



Verification rules and reporting requirements for class 1b(ii) cream

Information Guide for:

- Cream Manufacturers
- Distributors
- Manufacturers of fresh bakery products

1. Overview

This information guide sets out the conditions that govern the eligibility and reporting requirements for cream manufacturers, distributors and manufacturers of fresh bakery products using cream with a minimum milk fat content of 32%.

Provinces through agreement reached at the Canadian Milk Supply Management Committee, have delegated the eligibility, verification and related audit requirements for class 1b(ii) cream utilization, to the Canadian Dairy Commission (CDC).

The CDC is responsible to manage the controls and reporting requirements associated with 1b(ii) cream utilization. Participation in this initiative is optional for each province. Participating provinces are responsible to set the pricing of the components for the cream.

2. Definition of Terms

Cream:

For the purpose of this initiative, the cream must be of a minimum fat content of 32%.

Manufacturers of fresh bakery products:

This includes bakery and pastry manufacturing facilities.

Fresh bakery products:

Only fresh bakery products destined for retail sale are eligible to receive a 1b(ii) Permit. Bakery products which are frozen during or following their manufacture are not considered eligible, nor are individual bakery items which are sold separately such as icing, cake frosting and glazes.

Dairy Ingredient Distributor:

For the purpose of this initiative, a Distributor is defined as a registered company that purchases cream for resale to a 1b(ii) Permit holder.

Cream Manufacturer:

A Cream Manufacturer is the actual manufacturer of the cream.

3. 1b(ii) Pricing and Permit Controls

- 3.1 Class 1b(ii) pricing is determined by provincial milk marketing boards/agencies and not by the CDC. Pricing may therefore vary from province to province and from month to month. Companies using cream in fresh bakery products must contact the Cream Manufacturer, their Distributor or the milk marketing board/agency in their province to confirm the availability and pricing of 1b(ii) cream (see attached list of milk marketing boards/agencies and persons to contact).
- 3.2 A manufacturer of fresh bakery products may only purchase 1b(ii) cream in the province where the fresh bakery products are made.
- 3.3 1b(ii) Permits are province-specific. A Cream Manufacturer can only claim 1b(ii) component prices in the province where the cream was used to manufacture the eligible bakery product and; must sell that cream to a Permit holder operating a plant facility in that same province.
1b(ii) Permits are valid only in the province named on the Permit.

- 3.4 A Distributor is required to apply to the CDC for a 1b(ii) Distributor's Permit with the Permit numbers of its 1b(ii) customers. A Distributor is limited to purchasing cream in the province mentioned on its customer's Permit.

4. Product Eligibility Requirements

- 4.1 In order to be eligible to receive a 1b(ii) Permit, manufacturers of fresh bakery products must describe the type of fresh bakery products being manufactured including the amount of cream incorporated in the finished product recipe.
- 4.2 No other dairy ingredients used in fresh bakery products are eligible to receive a 1b(ii) Permit.

5. Application Procedures

5.1 *Application Form*

To apply for a 1b(ii) Permit, the bakery product manufacturer must complete a *1b(ii) Permit Application Form* and include a copy of the company's certificate of incorporation/registration. Recipe information pertaining to the amount (in kg or litres) of cream contained in the finished product, along with a forecast of its annual usage of cream, must also be provided.

The information submitted in the *1b(ii) Application Form* and the information contained in the eventual signed Agreement, shall be treated by the CDC as confidential.

5.2 *1b(ii) Agreement*

Once a bakery product manufacturer or distributor has been approved, the CDC will forward a 1b(ii) Agreement which must be signed by an official signing officer of the company. The original signed copy must then be returned to the CDC.

5.3 *1b(ii) Permits*

Once the Agreement has been signed and returned to the CDC, a 1b(ii) Permit will then be issued to the company. Permits are currently valid for a period of five years.

With exception given to the start-up period to implement this new initiative, 1b(ii) Permits will not be issued retroactively and will only be effective as of the date of issuance. The period of time for which the Permit is in effect is mentioned on the Permit itself.

1b(ii) component prices will not appear on the Permit. Those component prices will be determined by the provincial milk marketing board/agency in the province where the cream is produced and sold.

Once the company has received the 1b(ii) Permit, it can proceed to negotiate the purchase price of its cream with its supplier.

5.4 *Notice of Permit number*

In order to obtain 1b(ii) pricing, the bakery company must communicate its 1b(ii) Permit number to its distributor or cream manufacturer at time of purchase. The Permit number must be recorded on the purchase invoice.

6. Reporting Requirements for manufacturers of fresh bakery products

The CDC has developed two types of reporting mechanisms which take into account certain factors such as the volume of cream purchased by a baking company in a year. Applicants will be required to follow the reporting procedures outlined in Section 6.1 or one of the options in Section 6.2.

The CDC will provide the manufacturer with the appropriate reporting procedures and forms at the time of Permit issuance.

6.1 *Monthly Reporting*

This reporting procedure requires that the manufacturer of fresh bakery products complete and return the following Reports:

Monthly Purchase Report

The manufacturer is required to submit a monthly report of its 1b(ii) cream purchases. This information must be submitted to the CDC no later than 30 days following each month's end.

Monthly Sales Report

The manufacturer is required to submit monthly data on its approved finished product sales. This information must be submitted to the CDC no later than 30 days following each month's end.

Financial Year End Inventory Report

The manufacturer is required to submit a closing inventory report on cream which is covered by a 1b(ii) Permit. In the case where a Monthly Sales report is being supplied, a closing inventory of the finished products containing cream must also be submitted. This Report must be submitted to the CDC no later than 30 days following the company's financial year end.

Changes to Recipe Information

Any changes made by the manufacturer to the cream content in an approved finished product must be promptly reported to the CDC. Finished bakery product recipes are used by the CDC to reconcile purchases of cream, sales, and product manufacturing activities.

6.2 *Simplified Reporting Options*

Criteria to determine the reporting options will be based on the annual estimate of cream usage reported by the company.

6.2.1 Annual 1b(ii) Review Report

The manufacturer is required to complete and return an Annual Purchase Report of its 1b(ii) purchases of cream as well as an Annual Review Report which will be based on the company's financial year, attesting to the use of cream in an eligible product. The Annual Review Report must be signed by a professional accountant certified for public practice. These Reports must be submitted to the CDC no later than 60 days following the company's financial year end.

6.2.2 Annual 1b(ii) Certification Report

The manufacturer will be required to complete and return an Annual Purchase Report of its 1b(ii) Cream and an Annual Certification Report stating that the cream was used in an eligible product. This report will be based on the company's financial year. The Annual Certification Report must be signed by a duly authorized officer of the company. These Reports must be submitted to the CDC no later than 60 days following the company's financial year end.

7. Reporting Requirements for distributors of cream

The Distributor is required to complete/submit the following Reports to the CDC:

Monthly Purchase Report:

The distributor is required to submit a monthly report of its 1b(ii) cream purchases. This information must be submitted to the CDC no later than 30 days following each month's end.

Monthly Sales Report

The distributor is required to submit a monthly report of its sales of 1b(ii) cream. The report must identify the CDC Permit holders to whom the cream was sold. This report must be submitted to the CDC no later than 30 days following each month's end.

Financial Year End Inventory Report:

The Distributor is required to submit a closing inventory report of 1b(ii) cream. This report must be submitted to the CDC no later than 30 days following the distributor's financial year end.

Report on Permit Holders

The distributor must report its 1b(ii) cream permit holder's information to the CDC prior to conducting the sale of the cream. The permit holder information will be added to the distributor's own permit details for reconciliation purposes. The distributor is also required to record its customers' 1b(ii) permit number on their individual sales invoices.

Questions on the 1b(ii) Cream should be addressed to the
Canadian Dairy Commission:

Contact person: **Stephanie Lurz**
E-mail: Slurz@agr.gc.ca
Telephone: **(613) 792-2067**
Canadian Dairy Commission
Marketing and Commercial Operations
Building 55, NCC Driveway
Central Experimental Farm
960 Carling Avenue, Ottawa ON
K1A 0Z2
Fax: (613) 792-2009
Visit our Web sites at:
www.MILKingredients.ca
www.cdc-ccl.gc.ca

- LIST OF PROVINCIAL BOARDS/AGENCIES-

<p>British Columbia Milk Marketing Board James Leschuk 32160 South Fraser Way Ste. 200 Abbotsford, British Columbia V2T 1W5</p>	<p>Telephone:(604) 556-3444 Fax: (604) 556-7717 E-mail: jleschuk@milk-bc.com Internet: www.milk-bc.com</p>
<p>Alberta Milk Denise Brattinga Provincial Building 5201-50th Avenue Wetaskiwin, Alberta T9A 0S7</p>	<p>Telephone: (780) 361-1231 Fax: (780) 361-1236 E-mail: dbrattinga@albertamilk.com Internet: http://www.albertamilk.com/</p>
<p>Saskatchewan Milk Control Board Gerry Gartner 2500 Victoria Avenue, Suite 1210 Regina, Saskatchewan S4P 3X2</p>	<p>Telephone: (306) 787-5319 Fax: (306) 787-1988 E-mail: gartner.g@saskatel.net Internet: http://www3.sk.sympatico.ca/milkcb</p>
<p>Manitoba Milk Producers Brent Achtemichuk P.O. Box 724, Station Main Winnipeg, Manitoba R3C 2K3</p>	<p>Telephone: (204) 488-6455 Fax: (204) 488-4772 E-mail: brent@milk.mb.ca Internet: www.milk.mb.ca</p>
<p>Dairy Farmers of Ontario Phil Cairns 6780 Campobello Road Mississauga, Ontario L5N 2L8</p>	<p>Telephone: (905) 821-8970 Fax: (905) 821-3160 E-mail: pcairns@milk.org Internet: www.milk.org</p>
<p>Fédération des producteurs de lait du Québec Michel Beaséjour 555 Roland-Therrien Boulevard Longueuil, Quebec J4H 3Y9</p>	<p>Telephone: (450) 679-0530 Fax: (450) 679-5899 E-mail: mbeausejour@upa.qc.ca Internet:www.lait.org</p>

<p>Dairy Producers of New Brunswick Steve Michaud P.O. Box 5034 Sussex, New Brunswick E4E 5L2</p>	<p>Telephone: (506) 432-4330 Fax: (506) 432-4333 E-mail: steven@nbmilk.com</p>
<p>Dairy Farmers of Nova Scotia Brian Cameron P.O. Box 782 Truro, Nova Scotia B2N 5E8</p>	<p>Telephone: (902) 893-6600 Fax: (902) 897-9768 E-mail: bcameron@dfns.ca Internet: www.dfns.ca</p>
<p>Prince Edward Island Milk Marketing Board Douglas Thompson P.O. Box 335 Charlottetown, Prince Edward Island C1A 7K7</p>	<p>Telephone: (902) 892-5331 Fax: (902) 566-2755 E-mail: dthompson@dfpei.pe.ca</p>
<p>Dairy Farmers of Newfoundland and Labrador Martin Hammond 980 Topsail Road Mount Pearl, Newfoundland A1N 3K2</p>	<p>Telephone: (709) 364-6634 Fax: (709) 364-8364 E-mail: milk@dfnl.nf.net</p>