September 2013

British Columbia Milk Marketing Board Quota Policy and Governance Review Discussion Paper

Introduction

The British Columbia Milk Marketing Board (Milk Board) is currently undertaking a review of its policies relating to the governance of dairy quota in the province. The review was initiated in September 2012 in parallel with a supervisory review by the British Columbia Farm Industry Review Board (BCFIRB).[1]

The Milk Board's quota policies last underwent a major revision in 2005 as part of BCFIRB's consultative Specialty Review.[2] Having gained eight years of experience with the policy and program changes made in 2005, the British Columbia (BC) dairy industry is now preparing to assess how things are working and whether further changes are required to facilitate and respond to the continuing evolution of the dairy sector.

The objective of the current review is to evaluate existing Milk Board policies around dairy quota through a transparent consultative process, with the aim of developing an effective quota policy that will preserve, build and transition the BC dairy industry for future generations. The key principles for such a policy are to provide equitable quota allocation, sustain current producers, facilitate renewal of the dairy industry, enable flexibility to manage quota for milk production, and support innovation and adoption of value added opportunities across the entire market.

This discussion document is intended to support the Milk Board's consultations with dairy producers and other stakeholders on its quota policy. The document provides an overview of the Board's existing policies pertaining to the allocation, production and transfer of dairy quota in BC, and poses a series of questions to facilitate discussion of this policy.[3] Through consultations with industry stakeholders, the Board will gather input that it will use to evaluate current policy, and it will report to BCFIRB on its findings and any proposed policy changes or new policies. BCFIRB will then review the Milk Board proposal and will issue a supervisory decision.

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[1] Under the *Natural Products Marketing (BC) Act*, BCFIRB is the supervisory board for the Milk Board amongst other BC commodity boards.

[2] Individual Milk Board policies have been developed and amended on an as needed basis in accordance with the Board's powers, as described under the 'What is quota?' section of this paper.

[3] This overview is not intended to be exhaustive. Readers are strongly encouraged to familiarize themselves with the various policy related documents available on the Milk Board's website, including the Board's Consolidated Order and Amending Orders, its CDQ guides for conventional and specialty production, and its recent Notices to Producers and Processors.

For further information on the review process, including opportunities for stakeholder participation, please visit the Milk Board's webpage at: www.milk-bc.com.

What is quota?

The BC dairy industry falls under Canada's system of supply management, a form of regulated or orderly marketing that balances domestic dairy production to consumer demand. Supply management ensures fair returns to efficient farmers and guarantees a steady supply of milk for processors and high quality dairy products for consumers at reasonable prices.[4] Dairy quota, which is used to regulate the amount of milk that is produced domestically for sale as fluid or manufactured milk products, is one of two key tools underpinning the supply management system, the other one being tariffs on dairy imports.[5]

Across Canada, a system of national and provincial agencies and boards governs the distribution of dairy quota among individual dairy producers and operations. In BC, the board charged with governing dairy quota is the British Columbia Milk Marketing Board.

Under the *British Columbia Milk Marketing Board Regulation* (a regulation made under the *Natural Products Marketing (BC) Act*), the Milk Board has broad powers to "establish, allot, alter, suspend, or cancel a quota" and "to establish terms on which quotas may be allotted, held, transferred, altered, suspended or cancelled".

The province receives a finite amount of quota through a national allocation process, and the Board determines and administers the process by which that provincial allocation is distributed among BC's dairy producers. Similarly, the Board also establishes the rules under which quota is produced and can be transferred among producers.

Quota confers both a privilege and an obligation to produce milk upon the producers that hold it.[6] Holding quota denotes a commitment to being actively engaged in the BC dairy industry.

The governance of quota in BC is guided by two overarching legal principles. The first principle is that quota has no monetary value, regardless of the fact that it acquires value in the market place when traded amongst producers. The second principle is that quota remains under the

[4] Additional information on supply management and Canada's dairy industry is available on the Dairy Farmers of Canada webpage. Some of the history and rationale underlying the implementation of supply management in the BC dairy industry was captured in a 2009 BCFIRB publication celebrating the 75th anniversary of that Board.

[5] The *British Columbia Milk Marketing Board Regulation*, made under the *Natural Products Marketing (BC) Act*, defines quota as "the quantity of a regulated product, or of a class, quality, component or grade of a regulated product, that may be allotted under this regulation for production, transportation, packing, storage or marketing within British Columbia."

[6] See Section 25 of the Milk Board's Consolidated Order.

exclusive control of the Milk Board at all points, meaning that a transfer of quota between two producers does not imply a change in the 'ownership' of that quota.[7]

As a central linchpin of supply management, quota plays a key role in supporting a vibrant dairy industry and achieving the Board's strategic goals including maintaining high quality milk to meet consumer demand, supporting processors' growth and innovation, and achieving competitive and responsive pricing. In BC, quota policy must meet the supervisory directions issued by BCFIRB and accord with good governance practices and principles, including those of strategic, accountable, fair, effective, transparent, and inclusive governance (the 'SAFETI' principles).[8] Effective quota policy is crucial to maintaining the public interest and so the dairy industry's 'social license' amongst British Columbians.

Quota allocation

In allocating quota, the Board must respond to changes in the overall national demand for milk and milk products from year to year as this affects the provincial allocation. The Board allocates separate classes of quota to conventional and specialty (organic) producers, and must similarly respond to differential rates of growth (or contraction) in conventional and specialty markets.

Presently, the Milk Board meets these goals through four main processes: distribution of general quota allotments (and reductions) to producers in the different quota classes, additional tools for specialty producers, and allocations through each of the Graduated Entry Program and the Cottage Industry Program. Under the Milk Board's Continuous Daily Quota (CDQ) system, a given producer's current quota holdings are expressed in kilograms of butterfat per day.

General allotments and reductions

In recent years, growth (or contraction) in the provincial allocation has been distributed to individual producers on a *pro rata* basis, with both mainstream and specialty producers receiving quota increases (or retractions) in proportion to their existing quota allotment. At present, any individual producer's total allotment is limited to 5.0% of the total CDQ allotted by the Board to all producers.

Some dairy industry stakeholders have suggested that there is a need to lower the maximum allotment and/or restructure the allocation process in order to slow farm consolidation and better support new entrants to the industry, for example by exploring alternatives to *pro rata* distribution. Moving away from *pro rata* distributions could also provide an effective way of responding to differential demand for conventional and specialty dairy products (see next

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[7] See Section 7(2) of the *British Columbia Milk Marketing Board Regulation* (BC Reg. 167/94), and Sanders v. British Columbia (Milk Board) (1991), 53 BCLR (2d) 167 (BCCA).
[8] The SAFETI governance principles were developed by BCFIRB in consultation with BC's commodity boards.

section) and/or ensure that quota was provided to those who are in a position to actively fill it (see 'Declining transfer assessment schedule', below). Others feel that current processes offer a transparent approach that balances the needs of smaller and larger production units, conventional and specialty producers, and both newer and more established producers in the industry.

Tools for specialty producers

Alongside the *pro rata* distributions discussed above, the Milk Board currently uses a three-step system to address differential growth in specialty relative to conventional markets.[9] The system hinges on milk vendors (processors) submitting three-month forecasts of their production requirements to the Milk Board in February, May, August, and November of every year. The Board then pursues a series of measures to fill the specialty market:

- First, the Milk Board will invite potential candidates from the Specialty Industry Production Wait List to commence specialty production.[10]
- Second, the Milk Board will consider any expansion requests from existing specialty producers, who, if such requests are granted, must purchase quota through the conventional quota exchange, specialty quota exchange, or a whole farm transfer, or must transfer it from any existing conventional farm they may own.
- Third, the Milk Board will issue a sleeve allowing existing producers to engage in additional specialty production (calculated as a percentage of their CDQ) without purchase of quota. Periodically, the Board facilitates the permanent allocation of this sleeve into quota by providing specialty producers with priority access to the Quota Exchange and/or allowing transfer in of CDQ credits from the conventional pool (see 'Credit transfers', below).

In recent years, this three-step process has proven effective in addressing the demand for specialty products in the province, meaning that the Milk Board has been able to continue to distribute general allocations on a *pro rata* basis to conventional and specialty producers alike, rather than implementing differential distributions (see previous section).

Although some industry stakeholders suggest that the current system provides 'preferential treatment' to specialty producers, the need for addressing differential market growth is fundamental to responding to consumer demands, maintaining public support for the industry and facilitating expansion of the sector overall. Specialty producers suggest that investments made to service the sleeve need to be recognized through the quota crystallization process, and that the current system allows for a timely and flexible manner of addressing specialty market

[9] The Milk Board's tools for responding to growth in specialty markets are described in further detail in the Board's CDQ Guide for Specialty Production.

[10] From 2009 until 2012, the Milk Board's Organic Incentive Policy provided a one-time issuance of up to 5000 kg per year of incentive quota to organic producers. This policy was suspended in November 2012 and the current policy does not offer any incentive for entrance into specialty production.

demand, while balancing the need to increase the number of operating specialty producers with the need to expand existing farms in what is still a developing market.

Graduated Entry Program

The Milk Board's Graduated Entry Program (GEP) is intended to provide an effective means for persons to enter the industry as active dairy farmers, thereby facilitating renewal of the industry.[11] Quota allotted under the GEP is currently provided from a pool containing the Board's assessments against quota transfers amongst producers (see 'Declining transfer assessment schedule', below).

The Board has committed to starting a minimum of three new entrants per year, and since 2005 has started 29 applicants. The waitlist for the program currently has 50 names on it and has been closed to additional names since December 2005. Persons with a previous interest in quota in any of Canada's supply managed industries, and their spouses, are ineligible for participation in the GEP.

The GEP provides new entrant producers with an initial allocation of 13.7 kg of CDQ. Where a new entrant purchases or acquires CDQ within five years of commencing production, the Board will allot to the new entrant an amount of CDQ equivalent to their purchase, up to a maximum of 5.5 kg. Entrants under the GEP as well as new producers entering the industry by other means (i.e. through quota purchases) also receive priority status on the Board's Quota Exchange (see 'Quota exchange', below). Finally, GEP participants can also access credit transfers (see 'Credit transfers', below).

Effective new entrant programs in the supply managed sectors are important to the credibility and sustainability of the regulated marketing system. Dairy industry stakeholders have indicated several concerns about the GEP.

The principal concern regards whether the initial and matching allotments made under the GEP provide a sufficient foothold for entrants to establish an economically viable farming operation. Stakeholders recognize that the size of allocations balances against the number of entrants started each year, which some feel is too low. There is considerable concern about the length of the waitlist and its prolonged closure. Some feel that the program should be tied to market growth rather than transfer assessments.

Many stakeholders also suggest that in its current form the GEP functions mainly to assist transition or the intergenerational transfer of farms within the dairy industry, rather than as a

[11] The Graduated Entry Program Rules are presented in Schedule 1 of the Milk Board's Consolidated Order.

means of attracting more diverse entrants.[12] Some worry that this reduces the program's potential for facilitating innovation and resilience in the sector.

Stakeholders have asked whether there is a need for a separate succession management program or approach that is independent of the GEP but serves the purpose of supporting intergenerational transfers among dairy farm families and overall farm succession challenges.

In 2008/2009, the Board undertook a regularization process to address noncompliance with the provision that GEP entrants be actively engaged in milk production.[13] This noncompliance involved the unauthorized transfer of quota resulting in financial benefits to individuals worth millions of dollars. Although the Board has put in place an auditing system to improve compliance going forward, some stakeholders remain concerned about this issue. It has also been suggested that, in light of the additional wait time that dealing with program non-compliance through the regularization process imposed, there may be benefit in making increased amounts of GEP quota available in the near future.[14]

Cottage Industry Program

The Milk Board's Cottage Industry Program (CIP) aims to facilitate small scale, on-farm production of consumer-ready manufactured dairy products.[15] It also includes provisions to support the production of fluid milk in specified 'Remote Regions' of the province. As with the GEP, allotments under the CIP are obtained from transfer assessments (see 'Declining transfer assessment schedule', below).

CIP participants can obtain a minimum of 4.1 kg and a maximum of 27.4 kg of CDQ from the program, with their allotment being transferable only as 'Going Concern Sale' for 15 years following the initial allotment. Producers may also purchase additional quota on the Quota Exchange, where they obtain a one-time priority access (see 'Quota exchange', below). Finally, CIP participants may also receive milk from a third party subject to conditions set by the Board.

Dairy stakeholders have suggested that there is a lack of familiarity with the CIP among existing and prospective industry participants, with some saying the program was underutilized as a

[12] In years when the GEP waitlist was open to additional names, many dairy farmers registered their children or other relatives on the list. In some cases, these relatives subsequently received GEP quota, only to then have the original farming family member transfer some or all of their quota holdings to the new entrant. This may impose a disadvantage on new entrants without a family background in the industry, in the sense that they cannot grow their operations as quickly as some of their peers who may come from dairying families.

[13] For more information on the regularization process, see: http://bcmilkmarketing.worldsecuresystems.com/news/gep.

[14] See the following BCFIRB supervisory review decision: http://www.firb.gov.bc.ca/reports/sup_decisions/verdonk_panel_decision_final_jun_26_2009.pdf.

[15] The Cottage Industry Program Rules are presented in Schedule 2 of the Milk Board's Consolidated Order.

result. The majority of stakeholders recognize that the CIP fills an open market, helps provide for small innovators as a complement to large producers and processors, improves sales across the sector, and draws positive attention to and secures public support for the dairy industry. Nonetheless, many noted the need to improve transparency around the program to avoid a perception of misuse. Stakeholders also suggested that the program (or similar programs) could be made more accessible to existing producers that are interested in pursuing on-farm processing for local consumption.

Production of quota

The Board must manage overall production of milk in British Columbia to match the provincial allocation. In doing so, it faces potential penalties for over producing this allocation. Under production, in turn, results in a lost production opportunity for the province, since under produced quota will be retracted and distributed to other provinces going forward. In order to minimize penalties against the Board and the loss of production opportunities, the Board holds producers to a similar standard, wherein they too are discouraged from regularly over- or under- producing their individual quota holdings.

At the same time, both the Board and producers face real challenges in producing their quota due to the natural, day-to-day and seasonal variability in milk production among dairy cattle. Occasionally, producers also need additional flexibility to allow for farm expansion or downsizing, or adjustment to changes in family circumstances. Currently, the Board and producers rely on three main tools to manage these challenges: a production flexibility system, a system of incentive days, and CDQ credit transfers. While these tools allow for responsive quota management, they are not perfect: in the 2011/12 dairy year, the Board assesses that it accrued 117,839 kg of unmet production opportunity and incurred $2,575,969 in over quota penalties.[16]

Production flexibility system and over and under production penalties

The Board's production flexibility system helps producers to manage their quota production through the provision of 'Flexibility Days' and the assessment of penalties on milk production over and above a given producer's quota holdings.

At present, the Board's 'Flexibility Days' policy provides producers with 20 days of flexibility in producing their quota. Under this policy, producers can over produce the equivalent of up to five days of their CDQ. Should a given producers' over production surpass this limit, they either need to transfer in quota credits to cover the excess production (see below), or they will be assessed over production penalties by the Board. In turn, the flexibility system similarly allows producers to under produce the equivalent of as many as 15 days of their CDQ. Below this limit,

[16] The fact that the Board incurred both lost production opportunities and overproduction penalties indicates a temporal difference between when the excess milk was produced relative to when additional milk was required.

producers would have to transfer out credits to remain in good standing with the Board. Although the Board does not assess under production penalties or retract under produced quota from individual producers, the lost revenues associated with under production are sufficient to encourage most producers to stay within the specified bounds.

Most producers rely on the Board's production flexibility system at some point in the dairy year. However, some industry stakeholders suggest that the provisions allowing for under production are overly generous and that stricter consequences or penalties should apply.

Incentive days

The Board's system of 'Incentive Days' is used to boost milk production in autumn months, when it is naturally lower than at other points in the year.[17] Under the system, the Board may offer producers the opportunity to produce the equivalent of an extra day (or portion thereof) of CDQ over the course of specified months. Participation in incentive days is optional and limited to those producers who are producing their CDQ.

In recent years, producer utilization of incentive days has been reasonably strong, with about 35% of producers participating. Stakeholders generally recognize this system as providing an effective means of managing seasonality and stabilizing milk production and supply over the dairy year.

Credit transfers

In addition to production flexibility, the Board allows for the transfer of production credits between licensed producers. When transferring credits out, a given producer is effectively granting a temporary interest in producing a portion of their CDQ to another producer, who is transferring the credits in. Although CDQ credit transfers are private transactions, the Board requires producers to submit record of them to the Board so that it can monitor the volume, direction, initiators and recipients of credit transfers.

Effective August 1, 2013, conventional producers with quota holdings of more than 40 kg CDQ are permitted to transfer credits equivalent to a maximum of 15% of their equivalent Total Production Quota (TPQ) – total CDQ for the year – in or out, while those with holdings of less than or equal to 40 kg CDQ are permitted transfer 3750 kg in only or 15% of their equivalent TPQ in and out, with credit transfer limits calculated on a rolling 12 month basis in each case.[18] At present, the Board places no limitations on the frequency with which producers can utilize credit transfers or the times of the year when they may do so.

[17] Announcements of upcoming 'Incentive Day' opportunities are made through the Milk Board's Notices to Producers.

[18] Effective February 1, 2014, farms allotted more than 40 kg CDQ will be permitted a maximum credit transfer limit of 10%, while those allotted less than or equal to 40 kg CDQ can transfer 2500 kg in only or 10% in and out, with credit transfer limits calculated on a rolling 12 month basis in each case. For more information, see: Notice to Producers - Credit Transfer Policy - May 29 2013.

The Board has implemented special provisions for specialty producers and those producers participating in the Domestic Dairy Product Innovation Program (DDPIP).[19] Specialty producers are permitted unlimited credit transfers within the specialty pool. DDPIP producers can transfer out credits equivalent to their production on their DDPIP contract in any given month, up to the maximum of their current CDQ holdings.

Dairy industry stakeholders have expressed concern that some producers are relying too heavily on credit transfers in recent years. This is thought to result from those producers' efforts to avoid the assessments that apply to quota transfers on the Board's Quota Exchange (see 'Declining transfer assessment schedule', below). Some suggest that the system has created an incentive for producers not to produce their quota, while also reducing the availability of quota on the Quota Exchange. Stakeholders note that the credit transfer system was not designed to handle the volume of quota it now sees, and that heavy reliance on the system may also be contributing to production that is out of pace or off-season from demand.

Transferring quota

The Milk Board coordinates the transfer of quota between producers through a Quota Exchange system on which, barring the exceptions discussed below, all quota must be transferred. Given the need to preserve conventional and specialty quota as distinct quota classes, the Board maintains a separate exchange for each of the two classes.

The Board also retracts a portion of all transferred quota by way of a transfer assessment, thereby minimizing the opportunity for profiteering off of quota transfers and providing the Board with flexibility to facilitate the future development of the dairy industry, irrespective of changes to the provincial allocation.

Quota exchange

The Board's quota exchange for conventional quota operates on a monthly basis.[20] Effective September 1, 2013, the specialty quota exchange will run when quota is made available by existing specialty producers.[21]

To assist with the smooth transfer of quota amongst producers and to minimize the opportunity for price manipulation, a market clearing price for quota is calculated prior to each

[19] The Domestic Dairy Product Innovation Program (DDPIP) is a national program providing a means by which persons interested in producing certain new and innovative dairy products can access the milk they need outside of existing allocations to provincial processing plants. For more information on the Program, see: http://www.cdc-ccl.gc.ca/CDC/index-eng.php?id=3816.

[20] Documents relating to the Board's conventional quota exchange are available on the Board's website at: http://milk-bc.com/quota/exchange.

[21] The operational guidelines of the Board's specialty quota exchange are specified in: Notice to Producers – Specialty Quota Exchange – July 30 2013.

exchange. On the August 2013 conventional quota exchange, the market clearing price was $42,500 per kilogram of CDQ. The market clearing price for specialty quota will always be set at the current price of the conventional exchange for the month in which the sale will occur.

According to the rules established by the Board, persons interested in selling quota must complete an offer to sell, which may contain quota ranging from a minimum of 0.1 kg CDQ to the total amount of CDQ the producer has available for transfer. Persons interested in purchasing quota must complete an offer to buy, which may contain quota ranging from a minimum of 0.1 kg CDQ to a maximum of 30kg CDQ.

If there is insufficient CDQ subject to offers to sell in any monthly exchange to meet all offers to buy, then the available CDQ transfers to producers on a percentage basis. For example, if there is enough CDQ contained in the aggregate of all offers to sell to fill 95% of offers to buy, then each offer to buy will be 95% filled.

To facilitate their access to quota, participants in the GEP as well as other new entrants (i.e., those entering the industry by purchasing quota) may each apply to the Board to be granted priority status on a monthly exchange. Where such status has been granted, offers to buy will be 100% filled up to a maximum of 5.5 kg CDQ for GEP participants, and a maximum of 13.7 kg CDQ for other new entrants, prior to filling other offers to buy in that monthly exchange. The Board also provides for a one-time priority access to 13.7 kg CDQ for CIP participants.

Exceptions to the requirement that quota be transferred on the exchange include transfers to a producer's spouse, child, child and the child's spouse; deemed transfers, which represent a change in the interests held by producers in a partnership or a corporation; and reallocations of quota amongst multiple dairy farms operated by a given producer. In such cases, transfers will be considered upon application to the Board. Additionally, in the case of 'going concern sales', the Boards current policy is that 50% of the CDQ must transfer on the Quota Exchange, while the remaining 50% may be sold as a 'going concern' to a single transferee provided it is accompanied by the transferor's interests in the land, dairy farm, buildings, facilities, equipment, and dairy cattle associated with that CDQ.

Dairy industry stakeholders have suggested that the volume of quota available on the Quota Exchange has been quite limited in recent years. Many suggest that this limited availability results from the declining transfer assessment schedule applied to quota transferred on the Exchange (see below), which disincentivizes use of the exchange and encourages producers' reliance on CDQ credit transfers and whole farm transfers instead (each described above).

Producers are bidding up the market price of quota, which in turn creates a burden to those farmers that are seeking to expand, especially new entrants and smaller producers. The current going concern sales policy is another area of debate within the industry, with some stakeholders suggesting that the policy helps to get quota onto the exchange, while others suggest that the policy makes it difficult to access sufficient financing to purchase the farm in question. In each case, stakeholders have suggested that there may be a need for policy changes to offset the accelerated farm consolidation that larger operations' relatively greater access to capital may be causing.

Declining transfer assessment schedule

Barring certain exceptions described below, the Board applies an assessment against quota transferred among dairy producers. Assessed quota is placed into a pool that in recent years has been used to make allocations through the GEP and CIP (as discussed above).

On quota allotted before September 1, 2005, the assessment is 5.0% of the total CDQ being transferred. Quota allotted on or after September 1, 2005 is subject to a declining transfer assessment, as established for all of BC's supply managed sectors following the 2005 Specialty Review. In the first year following issuance, 100% of quota is automatically retracted on transfer. In the second year and subsequently, the amount retracted declines by 10% per year until it reaches a minimum assessment of 10% in the tenth year. Transferability therefore commences in the second year at 10% of the quota allotted and increases by 10% per year until it reaches 90%. This transfer assessment schedule is commonly referred to as the '10/10/10' system.

Under the declining transfer assessment schedule, quota allotted on or after September 1, 2005 is also subject to a 'last in, first out' (LIFO) provision, where the last quota allotted is the first authorized for transfer by the Board.

Exceptions to the declining transfer assessment and LIFO provision include transfers and deemed transfers (as above) to a producer's spouse, child, child and the child's spouse; transfers and deemed transfers to a producer's siblings under circumstances prescribed in the Board's Consolidated Order; and situations involving the formation or dissolution of partnerships or corporations where the producer's interests do not change.

Dairy industry stakeholders have expressed high levels of concern about the declining transfer assessment schedule, suggesting that it creates real challenges for farm management, dealing with shifts in family circumstances, downsizing and retirement, and farm succession. They suggest the policy makes the milk production system too static and inflexible. Some stakeholders suggest that existing producers have 'earned' quota allotments through their investment in and contribution to the dairy industry, and that they should be free to produce or dispose of this quota as they see fit.

At the same time, there is an argument that such a view goes against the principle that quota confers an obligation to produce milk on the allotment recipient. Some stakeholders have suggested that removal of the schedule would yield significant selling of quota obtained through Board allotments, which, in their view, should only be distributed to those who can actually fill the quota requirements. As discussed earlier in this paper, this could support, amongst other possibilities, a shift from the Board's current system of *pro rata* distribution of growth (or retraction) in the provincial allocation.

While some stakeholders suggest that GEP participants should face a stricter transfer assessment schedule than existing producers as a means of ensuring their commitment to the industry, others note that new entrants and existing producers alike may face similar farm- and family management needs. Moreover, there is an argument for reciprocity in the treatment of producers across the dairy industry.

Further information

The Milk Board has established a centralized website for the current Quota Policy and Governance Review, which will be regularly updated as information associated with the Review becomes available. That page is accessible off of the Milk Board's main site at: www.milk-bc.com.

Persons requiring further information beyond that included in this paper and the referenced policy documents are encouraged to contact the Milk Board, at:

Mail: BC Milk Marketing Board, 200 - 32160 South Fraser Way, Abbotsford BC, V2T 1W5
Fax: 604-556-7717
Email: quota-governance@milk-bc.com

Discussion Questions

1. Do current quota allocation policies support the presence of an appropriate range of farm sizes and production models in the British Columbia dairy industry?

2. How can differential rates of growth in the markets for conventional and specialty dairy products best be assessed and addressed?

3. What are the benefits and drawbacks of the Board's current policy of allocating general allotments (or reductions) of quota among producers on a *pro rata* basis? Are there alternative allocation systems that might be considered, and what are their potential strengths and weaknesses?

4. What are the requirements of a new entrant program if it is to effectively support the establishment of new dairy farming operations amongst program participants?

5. Should the Board's new entrant program be used to facilitate the intergenerational transfer of farms within the dairy industry? Is there rather a need for a specific and separate policy or set of policies to facilitate intergenerational transfer?

6. How can further growth, innovation, and the production of value-added products best be facilitated in the industry among existing producers and new entrants alike? How can quota best be supplied to (or accessed through) such programs?

7. What types of quota policies can best ensure that dairy industry production matches the consumer demand for milk, as indicated in the provincial allocation? What types of over or under-production penalties are appropriate?

8. How can quota best be enforced as an obligation to produce, while providing producers with the necessary flexibility to respond to their cattle's natural variability in milk production and to provide for effective farm- and family management?

9. How can the transparent and smooth functioning of the Quota Exchange best be ensured for transferors and transferees alike?

10. How can the legal principles that quota has no value and that it remains under the control of the Board at all points best be reflected in the Board's quota policy?

11. Are there any other questions or issues that the Milk Board should be considering in the current Quota Policy and Governance Review?