



August 1, 2005

DIRECTIVE NO. 2005 – 101

MILK ALLOCATION SYSTEM

Pursuant to Section 25 of the *Alberta Milk Marketing Regulation*, Alberta Milk establishes a milk allocation system.

Definitions

1. The definitions in the *Alberta Milk Plan Regulation* and the *Alberta Milk Marketing Regulation* apply to the interpretation of this directive.
2. In this directive:
 - (a) Milk Allocation System means the milk allocation system established by Alberta Milk pursuant to this Directive.
 - (b) Milk Allocation means the annual amount of milk that will be directed by the Board to a processor based on the milk usage by that processor within Alberta during the period August 1, 2000 to July 31, 2001, unless otherwise adjusted by the Board under this Directive.
 - (i) When the demand for milk is greater than the volume available, unassigned milk from the discretionary milk pool will be first used then the Milk Allocation will be the amount of milk that will be directed by Alberta Milk to a processor in Alberta based on the assigned Milk Allocation minus a proportionate amount from each processor.
 - (c) Total Milk Allocation means the total amount of milk allocated to all processors as Milk Allocation.
 - (d) Discretionary Milk Pool (“DMP”) means the volume of milk held back by Alberta Milk which is not allotted by Alberta Milk as Milk Allocation to Alberta processors and that Alberta Milk may assign, at its discretion, to Alberta processors in a manner that provides for growth opportunities while maximizing producer income.

Principles:

- 3.1 Class 1 milk, Class 2 milk, and milk used in the manufacture of cottage cheese will be made available on demand.
- 3.2 The initial or traditional Milk Allocation is based on the time period Aug. 1, 2000 to July 31, 2001.
- 3.3 The DMP is required to help with seasonal and production irregularities or to assist with the establishment of new growth opportunities (by existing processors to grow their Milk Allocation and by new processors to establish a Milk Allocation) to maximize producer

income. The volume of the DMP will be established at no less than 10 per cent of the provincial MSQ and will include all over-quota milk, any Milk Allocation milk not received by a processor and any Milk Allocation not issued to a processor.

- 3.4 All increases in MSQ allotted to the province will first be used to replenish the DMP to 10 per cent of the provincial MSQ. Remaining amounts will be prorated to all existing processors, based upon their Milk Allocation in effect at the time of the increase. Similarly, all decreases in provincial MSQ allotments will be first removed from Milk Allocations on a pro rata basis, unless the DMP is at or greater than 10% of the Provincial MSQ Allotment, in which case an MSQ decrease would be applied pro rata to all Milk Allocations including the DMP.
- 3.5 All milk allocated and assigned to processors that are exiting the market (going out of business) is returned to Alberta Milk and placed in the DMP.
- 3.6 Milk Allocation is company-specific within Alberta. A company may move milk allocated to them, at their expense, to another of the company's plants outside of Alberta subject to the approval by Alberta Milk
- 3.7 Milk that is part of a processor's Milk Allocation that is not accepted will automatically revert to the DMP to be re-allotted to another processor. This action does not affect the Milk Allocation in the subsequent year except as defined in 3.8.
- 3.8 If milk is not used by a licensed processor for a consecutive two-year period the differential, in the second year, from the allocation will be returned to the DMP and that processor's Milk Allocation will be adjusted accordingly.
- 3.9 Domestic Dairy Product Innovation Program (DDPIP) milk is not part of a processor's Milk Allocation. Milk allotment obtained through the DDPIP program will reside with the company that developed that product.
- 3.10 Alberta Milk pays transportation costs to deliver raw milk to Alberta processing plants, in accordance with the Alberta Milk Marketing Regulation, section 25 (3).
- 3.11 The Milk Allocation System will be reviewed by Alberta Milk at least every five years to determine if the industry's needs are being met.

Procedures:

- 4.1 The annual Milk Allocation and/or milk volume assigned from the DMP will be expressed and issued on a weekly basis.
- 4.2 Milk Allocation weekly volume that is not received by a processor will revert to Alberta Milk as part of the DMP.
- 4.3 Milk Allocation volume not received by a processor will not necessarily be made available in a subsequent weekly period during the same dairy year.

- 4.4 Processors who notify Alberta Milk one month in advance that a plant will be undergoing routine maintenance may be granted approval to receive the Milk Allocation volume during a previous or subsequent weekly period. They must specify the forecasted duration of the disturbance.
- 4.5 In the event of a shortage of milk in any given week, beyond what can be absorbed by the DMP, the amounts delivered to any plant will be prorated in relation to all Milk Allocations and DMP assignments.
- 4.6 The DMP will be estimated by taking into account milk assigned for growth opportunities and offered to processors on an as required basis. Processors projecting new business can request a volume of milk under the DMP directive at least two months prior to the need for such milk and in accordance with any Alberta Milk directives, having regard for growth opportunities, governing the allocation of milk.
- 4.7 New processors can request in writing and receive milk from Alberta Milk's DMP in a manner that provides for growth opportunities to maximize producer income. New entrants have a three-year period in which to fix their Milk Allocation in consultation with Alberta Milk.
- 4.8 Existing licensed processors in Alberta who have received a Milk Allocation may use and order milk from Alberta Milk's DMP to demonstrate a need for additional milk above and beyond their milk allocation.
- 4.9 Previously licensed processors who have demonstrated for a consecutive two-year period that their growth is sustained will have this growth fixed, at the discretion of Alberta Milk, as part of their Milk Allocation. Milk needed to crystallize this new Milk Allocation would be taken from the DMP.

Coming into Force

5. This Directive comes into effect on August 1, 2005.

Bill Feenstra, Chairman

Mike Southwood, General Manager

SIGNED ORIGINAL ON FILE