

**CENTRAL LABRADOR  
DAIRY ECONOMIC FEASIBILITY STUDY**

**TERMS OF REFERENCE**

**Department of Natural Resources**

**Request for Proposals**

**February 27, 2007**

**Canada** 

  
**Newfoundland  
Labrador**

## **1. Introduction**

The Department of Natural Resources (DNR) invites proposals to conduct a study on the economic feasibility of establishing supply managed milk production in Central Labrador.

The Northern Agrifoods Development Strategy identified strategic actions necessary for the development of agrifoods in Labrador. The following strategic action is deemed a priority:

*“Conduct economic analysis to ascertain the feasibility of primary and secondary production of supply management commodities, i.e. .... dairy.”*

## **2. General Requirements**

- This invitation for proposals implies no obligation on DNR to accept any bid submitted.
- Each proposal must be submitted in a separate envelope.
- Each proposal must include a letter of introduction, identifying the proponent and the qualifications of all persons involved with this study.
- Each proposal must include a brief outline of the proposed work plan. The work plan is intended to demonstrate to DNR that the proponent has a good understanding of the objective, has the capabilities, skills, and resources to carry out the study.
- The selection of the proponent will be made on the basis of overall value in terms of merit and cost.
- Bids should include a fee schedule identifying all costs and be exclusive of HST.
- Proposals should outline work schedules with timelines.

## **3. Financial Considerations**

- Proponents are responsible for all expenses in preparing, delivering and/or presenting their proposal to DNR.
- The bid must be exclusive of HST.

## **4. DNR and Consultant Responsibilities**

- DNR will provide direction and guidance to ensure that the study’s objectives are met.
- Consultant will be required to meet with Department representatives at times and locations determined by the Department. The consultant must be available to participate in a minimum of four (4) meetings. A minimum of two (2) meetings will take place at the Department’s Head Office in Corner Brook and at least two (2) meetings will be held in Happy Valley - Goose Bay. The Happy Valley - Goose Bay meeting will include, but not be limited to, an industry contact and consultation session.

## **5. Objective**

The objective is to identify the economic feasibility of the production, processing and marketing of a supply managed milk production unit(s) in Central Labrador. The potential of supplying dairy products to the Nunavut market should be considered as part of this study.

## **6. Work to be Completed**

### **a. Overview of Dairy Regulations**

- Determine requirements related to production opportunities such as quota availability, special production permits, etc. Provide review and commentary of dairy production units in northern regions such as the Yukon, Northwest Territories and/or Nunavut.
- Identify issues and/or concerns that may be of benefit to potential producers or processors in Central Labrador.

### **b. Market Research**

- Identify the current market in Labrador, as well as Nunavut, for the various products from dairy production. Provide prices and quantities where possible.
- Conduct a market and price sensitivity analysis for milk and other milk products in the Labrador market.
- Report on issues affecting present and future market demand.
- Identify and comment on issues related to penetrating the Labrador and Nunavut Markets.

### **c. Cost of Production Models**

- Develop a cost projection models for milk production in Central Labrador. Costing models should be detailed, specifying input costs (feed, livestock purchases, labour, etc) and fixed costs associated with milk production.
- The costing model should be developed following the cost of production guidelines employed by the Dairy Farmers of Newfoundland and Labrador.
- The sources of data used in estimating costs should be clearly indicated. In particular, the feed cost should indicate the quantity of forage produced in Labrador or imported from outside Labrador.
- Provide capital cost estimates of establishing a viable dairy farm in this region.

**d. Processing and Distribution**

- Recognizing that milk production will require processing, the study should determine if a private enterprise exists to purchase and process all or a portion of the production. If so, indicate the terms of purchase and the volumes involved.
- In the event no processing infrastructure exists, a cost projection for processing of milk will be required. This cost projection should incorporate a processor's/ producer's ability to meet the required processing standards and regulations as well as the market size.
- The study should provide estimates and details related to the cost of distributing these dairy products throughout the Labrador regions (West, Central, South Coast, Straits and North Coast) and Nunavut.

**e. Other Considerations**

- Review the required and available resources to produce or service milk production unit(s).
- Identify factors that may influence the success or failure of developing viable production units.
- Consultant must be available to answer any questions DNR may have concerning the proposal and/or reports.

**f. Consultant's Summary and Conclusions**

- Provide an analysis of the production of milk in Central Labrador. Determine if this is a viable opportunity given the cost projections and markets in Labrador and/or Nunavut.

**7. Proposals and Final Report**

- 6 hard copies of proposals, including an electronic WordPerfect or Word version, should be submitted to Central Labrador Dairy Feasibility Study Committee no later than March 23, 2007
- The final report should incorporate the findings from points 6.a through 6.f above. 12 hard copies of the final report and an electronic version should be submitted to Central Labrador Dairy Feasibility Study committee by the Completion of Study date.
- The final report will be submitted to the Central Labrador Dairy Feasibility Study Committee no later than September 21, 2007.
- Three updates will be required at times to be determined by the Committee.

**8. Subcontractors**

- Subcontracting of any of this study is not permitted without the prior approval of the Central Labrador Dairy Feasibility Study Committee.

**9. Inquiries**

- All inquiries related to this Request for Proposals should be made to:

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- Information obtained from any other source is not official and may be inaccurate.