the CDC based on the aggregate provincial allotment of quota for the dairy year;
- (ii) any surpluses retained from the marketing operations of the CDC for the year; and
- (iii) amounts retained by the Board in case of processor default.

The Board exercises discretion over the use of these unearned revenues. At the discretion of the Board in any year following the recording of unearned fees, the amounts may be appropriated as revenue or redistributed to producers. Appropriated revenues are recorded as internally restricted net assets until utilized by the Board.

### (b) Investments:

The Board accounts for its 50% interest in Central Agricultural Facility Ltd. ("CAFL") using the equity method. Under the equity method, the investment is recorded at the original cost of the shares plus the Board's share of undistributed earnings since inception, plus or less any advances paid to or from CAFL. The Statement of Revenues and Expenditures includes the Board's share of investee income or loss for the year.

### (c) Equipment:

Equipment is recorded at cost.

Amortization of office equipment and data collection equipment has been provided in the accounts on a declining balance basis at an annual rate of 20% calculated on the unamortized balance at the end of the year. Amortization of data collection equipment is included in data collection costs.

If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount.

### (d) Revenue recognition:

The Board recognizes revenue when the service is provided and the customer assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

---

## 2. Significant accounting policies (continued):

(e) Employee benefit plan:

The multi-employer plan is accounted for as a defined contribution plan and contributions are expensed as required.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(g) Future changes in accounting standards:

The CICA has decided to transition Canadian GAAP for certain publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Board is currently classified as a Not-for-Profit Organization. The Accounting Standards Board and the Public Sector Accounting Board have recently approved for release an exposure draft which suggests that Not-for-Profit enterprises (NFPs) in Canada that are not in the public sector be given a choice to adopt either International Financial Reporting Standards (IFRS) or a private company framework with not-for-profit oriented specific areas, similar to what is currently used in Canada. The final status of Generally Accepted Accounting Principles ("GAAP") for NFPs in Canada is pending comments received on the exposure draft and an eventual final standard. For those entities that do adopt IFRS, the changeover will require the following:

IFRS balance sheet and profit and loss information to be available for the "comparative period". As such, the opening balance sheet as at the August 1, 2010 transition date will need to be converted to IFRS.

IFRS disclosures (which are considered to be much more extensive than current Canadian GAAP).

Based on this exposure draft, the Board will be required to adopt one of these accounting frameworks for the year beginning August 1, 2012. Until that date, no change in the accounting standards currently used would occur. The Board is currently evaluating its options and will finalize its decision once the final accounting standards for NFPs are released.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

---

### 3. Capital management:

The Board receives its principal source of capital funds from fees and levies assessed on producers and processors. The Board defines capital to be net assets.

The Board's main objective when managing capital is to manage the milk supply in the province. The Board manages the capital structure by making operational and financing adjustments based on available funding. Currently, the Board's strategy is to retain a base level of net assets to fund operating expenditures.

### 4. Accounts receivable:

---

	2010	2009
Accrued freight charge adjustments to the Transportation Pool	\$ 144,985	\$ 7,847
Accounts receivable - trade	20,291	152,738
Milk Pool Equalization Fund	-	514,516
	<hr/> \$ 165,276	<hr/> \$ 675,101

---

### 5. Investment:

The Board's 50% investment Central Agricultural Facility Ltd. ("CAFL") consists of the following:

---

	2010	2009
Shares - 50% interest	\$ 1	\$ 1
Advances without interest or fixed terms of repayment	1,775,279	1,736,279
Advances with no fixed repayment terms and interest at 3.0%	1,300,000	1,300,000
Equity loss since inception	(183,027)	(128,333)
	<hr/> \$ 2,892,253	<hr/> \$ 2,907,947

---

Because CAFL reports its financial activities on a calendar year, its financial statements as at July 31, 2010 are not available and accordingly the Board used CAFL's December 31, 2009 financial statements to report its equity interest.



# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

## 5. Investment (continued):

CAFL's condensed financial statements and the Board's 50% share are as follows:

---

December 31, 2009		
Condensed Balance Sheet	100%	50%
Assets:		
Current assets	\$ 465,978	\$ 232,989
Capital assets	5,414,153	2,707,076
	<hr/>	<hr/>
	\$ 5,880,131	\$ 2,940,065

---

Liabilities and Shareholders' Deficiency:		
Current liabilities	\$ 141,123	\$ 70,561
Due to shareholders	6,105,060	3,052,530
Shareholders' deficiency	(366,052)	(183,026)
	<hr/>	<hr/>
	\$ 5,880,131	\$ 2,940,065

---

---

Year ended December 31, 2009		
Condensed Statement of Operations	100%	50%
Revenues	\$ 547,391	\$ 273,695
Expenses	656,778	328,389
Net loss	<hr/>	<hr/>
	\$ (109,387)	\$ (54,694)

---

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

---

## 5. Investment (continued):

---

Year ended December 31, 2009		
Condensed Statement of Cash Flows	100%	50%
Cash provided by (used in):		
Operations	\$ 249,294	\$ 124,647
Investing	(292,373)	(146,186)
Decrease in cash position	\$ (43,079)	\$ (21,539)

---

The Board's and CAFL's significant accounting policies are the same or similar except for the following:

CAFL is subject to income taxes.

CAFL uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

## 6. Equipment:

	2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 407,346	\$ 297,796	\$ 109,550	\$ 123,095
Data collection equipment	218,725	138,264	80,461	100,576
	\$ 626,071	\$ 436,060	\$ 190,011	\$ 223,671

Included in data collection costs is \$20,115 (2009 - \$25,144) in amortization expense for the data collection equipment.

## 7. Bank indebtedness:

The Board has an approved line of credit for \$5,000,000 with interest at bank prime rate plus 0.5%. The line of credit is secured by a general security agreement. The line of credit was not utilized at year-end.

## 8. Fees payable or refundable:

	2010		2009	
Fees payable or refundable to producers, processors or third parties:				
Quality bonus fees held for future payment to producers	\$	567,973	\$	122,075
Quality bonus fees payable to processors		187,086		203,650
Marketing costs and losses fees		108,549		-
Security deposit refundable to processor		10,000		10,000
	\$	873,608	\$	335,725

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

## 9. Unearned fees:

	2010	2009
Balance, beginning of year	\$ 2,993,748	\$ 4,134,040
Add:		
Over quota/domestic price differential	800,029	1,907,667
<u>In quota fees charged to producers</u>	379,541	189,100
	4,173,318	6,230,807
Less:		
Over quota/domestic price differential paid to producers	2,166,656	3,237,059
Balance, end of year	<u>\$ 2,006,662</u>	<u>\$ 2,993,748</u>

The balance of the vendor default levy account, which is included in the above balance, at July 31, 2010 was \$303,069 (2009 - \$303,069).

## 10. Board fees:

Board fees revenues assessed by the Board were as follows:

	2010	2009
Assessed on producers:		
Administration fees	\$ 1,380,134	\$ 1,379,954
<u>Licence fees</u>	109,314	112,338
	1,489,448	1,492,292
Assessed on GEP applicants	6,400	6,700
Assessed on processors:		
Administration fees	950,003	950,403
<u>Licence fees</u>	6,274	7,200
	956,277	957,603
Assessed on transporters:		
Licence fees	1,200	1,600
	<u>\$ 2,453,325</u>	<u>\$ 2,458,195</u>

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

---

## 11. Producer and processor fees:

During the year the following fees were assessed by the Board on producers and processors for remittance to producers, processors or other agencies:

---

	2010	2009
Assessed on processors for remittance to producers and processors:		
Quality bonus refunded to processors	\$ 187,086	\$ 203,651
Quality bonus held for future payment to producers	445,898	122,075
Quality bonus paid to producers	868,241	1,182,232
Total quality bonus fees collected	1,501,225	1,507,958
Marketing costs and losses fees paid to producers	1,903,993	1,904,496
Marketing costs and losses fees paid to processors	648,090	659,031
Total marketing costs and losses fees collected	2,552,083	2,563,527
Assessed on processors for accommodation fees	1,965,523	1,966,309
Assessed on processors for remittance to B.C. Dairy Council:		
Container recycling fees	745,118	748,791
	\$ 6,763,949	\$ 6,786,585

---

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

## 12. Transportation:

	2010	2009
(a) Transportation revenues consist of:		
Transportation revenue - Producers	\$ 18,367,554	\$ 18,987,900
Handling revenue	937,349	460,217
Transportation revenue - PLR	177,892	2,783
	\$ 19,482,795	\$ 19,450,900
(b) Transportation expenditures consist of:		
Transport haulers	\$ 19,246,552	\$ 19,192,722
Seal-Tite program	157,587	177,506
Salaries and benefits	78,409	80,178
Travel	247	494
	\$ 19,482,795	\$ 19,450,900
(c) Total milk shipments in hectolitres	6,535,165	6,534,300
(d) Average cost per hectolitre	\$ 2.98	\$ 2.98

## 13. Commitment:

The Board rents its office premises from CAFL under a sub-lease requiring monthly payments of \$11,695.

# BRITISH COLUMBIA MILK MARKETING BOARD

## GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

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### **14. Contingency:**

The Board and its employees contribute to the Public Service Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of benefits. The plan is a multi-employer, contributory pension plan. Basic pension benefits are defined. The plan has approximately 58,010 active and 34,683 retired plan members. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest completed valuation as at March 31, 2008, indicated a \$487 million funding surplus for basic pension benefits. The next evaluation will be on March 31, 2011 with results available in 2012. The actuary does not attribute portions of the unfunded liability to individual employers. Contributions to the plan by the Board totalled \$83,253 (2009 - \$80,304) during the year.

### **15. Related party transactions:**

During the year, the Board paid rent to Central Agricultural Facility Ltd. ("CAFL") in the amount of \$140,345 (2009 - \$140,345).

Included in other revenue is \$39,000 (2009 - \$38,740) in accrued interest charged to CAFL.

Included in accounts payable is \$553,136 owing to the Board's Milk Pool Equalization Fund (2009 - \$514,516 included in accounts receivable owing from the Board's Milk Pool Equalization Fund).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **16. Fair value of financial assets and financial liabilities:**

The fair value of the Board's cash, accounts receivable, accounts payable and accrued liabilities and fees payable or refundable approximate their carrying values due to the short term nature of the amounts.

### **17. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

Financial Statements of

**BRITISH COLUMBIA MILK  
MARKETING BOARD**

MILK POOL EQUALIZATION FUND

Year ended July 31, 2010





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## **AUDITORS' REPORT TO MEMBERS**

We have audited the balance sheet of British Columbia Milk Marketing Board Equalization Fund as at July 31, 2010 and the statements of revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the British Columbia Milk Marketing Board Milk Pool Equalization Fund as at July 31, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Chilliwack, British Columbia  
September 24, 2010

# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND

Balance Sheet

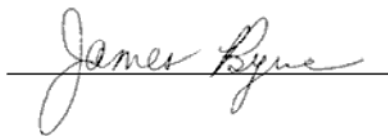
July 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Cash	\$ 21,693,802	\$ 22,282,778
Accounts receivable (Note 4)	24,492,350	24,605,919
	<u>\$ 46,186,152</u>	<u>\$ 46,888,697</u>

## Liabilities

Accounts payable (Note 4)	\$ 46,011,646	\$ 46,717,315
Long-term liabilities (Note 5)	174,506	171,382
	<u>\$ 46,186,152</u>	<u>\$ 46,888,697</u>

On behalf of the Board:



Chairman



Secretary-Treasurer

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

## MILK POOL EQUALIZATION FUND

### Statement of Revenue and Expenditures

Year ended July 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Equalization receipts	\$ 519,593,646	\$ 522,766,171
Accommodation levy	1,965,523	1,966,309
Interest income	17,458	87,437
	<u>521,576,627</u>	<u>524,819,917</u>
Expenditures:		
Payments to Canadian Dairy Commission:		
P10 and Western Milk Pool equalization	26,165,847	23,368,105
Payments to Plant of Last Resort	1,976,830	1,947,802
Payments for milk testing charges	401,177	-
Equalization payments to producers	493,032,773	499,504,010
	<u>521,576,627</u>	<u>524,819,917</u>
Excess of revenue over expenditures	\$ -	\$ -

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND

Statement of Cash Flows

Year ended July 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ -	\$ -
Changes in non-cash operating working capital:		
Accounts receivable	113,569	61,671
Accounts payable and other liabilities	(702,545)	(866,628)
Decrease in cash position	(588,976)	(804,957)
Cash position, beginning of year	22,282,778	23,087,735
Cash position, end of year	\$ 21,693,802	\$ 22,282,778

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND

Notes to Financial Statements

Year ended July 31, 2010

---

## 1. General:

The British Columbia Milk Marketing Board (the "Board") is a regulatory body which receives its authority under the Natural Products Marketing (B.C.) Act, the British Columbia Milk Marketing Board Regulation, the Milk Industry Act, the Agricultural Products Marketing Act, the British Columbia Milk Order, the Canadian Dairy Commission Act, and the Dairy Products Marketing Regulations.

The Milk Pool Equalization Fund is the method used by the Board to ensure producers participate in all of the sales in each of the milk classes established by the Board proportionate to the quota allotted to each producer.

Effective March 1, 1997 the four western provinces, British Columbia, Alberta, Saskatchewan and Manitoba and the Canadian Dairy Commission ("CDC") created the Western Milk Pooling Agreement (the "Agreement"). The purpose of the Agreement is to extend the pooling arrangements within each of the provinces so that all producer returns are pooled among producers in all of the western provinces, as if the western provinces constituted a single market ("Equalization payments").

Effective October 1, 2001, the Board became the first receiver of raw milk. As a consequence the Board acts as a facilitating intermediary between producers and processors with respect to the transportation and sale of raw milk.

These financial statements do not include the general fund operations of the Board which are reported upon separately.

## 2. Significant accounting policies:

### (a) Revenue recognition:

The Board recognizes revenue when the service is provided and the customer assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

### (b) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

---

## 2. Significant accounting policies (continued):

### (c) Future changes in accounting standards:

The CICA has decided to transition Canadian GAAP for certain publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Board is currently classified as a Not-for-Profit Organization. The Accounting Standards Board and the Public Sector Accounting Board have recently approved for release an exposure draft which suggests that Not-for-Profit enterprises (NFPs) in Canada that are not in the public sector be given a choice to adopt either International Financial Reporting Standards (IFRS) or a private company framework with not-for-profit oriented specific areas, similar to what is currently used in Canada. The final status of Generally Accepted Accounting Principles ("GAAP") for NFPs in Canada is pending comments received on the exposure draft and an eventual final standard. For those entities that do adopt IFRS, the changeover will require the following:

IFRS balance sheet and profit and loss information to be available for the "comparative period". As such, the opening balance sheet as at the April 1, 2010 transition date will need to be converted to IFRS.

IFRS disclosures (which are considered to be much more extensive than current Canadian GAAP).

Based on this exposure draft, the Board will be required to adopt one of these accounting frameworks for the year beginning August 1, 2012. Until that date, no change in the accounting standards currently used would occur. The Board is currently evaluating its options and will finalize its decision once the final accounting standards for NFPs are released.

## 3. Capital management:

The Board receives its principal source of capital funds from equalization receipts from milk processors.

The Board's main objective when managing capital is to manage the milk supply in the province. The Board manages the capital structure by making operational and financing adjustments based on available funding. Currently, the Board's strategy is to pool milk revenues and provide the net balance to producers.

# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

---

## 4. Related fund balances:

Included in accounts receivable is \$553,136 owing from the Board's General Fund (2009 - \$514,516 included in accounts payable owing to the Board's General Fund). These amounts represent equalization obligations charged to producers through the Milk Pool Equalization Fund, freight cost adjustments, transportation shortfalls charged to the pool, and levies due.

## 5. Long-term liabilities:

This amount represents an accumulation of the excess of equalization receipts over equalization payments. It is used to ensure adequate funds are available to meet cash flow needs. The Board does not intend to pay this amount within the next year, and accordingly it is classified as a long-term liability.

## 6. Collections for other agencies:

During the year the following fees were collected from producers by the Board and remitted to Dairy Industry Development Council:

	2010	2009
Fluid milk promotion	\$ 4,797,611	\$ 4,796,984
DFC Promotion	3,780,717	3,830,387
Association levy	690,068	689,977
Ministry of Agriculture and Land penalties	42,890	102,120
	<u>\$ 9,311,286</u>	<u>\$ 9,419,468</u>

These fees are not included in Equalization revenues or expenditures.

## 7. Fair value of financial assets and financial liabilities:

The fair value of the Board's cash, accounts receivable and accounts payable approximate their carrying amounts due to the short term nature of the amounts.

It is not practicable to estimate the fair value of long-term liabilities as the repayment date of this amount is not readily determinable.

# **BRITISH COLUMBIA MILK MARKETING BOARD**

MILK POOL EQUALIZATION FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2010

---

## **8. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



# Appendix A

Table 1 - Regional Statistics.....	39
Table 2 - Qualifying Milk Production.....	39
Table 3 - Class 1 Milk Sales.....	40
Table 4 - Western Milk Pool Statistics .....	40
Table 5 - Licensing Information .....	41
Table 6 - Quota Transfers .....	42
Table 7 - Quota Exchange Market Clearing Prices .....	42
Table 8 - Producers Started on the Graduated Entry Program.....	43
Table 9 - Quota Allotted to Graduated Entry Program Participants .....	43
Table 10 - Gross Monthly Producer Revenue .....	44
Table 11 - Monthly Milk Composition and Prices .....	44



**TABLE 1 - Regional Statistics for British Columbia as at July 31, 2010**

<b>Region</b>	<b>Number of Producers*</b>	<b>TPQ Allotted (kg)</b>
Fraser Valley	362	17,962,088
Vancouver Island	49	2,168,450
Bulkley Valley	12	221,456
Cariboo	6	209,021
Kootenays	7	345,772
Okanagan	96	3,638,612
Peace River	3	76,957
<b>Total</b>	<b>535</b>	<b>24,622,356</b>

\* Includes licensed producers in Class C and Class D Restricted

**TABLE 2 - Qualifying Milk Production in British Columbia for the 2009/2010 and 2008/2009 Dairy Years**

	<b>PRODUCTION</b>		<b>UTILIZATION CLASS 1</b>		<b>UTILIZATION OTHER CLASSES</b>	
	<b>Total Litres</b>	<b>Daily Average Litres</b>	<b>Total Litres</b>	<b>Daily Average Litres</b>	<b>Total Litres</b>	<b>Daily Average Litres</b>
2009/2010 Totals	657,211,710	1,800,580	372,428,159	1,020,351	284,783,551	780,229
2008/2009 Totals	657,127,336	1,800,349	377,089,145	1,033,121	280,038,191	767,228
Volume Change	84,374	231	(4,660,986)	(12,770)	4,745,360	13,001
Percent Change	0.01%	0.01%	-1.24%	-1.24%	1.69%	1.69%

Notes: Table 2 includes milk utilized in Class 1(b)(ii) and Class 1(d), whereas Table 3 does not.  
Table 2 does not include milk used for non-fluid purposes produced by Cottage Industry Producer Vendors.

**TABLE 3 - Class 1 Milk Sales in British Columbia for the 2009/2010 and 2008/2009 Dairy Years**

	2008/2010 Litres	2008/2009 Litres	Volume Change	Percent Change
Homogenized Milk (3.25%B.F.)	53,366,898	55,271,538	-1,904,640	-3.45%
Skim Milk (2%B.F.)	134,617,796	135,542,223	-924,427	-0.68%
Skim Milk (1%B.F.)	82,399,263	85,882,387	-3,483,124	-4.06%
Skim Milk (<0.5%B.F.)	53,930,885	54,413,861	-482,976	-0.89%
Chocolate Milk	10,497,468	9,757,802	739,666	7.58%
Buttermilk	2,974,632	3,172,548	-197,916	-6.24%
Light Cream (10%B.F.)	16,631,223	16,164,024	467,199	2.89%
Cream (18%B.F.)	9,068,769	8,179,039	889,730	10.88%
Whipping Cream (32%B.F.)	7,697,562	7,747,378	-49,816	-0.64%
Eggnog	940,769	662,232	278,537	42.06%
Lassi	181,000	196,320	-15,320	-7.80%
<b>All Products</b>	<b>372,306,265</b>	<b>376,989,352</b>	<b>-4,683,087</b>	<b>-1.24%</b>

Note: Table 3 does not include milk utilized in Class 1(b)(ii) and Class 1(d), whereas Table 2 does.

**TABLE 4 - Western Milk Pool Statistics for the Period from August 1, 2009 to July 31, 2010**

	CLASS 1 SALES (LITRES)	% OF CLASS 1 SALES (LITRES)	CLASS 1 SALES PLUS EXCLUSION (LITRES)	AVG. B/F ALL MILK (KG/HL)	CLASS 1 SALES PLUS EXCLUSION (KG)	DEEMED CLASS 1 (KG)	DEEMED INDUSTRIAL (KG)	TOTAL PRODUCTION (KG)
Manitoba	123,501,416	13.23%	127,598,175	3.8241	4,883,518	6,192,221	5,804,911	11,997,132
Saskatchewan	66,716,390	7.15%	69,039,782	3.7476	2,588,441	4,436,638	4,159,134	8,595,772
Alberta	367,964,303	39.42%	375,998,134	3.7803	14,220,563	12,727,866	11,931,762	24,659,628
British Columbia	375,359,538	40.21%	382,933,526	3.7738	14,451,065	12,786,864	11,987,093	24,773,957
<b>TOTAL</b>	<b>933,541,647</b>	<b>100.00%</b>	<b>955,569,617</b>	<b>3.7814</b>	<b>36,143,587</b>	<b>36,143,589</b>	<b>33,882,900</b>	<b>70,026,489</b>

**TABLE 5 - Licensing Information for British Columbia**

<b>CLASS OF LICENCE</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D RESTRICTED</b>	<b>H</b>
ISSUED BETWEEN AUGUST 1, 2009 AND JULY 31, 2010	14	16	583	4	7
CANCELLED BETWEEN AUGUST 1, 2009 AND JULY 31, 2010	0	0	52	1	0
IN EFFECT JULY 31, 2010	14	16	531	3	7
IN EFFECT JULY 31, 2009	14	16	536	4	7

CLASS A LICENCE - VENDORS PROCESSING BOTH FLUID AND NON FLUID MILK PRODUCTS

CLASS B LICENCE - VENDORS PROCESSING ONLY NON FLUID MILK PRODUCTS

CLASS C LICENCE - PRODUCERS ALLOTTED TOTAL PRODUCTION QUOTA

CLASS D RESTRICTED LICENCE - PRODUCERS ALLOTTED TOTAL PRODUCTION QUOTA AND PROCESSING MILK ON THEIR FARM INTO NON FLUID PRODUCTS

CLASS H LICENCE - TRANSPORTERS OF MILK

**TABLE 6 - Quota Transfers in British Columbia  
from August 1, 2009 to July 31, 2010**

<b>Quota Exchange</b>	<b>Kilograms</b>
Unused TPQ	194,261
Used TPQ	83,196
<b>Total Quota Exchange</b>	<b>277,457</b>
<b>Going Concern Transfers</b>	
Unused TPQ	125,326
Used TPQ	67,953
<b>Total Going Concern Transfers</b>	<b>193,279</b>
<b>Other Transfers</b>	
Family	1,064,956
Name Changes	459,490
Merge/Splits	797,851
<b>Total Other Transfers</b>	<b>2,322,297</b>
<b>Total Quota Transfers</b>	<b>2,793,033</b>

**TABLE 7 - Quota Exchange Market Clearing Prices  
in British Columbia from August 2009 to July 2010**

<b>Month</b>	<b>First Quota Exchange</b>		<b>Second Quota Exchange</b>	
	<b>Unused TPQ (\$/kg)</b>	<b>Used TPQ (\$/kg)</b>	<b>Unused TPQ (\$/kg)</b>	<b>Used TPQ (\$/kg)</b>
Aug-09	\$106.00	N/A*	\$105.00	N/A*
Sep-09	\$105.00	N/A*	\$108.00	N/A*
Oct-09	\$107.00	N/A***	\$107.00	\$97.00
Nov-09	\$109.00	\$97.00	\$110.00	\$100.00
Dec-09	\$112.00	N/A***	\$114.50	N/A***
Jan-10	\$114.00	\$100.00	N/A****	N/A****
Feb-10	\$103.00	\$97.00	N/A****	N/A****
Mar-10	N/A****	\$97.00	N/A****	N/A****
Apr-10	N/A****	N/A****	N/A****	N/A****
May-10	\$105.00	\$99.00	N/A****	N/A****
Jun-10	N/A****	\$99.00	N/A****	N/A****
Jul-10	N/A**	N/A**	N/A**	N/A**

\* No Used TPQ Exchanges in August and September

\*\* No Unused or Used TPQ Exchanges in July

\*\*\* No Quota Offered was cleared

\*\*\*\* No Second Exchange

\*\*\*\*\* No offers to sell

TABLE 8 - Number of Producers Started on the Graduated Entry Program

Year	Fraser Valley	Okanagan	Bulkley Valley	Kootenays	Cariboo	Peace River	Vancouver Island	Total
1998	6	4						10
1999	2	2						4
2000	2							2
2001	4	2	2					8
2002	3							3
2003	3			1				4
2004	2	1						3
2005	3							3
2006	3							3
2007	3							3
2008		3						3
2009	3							3

TABLE 9 - Total Production Quota Allotted to Graduated Entry Program Participants

Year	Producers Started on Program	Initial Allotment of Total Production Quota (Kilograms)	Matching Allotment of Total Production Quota (Kilograms)	Total Allotment (Kilograms)
1998	10	29,500	32,914	62,414
1999	4	28,000	1,414	29,414
2000	2	14,000	1,599	15,599
2001	8	62,000	1,404	63,404
2002	3	21,000		21,000
2003	4	28,000		28,000
2004	3	15,000	4,000	19,000
2005	3	15,000	6,620	21,620
2006	3	15,000	7,816	22,816
2007	3	15,000	5,958	20,958
2008	3	15,000	4,810	19,810
2009	3	15,000	5,522	20,522

**TABLE 10 - Gross Monthly Producer Revenue from August 2009 to July 2010**

MONTH	STANDARD HECTOLITRE REVENUE (\$/HL)			AVERAGE BC HECTOLITRE REVENUE (\$/HL)		
	STANDARD HECTOLITRE	PLUS MARKETING COSTS & LOSSES LEVY REFUND	PLUS QUALITY BONUS*	AVERAGE BC HECTOLITRE	PLUS MARKETING COSTS & LOSSES LEVY REFUND	PLUS QUALITY BONUS
Aug-09	72.8349	73.1249	73.4249	73.3243	73.6143	73.9143
Sep-09	74.0592	74.3492	74.6492	76.1311	76.4211	76.7211
Oct-09	72.5935	72.8835	73.1835	76.5611	76.8511	77.1511
Nov-09	70.9702	71.2602	71.5602	75.2250	75.5150	75.8150
Dec-09	73.2352	73.5252	73.8252	77.8196	78.1096	78.4096
Jan-10	74.6894	74.9794	75.2794	78.4697	78.7597	79.0597
Feb-10	72.0833	72.3733	72.6733	74.6136	74.9036	75.2036
Mar-10	70.8272	71.1172	71.4172	72.8528	73.1428	73.4428
Apr-10	71.0314	71.3214	71.6214	73.0087	73.2987	73.5987
May-10	72.4967	72.7867	73.0867	73.8042	74.0942	74.3942
Jun-10	75.9980	76.288	76.5880	77.0392	77.3292	77.6292
Jul-10	73.2253	73.5153	73.8153	73.9273	74.2173	74.5173

Notes: From Aug-09 to Jul-10 a standard hectolitre contained 3.6000 kg of butterfat, 3.2326 kg of protein and 5.6851 kg of other solids.  
 Table 11 contains the average component tests for a hectolitre of milk produced in the province of British Columbia.  
 \*The maximum milk quality bonus (\$0.30/HL) was applied for this calculation.

**TABLE 11 - Monthly Milk Composition and Prices from August 2009 to July 2010**

MONTH	AVERAGE COMPONENT TESTS			MILK COMPONENT PRICES		
	BUTTERFAT (KG/HL)	PROTEIN (KG/HL)	OTHER SOLIDS (KG/HL)	BUTTERFAT (\$/KG)	PROTEIN (\$/KG)	OTHER SOLIDS (\$/KG)
Aug-09	3.6611	3.2309	5.6908	9.2256	9.0128	1.8326
Sep-09	3.7497	3.3094	5.6968	9.6066	8.8636	1.8916
Oct-09	3.8522	3.4147	5.6982	9.3796	8.6611	1.9048
Nov-09	3.8851	3.4242	5.6878	9.2694	8.3830	1.8472
Dec-09	3.9177	3.4065	5.6964	9.7208	8.4793	1.9050
Jan-10	3.8665	3.3546	5.7150	10.0398	8.5907	1.8953
Feb-10	3.7906	3.3120	5.7150	9.3849	8.6555	1.8149
Mar-10	3.7641	3.2884	5.7203	8.9786	8.7676	1.7875
Apr-10	3.7497	3.2933	5.7366	9.0402	8.7606	1.7884
May-10	3.6968	3.2677	5.7413	9.1906	8.9864	1.8225
Jun-10	3.6743	3.2556	5.7399	9.7176	9.3298	1.9094
Jul-10	3.6575	3.2372	5.7551	9.2481	9.1305	1.8323