

Producer Price and Milk Cost of Production Order, amendment

Regulation 204/2009
Registered December 18, 2009

Manitoba Regulation 77/94 amended

1 The Producer Price and Milk Cost of Production Order, Manitoba Regulation 77/94, is amended by this regulation.

2 Section 1 is amended by replacing the definition "board" with the following:

"board" means Dairy Farmers of Manitoba continued under *The Farm Products Marketing Act*.

3 Subsection 4(1) is replaced with the following:

Price of fluid milk sold by producer or board

4(1) Pursuant to subsection 3(3) of the Act, and based on the cost of production formula established in section 2 and the pricing system established in section 3, the price at which milk may be sold by a producer or the board for use as fluid milk for 1 hectolitre of milk testing 3.6 kilograms of butterfat is \$89.10 calculated according to the following component quantities and unit values:

Butterfat	3.6 kilograms @ \$5.4000/kilogram	= \$19.44
Protein	3.4092 kilograms @ \$7.5707/kilogram	= 25.81
Other Solids	5.7921 kilograms @ \$7.5707/kilogram	= 43.85
Total Price		<u>\$89.10</u>

4 Clause 8(a) is amended by striking out "\$84.19" and substituting "\$84.65".

5 The Schedule is replaced with the Schedule to this regulation.

Coming into force

6 This regulation comes into force on February 1, 2010.

December 18, 2009

MANITOBA MILK PRICES REVIEW
COMMISSION:

Randy Ozunko
Chairperson

Dr. Rob Berry
Vice-Chairperson

SCHEDULE

COST OF PRODUCTION FORMULA

Pursuant to subsection 3(2) of *The Milk Prices Review Act*, the Manitoba Milk Prices Review Commission hereby establishes a cost of production formula. It reflects the cost of producing milk for use as fluid milk in Manitoba and includes a reasonable return on investment to producers of milk. Under this formula, the cost of producing fluid milk is determined by the sum of three statistical categories, the analysis of which is provided below.

The formula is administered by the Canadian Dairy Commission (CDC) and consists of the following categories:

Consumer Price Index (CPI) – 30% weighting; CPI is an indicator of the consumer prices encountered by Canadians. It is obtained by calculating, on a monthly basis, the cost of a fixed "basket" of commodities purchased by a typical Canadian consumer during a given month. Calculated by Statistics Canada, every month, the CPI measures the average change in retail prices encountered by all consumers in Canada. The CPI for all items is utilized in the formula. The indexed CPI measures the percentage change of the average CPI for the most recent 12 months compared to the CPI average for the previous 12 months.

Personal Disposal Income (PDI) – 30% weighting; PDI is the amount of money left over after payment of personal direct taxes, including income taxes, contributions to social insurance plans and other fees. It is calculated by Statistics Canada and is a measure of the funds available for personal expenditure on goods and services and personal saving for investments as well as personal transfers to other sectors of the economy. In order to calculate the year over year change in the PDI, the indexed PDI measures the percentage change of the sum of the PDI for the most recent four quarters compared to the sum of the PDI for the previous four quarters.

Cash Costs plus Interest (COP) – 40% weighting; COP is derived from the Canadian Dairy Commission cost of production survey of 260 producers conducted annually across Canada, including 12 producers from Manitoba. Components of the COP include purchased feed, artificial insemination, transportation (fees and promotion), machinery equipment repairs, fuel and oil, custom work, fertilizer and herbicides, seed and plants, land and building repairs, property taxes and insurance, hired labour, utilities and interest paid (interest paid on quota loans are excluded).

COST OF PRODUCTION FORMULA

February 1, 2010 indices change over the past 12 months:

0.36 % (CPI)	×	30%	.108%
2.56 % (PDI)	×	30%	.768%
-1.35 % (COP)	×	40%	-.540%

Formula change in base price (over 12 months):

CPI (30%) + PDI (30%) + COP (40%)	0.336%
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Calculation of Manitoba Producer Fluid Milk Price

March 16, 2009 Manitoba fluid milk price (before Add-On Programs)	\$87.18/hl
February 2010 formula price change (\$87.18/hl × 0.336%)	0.29/hl
*Add-on program costs	1.44/hl
February 2010 Manitoba producer fluid milk price	\$88.91/hl
3.6 kg/hl Average butterfat content standardization adjustment [(3.6 – 1.66) × \$0.10/kg]	<u>0.19/hl</u>
Standardized fluid milk price	\$89.10/hl

***Add-On Program Costs**

Inhibitor pre-screening	\$.00/hl
Quality testing	.20/hl
Milk metering	.21/hl
Staff time and travel costs for metering	.01/hl
Canadian Quality Bonus Program	.60/hl
Environmental compliance costs	<u>.42/hl</u>
Total Add-On Program Costs	\$1.44/hl