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

Producer Price and Milk Cost of Production Order, amendment

Regulation 3/2017
Registered January 20, 2017

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 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 \$100.12 calculated according to the following component prices:

Butterfat	3.6 kilograms/hl @ \$7.055/kilogram	= \$25.40
Skim Value		= 74.72
Total Price		<u>\$100.12</u>

3 Clause 8(a) is amended by striking out "\$94.86" and substituting "\$95.11".

4 The Schedule is replaced with the Schedule to this order.

Coming into force

5 This order comes into force on February 1, 2017.

January 18, 2017

Manitoba Milk Prices Review Commission:

Margaret Hammell
Vice-Chair

Marvin Richter
Secretary

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.

Cost of Production (COP) – 50% weighting; COP is derived from the Canadian Dairy Commission cost of production survey of 232 producers conducted annually across Canada, including 8 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, 2017 indices change over the past 12 months:

1.41366 % (CPI)	×	50%	0.70683%
- 2.23541 % (COP)	×	50%	- 1.11771%

Fluid Milk Price Index Change:

CPI (50%) + COP (50%) - 0.4109%

The -0.4109% adjustment has been applied to national domestic revenue. The resulting national domestic revenue decrease has been applied to solids-non-fat (SNF) on domestic classes. The SNF price decrease, when applied using the national average skim value composition, results in a common skim value price change of -\$0.41/hl.

In addition this year there is a national \$0.189/kg increase on butterfat as per pricing decisions related to the national ingredients strategy. Of this, \$0.039/kg reflects a temporary adjustment due to a delay in pricing implementation and this will be removed February 1, 2018.

This results in an end-use price decrease of -\$0.06/hl for fluid milk.

<u>Calculation of Manitoba Fluid Milk Price</u>	<u>3.6 kg/hl</u>	<u>End Use Test (1.88 kg/hl)</u>
February 1, 2016 Manitoba fluid milk price (before Add-On Programs)	\$97.93/hl	\$86.12/hl
Price change (3.6 × (\$0.189) - \$0.41)	0.27/hl	
Price change (1.8255 × (\$0.189) - \$0.41)		-0.06/hl
*Add-on program costs	<u>1.92/hl</u>	<u>1.92/hl</u>
February 1, 2016 Manitoba Fluid Milk Price	\$100.12/hl	\$87.98/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