
THE MILK PRICES REVIEW ACT
(C.C.S.M. c. M130)

Producer Price and Milk Cost of Production Order, amendment

Regulation 58/2014
Registered March 10, 2014

Manitoba Regulation 77/94 amended

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

2 *The Schedule is replaced with the Schedule to this order.*

March 6, 2014

Manitoba Milk Prices Review Commission:

Bill Toews
Chairperson

Margaret Hammell
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 two 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) – 50% 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.

Cash Costs plus Interest (COP) – 50% weighting; COP is derived from the Canadian Dairy Commission cost of production survey of 207 producers conducted annually across Canada, including 7 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).

FLUID MILK PRICE INDEX CHANGE

February 1, 2014 indices change over the past 12 months:

0.940 % (CPI)	×	50%	0.470%
1.754 % (COP)	×	50%	0.877%

Fluid Milk Price Index Change:

CPI (50%) + COP (50%) 1.347%

When applied to the national weighted average fluid price of \$98.15/hl this results in a fluid price increase of \$1.322/hl.

Applying a weighted price increase for the entire class based on volumes between fluid and cream results in a \$1.07/hl increase for fluid milk.

<u>Calculation of Manitoba Fluid Milk Price</u>	<u>3.6 kg/hl</u>	End Use Test <u>(1.7 kg/hl)</u>
February 1, 2013 Manitoba fluid milk price (before Add-On Programs)	\$94.89/hl	\$83.36/hl
Price change (3.6 × \$0.15 + 0.81)	1.35/hl	
Price change (1.7 × \$0.15 + 0.81)		1.07/hl
*Add-on program costs	<u>1.92/hl</u>	<u>1.92/hl</u>
February 1, 2014 Manitoba Fluid Milk Price	\$98.16/hl	\$86.35/hl

***Add-On Program Costs**

Inhibitor pre-screening	\$.18/hl
Quality testing	.21/hl
Milk metering	.26/hl
Canadian Quality Bonus Program	.40/hl
Environmental compliance costs	.47/hl
Administration Costs	<u>.40/hl</u>
Total Add-On Program Costs	\$1.92/hl