

May 6, 2022

Notice of Producer Levy Change Consultation

On June 2020, the WMP entered a national revenue sharing agreement for classes 1-5 as a result of implementation of the CUSMA trade agreement. This change in revenue sharing significantly reduced revenue assigned for fluid add-on programs in the WMP. In addition to sharing revenues in class 1, the amount of class 1 sales continues to decline resulting in lower revenues for the national pool.

It was determined it is not financially feasible to support programs that were originally designed to be supported by the industry.

The WMP and the BC Milk Marketing Board (the Board) have decided to eliminate the \$1.92 Fluid Add-On program cost reimbursements effective August 1, 2022 and is consulting with processors on options for covering plant inhibitor testing through other means. Elimination of the program would result in approximately \$920,000 in funds that were previously refunded to processors remaining in the BC producer pool (increasing Blend price).

With the elimination of the \$1.92 fluid add-on program costs, this impacts how the Board collects the fluid only administrative levy, currently through the producer pool deduction. There are 2 options:

- Continue to deduct the pool/market portion of the admin levies from the BC producer pool
- Or
- Change the producer levy (producer statement) to include this amount for more transparency

The change in how the fluid only administrative levy is collected would not (in itself) have a net impact on producers.

Administrative Levy Analysis

Current charges:

- Producer Administrative Levy of \$0.25/hl on all-milk production on the producer statement
- Administrative Levy of \$0.40/hl on fluid milk production deducted from the producer pool

Fluid milk sales have declined over the past 10 years while all-milk sales have increased. This has resulted in the fluid only levy revenues to be substantially lower than the all-milk levy charged to producers.

Table 1: Comparison of BC Admin Levy in 2010-11 to 2020-21

Current Levy Structure (Since 2011)	Rate Basis	2020-2021			2010-2011		
		Rate	Amount		Rate	Amount	
Producer Admin Levy	All Milk	\$ 0.25	\$ 2,140,796	61%	\$ 0.25	\$1,664,912	53%
Pool/Market Admin Levy	Fluid Only	\$ 0.40	\$ 1,396,775	39%	\$ 0.40	\$1,463,303	47%
Total Admin Levies	All Milk	\$ 0.41	\$ 3,537,571		\$ 0.47	\$3,128,214	
Volume Change				29%			
Producer Admin Levy change				29%			
Pool/Market Admin Levy Change				-5%			

As shown above, the effective rate of the total admin levies collected in 2011 was \$0.47/hl (all-milk) and has reduced to \$0.41/hl (all milk) in 2021 -> resulting in **\$0.06/hl** decrease.

Therefore, the amount collected for admin levies should increase by \$0.06/hl to restore the effective rate to **\$0.47/hl** (all-milk). This change would provide an additional \$514,000 in admin levies to fund board operations.

BC currently has the lowest producer levies in the WMP and is \$0.10/hl below the WMP average. The board is also proposing a general increase of \$0.03/hl to the producer admin levy to make it a total of \$0.50/hl.

Feedback

The Board requests feedback from producers on the proposed levy changes by June 6, 2022. Please provide feedback to info@bcmilk.com