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Producer Price and Milk Cost of Production Order

Regulation 77/94
Registered April 28, 1994

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SCHEDULE

Definitions

1 In this order,

"**Act**" means *The Milk Prices Review Act*;

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

M.R. 204/2009

Formula for cost of production

2 The cost of production formula set out in the Schedule is the cost of production formula established pursuant to subsection 3(2) of the Act.

Pricing system established

3 Pursuant to subsection 3(4) of the Act, the following pricing system of fluid milk is established:

- (a) the pricing system shall be based on the butterfat content, protein content and other solid component content of milk;
- (b) the quantity of each component referred to in clause (a) shall be the yearly average content of each component as reported by the board for the year ending July 31, 1990;
- (c) the unit value established for each component referred to in clause (a) shall be consistent with the unit value for each component as calculated by the board for pricing the components in milk other than fluid milk;
- (d) each product obtained by multiplying the quantity of the component by its unit value shall be added together;
- (e) an amount representing a fluid premium shall be added to the sum of the products under clause (d).

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 \$98.16 calculated according to the following component prices:

Butterfat	3.6 kilograms @ \$6.2978/kilogram	= \$22.67
Skim Value		= 75.49
Total Price		<u>\$98.16</u>

4(2) For purposes of determining the price of milk testing more or less than 3.7034 kilograms of butterfat per hectolitre of milk, the quantity of butterfat per hectolitre of milk shall be the actual quantity as established by tests conducted in accordance with section 6.

M.R. 163/94; 70/95; 110/95; 162/95; 14/96; 157/96; 141/97; 82/98; 25/99; 91/99; 129/2000; 39/2001; 144/2001; 6/2002; 154/2002; 7/2003; 107/2004; 206/2004; 190/2006; 21/2007; 119/2007; 35/2008; 157/2008; 52/2009; 204/2009; 168/2010; 96/2011; 226/2011; 179/2012; 14/20014

Price basis

5 The price of fluid milk under section 4 is f.o.b. the processor's plant.

Butterfat content

6(1) The butterfat content of milk delivered by the board to a fluid processor's plant shall be established by tests conducted by MFC Testing and Research Inc. on a sample of the milk.

6(2) For the purpose of the tests referred to in subsection (1), a sample of the milk shall be taken

(a) by the transporter of the milk from milk that is in the producer's bulk milk tank before the milk is transported to a fluid processor's plant; or

(b) with the permission of the board, from a proportionate sampling device approved by the board when the milk is transferred from a delivery truck to a fluid processor's plant.

Volume of milk

7 The volume of milk in a truckload shipment delivered from the board to a fluid processor's plant shall be determined

(a) from the manifest that is prepared by the transporter and accepted by the fluid processor; or

(b) with the permission of the board, by a metering device when the milk is transferred from a delivery truck to a fluid processor's plant provided the metering device and its installation meet the requirements of the *Weights and Measures Act* (Canada) and are approved by the board.

Payment by fluid processor

8 A fluid processor who purchases milk from the board shall pay to the board at 36 Scurfield Boulevard, Winnipeg, Manitoba on account of the milk purchased in a month

(a) \$93.25 per hectolitre, payable by the 10th day of the month following the month in which the milk was delivered; and

(b) the balance, if any within 8 days of the date of the board's invoice to the fluid processor setting out the total selling price of the milk.

M.R. 70/95; 162/95; 14/96; 157/96; 141/97; 82/98; 25/99; 129/2000; 144/2001; 6/2002; 154/2002; 7/2003; 107/2004; 206/2004; 190/2006; 21/2007; 119/2007; 35/2008; 157/2008; 52/2009; 204/2009; 168/2010; 96/2011; 226/2011; 179/2012; 14/2014

Repeal

9 Manitoba Regulation 207/93 is repealed.

Coming into force

10 This order comes into force on May 1, 1994.

April 20, 1994

MANITOBA MILK PRICES REVIEW
COMMISSION:

Omer Van Walleghem
Vice-Chairperson

Garry W. Epp
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.

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	\$.08/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	.42/hl
Administration Costs	<u>.40/hl</u>
 Total Add-On Program Costs	 \$1.92

M.R. 70/95; 162/95; 14/96; 157/96; 141/97; 82/98; 25/99; 91/99; 129/2000; 39/2001; 144/2001; 6/2002; 154/2002; 7/2003; 107/2004; 206/2004; 190/2006; 21/2007; 119/2007; 35/2008; 157/2008; 52/2009; 204/2009; 168/2010; 96/2011; 226/2011; 179/2012; 14/2014

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