

May 30, 2014

Bob Ingratta
Chief Executive Officer
British Columbia Milk Marketing Board
32160 South Fraser Way
Abbotsford, BC V2T 1W5

Dear Bob:

Re: BC Milk Marketing Board: Powers and Duties Review

The British Columbia Dairy Council is pleased to provide input into the review of the Powers and Duties of the BC Milk Marketing Board. This letter is a follow-up to our discussion at the April 8, 2014 BC Dairy Council Directors' meeting, at which the Council provided preliminary comments to the project consultant.

At the outset we believe it is important to acknowledge BCMMB's role and responsibilities in overseeing the BC dairy industry and to ensure the best interests of the industry and the public. In an industry that rests so heavily on balancing supply and demand, a strong regulatory authority is essential.

At the same time, we believe it is important to respect the dynamic nature of the industry and the fundamental changes that have taken place since the passage of the *British Columbia Milk Marketing Board Regulation* in 1994. At that time the industry assumed a symbiotic relationship between various links in the dairy supply chain, and this was reflected in the design and scope of the regulation. In contrast, the links in today's dairy industry are primarily of a commercial nature and reside in a much more competitive environment.

Under Section 7 of the Regulation,

... the board is vested with the power to promote, regulate and control in any and all respects the production, transportation, packing, storage and marketing, or any of them, of a regulated product within British Columbia, including the prohibition of production, transportation, packing, storage and marketing, or any of them, in whole or in part, and is vested with all powers necessary or useful in the exercise of those powers.

At present, these powers are of such a broad nature as to give BCMMB authority in areas of the business that, for practical purposes, are beyond its control. For example, the power to "promote, regulate and control ... packing, storage and marketing" in most cases has been superseded by market forces.

Nevertheless the intent of the regulation is clearly to provide BCMMB with overarching authority over the whole industry. Recognizing this, the BC Dairy Council believes the duties of the Board should be modified to include more effective mechanisms for problem-solving and joint policy development with the dairy processing industry. This would facilitate greater understanding of and responsiveness to the needs of the broader supply chain and for dairy processors would imply greater engagement in the development of policies that affect them directly.

The desire for greater inclusion and more effective dialogue was reflected in the discussion at the April 8 meeting. Among the comments advanced by Dairy Council members at that time (and recorded in the consultant's "As It Was Heard" document) were

- A lack of engagement in (and in some cases, awareness of) BCMMB's Strategic Plan
- A need for greater communication and alignment of interests between BCMMB and the processing industry
- A sense of frustration that the rationale for BCMMB decisions is not fully explained to industry stakeholders.

The BC Dairy Council appreciates recent efforts by BCMMB to reach out to the processing industry but believes that more formal input by processors would enhance industry effectiveness and should be embedded in the powers and duties of the Board. This could be achieved through

- *The provision of more effective representation of processor interests on the Board itself.* While we understand that the structure and composition of the Board is not part of this review, its current configuration creates an inherent bias in favour producer interests that are at times out of step with the demands of the downstream market, including the consumer market that is fundamental to its strategic vision. A simple remedy would be to provide a greater voice for those who are closer to the marketplace.
- *A re-constituted committee structure with broader mandates and more strategic emphasis.* In particular, the Milk Industry Advisory Committee has the potential to be an effective forum for vetting (and possibly developing) industry strategies including BCMMB's Strategic Plan, rather than focusing strictly on quota policy and pricing, as is currently the case.
- *A requirement that the rationale for policy decisions by BCMMB (beyond its "sole discretion") be better explained to stakeholders that are impacted by those decisions.* This might take the form of written decisions posted to the Board's web site or, where of a proprietary nature, explained through direct correspondence with the affected parties.

The Review asks whether there are duties within its purview that the Milk Board should stop doing. In the opinion of the BC Dairy Council, the BCMMB should not have the authority to

require processors to report inter-plant transfers of cream. No other province has such a requirement as such transfers are strictly commercial transactions between processors. In our view, BCMMB should only be involved in the marketing of raw milk off the farm, not in the downstream marketing of by-products.

In addition, the review asks whether there are additional duties that the Board should consider, particularly in the context of its Strategic Plan.

The BC Dairy Council believes that BCMMB needs to protect the integrity of the dairy industry and ensure that all stakeholders are aware of their individual roles and responsibilities in this respect. The Council continues to have concerns that after several years of prompting, BCMMB has still not developed, communicated or implemented an effective crisis management protocol for stakeholders in the industry. Further, the question of liability for downstream costs associated with the delivery of contaminated milk to a processor is still outstanding. Given the overarching nature of the Board's powers and duties, these items need to be addressed.

Finally, the review asks for comment on the role of BCMMB in the promotion and marketing of the dairy industry. In particular, it asks whether it is appropriate for the Board to delegate powers and duties related to promotion and marketing.

In the view of the BC Dairy Council, the role of the BC Milk Marketing Board is to govern and regulate the industry. As such, an active role in promotion and marketing is neither desirable nor appropriate.

While the Council has no objection to BCMMB's collecting levies on behalf of producers for the purposes of funding the promotional activities of the producer association, we believe the Board itself should not be involved in the promotion or marketing of dairy products. In the current context, the promotion of dairy products is complex (e.g., milk vs. dairy ingredients, domestic vs. imported products, various nutritional claims, etc.) and can have conflicting impacts on industry stakeholders, which in turn can put the Board in a awkward position with respect to its role as governor and regulator. In our view, the promotion and marketing of dairy products should be removed from the list of roles and responsibilities of the Board.

We trust that these comments are helpful in the review, and of course would be pleased to elaborate if you have any questions or concerns. Please feel free to contact me if you wish to discuss.

Sincerely yours,

BRITISH COLUMBIA DAIRY COUNCIL



Dan Wong

cc. BC Dairy Council Directors