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**Annual Report for the  
2007/2008 Dairy Year**

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**Nineteenth Annual Report  
July 31, 2008**

## 2008 Annual General Meeting

Chairman .....	Blaine Gorrell
Vice-Chairman .....	Ben Cuthbert
Secretary-Treasurer .....	Ben Janzen
Board Member.....	Walter Goerzen
Board Member.....	John Prui
Board Member.....	Louis Schurmann
Milk Industry Advisory Committee Chairman .....	Gordon Souter
Transportation Advisory Committee Chairman .....	John Prui
Audit Committee Chairman .....	Tony Driessen
General Manager .....	Ken McCormack
Assistant General Manager .....	Jim Byrne
Controller.....	Robert Delage
Transportation & Logistics Manager .....	Chris Bowser
Manager, Policy Analysis.....	Zahra Abdalla-Shamji
Transportation Coordinator .....	Gary Broerken
Transportation Coordinator .....	Kelly Harris
Communications Officer .....	Scott Miles
Finance Officer.....	Barbara Pacholko
Quota Officer.....	Jennifer Lavoie
Milk Pay Officer.....	Sandra Livingston
Receptionist.....	Lori Sharpe
Financial Institution.....	Bank of Montreal
Auditors .....	KPMG LLP Chilliwack
Vendor Auditors .....	KPMG LLP Chilliwack
Legal Counsel.....	DuMoulin Boskovich

**British Columbia Milk Marketing Board  
Nineteenth Annual General Meeting  
Tuesday, November 18, 2008**

Ramada Inn and Conference Centre  
36035 North Parallel Road  
Abbotsford, British Columbia

**Agenda**

Call to Order	10:00 AM
Reading of the Notice of Meeting	Blaine Gorrell
Approval of the Minutes of the Eighteenth AGM	Ben Janzen
Business Arising from the Minutes	Blaine Gorrell
Chairman's Statement	Blaine Gorrell
General Manager's Report	Ken McCormack
Review of Statistical Information	Blaine Gorrell
Report on Legal Issues	Blaine Gorrell
Report of the Audit Committee	Tony Driessen
Auditors' Report	KPMG
Financial Statements	Ben Janzen
Appointment of Auditor	Tony Driessen
Approval of Members' Remuneration	Tony Driessen
Message from the Minister of Agriculture and Lands	Hon. Stan Hagen
Presentation of FIRB Strategic Plan	Richard Bullock
Other Business	Blaine Gorrell
Adjournment	12:15 PM

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## **Chairman's Statement**

The 2007/2008 dairy year brought a host of challenges for the dairy industry in British Columbia. Milk producers experienced unprecedented growth through the distribution of general allotments and sleeve. Although the growth was welcome, the provincial mid-year production target proved to be unreachable. At the regional level, the Board continued to work with its Western Milk Pool counterparts and processors on the harmonization of fluid milk pricing. With the assistance of The British Columbia Farm Industry Review Board (FIRB), the Board also addressed the issue of non-compliant Graduated Entry Program (GEP) participants.

Due to significant growth in consumer demand, British Columbia milk producers were given a general allotment of 900,000 kilograms on August 1, 2007. Producers also received a sleeve of 3.5%. Although British Columbia lost some quota to other provinces as a result of not meeting its 97% target on January 31, 2008, the province was able to ship 99.97% of its production requirement by July 31, 2008.

In spite of the addition of two new organic milk producers during the 2007/2008 dairy year, the demand from processors for organic milk increased significantly causing the Board to issue a substantial sleeve for specialty milk production. More organic milk producers are scheduled to start production during the 2008/2009 dairy year, and the Board expects to operate a specialty milk pool to ensure that organic milk premiums are distributed equitably.

The Board continued in its efforts to encourage growth in processor investment with particular emphasis on the Okanagan region. The Board issued a notice to processors seeking expressions of interest in terms of new plants or the expansion of existing operations. Dialogue continues with several processors on this point.

Western Milk Pool (WMP) partners continued their efforts to engage processors in discussions on the harmonization of fluid milk pricing. A meeting was held in Edmonton in September 2007 that included representatives of the milk control agencies, processors and the governments of Alberta and British Columbia. One of the major topics of this meeting was the proposed transfer of the authority for fluid milk pricing from the Alberta Utilities Commission to Alberta Milk. The Board continues to engage British Columbia processors in discussions on this issue, and it is anticipated that the FIRB will approve the Board's plan to proceed with the new pricing mechanism established by Alberta Milk. The new mechanism will remain in place until a national fluid milk pricing methodology is achieved in February 2010.

Also at the WMP level, British Columbia initiated a complete review of milk transportation and administration among the western provinces to explore the potential for greater collaboration and cost savings. Included in this review will be future expectations for the Plant of Last Resort Agreement that the western provinces have with Saputo and Parmalat.

In the fall of 2005, the Board received evidence that a GEP participant was not complying with the British Columbia Milk Marketing Board Consolidated Order. As a result, the Board

cancelled the producer's license and quota. An appeal was filed by the GEP participant, but the Board's decision was upheld by the FIRB in June 2006. After this incident, the Board determined that it was necessary to conduct a complete review of the GEP to determine if there were other participants that were not using GEP quota for its intended purpose. With the support and input of the FIRB, the Board developed a program to "regularize" GEP participants and their shippers. The Board will be conducting interviews and making decision affecting these GEP participants and their shippers in the fall of 2008. A rigorous audit process has been established for current GEP participants to ensure that abuses of the system will not continue.

In November of 2007, Gerry Zonneveld's term as a Board Member appointed by the Milk Industry Advisory Committee came to an end. I would like to take this opportunity to thank Mr. Zonneveld for his commitment and dedication to the dairy industry in British Columbia and wish him well in his future endeavours.

The Board would like to thank the British Columbia Dairy Council, the British Columbia Milk Producers Association and the regional dairy organizations for their continued support. In addition, the contributions of the Milk Industry Advisory Committee, the Transportation Advisory Committee, the Specialty Products Advisory Committee, and the Audit Committee have helped guide the Board's decisions on pricing and supply, transportation, production and administrative matters respectively.

Finally, this has been an extremely active dairy year with many challenges and opportunities and the Board recognizes that any accomplishments that were made could not have been done without the many producers, processors and transporters who have committed themselves to working with us. With continued collaboration, the 2008/2009 dairy year, which promises to be every bit as active as the previous year, will be a productive one. I look forward to working with all of our partners and stakeholders in making the dairy industry in British Columbia that much more successful and profitable.

Respectfully submitted,

Blaine Gorrell  
Chairman

# General Manager's Report

Legislative and regulatory compliance and governance of the British Columbia Milk Marketing Board are the responsibilities of the Chairman and Board Members as supported by staff. Regulatory obligations are met through the Board, the Milk Industry Advisory Committee, the Audit Committee and the holding of the Annual General Meeting. Issues of interest to dairy industry stakeholders are addressed by way of standing committees and working groups.

As part of its regular consultation practices, the Board holds producer meetings in a number of locations throughout the province during the spring and fall. As well, the Board regularly meets with the British Columbia Dairy Council and the British Columbia Milk Producers Association. These organizations are the respective advocacy groups for British Columbia processors and producers. The Board periodically establishes working groups that are composed of appropriate combinations of producer, processor, transporter and government stakeholders to investigate certain issues and make non-binding recommendations. In aggregate, the consultation process permits the examination of Board regulation and policy, and provides for the opportunity to obtain input from dairy industry stakeholders.

Responsibility for daily operations resides with the General Manager and eleven employees. Regulatory and administrative duties are performed through the following divisions:

- Board Governance, Communications and Human Resources
- Finance, Administration and Information Technology
- Milk Order and Transportation

Not to the exclusion of others, the duties and responsibilities of the Board are to:

- maintain a register of licensed producers;
- license all producers, vendors, producer vendors and milk transporters;
- allot milk quota to licensed producers;
- serve as the registrar of milk quota and administer the transfer of quota among producers;
- administer timely changes to published milk prices;
- perform the monthly producer equalization pool and remit advance and final producer payments that include the milk quality bonus when applicable;
- administer third-party auditing of vendors;
- manage the activity of milk pick-up at farms and delivery to vendors;
- administer the collection of levies from producers as required by provincial statute and remit said funds to the British Columbia Dairy Industry Development Council;
- prepare and disseminate accurate and timely industry information through established communication devices including newsletters, brochures, web sites and broadcast e-mail;
- liaise with government, British Columbia dairy and agriculture organizations, and other milk regulatory agencies outside of British Columbia; and
- provide secretariat support to the Milk Industry Advisory Committee, the Transportation Advisory Committee and those working groups established by the Board.

A list of accomplishments that occurred during the 2007/2008 dairy year is set out below:

- distributed a general allotment of 900,000 kilograms on August 1, 2007 and managed quota transfers using LIFO (Last In First Out) and the 10/10/10 Assessment Policy;
- modified quota swap limits in an attempt to ensure that the province complied with the national quota system in January 2008 by meeting the 97% threshold;
- responded to appeals filed with the British Columbia Farm Industry Review Board;
- worked with the British Columbia Farm Industry Review Board to amend the Election and Appointment Rules and Procedures and implement the Graduated Entry Program Regularization Policy;
- conducted a producer survey to maintain an accurate database and help transporters with planning their routes;
- dealt with industry issues related to milk pricing and pooling;
- addressed transporter issues related to escalating transportation costs and other milk movement challenges;
- implemented a Traditional Allocation Policy and responded to concerns from processors;
- continued to provide producers with timely milk component and milk quality data; and
- frequently updated the Board's web site to permit public access to Board publications and password-protected access to individual farm data.

During the reporting period, routine changes to published prices for processor billing were authorized by the Board. There were five changes to Class 1 milk prices during the 2007/2008 dairy year. These changes were based on the Alberta Fluid Milk Price Formula that serves to benchmark British Columbia fluid milk prices.

The overall goal of the Board is to provide accurate and timely administrative services for producers, processors and transporters. Board operations are constantly examined to determine where efficiencies can be achieved and cost savings accomplished.

I would like to take the opportunity to thank the Board Members for their continued guidance and support, and Board staff for their professionalism and commitment to the dairy industry in British Columbia. This was a challenging dairy year and the next one promises to hold more of the same. I am confident that the personnel in place at the Member and staff level will meet with continued success.

Ken W. McCormack  
General Manager



## **Statistical Overview**

On July 31, 2008 there were 562 milk producers in British Columbia. A breakdown of producer populations and quota distribution by region is presented in Table 1 of Appendix A.

Statistical information on milk production, utilization and sales is presented in Tables 2 to 4 in Appendix A. During the 2007/2008 dairy year 652,231,187 litres of milk were produced in British Columbia (see Table 2). Of this total production, 374,559,966 litres were utilized in the Class 1 market (see Table 3 for a breakdown of Class 1 milk sales by product) and 277,671,221 litres were used in the processing of non-fluid dairy products.

Total milk production in British Columbia increased by 21,408,376 litres or 3.39% during the period from August 1, 2007 to July 31, 2008 over the corresponding period in 2006 and 2007 (see Table 2). Class 1 utilization during the August 1, 2007 to July 31, 2008 period increased by 6,449,371 litres or 1.75% over the same period in 2006 and 2007 (see Table 2). Industrial milk utilization during the 2007/2008 dairy year compared to the 2006/2007 dairy year increased by 14,959,005 litres or 5.69% (see Table 2).

On March 1, 1997 the Western Milk Pool (WMP) was formed consisting of British Columbia, Alberta, Saskatchewan and Manitoba. Production and sales figures for the WMP from August 1, 2007 to July 31, 2008 are presented in Table 4 of Appendix A. Total production of butterfat in the WMP was 70,544,062 kilograms during the 2007/2008 dairy year (see Table 4). Class 1 milk sales in the WMP during the same period were 931,803,616 litres (see Table 4).

There were 33 dairy plants licensed by the Board to process milk as at July 31, 2008. Licensing statistics are provided in Table 5 of Appendix A.

## **Going Concern Sales and Other Transfers**

There were 36 transfers of Total Production Quota (TPQ) processed during the 2007/2008 dairy year without the use of the quota exchange. Included in these 36 transactions were 14 family transfers, 11 name changes and 10 merge/splits that accounted for 1,018,949 kilograms of the total kilograms transferred. A Going concern sale resulted in 15,000 kilograms of TPQ being transferred. The Board assessed 750 kilograms of TPQ from the going concern sale. Details of TPQ transfers during the 2007/2008 dairy year are shown in Table 6 of Appendix A.

## **Quota Exchange**

Two quota exchanges were run every month except for July as there are no transfers effective August 1. The Board assessed 21,430 kilograms of TPQ under the 5% transfer assessment policy for the quota exchange. The Board also retracted 40,697 kilograms of TPQ through the 10/10/10 policy. Details of the quota exchange market clearing prices for the 2007/2008 dairy year are given in Table 7 of Appendix A.

## **Manufactured Milk Quota**

Manufactured Milk Quota (MMQ) allocated to British Columbia at the start of the 2007/2008 dairy year was 10,926,223 kilograms of butterfat. After a series of adjustments, the province ended the dairy year with 10,637,584 kilograms of MMQ. British Columbia's deemed MMQ under the Western Milk Pooling Agreement was 12,138,821 kilograms as at July 31, 2008.

## **Graduated Entry Program**

To provide a major portion of the quota necessary for the Graduated Entry Program (GEP), an assessment policy was introduced in August 1986 for fluid quota and in January 1991 for MMQ. The assessment was reduced from 10% to 5% in April 1995. On August 1, 1999 the assessment policy was discontinued for TPQ sold on the quota exchange. The assessment policy was reinstated for the quota exchange on November 1, 2006. During the 2007/2008 dairy year the assessment remained at 5% for the quota exchange and going concern sales. Quota allotted through the GEP is transferable under the 10/10/10 assessment policy. Details of the GEP are provided in Tables 8 and 9 of Appendix A.

## **Producer Revenue and Milk Composition**

After including the Marketing Costs and Losses Levy refund and the milk quality bonus, the average producer grossed between \$70.95 and \$75.11 per hectolitre of within-quota milk during the 2007/2008 dairy year. Details of producer revenue and milk composition are summarized in Tables 10 and 11 of Appendix A.

# **Vendor Audits**

Vendors were regularly audited during the 2007/2008 dairy year. As was expected, vendor audits uncovered variances that were characterized as insignificant when examined from the perspective of the total value of milk delivered each month by producers. Audit variances were incorporated into subsequent monthly equalization pools as audit adjustments. A review of the audit adjustments made during the 2007/2008 dairy year as set out in each of the monthly producer equalization pools demonstrates that audit variances have occurred. However, they have not been of a nature where the monthly value for any of the three milk components has been significantly affected.

## **Appeals to the B.C. Farm Industry Review Board**

### **Moonstruck Organic Cheese**

An appeal filed in April 2007 by Moonstruck Organic Cheese was withdrawn in June 2008.

### **Freedom Holdings Inc.**

An appeal filed in May 2007 by Freedom Holdings Inc. was withdrawn in July 2008.

### **Brandy Farms Inc. and Cozy Prairie Farm**

An appeal filed in May 2007 by Brandy Farms Inc. and Cozy Prairie Farm was withdrawn in July 2008.

### **Ronald and Stephanie Smits**

An appeal filed in June 2007 by Ronald and Stephanie Smits was dismissed in September 2007.

### **Saputo Inc.**

Saputo Inc. filed an appeal in February 2008 regarding the Accommodation Levy. The appeal was dismissed in May 2008. Saputo Inc. filed another appeal in July 2008 in response to portions of the Board's Traditional Allocation Policy. The appeal had not been resolved at the end of the dairy year.

### **Peter Tuytel**

Peter Tuytel filed an appeal in July 2008 regarding the processing of quota swap applications. The appeal was withdrawn in September 2008.

Financial Statements of

**BRITISH COLUMBIA MILK  
MARKETING BOARD**

GENERAL FUND

Year ended July 31, 2008



**KPMG Enterprise™**  
#200 – 9123 Mary Street  
Chilliwack BC V2P 4H7  
Canada

Telephone (604) 793-4700  
Fax (604) 793-4747  
Internet [www.kpmg.ca/enterprise](http://www.kpmg.ca/enterprise)

## **AUDITORS' REPORT TO MEMBERS**

We have audited the balance sheet of British Columbia Milk Marketing Board General Fund as at July 31, 2008 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the British Columbia Milk Marketing Board General Fund as at July 31, 2008 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Chilliwack, British Columbia  
September 26, 2008

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Balance Sheet

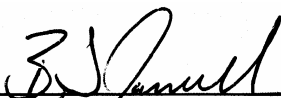
July 31, 2008, with comparative figures for 2007


	2008	2007
<b>Assets</b>		
Current assets:		
Cash	\$ 3,571,697	\$ 9,947,428
Accounts receivable (Note 4)	1,549,327	1,035,481
Prepaid expenses	16,403	33,097
	<u>5,137,427</u>	<u>11,016,006</u>
Investment (Note 5)	2,770,318	2,722,566
Equipment (Note 6)	262,993	294,137
	<u>\$ 8,170,738</u>	<u>\$ 14,032,709</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 197,147	\$ 167,368
Fees payable or refundable (Note 7)	408,182	326,528
Unearned fees (Note 8)	4,134,040	9,927,174
Unearned license revenue	117,000	120,600
	<u>4,856,369</u>	<u>10,541,670</u>
Net assets:		
Invested in capital assets	262,993	294,137
Internally restricted	1,843,575	1,843,575
Unrestricted	1,207,801	1,353,327
	<u>3,314,369</u>	<u>3,491,039</u>
Commitment (Note 12)		
Contingency (Note 13)		
	<u>\$ 8,170,738</u>	<u>\$ 14,032,709</u>

On behalf of the Board:

  
Chairman

  
Secretary-Treasurer

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

## GENERAL FUND

### Statement of Revenues and Expenditures

Year ended July 31, 2008, with comparative figures for 2007

	2008	2007
Revenues:		
Board fees (Note 9)	\$ 2,444,347	\$ 2,376,864
Producer and processor fees (Note 10)	6,741,834	6,585,171
Transportation revenues (Note 11)	18,872,263	17,223,924
Gross revenues before the following	28,058,444	26,185,959
Less:		
Transfers to producers, processors, and other agencies (Note 10)	6,741,834	6,585,171
Transportation expenditures (Note 11)	18,872,263	17,223,924
Net revenues	2,444,347	2,376,864
Interest revenue	333,437	419,068
Special projects expense recovery	46,309	46,022
	2,824,093	2,841,954
Expenditures:		
Amortization	34,318	34,247
Audit fees - Board	16,200	19,533
Audit fees - GEP	10,000	-
Audit fees - Vendor	170,449	217,848
Board member per diems	248,093	208,231
Committee	7,425	8,150
Consulting and contract wages	16,000	546
Data collection	92,873	90,423
Data processing	167,061	143,681
General office and administration	220,055	167,033
Legal	65,242	35,431
Milk testing charges	447,097	328,776
Rent (Note 14)	140,345	114,029
Salaries and benefits	1,044,634	919,259
Special projects	52,622	47,202
Travel	269,245	250,069
	3,001,659	2,584,458
Excess (deficiency) of revenues over expenditures before the undernoted	(177,566)	257,496
Equity income (loss) on investment (Note 5)	897	(1,562)
Excess (deficiency) of revenues over expenditures	\$ (176,669)	\$ 255,934

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

## GENERAL FUND

### Statement of Changes in Net Assets

Year ended July 31, 2008, with comparative figures for 2007

				2008	2007
	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 294,137	\$ 1,843,575	\$ 1,353,327	\$ 3,491,039	\$ 3,235,105
Excess (deficiency) of revenues over expenditures	(65,748)	-	(110,921)	(176,669)	255,934
Change in investment in capital assets	34,604	-	(34,604)	-	-
Balance, end of year	\$ 262,993	\$ 1,843,575	\$ 1,207,801	\$ 3,314,369	\$ 3,491,039

See accompanying notes to financial statements.



# BRITISH COLUMBIA MILK MARKETING BOARD

## GENERAL FUND

### Statement of Cash Flows

Year ended July 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenues over expenditures	\$ (176,669)	\$ 255,934
Items not involving cash:		
Amortization of capital assets	65,748	73,534
Equity loss (income) on investment	(897)	1,562
Interest charged on advances to CAFL	(46,855)	-
Net changes in non-cash working capital balances relating to operations:		
Accounts receivable	(513,846)	4,100,485
Prepaid expenses	16,694	(14,863)
Accounts payable and accrued liabilities	29,778	(109,355)
Fees payable or refundable	81,654	(90,637)
Unearned fees	(5,793,134)	2,653,210
Unearned licence revenue	(3,600)	(7,000)
	(6,341,127)	6,862,870
Investing:		
Purchase of equipment	(34,604)	(130,974)
Funds advanced to equity investment	-	(1,625,000)
	(34,604)	(1,755,974)
Increase (decrease) in cash position	(6,375,731)	5,106,896
Cash position, beginning of year	9,947,428	4,840,532
Cash position, end of year	\$ 3,571,697	\$ 9,947,428
Supplementary cash flow information:		
Interest received	\$ 262,862	\$ 327,507

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements

Year ended July 31, 2008

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## 1. General:

- (a) The British Columbia Milk Marketing Board ("the Board") is a regulatory body which receives its authority under the Natural Products Marketing (B.C.) Act, the British Columbia Milk Marketing Board Regulation, the Milk Industry Act, the Agricultural Products Marketing Act, the British Columbia Milk Order, the Canadian Dairy Commission Act, and the Dairy Products Marketing Regulations. The General Fund includes all statutory activities of the Board with the exception of Milk Pool Equalization Fund which is accounted for as a distinct fund and reported on separately.

Effective October 1, 2001, the Board became the first receiver of raw milk. As a consequence the Board acts as a facilitating intermediary between producers and processors with respect to the transportation and sale of raw milk. Raw milk revenues and expenditures are included in the Milk Pool Equalization Fund.

The Milk Pool Equalization Fund has \$495,447,880 in equalization revenue and \$495,447,880 in equalization expenditures and \$47,755,325 in assets and liabilities to July 31, 2008 which are not included in these financial statements.

- (b) The Board remits Equalization payments to the Canadian Dairy Commission ("CDC"). The CDC receives the funds in respect of milk and dairy products in inter-provincial trade and, as agent for the Board, distributes them pursuant to prevailing pooling agreements, and, in respect of milk and dairy products in international export trade, pursuant to the above legislation.

## 2. Significant accounting policies:

- (a) Unearned fees:

Unearned fees consists of:

- i) the difference between the over quota price received by producers and domestic price paid by processors for milk shipments assessed by the Board based on individual producer's market share quota and those computed by the CDC based on the aggregate provincial allotment of quota for the dairy year;
- ii) any surpluses retained from the marketing operations of the CDC for the year; and
- iii) amounts retained by the Board in case of processor default.

The Board exercises discretion over the use of these unearned revenues. At the discretion of the Board in any year following the recording of unearned fees, the amounts may be appropriated as revenue or redistributed to producers. Appropriated revenues are recorded as internally restricted net assets until utilized by the Board.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

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## 2. Significant accounting policies (continued):

(b) Investments:

The Board accounts for its 50% interest in Central Agricultural Facility Ltd. ("CAFL") using the equity method. Under the equity method, the investment is recorded at the original cost of the shares plus the Board's share of undistributed earnings since inception, plus or less any advances paid to or from CAFL. The Statement of Revenues and Expenditures includes the Board's share of investee income or loss for the year.

(c) Equipment:

Equipment is recorded at cost.

Amortization of office equipment and data collection equipment has been provided in the accounts on a declining balance basis at an annual rate of 20% calculated on the unamortized balance at the end of the year. Amortization of data collection equipment is included in data collection costs.

(d) Revenue recognition:

The Board recognizes revenue when the service is provided and the customer assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

(e) Employee benefit plan:

The multi-employer plan is accounted for as a defined contribution plan and contributions are expensed as required.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

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### 3. Change in accounting policies:

Commencing with the fiscal year beginning August 1, 2007, the Board adopted CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3861, "Financial Instruments - Disclosure and Presentation".

**Section 3855** prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Board has undertaken the following:

1. Cash and cash equivalents are designated as held-for-trading, being measured at fair value.
2. Accounts receivable and advances to CAFL are classified as loans and receivables, which are measured at amortized cost.
3. Accounts payable and accrued liabilities and fees payable or refundable are classified as other financial liabilities, which are measured at amortized cost.

**Section 3861** establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures will not be restated except for the requirement to restate currency translation adjustment as part of other net assets.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

## 4. Accounts receivable:

	2008	2007
Milk Pool Equalization Fund	\$ 1,319,912	\$ 805,776
Accounts receivable - trade	225,485	94,130
Accrued freight charge adjustments to the Transportation Pool	3,930	135,575
	<u>\$ 1,549,327</u>	<u>\$ 1,035,481</u>

## 5. Investment:

The Board's 50% investment Central Agricultural Facility Ltd. ("CAFL") consists of the following:

	2008	2007
Shares - 50% interest	\$ 1	\$ 1
Advances without interest or fixed terms of repayment	1,588,106	1,541,251
Advances with no fixed repayment terms and interest at bank prime less 1.75%	1,300,000	1,300,000
Equity loss since inception	(117,789)	(118,686)
	<u>\$ 2,770,318</u>	<u>\$ 2,722,566</u>

Because CAFL reports its financial activities on a calendar year, its financial statements as at July 31, 2008 are not available and accordingly the Board used CAFL's December 31, 2007 financial statements to report its equity interest.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

---

## 5. Investment (continued):

CAFL's condensed financial statements and the Board's 50% share are as follows:

---

December 31, 2007		
Condensed Balance Sheet	100%	50%
<b>Assets:</b>		
Current assets	\$ 659,060	\$ 329,530
Capital assets	5,233,592	2,616,796
	<hr/>	<hr/>
	\$ 5,892,652	\$ 2,946,326
<hr/>		
<b>Liabilities and Shareholders' Deficiency:</b>		
Current liabilities	\$ 178,649	\$ 89,325
Due to shareholders	5,949,580	2,974,790
Shareholders' deficiency	(235,577)	(117,789)
	<hr/>	<hr/>
	\$ 5,892,652	\$ 2,946,326

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# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

## 5. Investment (continued):

---

Year ended December 31, 2007			
Condensed Statement of Operations		100%	50%
Revenues	\$ 565,146	\$ 282,573	
Expenses	563,352	281,676	
Net income	\$ 1,794	\$ 897	

---

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Year ended December 31, 2007			
Condensed Statement of Cash Flows		100%	50%
Cash provided by (used in):			
Operations	\$ 297,668	\$ 148,834	
Financing	608,461	304,231	
Investing	(563,837)	(281,919)	
Increase in cash position	\$ 342,292	\$ 171,146	

---

The Board's and CAFL's significant accounting policies are the same or similar except for the following:

CAFL is subject to income taxes.

CAFL uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

## 6. Equipment:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 392,620	\$ 255,347	\$ 137,273	\$ 136,987
Data collection equipment	218,725	93,005	125,720	157,150
	<u>\$ 611,345</u>	<u>\$ 348,352</u>	<u>\$ 262,993</u>	<u>\$ 294,137</u>

Included in data collection costs is \$31,430 (2007 - \$39,287) in amortization expense for the data collection equipment.

## 7. Fees payable or refundable:

	2008	2007
Fees payable to producers, processors or third parties:		
Quality bonus fees	\$ 349,821	\$ 261,373
Marketing costs and losses fees	48,361	55,155
Security deposit payable to vendor	10,000	10,000
	<u>\$ 408,182</u>	<u>\$ 326,528</u>



# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

## 8. Unearned fees:

	2008	2007
Balance, beginning of year	\$ 9,927,174	\$ 7,273,964
Add:		
<u>Over quota/domestic price differential</u>	4,252,365	5,181,458
	14,179,539	12,455,422
Less:		
Over quota/domestic price differential paid to producers	8,606,415	1,340,713
<u>In quota fees paid to producers</u>	1,439,084	1,187,535
	10,045,499	2,528,248
<u>Balance, end of year</u>	<u>\$ 4,134,040</u>	<u>\$ 9,927,174</u>

The balance of the vendor default levy account, which is included in the above balance, at July 31, 2008 was \$303,069 (2007 - \$303,069).

## 9. Board fees:

Board fees revenues assessed by the Board were as follows:

	2008	2007
Assessed on producers:		
Administration fees	\$ 1,369,642	\$ 1,324,699
<u>Licence fees</u>	115,370	123,264
	1,485,012	1,447,963
Assessed on GEP applicants	7,400	8,100
Assessed on processors:		
Administration fees	943,909	912,631
<u>Licence fees</u>	6,626	6,600
	950,535	919,231
Assessed on transporters:		
Licence fees	1,400	1,570
	<u>\$ 2,444,347</u>	<u>\$ 2,376,864</u>

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

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## 10. Producer and processor fees:

During the year the following fees were assessed by the Board on producers and processors for remittance to producers, processors or other agencies:

---

	2008	2007
Assessed on processors for remittance to producers and processors:		
Quality bonus paid to producers	\$ 1,148,042	\$ 1,210,643
Quality bonus refunded to processors	349,821	261,373
Total quality bonus fees collected	1,497,863	1,472,016
Marketing costs and losses fees paid to producers	1,891,961	1,824,052
Marketing costs and losses fees paid to processors	654,406	669,180
Total marketing costs and losses fees collected	2,546,367	2,493,232
Assessed on processors for accommodation fees	1,952,916	1,888,203
Assessed on processors for remittance to B.C. Dairy Council:		
Container recycling fees	744,688	731,720
	\$ 6,741,834	\$ 6,585,171

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# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

## 11. Transportation:

	2008	2007
(a) Transportation revenues consist of:		
Transportation revenue - Producers	\$ 18,360,096	\$ 16,775,320
Handling revenue	400,761	419,153
Transportation revenue - PLR	111,406	29,451
	<u>\$ 18,872,263</u>	<u>\$ 17,223,924</u>
(b) Transportation expenditures consist of:		
Transport haulers	\$ 18,623,664	\$ 16,912,599
Seal-Tite program	157,490	190,270
Salaries and benefits	83,416	87,561
Travel	7,693	7,178
Rent	-	26,316
	<u>\$ 18,872,263</u>	<u>\$ 17,223,924</u>
(c) Total milk shipments in hectolitres	6,489,800	6,275,375
(d) Average cost per hectolitre	2.91	2.74

## 12. Commitment:

The Board rents its office premises from CAFL under a sub-lease requiring monthly payments of \$11,695.

# BRITISH COLUMBIA MILK MARKETING BOARD

GENERAL FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

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## **13. Contingency:**

The Board and its employees contribute to the Public Service Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of benefits. The plan is a multi-employer, contributory pension plan. Basic pension benefits are defined. The plan has approximately 51,000 active and 30,000 retired plan members. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest completed valuation as at March 31, 2005, indicated an unfunded liability of \$767 million for basic pension benefits. The next evaluation was as at March 31, 2008 with results available in 2009. The actuary does not attribute portions of the unfunded liability to individual employers. Contributions to the plan by the Board totalled \$80,315 (2007 - \$68,787) during the year.

## **14. Related party transactions:**

During the year, the Board paid rent to Central Agricultural Facility Ltd. ("CAFL") in the amount of \$140,345 (2007 - \$140,345). Of the 2007 amount, \$26,316 is included in transportation expense.

Included in interest revenue is \$46,855 in accrued interest charged to CAFL.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **15. Fair value of financial assets and financial liabilities:**

The fair value of the Board's cash, accounts receivable, accounts payable and accrued liabilities and fees payable or refundable approximate their carrying values due to the short term nature of the amounts.

## **16. Comparative figures:**

Certain of the 2007 comparative figures have been reclassified to conform with the financial presentation adopted in 2008.

Financial Statements of

**BRITISH COLUMBIA MILK  
MARKETING BOARD**

MILK POOL EQUALIZATION FUND

Year ended July 31, 2008



**KPMG Enterprise™**  
#200 – 8123 Mary Street  
Chilliwack BC V2P 4H7  
Canada

Telephone (604) 793-4700  
Fax (604) 793-4747  
Internet [www.kpmg.ca/enterprise](http://www.kpmg.ca/enterprise)

## **AUDITORS' REPORT TO MEMBERS**

We have audited the balance sheet of British Columbia Milk Marketing Board Equalization Fund as at July 31, 2008 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the British Columbia Milk Marketing Board Milk Pool Equalization Fund as at July 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Chilliwack, British Columbia  
September 26, 2008

# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND


Balance Sheet

July 31, 2008, with comparative figures for 2007

	2008	2007
<b>Assets</b>		
Cash	\$ 23,087,735	\$ 19,744,405
Accounts receivable	24,667,590	22,163,229
	<u>\$ 47,755,325</u>	<u>\$ 41,907,634</u>
<b>Liabilities</b>		
Accounts payable (Note 4)	\$ 47,583,988	\$ 41,738,088
Long-term liabilities (Note 5)	171,337	169,546
	<u>\$ 47,755,325</u>	<u>\$ 41,907,634</u>

On behalf of the Board:

  
Chairman

  
Secretary-Treasurer

See accompanying notes to financial statements.

# BRITISH COLUMBIA MILK MARKETING BOARD

## MILK POOL EQUALIZATION FUND

### Statement of Revenue and Expenditures

Year ended July 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Equalization receipts	\$ 495,235,151	\$ 445,791,850
Interest income	212,729	215,240
	<u>495,447,880</u>	<u>446,007,090</u>
Expenditures:		
Payments to Canadian Dairy Commission:		
P10 and Western Milk Pool equalization	18,627,288	7,496,791
Equalization payments to producers	<u>476,820,592</u>	<u>438,510,299</u>
	<u>495,447,880</u>	<u>446,007,090</u>
Excess of revenue over expenditures	\$ -	\$ -

See accompanying notes to financial statements.



# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND

Notes to Financial Statements

Year ended July 31, 2008

---

## 1. General:

The British Columbia Milk Marketing Board (the "Board") is a regulatory body which receives its authority under the Natural Products Marketing (B.C.) Act, the British Columbia Milk Marketing Board Regulation, the Milk Industry Act, the Agricultural Products Marketing Act, the British Columbia Milk Order, the Canadian Dairy Commission Act, and the Dairy Products Marketing Regulations.

The Milk Pool Equalization Fund is the method used by the Board to enable producers to participate in all of the sales in each of the milk classes established by the Board proportionate to the quota allotted to each producer.

Effective March 1, 1997 the four western provinces, British Columbia, Alberta, Saskatchewan and Manitoba and the Canadian Dairy Commission created the Western Milk Pooling Agreement (the "Agreement"). The purpose of the Agreement is to extend the pooling arrangements within each of the provinces so that all producer returns are pooled among producers in all of the western provinces, as if the western provinces constituted a single market.

Effective October 1, 2001, the Board became the first receiver of raw milk. As a consequence the Board acts as a facilitating intermediary between producers and processors with respect to the transportation and sale of raw milk.

These financial statements do not include the general fund operations of the Board which are reported separately.

## 2. Significant accounting policy:

Revenue recognition:

The Board recognizes revenue when the service is provided and the customer assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

---

### 3. Change in accounting policies:

Commencing with the fiscal year beginning August 1, 2007, the Board adopted CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3861, "Financial Instruments - Disclosure and Presentation".

**Section 3855** prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net assets.

Under adoption of these new standards, the Board has undertaken the following:

1. Cash and cash equivalents are designated as held-for-trading, being measured at fair value.
2. Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
3. Accounts payable and long-term liabilities are classified as other financial liabilities, which are measured at amortized cost.

**Section 3861** establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures will not be restated except for the requirement to restate currency translation adjustment as part of other net assets.

### 4. Related fund balances:

Included in accounts payable is an amount of \$1,319,912 (2007 - \$805,776) owing to the Board's General Fund. These amounts represent equalization obligations charged to producers through the Milk Pool Equalization Fund, freight cost adjustments, transportation shortfalls charged to the pool, and levies due.

# BRITISH COLUMBIA MILK MARKETING BOARD

MILK POOL EQUALIZATION FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

---

## 5. Long-term liabilities:

This amount represents an accumulation of the excess of equalization receipts over equalization payments. It is used to ensure adequate funds are available to meet cash flow needs. The Board does not intend to pay this amount within the next year, and accordingly it is classified as a long-term liability.

## 6. Collections for other agencies:

During the year the following fees were collected from producers by the Board and remitted to Dairy Industry Development Council:

	2008	2007
Fluid milk promotion	\$ 4,761,135	\$ 4,604,905
DFC Promotion	3,783,829	3,495,798
Association levy	684,821	662,349
Ministry of Agriculture and Land penalties	93,768	43,850
	<hr/> \$ 9,323,553	<hr/> \$ 8,806,902

These fees are not included in Equalization revenues or expenditures.

## 7. Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

## 8. Statement of cash flow:

A statement of cash flow has not been prepared as the information is readily apparent from the financial statements presented.

# **BRITISH COLUMBIA MILK MARKETING BOARD**

MILK POOL EQUALIZATION FUND

Notes to Financial Statements (Continued)

Year ended July 31, 2008

---

## **9. Fair value of financial assets and financial liabilities:**

The fair value of the Board's cash, accounts receivable and accounts payable approximate their carrying amounts due to the short term nature of the amounts.

It is not practicable to estimate the fair value of long-term liabilities as the repayment date of this amount is not readily determinable.

## **10. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

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**TABLE 1 - Regional Statistics for British Columbia as at July 31, 2008**

<b>Region</b>	<b>Number of Producers*</b>	<b>TPQ Allotted (kg)</b>
Fraser Valley	378	17,437,597
Vancouver Island	56	2,309,121
Bulkley Valley	11	222,749
Cariboo	6	205,616
Kootenays	10	461,647
Okanagan	98	3,528,765
Peace River	3	75,700
<b>Total</b>	<b>562</b>	<b>24,241,195</b>

\* Includes licensed producers in Class C and Class D Restricted

**TABLE 2 - Qualifying Milk Production in British Columbia for the 2007/2008 and 2006/2007 Dairy Years**

	<b>PRODUCTION</b>		<b>UTILIZATION CLASS 1</b>		<b>UTILIZATION OTHER CLASSES</b>	
	<b>Total Litres</b>	<b>Daily Average Litres</b>	<b>Total Litres</b>	<b>Daily Average Litres</b>	<b>Total Litres</b>	<b>Daily Average Litres</b>
2007/2008 Totals	652,231,187	1,782,052	374,559,966	1,023,388	277,671,221	758,665
2006/2007 Totals	630,822,811	1,728,282	368,110,595	1,008,522	262,712,216	719,759
Volume Change	21,408,376	53,771	6,449,371	14,866	14,959,005	38,905
Percent Change	3.39%	3.11%	1.75%	1.47%	5.69%	5.41%

Notes: Table 2 includes milk utilized in Class 1(b)(ii) and Class 1(d), whereas Table 3 does not.  
Table 2 does not include milk used for non-fluid purposes produced by Cottage Industry Producer Vendors.

**TABLE 3 - Class 1 Milk Sales in British Columbia for the 2007/2008 and 2006/2007 Dairy Years**

	2007/2008 Litres	2006/2007 Litres	Volume Change	Percent Change
<b>Homogenized Milk (3.25%B.F.)</b>	56,407,904	63,076,488	-6,668,584	-10.57%
<b>Skim Milk (2%B.F.)</b>	135,661,748	128,040,323	7,621,425	5.95%
<b>Skim Milk (1%B.F.)</b>	82,839,749	79,737,315	3,102,434	3.89%
<b>Skim Milk (&lt;0.5%B.F.)</b>	54,039,109	52,101,364	1,937,745	3.72%
<b>Chocolate Milk</b>	8,750,736	8,989,526	-238,790	-2.66%
<b>Buttermilk</b>	3,152,292	3,114,024	38,268	1.23%
<b>Light Cream (10%B.F.)</b>	16,686,090	16,548,640	137,450	0.83%
<b>Cream (18%B.F.)</b>	7,996,978	7,793,797	203,181	2.61%
<b>Whipping Cream (32%B.F.)</b>	7,610,243	7,199,359	410,884	5.71%
<b>Eggnog</b>	1,043,959	1,178,169	-134,210	-11.39%
<b>Lassi</b>	277,000	240,094	36,906	15.37%
<b>All Products</b>	374,465,808	368,019,099	6,446,709	1.75%

Note: Table 3 does not include milk utilized in Class 1(b)(ii) and Class 1(d), whereas Table 2 does.

**TABLE 4 - Western Milk Pool Statistics for the Period from August 1, 2007 to July 31, 2008**

	CLASS 1 SALES (LITRES)	% OF CLASS 1 SALES (LITRES)	CLASS 1 SALES PLUS EXCLUSION (LITRES)	AVG. B/F ALL MILK (KG/HL)	CLASS 1 SALES PLUS EXCLUSION (KG)	DEEMED CLASS 1 (KG)	DEEMED INDUSTRIAL (KG)	TOTAL PRODUCTION (KG)
Manitoba	122,123,276	13.11%	126,764,650	3.8521	4,886,863	6,207,260	5,878,950	12,086,210
Saskatchewan	65,391,948	7.02%	67,931,532	3.7717	2,563,716	4,447,411	4,212,182	8,659,593
Alberta	370,335,708	39.74%	379,223,765	3.7524	14,241,361	12,758,776	12,083,950	24,842,726
British Columbia	373,952,684	40.13%	381,119,126	3.8115	14,538,217	12,816,712	12,138,821	24,955,533
<b>TOTAL</b>	<b>931,803,616</b>	<b>100.00%</b>	<b>955,039,073</b>	<b>3.7925</b>	<b>36,230,157</b>	<b>36,230,159</b>	<b>34,313,903</b>	<b>70,544,062</b>

**TABLE 5 - Licensing Information for British Columbia**

<b>CLASS OF LICENCE</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D RESTRICTED</b>	<b>H</b>
ISSUED BETWEEN AUGUST 1, 2007 AND JULY 31, 2008	13	16	601	5	8
CANCELLED BETWEEN AUGUST 1, 2007 AND JULY 31, 2008	1	0	40	0	0
IN EFFECT JULY 31, 2008	12	16	561	5	8
IN EFFECT JULY 31, 2007	13	14	586	4	8

CLASS A LICENCE - VENDORS PROCESSING BOTH FLUID AND NON FLUID MILK PRODUCTS

CLASS B LICENCE - VENDORS PROCESSING ONLY NON FLUID MILK PRODUCTS

CLASS C LICENCE - PRODUCERS ALLOTTED TOTAL PRODUCTION QUOTA

CLASS D RESTRICTED LICENCE - PRODUCERS ALLOTTED TOTAL PRODUCTION QUOTA AND PROCESSING MILK ON THEIR FARM INTO NON FLUID PRODUCTS

CLASS H LICENCE - TRANSPORTERS OF MILK



**TABLE 6 - Quota Transfers in British Columbia  
from August 1, 2007 to July 31, 2008**

Quota Exchange	Kilograms
Unused TPQ	298,330
Used TPQ	188,462
<b>Total Quota Exchange</b>	<b>486,792</b>
<b>Going Concern Transfers</b>	
Unused TPQ	1,304
Used TPQ	13,696
<b>Total Going Concern Transfers</b>	<b>15,000</b>
<b>Other Transfers</b>	
Family	505,880
Name Changes	353,450
Merge/Splits	159,619
<b>Total Other Transfers</b>	<b>1,018,949</b>
<b>Total Quota Transfers</b>	<b>1,520,741</b>

**TABLE 7 - Quota Exchange Market Clearing Prices  
in British Columbia from August 2007 to July 2008**

Month	First Quota Exchange		Second Quota Exchange	
	Unused TPQ (\$/kg)	Used TPQ (\$/kg)	Unused TPQ (\$/kg)	Used TPQ (\$/kg)
Aug-07	\$85.25	N/A*	\$85.25	N/A*
Sep-07	\$84.75	N/A*	-	N/A*
Oct-07	\$75.25	-	\$71.00	-
Nov-07	\$75.00	\$70.25	\$80.00	-
Dec-07	\$85.00	\$80.25	\$89.25	\$82.00
Jan-08	\$87.50	\$83.00	\$90.00	\$82.75
Feb-08	\$89.75	\$85.00	\$92.00	\$86.00
Mar-08	\$93.00	\$86.00	\$95.00	\$88.00
Apr-08	\$100.00	\$92.00	\$100.00	\$92.50
May-08	\$105.00	\$95.00	\$103.00	\$95.00
Jun-08	\$100.00	\$95.00	\$104.00	\$95.00
Jul-08	N/A**	N/A**	N/A**	N/A**

\* No Used TPQ Exchanges in August and September

\*\* No Unused or Used TPQ Exchanges in July

**TABLE 8 - Number of Producers Started on the Graduated Entry Program**

<b>Year</b>	<b>Fraser Valley</b>	<b>Okanagan</b>	<b>Bulkley Valley</b>	<b>Kootenays</b>	<b>Cariboo</b>	<b>Peace River</b>	<b>Vancouver Island</b>	<b>Total</b>
1998	6	4						10
1999	2	2						4
2000	2							2
2001	4	2	2					8
2002	3							3
2003	3			1				4
2004	2	1						3
2005	3							3
2006	3							3
2007	3							3

**TABLE 9 - Total Production Quota Allotted to Graduated Entry Program Participants**

<b>Year</b>	<b>Producers Started on Program</b>	<b>Initial Allotment of Total Production Quota (Kilograms)</b>	<b>Matching Allotment of Total Production Quota (Kilograms)</b>	<b>Total Allotment (Kilograms)</b>
1998	10	29,500	32,914	62,414
1999	4	28,000	1,414	29,414
2000	2	14,000	1,599	15,599
2001	8	62,000	1,404	63,404
2002	3	21,000		21,000
2003	4	28,000		28,000
2004	3	15,000	4,000	19,000
2005	3	15,000	6,620	21,620
2006	3	15,000	7,816	22,816
2007	3	15,000	5,958	20,958

**TABLE 10 - Gross Monthly Producer Revenue from August 2007 to July 2008**

MONTH	STANDARD HECTOLITRE REVENUE (\$/HL)			AVERAGE BC HECTOLITRE REVENUE (\$/HL)		
	STANDARD HECTOLITRE	PLUS MARKETING COSTS & LOSSES LEVY REFUND	PLUS QUALITY BONUS	AVERAGE BC HECTOLITRE	PLUS MARKETING COSTS & LOSSES LEVY REFUND	PLUS QUALITY BONUS
Aug-07	69.38	69.67	69.92	70.41	70.70	70.95
Sep-07	71.04	71.33	71.58	73.44	73.73	73.98
Oct-07	70.12	70.41	70.66	74.23	74.52	74.77
Nov-07	69.87	70.16	70.41	74.57	74.86	75.11
Dec-07	69.83	70.12	70.37	74.20	74.49	74.74
Jan-08	69.87	70.16	70.41	73.85	74.14	74.39
Feb-08	68.77	69.06	69.31	71.82	72.11	72.36
Mar-08	69.40	69.69	69.94	72.00	72.29	72.54
Apr-08	69.17	69.46	69.71	71.84	72.13	72.38
May-08	70.95	71.24	71.49	72.77	73.06	73.31
Jun-08	70.77	71.06	71.31	72.05	72.34	72.59
Jul-08	71.83	72.12	72.37	72.62	72.91	73.16

Notes: For the month of Aug-07 a standard hectolitre contained 3.6000 kg of butterfat, 3.2315 kg of protein and 5.6966 kg of other solids. From Sep-07 to Jul-08 a standard hectolitre contained 3.6000 kg of butterfat, 3.2390 kg of protein and 5.6894 kg of other solids. Table 11 contains the average component tests for a hectolitre of milk produced in the province of British Columbia.

**TABLE 11 - Monthly Milk Composition and Prices from August 2007 to July 2008**

MONTH	AVERAGE COMPONENT TESTS			MILK COMPONENT PRICES		
	BUTTERFAT (KG/HL)	PROTEIN (KG/HL)	OTHER SOLIDS (KG/HL)	BUTTERFAT (\$/KG)	PROTEIN (\$/KG)	OTHER SOLIDS (\$/KG)
Aug-07	3.6939	3.2453	5.7104	9.6066	7.7602	1.7053
Sep-07	3.7882	3.3084	5.6893	9.8202	7.8848	1.7843
Oct-07	3.9143	3.3746	5.6912	9.7344	7.6823	1.7924
Nov-07	3.9595	3.3982	5.6827	9.7585	7.5806	1.7901
Dec-07	3.9347	3.3854	5.7006	9.6156	7.7255	1.7913
Jan-08	3.9114	3.3614	5.7093	9.6530	7.7295	1.7719
Feb-08	3.8493	3.3259	5.7125	9.3171	7.8476	1.7245
Mar-08	3.8043	3.3141	5.7327	9.4640	7.8764	1.7265
Apr-08	3.8144	3.3095	5.7472	9.4004	7.8789	1.7235
May-08	3.7363	3.2931	5.7368	9.3723	8.3755	1.7724
Jun-08	3.6921	3.2803	5.7289	9.2587	8.4488	1.7712
Jul-08	3.6597	3.2559	5.7362	9.3931	8.5995	1.7864