



Quota Policy and Governance Consultation



Before moving on to the Quota Governance and Policy Consultation, is there any questions on the producer presentation.

Regional Sessions – Summary of Findings

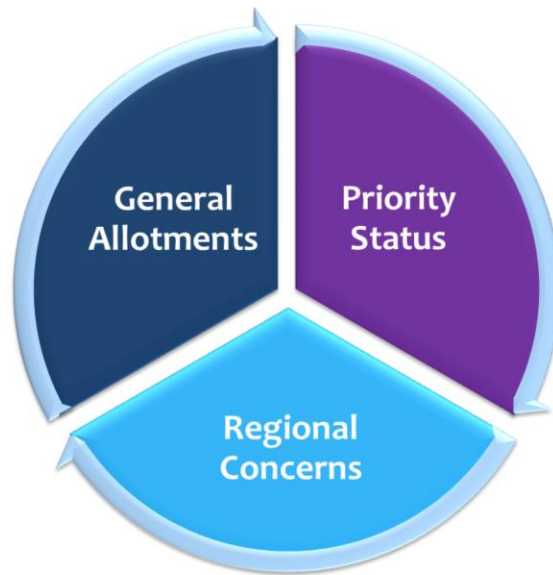


During the period of September 26 –October 10, 2013 consultation sessions were held to discuss BC Quota Policy & Governance. The sessions were held in the following regions in British Columbia –Vancouver Island (Nanaimo), Fraser Valley (Abbotsford), Bulkley Valley (Smithers), Cariboo & Peace River (Prince George), Fraser Valley (Chilliwack), Okanagan (Salmon Arm) and Kootenays (Creston).

The participation and dialogue during these sessions was impressive with a total number of 229 in attendance to provide input on current quota policies and insight for the development of future policy. In general comments supported the current policies and many producers noted everything is working well.

The next few slides will outline a summary of key points developed from these sessions and any written feedback provided to date.

Consolidation & Concentration of Quota

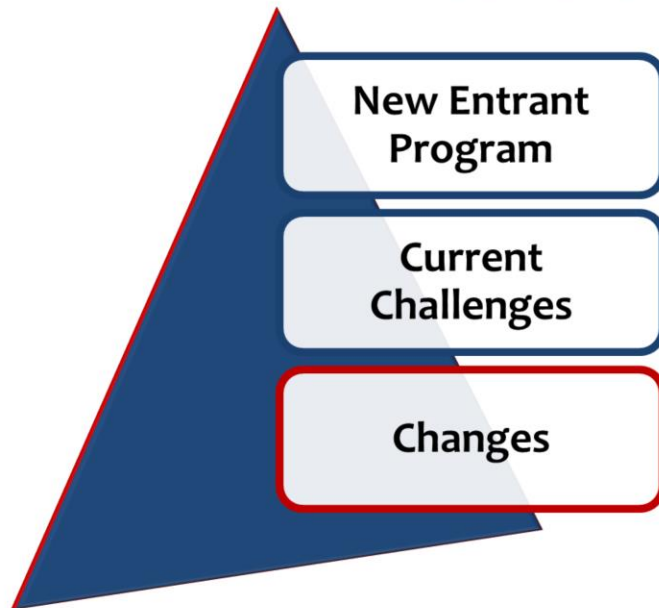


One area of common concern regards the consolidation and concentration of quota and farms in the British Columbia dairy industry, and the increasing difficulties faced by small and even mid-sized farms, despite the benefits that such farms contribute to milk production in the industry, local communities and economies, and the public's perception of dairy farming.

Many participants felt that the Board needs to do more to support smaller operations, whether by

- altering its policy of distributing general allotments on a *pro rata* basis,
- giving or expanding small producers' priority status on exchange, or offering such producers exemptions to the Board's current policy around going concern sales or whole farm transfers.
- For producer attendees in outlying regions (e.g. Bulkley Valley, Cariboo and Peace River, Kootenays), these concerns were very much tied up with sustaining their regional industries, since farms in these areas often tend to be somewhat smaller than those in the Lower Mainland.

GEP and New Farmers

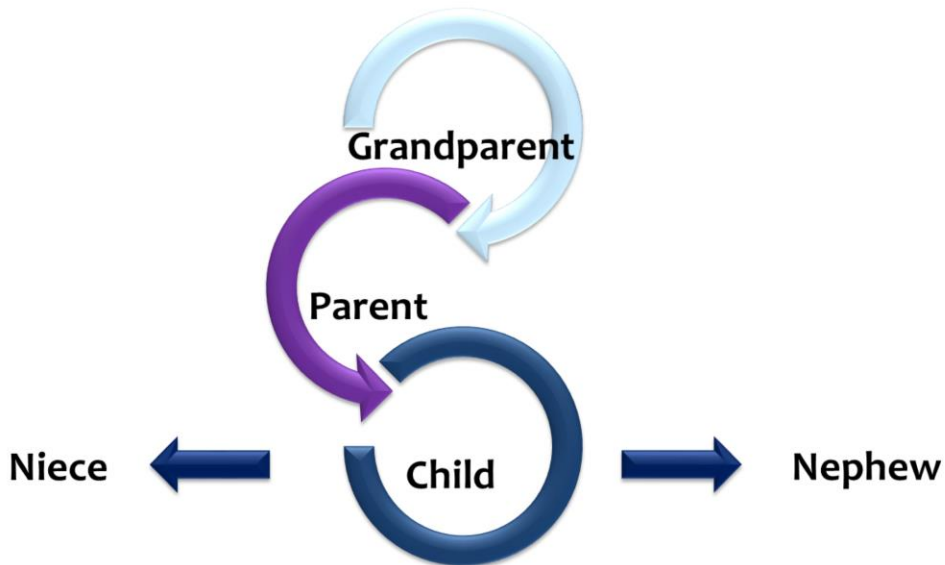


Many consultation attendees were also concerned about the difficulties faced by new farmers and there was much discussion around how the Board can best support these producers in establishing a firm foothold in the dairy industry.

- some form of a new entrant program is necessary to introduce “new blood and new ideas” to the industry and ensure its defensibility to members of the public.
- concerns about the long-time closure of the Board’s existing Graduated Entry Program (GEP) waitlist, the length of that list, and the substantial waiting period that individuals may face before being able to initiate production were widely held, with many suggesting that the Board should move quickly to resolve these issues and that it should consider implementing a lottery or other system that could ensure a more rapid entry to the industry going forward.
- Many participants also agreed that the allocations made to individual entrants under the GEP were too low, and that these needed to be increased to facilitate the economic viability of new operations.

- At same time, attendees suggested that the Board may need to require some investment from new entrants to ensure their commitment to the industry, and that it may need to implement protections to avoid abuse of the program, for example by making GEP quota permanently or temporarily non-transferrable.
- Many attendees questioned whether the Board's current practice of allowing the GEP to be used to facilitate the transfer of farms between generations of a dairying family should continue.
- They suggested that while a significant percentage of the names on the program's existing waitlist may be anticipating benefiting from a family transfer, the original intent of the program might be better served by refocusing it to facilitate the entry of individuals from outside the industry.

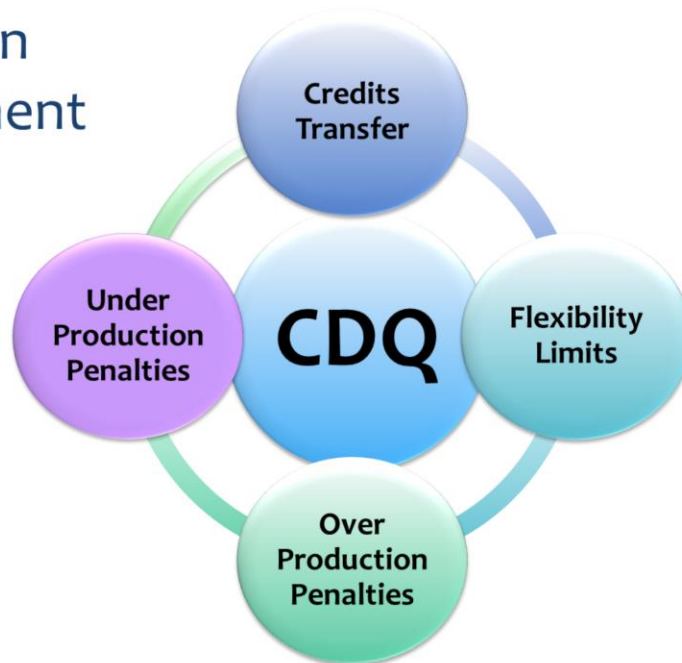
Succession Planning



Attendees requested policy changes that would “broaden the family tree” to enable more family members to benefit from quota transfer exemptions, and that there was similarly a need to improve the transferability of shares within corporate farms.

- participants also recommended that beyond such changes, the Board should limit its engagement in succession related issues, since it was preferred that these be managed around a given family’s “kitchen table”, rather than around the “boardroom table”.
- Participants also suggested no assessments should be applied to non-family members or key employees or add an assessment but allow the transfer of quota

Production Management



The regional consultations also provided a range of feedback on the various tools used by the Board to ensure that the province meets its provincial allocation as well as those used by producers to manage production and the day-to-day and seasonal variability of milk production on their farms.

Flexibility Limits – 20 days was supported by most participants however some suggested a decrease in days

Credit Transfers – Mixed bag of comments (some wanted a decrease, status quo, back to 20%)

Over production Penalties – Concerns with freight payment in outlying regions

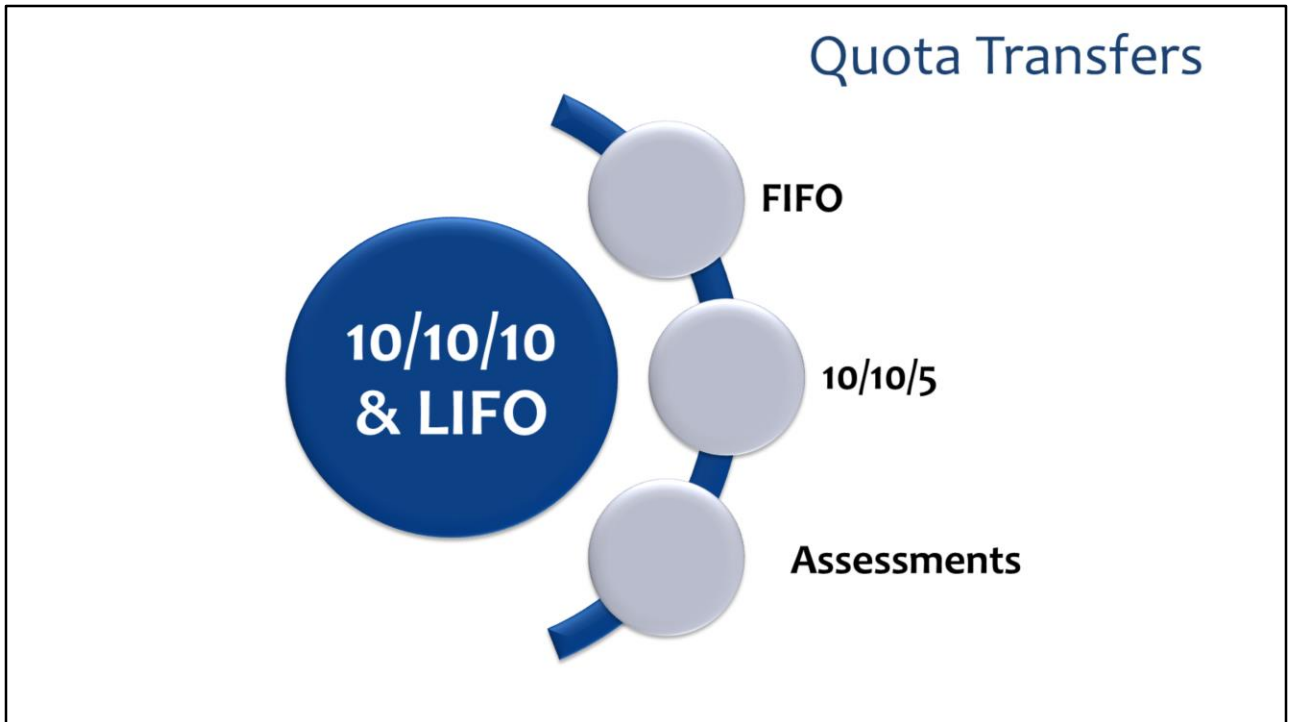
Underproduction penalties – creation of penalties for producers that lose quota (i.e. no allocations etc)

Quota Transfer - Tools



While many attendees were concerned about the limited availability of quota on the exchange in recent years (linked to the Board's implementation of the declining transfer assessment schedule,), most felt the exchange was effective and that it facilitated relatively equal access to a scarce resource among producers.

- Although many participants were similarly concerned about the very high price of quota,
- they were nearly unanimous in their advice that the Board not implement a firm price cap, as has recently been done in P5, which they felt would only result in quota value being pushed onto another farm component, such as cattle or land.
- Attendees offered mixed feedback on the Board's current policy that 50% of the quota transferred as part of a going concern sale or whole farm transfer be transferred on the exchange, which many suggested may erode the economic viability of the transferring operation.



While the Board’s movement to a Continuous Daily Quota system and its provision of flexibility days proved popular with consultation participants, particularly in some regions, the declining transfer assessment schedule was decidedly less so.

While some attendees felt that the industry could tolerate it, especially if individual producers had a clearer understanding of its likely effects on a contemplated transfer, many others fundamentally disagreed with the policy, stating that it prevented producers from “earning the growth” that they feel they have contributed to through production levies.

- The policy has detrimental effects on the industry, including restricting the availability of quota on the quota exchange, potentially driving up the price of quota, and penalizing those who need to buy quota back after selling it for production management purposes.
- widely acknowledged that the existence of the assessment has increased producer reliance on the credit transfer system, which attendee producer’s stress now forms a crucial production management tool. As such, while some participants are willing to tolerate the new restrictions that the Board has placed around credit transfer limits, many attendees are reluctant to see any further tightening in this area.



Questions

