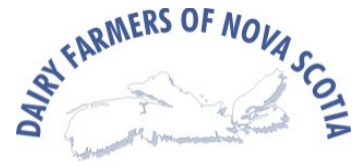


# NEW ENTRANT PROGRAM

REVISED DECEMBER 2020



## 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 20 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 will be selected to receive assistance per year.

Dates/Timelines – for 2021	
March 1 <sup>st</sup> to April 30 <sup>th</sup>	application period
April 30 <sup>th</sup>	application deadline
May 31 <sup>st</sup>	successful applicant notified
January 1 <sup>st</sup> 2022 to December 31 <sup>st</sup> 2022	quota acquisition period
121 months after start milking cows	quota reimbursement period

## Details of the Program

Dates/timelines: Applicants under the program must apply to DFNS between March 1<sup>st</sup> and April 30<sup>th</sup> 2021. DFNS will notify the successful applicant by May 31<sup>st</sup>. The successful applicant becomes eligible to begin acquiring quota and receiving assistance on January 1, 2022.

Quantity of quota required and loaned: The assisted new producer has until the end of the quota acquisition period to purchase between 20 and 30 kgs of quota as declared in their application. This purchased quota is eligible for the matching loan of 20 kg.

How the assisted new producer acquires their quota: The assisted new producer can purchase their quota through the monthly quota exchange or, in certain circumstances, through an ongoing dairy farm operation.

### **(a) Purchase through quota exchange**

No buyers prorate until assisted new producer has purchased 20 - 30 kgs: If the assisted new producer acquires their quota through the exchange, they will not be subject to buyers' prorate (i.e. they will have priority access over other buyers on the exchange) until the end of the 12 month quota acquisition period or until the declared 20 – 30 kg quantity is reached, whichever occurs first.

Must declare and purchase 20 - 30 kgs on exchange as quickly as possible: When applying, the assisted new producer must **declare their purchase quantity** intention of between 20 and 30 kg. Once the assisted new producer has a producer licence, they must bid for their declared quantity on the next quota exchange, and if required, bid on the remaining total kgs needed to reach their declared quantity on every following exchange until their declared quantity is acquired, or until the end of the quota acquisition period, whichever occurs first.

Quantity loaned by DFNS: DFNS will loan non-saleable quota to the assisted new producer to match their saleable quota purchases. 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.

**(b) Exemption from quota exchange acquisition requirement – acquire an ongoing dairy farm operation**

When exemption applies: 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 provincial quota exchange with less than 20 kgs offered for sale in the previous 12 exchanges.

If exemption applies: 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 s. 15(2)(a) of the *TPQ Regulations*, BUT must acquire at least 20 kgs and no more than 30 kgs through the purchase of the dairy farm. This would result in a limit of no more than 50 kgs (quota purchased with dairy farm plus loan).

After assisted new producer has acquired their quota and their 20 kgs loan – future quota acquisitions: After an assisted new producer has met the above requirements and received their 20 kgs loan, 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 50 kgs (purchased plus loaned) no longer applies.

Impact of quota issuance increases and decreases by DFNS: 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. The DFNS loaned quota will be equal to or less than the amount of the assisted new producer's saleable quota, to a maximum of 20 kgs.

If quantity of producer-held quota falls to less than quantity loaned by DFNS: If the assisted new producer sells an amount of quota, bringing their saleable quota below the 20 kg 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 saleable quota.

Limit on sale of quota: 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 quota that is reduced through a general quota decrease below this minimum that applies to all producers.

Loaned quota cannot be sold or assigned: DFNS new entrant loaned quota is non-saleable and therefore cannot be assigned to a lender or sold.

Leasing: Until the end of the quota acquisition period, or until the declared quantity is purchased, whichever occurs first, an assisted new producer may lease in or lease out up to 100% of their combined saleable quota and loaned quota total. After that, as long as any quota is loaned to the assisted new producer, they may lease in up to 25% of their saleable quota and loaned quota; they may lease out up to 25% of their saleable 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.

**Returning Loaned Quota to DFNS**

DFNS will provide quota to an assisted new entrant for a maximum period of 27 years. Loaned quota will be returned to DFNS at a rate of 0.1 kg per month for a total of 1.2kg of quota per year, starting the first month of the 11th year after the assisted new entrant starts shipping.

New entrants must:

- Complete a proAction workshop before shipping milk;
- Comply with the Milk House Water Quality standards before shipping milk;
- Have DFNS-approved standard operating procedures (SOPs) in place within two months after starting to ship milk;
- Keep proAction 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 proAction validated, and must be proAction 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 application forms 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 March 1<sup>st</sup> to April 30<sup>th</sup> of 2021.

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 April 30<sup>th</sup>

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

Successful applicants will be notified by DFNS by May 31<sup>st</sup>.

## Selection Process

Only complete application packages will be considered for selection for the program and we encourage applicants to ask any clarification questions 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.

The Selection Committee will use a lottery to select the successful applicant in situations where the proposed operations of two or more applicants are determined to have equal financial viability. 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.
--

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 can I obtain quota?*

A: Once licensed, an assisted new producer must purchase their quota on the monthly quota exchange. Alternatively, you will be exempt from the requirement of obtaining your quota on the exchange if, at the date of application, there has been at least one exchange with less than 20 kgs offered for sale in the previous 12 exchanges. In this situation you need to acquire a minimum of 20 kgs and a maximum of 30 kgs through purchasing an existing dairy farm.

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

A: Assisted new producer quota exchange transactions are not subject to the following until you have purchased the declared quantity 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, meaning the assisted new producer has priority access to purchase on the exchange.

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

A: General increases or decreases in quota issuance will be applied to your saleable quota but not the quota loaned by DFNS. The quantity loaned will be maintained at 20 kgs, matching the quantity of the saleable quota. For example, if your saleable quota before the decrease was 30 kgs and 29 kgs after it, the matching loaned quota will remain at 20 kg after the decrease. But, if your saleable quota before the decrease was 20 kgs and 19 kgs after it, the matching loaned quota also decreases from 20 kgs to 19 kgs after the decrease.

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

A: If you sell quota, such that your saleable 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 saleable quota before the sale was 20 kgs and you sell 3 kgs, the matching loaned quota would decrease from 20 kgs to 17 kgs after the sale.

*Q: If I am selected as a successful applicant and acquire my declared quantity of quota, what happens?*

A: After all the requirements are met and you have received your 20 kgs 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 and 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, proAction Program, etc. This means that you will need to obtain a license prior to acquiring quota within the 12 month quota acquisition period in order to be eligible for the full loan from DFNS.

*Q: If I am a successful applicant, can I donate or transfer quota in year two of the program?*

A: An assisted new producer cannot donate or transfer quota as long as they continue to hold any loaned non-saleable quota from DFNS.

*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, you may reapply next year or proceed without assistance within the limitations of the regulations.

*Q: If I am not selected, does my application remain on file?*

A: Applicants who are not selected must re-apply to be considered for the program.