

SASKATCHEWAN MILK MARKETING BOARD POLICY

MILK TRANSPORTATION COST POOLING

WHEREAS the purpose and objectives of the Saskatchewan Milk Marketing Board includes matters set out in s.5 of The Milk Marketing Plan Regulations;

AND WHEREAS the Board has the power to do those things set out in s.7 of the *Plan*;

AND WHEREAS in the Fall of 2011, the SaskMilk Board of Directors determined that it is in the best interests of the dairy industry in Saskatchewan to establish a Task Force of dairy producers to examine the current transportation cost pooling policy.

AND WHEREAS the guiding principles for policy review were:

- *Equity and Fairness with no significant financial harm to any individual*
- *Desire for a diverse industry, both producers and processors located throughout the province*
- *A policy that would be farm size or farm location neutral, within existing milk routes*
- *Transparency in understanding the haulage system true costs*
- *A transparent, clearly understood policy by all members.*

AND WHEREAS over a number of months, the Task Force examined the current method of cost-sharing milk transportation costs amongst producers and presented a report to the SaskMilk Board of Directors in March, 2012. After consideration of the options presented by the Task Force, the SaskMilk Board took out a proposal to the spring 2012 producer meetings to receive feedback. Specifically, producers were asked if it was time for Saskatchewan to pool all transportation costs equally among all producers, based on milk volume shipped.

AND WHEREAS the SaskMilk Board had concluded that a single or pooled rate system without stop fees and without a volume discount most closely fit the identified guiding principles and represented the most equitable and fair solution for all members regardless of where they are located within the province and regardless of farm size. The single rate or pooled system sets the stage for every member to share in the benefits that arise from additional processing capacity within the province.

AND WHEREAS feedback on the proposal at producer meetings was positive, with no negative or opposing views. Some producers attending the meetings added additional support for the change.

THE SASKATCHEWAN MILK MARKETING BOARD, pursuant to the provisions of The Milk Marketing Plan Regulations and *The Agri-Food Act, 2004* hereby determines as follows:

1. After considering the feedback from producers, the Board will implement a single-rate transportation cost pooling system effective August 1, 2012.
2. All transportation costs incurred for the hauling of milk from licensed producers to licensed processors will be pooled on a monthly basis.
3. Producers will equally share in the pooled transportation costs based on the volume of milk (in hectolitres) that each producer ships each month.
4. The pooled cost per hectolitre will be calculated on a monthly basis (total pooled cost divided by total hectoliters shipped) and will be established at a rate sufficient to fully fund the costs incurred for milk transportation.
5. Every day pick-up is available to producers who request milk pick-up more frequently than once every two days, subject to truck availability. These producers will be charged the pooled cost per hectolitre plus \$50, or \$1 per kilometer on a round-trip basis, whichever is greater..
6. Any producer who starts a new operation 16 kilometres or greater from an existing truck route will be charged the pooled cost per hectolitre plus the actual cost incurred for the additional distance travelled.. Producers may have any extra charge reduced or waived if they make application to the Board and the Board determines that the requested location is beneficial to the industry.
7. Individual licensed producer's share of provincial pooled haulage costs are shown as a separate line deduction on the Producer Statement to provide for transparency for all haulage costs incurred.

This policy is effective on the 1st day of August, 2012.