

# NEW ENTRANT PROGRAM



## Purpose

Dairy Farmers of Nova Scotia (DFNS) encourages the growth and stability of the province's dairy producers to ensure future sustainability of the dairy industry. The New Entrant Program is designed to assist new producers entering the industry by loaning quota.

## What the Program Provides

Each dairy year, DFNS will loan 12-16 kilograms of Total Production Quota to one successful applicant. DFNS will loan quota to the "assisted new producer" on a kilo-for-kilo basis for each kilogram of quota the assisted new producer purchases ("saleable quota") through the monthly Quota Exchange or obtains through a quota transfer. One successful applicant may be selected to receive assistance per year.

## Details of the Program

Dates/timelines: Applicants under the program must apply to DFNS between August 1st and September 30th. DFNS will notify the successful applicant by October 31st. The successful applicant becomes eligible to begin acquiring quota and receiving assistance on January 1 of the following year.

Dates/Timelines	
August 1st to September 30th	application period
September 30th	application deadline
October 31st	successful applicant notified
January 1st to December 31 <sup>st</sup> of the following year	quota acquisition period
121 months after starting milking cows	quota reimbursement period

The assisted new producer is eligible for matching loaned quota of a minimum of 12 kgs up to a maximum of 16 kgs. When applying, the assisted new producer must declare the option to acquire quota they plan to follow and the quantity of quota they plan to acquire. This quantity is referred to as the "target quantity". The assisted new producer will be eligible for matching loaned quota in an amount up to their target quantity and within the 12-16 kg loan limits.

The assisted new producer can acquire their quota under one of the following three options:

### **Option A: Purchase Through Quota Exchange**

If the assisted new producer acquires their quota through the monthly quota exchange, they will have priority access until the end of the 12 month quota acquisition period or until their target quantity (12 to 16 kg) is purchased, whichever occurs first. This target quantity is the same as the "buyer prorate exemption amount" in the TPQ regulations.

As soon as the assisted new producer has a producer licence, they must bid for their target quantity of quota on the next exchange, and if required, bid on the total kgs needed to reach their target quantity on every following exchange until the target quantity is acquired, or until the end of the quota acquisition period, whichever occurs first.

DFNS will loan the assisted new producer up to the target quantity of quota to match their saleable quota purchased. DFNS will not lend any quota until the assisted new producer has acquired at least 5 kgs of quota (to meet 10 kg minimum that all producers must hold). Quota purchased by the assisted new producer after the end of the quota acquisition period will not be eligible for matching under the program.

### **Option B: Acquire Ongoing Dairy Farm Operation**

An assisted new producer is exempt from the requirement to acquire their quota on the exchange if, as of the date the assisted new producer applies to the new entrant program, there has been at least one quota exchange with less than 12 kgs offered for sale in the previous twelve exchanges. If the assisted new producer is exempt from the requirement to purchase their quota on the exchange, they can acquire it by purchasing an ongoing dairy farm operation.

The assisted new producer can purchase an existing dairy farm through the exemption available under section 15(2)(a) of the *TPQ Regulations*, BUT must acquire at least 12 kgs, and the total of the amount of quota they purchase with the dairy farm and the loaned quota they receive must not exceed 40 kg.

### **Option C: Quota Transfer From Parent**

An assisted new producer is exempt from the requirement to acquire their quota on the exchange if, as of the date the assisted new producer applies to the new entrant program, there has been at least one quota exchange with less than 12 kgs offered for sale in the previous twelve exchanges. If the assisted new producer is exempt from the requirement to purchase their quota on the exchange, they can acquire it as a transfer from their parent.

Under this option, the assisted new producer could acquire their quota through a transfer from their parent under s. 15(2)(b) of the *TPQ Regulations*. As with Option B, the quantity of quota transferred from the parent to the new producer must be at least 12 kgs, and the total of the target quantity they acquire from their parent and the loaned quota they receive must not exceed 40 kg.

If an assisted new producer is acquiring quota under Option B or C, they can only start on a licensed dairy facility from which his/her parents have not been licensed, held quota, or shipped milk in the past year.

After an assisted new producer has met the above requirements and received their loaned quota, or after the end of the quota acquisition period, whichever occurs first, they are subject to the rules that apply to all producers regarding the acquisition of quota. From this point forward the new entrant upper limit of 40 kgs (purchased plus loaned) no longer applies.

The calculation of general increases or decreases of quota by DFNS excludes loaned quota. That is, a general quota decrease would be applied to the assisted new producer's purchased quota, but would not decrease their loaned quota. The same would apply to a general quota increase.

If the assisted new producer sells an amount of quota bringing their purchased quota below the amount loaned by DFNS, the amount of quota loaned by DFNS will be reduced to be equal to the amount of the assisted new producer's purchased quota. Subsequent to that, if the assisted new producer purchases additional quota bringing their purchased quota above the loaned quantity, the loan remains unchanged until the quota reimbursement period.

The assisted new producer cannot sell quota that would reduce their total (saleable and loaned) quota below the required minimum level of 10 kgs, but they are not required to replace their purchased quota that is reduced below 10 kg through a general quota decrease that applies to all producers.

DFNS new entrant loaned quota is non-transferrable and therefore cannot be assigned to a lender or transferred.

Leasing: Until the end of the quota acquisition period, or until the target quantity is purchased, whichever occurs first, an assisted new producer may lease in or lease out 100% of their purchased quota and loaned quota as approved by the board. After that and as long as any quota is loaned to the assisted new producer, they may lease in up to 25% of their purchased quota and loaned quota; they may lease out up to 25% of their purchased quota, but may not include loaned quota in the lease out 25% calculation. Subject to the above, the assisted new producer will be subject to the standard policies and guidelines with respect to leasing.

Reimbursing Loaned Quota to DFNS: DFNS may provide quota to an assisted new producer for a maximum period of 26 years. Loaned quota will be reimbursed to DFNS at a rate of 0.1 kg per month, for ten months of each year, to a total of 1 kg of quota per year, starting the 121st month after the assisted new producer starts shipping milk. Assisted new producers are required to bid for 0.1 kg on the quota exchange during the reimbursement period. These bids are granted a prorated exemption (that is, they will be given priority over other purchase offers on the exchange). In months when quota is scheduled to be reimbursed to DFNS and either the quota exchange is cancelled or the assisted new producer cannot purchase the full 0.1 kg, the shortfall in the amount of quota to be reimbursed that month is deferred to the next month when reimbursement is not scheduled (i.e. months 11 and 12 of each year). If there is still a shortfall at the end of each reimbursement year, reimbursement is further deferred to the end of the reimbursement period.

**Example:** An assisted new producer is in their quota reimbursement period, and it is March, a month when they are scheduled to reimburse 0.1 kg to DFNS. They must bid to purchase 0.1 kg on the March exchange.

- If they are successful in purchasing 0.1 kg on the March exchange, they reimburse 0.1 kg to DFNS that in March.
- If the exchange is cancelled in March, or if the assisted new producer is not successful in buying any quota on the exchange, the 0.1 that is scheduled to be reimbursed to DFNS is deferred to November, which is the next month that reimbursement is not scheduled. In November, the assisted new producer must bid for 0.1 kg on the exchange, and if they are successful, they reimburse that 0.1 kg to DFNS in November. If they are still unsuccessful in purchasing the required 0.1 kg in December, the deferral gets pushed to the end of the reimbursement period.
- If they are only successful in purchasing 0.06 kg on the March exchange, they reimburse 0.06 kg to DFNS in March. The remaining 0.04 kg that is scheduled to be reimbursed to DFNS is deferred to November. In November, the assisted new producer must bid for 0.04 kg on the exchange, and if they are successful, they reimburse that 0.04 kg to DFNS in November. If they are still unsuccessful in purchasing the required 0.04 kg in December, the deferral gets pushed to the end of the reimbursement period.

The following chart provides the timeline for reimbursing loaned quota to DFNS:

Year	Maximum loaned quota held by new entrant (kg)				
	12	13	14	15	16
1-10	12	13	14	15	16
11	11	12	13	14	15
12	10	11	12	13	14
13	9	10	11	12	13
14	8	9	10	11	12
15	7	8	9	10	11
16	6	7	8	9	10
17	5	6	7	8	9
18	4	5	6	7	8
19	3	4	5	6	7
20	2	3	4	5	6
21	1	2	3	4	5
22	-	1	2	3	4
23	-	-	1	2	3
24	-	-	-	1	2
25	-	-	-	-	1
26	-	-	-	-	0 - 1

### New entrants must

- Complete a Canadian Quality Milk (CQM) workshop before shipping milk;
- Comply with the Milk House Water Quality standards before shipping milk;
- Have standard operating procedures (SOPs) approved by DFNS and in place within two months after starting to ship milk;
- Keep CQM records when shipping milk, including manually recording bulk tank temperatures and wash water temperatures;
- Have a time-temperature recorder (TTR) installed and fully operational within one year after starting to ship milk (this provides time for producers to access provincial government assistance); and
- Have at least three months of complete records before being CQM validated, and must be CQM registered within one year after starting to ship milk.

## Eligibility Requirements

In order to be considered for the program, applicants:

- Must be 19 or more years of age and shall not be an undischarged bankrupt.
- Applicants must be a “new producer” as defined in the *Total Production Quota Regulations*. Pertinent sections of the TPQ Regulations are set forth on the back of the application form.
- Cannot have been previously licensed to produce and market milk elsewhere in Canada, including as a shareholder in a corporation or partner in a partnership.
- Cannot apply for assistance if, at the time of application, they are starting on a licensed dairy facility from which his/her parents have been licensed, held quota, and shipped milk in the past year.
- DFNS staff members and contract employees, their spouses, their children and their children’s spouses, are not eligible to participate in the program.

## Application Requirements

DFNS will provide an application form upon request, and the form will also be available on the DFNS website during the application period. The application period for the program is from August 1st to September 30th of each year.

In order to be considered for the program, completed applications must be accompanied by:

- (a) \$100 non-refundable application fee (plus HST);
- (b) detailed ten-year financial business plan signed by a qualified individual or firm including aspects of capital purchases, cash flow, livestock, feed, etc; and
- (c) written confirmation of financing approval from a lender or lenders indicating that they agree, as required in the business plan, to finance the operation.

Where the applicant is a partnership or corporation, all partners/shareholders must be listed on the application form. ALL partners/shareholders must meet the required criteria to be an assisted new producer.

Five copies of completed application forms and supporting documents must be submitted to DFNS by September 30th.

Any costs or fees associated with applying for the program are the responsibility of the applicant.

Successful applicants will be notified by DFNS by October 31st.

## Selection Process

Only complete application packages will be considered for selection for the program and we encourage applicants to review documentation with DFNS staff prior to submission.

A Selection Committee consisting of dairy industry representatives will review all applications that meet the eligibility and application requirements. The Selection Committee will interview all applicants meeting the eligibility and application requirements. The Selection Committee must be satisfied that, based on the business plan and interview, the proposed operation is likely to be financially viable.

In the event more than one applicant is approved by the Selection Committee, the successful applicant will be determined by lottery. All Selection Committee’s decisions are final, with no appeal or explanation required. Applicants not selected may reapply the following year or proceed without assistance within the limitations of the regulations.

If there are any discrepancies between the terms of the program and the <i>Total Production Quota Regulations</i> , the <i>Regulations</i> will take precedence.
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If you have any other questions regarding the New Entrant Program, please contact DFNS.

## **New Entrant Program – Frequently Asked Questions**

*Q: If I am a successful applicant in the program, how much quota do I need to buy and how much will DFNS lend to me?*

A: Successful applicants have three options for acquiring quota as shown above. If purchasing through the quota exchange (Option A), purchased amounts are 12 – 16 Kg with a matching loan of the same amount. If following option B (purchasing ongoing dairy farm) the farm must have at least 12 Kg and a maximum quantity such that the total of the purchased farm's quota and the loan does not exceed 40 Kg. Option C (transfer from parent) is subject to the same limits as option B.

*Q: How are my exchange purchase bids and quota holdings treated based on current rules?*

A: Assisted new producer quota exchange transactions are not subject to the following until they have purchased 12-16 kgs of quota, or until the end of the quota acquisition period, whichever occurs first:

- the 10% purchase bid size maximum;
- the 10 kg minimum quota holding; and
- buyer prorate rules – gives them priority access on exchange.

*Q: If DFNS issues a general quota increase or decrease, will it affect my assistance?*

A: General increases or decreases will be applied to an assisted new producer's purchased quota but not the quota loaned by DFNS. The quantity loaned will be maintained at 12-16 kgs. For example if your purchased quota before the decrease was 16 kgs and 15.5 kgs after it, the matching loaned quota remains at 16 kgs.

*Q: If I sell quota, will it affect my assistance?*

A: If an assisted new producer sells quota, such that the purchased quota quantity drops below the matching loan quantity, the loan will be reduced to match the lower amount of saleable quota. For example if your purchased quota before the sale was 18 kgs and you sell 3 kgs, the matching loaned quota would decrease from 16 kgs to 15 kgs after the sale. The loaned quantity will not be increased if more quota is purchased in the future.

*Q: If I am selected as a successful applicant and acquire more than 12-16 kgs of quota, what happens?*

A: After all the requirements are met and you have received your full loan, you will be subject to the rules that apply to all producers with respect to acquiring quota. There is no longer an upper limit.

*Q: Do my farm premises need to pass inspection before applying?*

A: No. An applicant does not need to be licensed at the time of application. However, in order to purchase quota or receive a quota transfer, a producer must be licensed by DFNS. In order to hold a license, the farm premises will need to pass inspection by the province's Dairy Inspector and meet all other requirements for a licensed producer, including milkhouse water, yards and lanes, Canadian Quality Milk Program, proAction, etc. This means that you will need to obtain a license prior to acquiring quota within the twelve month quota acquisition period in order to be eligible for the full loan from DFNS.

*Q: How and when is the loaned quota reimbursed to DFNS ?*

A: The full loan from DFNS is in place for 10 years from when the new farm starts shipping milk. The quota is reimbursed starting in the 11<sup>th</sup> year (121 months from start-up) at 0.1 kg per month to a total of 1.0 kg per year. During the quota reimbursement period priority access on the exchange is provided to the assisted new producer in months when quota is returned to the Board.

*Q: Is there an appeal process if I am not selected?*

A: The Selection Committee's decision in choosing the successful candidates is final with no appeal process provided. However, an unsuccessful applicant may reapply next year or proceed without assistance within the limitations of the regulations.



DAIRY FARMERS OF NOVA SCOTIA

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## NEW ENTRANT PROGRAM APPLICATION FORM

Applicant's Name/Farm Name \_\_\_\_\_

Mailing Address \_\_\_\_\_

Proposed Farm/Milkhouse Location \_\_\_\_\_

Contact Phone Number (\_\_\_\_) \_\_\_\_\_ Cell Number (\_\_\_\_) \_\_\_\_\_

E-Mail \_\_\_\_\_ Fax (\_\_\_\_) \_\_\_\_\_

Type of dairy enterprise:    Individual Ownership                       Partnership                       Corporation

<i>Please answer all questions by checking the appropriate box.</i>	Yes	No
Is the applicant 19 or more years of age?		
Is the applicant an undischarged bankrupt?		
Is the applicant licensed by the DFNS Board to produce milk under the <i>Dairy Industry Act</i> ?		
Does the applicant meet all of the criteria of a "new producer" as defined in the <i>Total Production Quota Regulations</i> ?		
Has the applicant been previously licensed to produce and market milk in Canada?		
Is the applicant starting on a licensed dairy facility from which the parents were licensed, held quota, and shipped milk in the previous year?		
Is the applicant an employee or contract employee of DFNS?		
Is the applicant a spouse, a child or child's spouse of an employee or contract employee of DFNS?		

Please select one option below, as the Applicant's intended method of acquiring quota:

**Option A: Purchase Through Quota Exchange**

Will purchase 12-16 kgs; loaned will be 12-16 kgs

**Option B: Acquire Ongoing Dairy Farm Operation**

Will purchase 12-28 kgs; loaned will be 12-16 kgs (total purchased and loaned no more than 40 kgs)

**Option C: Quota Transfer From Parent**

Will receive 12-28 kgs; loaned will be 12-16 kgs (total transferred and loaned no more than 40 kgs)

Amount of quota the applicant intends to acquire by the method selected above ("**Target Quantity**"): \_\_\_\_\_ kgs

Amount of quota applicant intends to be loaned by DFNS: \_\_\_\_\_ kgs

APPLICATION PACKAGE REQUIREMENTS

Applicants are required to submit:

- (a) \$100 non-refundable application fee, payable to DFNS;
- (b) detailed ten-year financial business plan signed by a qualified individual or firm including aspects of capital purchases, cash flow, livestock, feed, etc; and
- (c) written confirmation of financing approval from a lender or lenders indicating that they agree, as required in the business plan, to finance the operation.

Partnerships and corporations must provide documentation verifying licence ownership. The documentation must indicate who has the authority to bind the corporation; all partners/shareholders must be listed on the application form. ALL partners/shareholders must meet the required criteria to be an assisted new producer.

Applicants are to compile all supporting documentation in a single package.

Complete application packages must be received by DFNS at the above address no later than September 30<sup>th</sup> of each year. Only complete application packages will be considered for selection.

Any costs associated with applying for the program are the responsibility of the applicant.

Successful applicants will be notified by DFNS by October 31st.

*NOTE: In the case of a corporate applicant, all designated signing officer(s) must sign; attach a separate sheet if necessary.*

THE UNDERSIGNED CERTIFY that the information herein contained is complete, true and correct in all respects.

Date: \_\_\_\_\_ Applicant's Signature(s): \_\_\_\_\_

Date: \_\_\_\_\_ Applicant's Signature(s): \_\_\_\_\_

FOR OFFICE USE ONLY Date Package Received \_\_\_\_\_ Date Acknowledged \_\_\_\_\_