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P5 Message – Adjustment of Maximum No Pay SNF/BF Ratio

Given the decline in the market requirements for SNF and limitations in processing capacity of structural surplus, the Ontario, Nova Scotia and New Brunswick Boards have approved the decrease in the maximum SNF/BF ratio eligible for payment from 2.25 to 2.20, effective February 1, 2023. The SNF/BF market ratio will remain unchanged at 2.0.

On-going discussion will continue with all P5 provinces with the objective of having a harmonized payment policy across P5 again in the short term. P5 discussion will also continue to review any additional adjustments that may be required to better meet the original intent and objectives of the policy.

Background:

On January 1, 2020, the P5 provinces adjusted the maximum no pay SNF/BF ratio to 2.30.

In 2021 the P5 provinces established the component payment policy in effect with two price levels, depending on the SNF/BF ratio (a market ratio and a maximum ratio). As a result, currently there is no payment for solids non-fat (SNF) when the ratio exceeds the maximum SNF/BF.

On August 1, 2022 the maximum SNF/BF ratio eligible for payment was reduced from 2.30 to 2.25.

As a reminder, SNF below the 2.00 SNF/BF ratio is paid at a different price than SNF with a SNF/BF ratio between 2.00 and 2.25. The latter is paid and will continue to be paid according to the price paid for the monthly class 4a SNF price.

The changes that have been made to the component payment policy since 2020 aims to better reflect the market requirements and to ensure greater fairness between producers, when considering the structural surplus of SNF in the market.