

Dairy Farmers of Nova Scotia Producer Manual

Dairy Farmers of Nova Scotia (DFNS) was created through legislation enacted in 2001, and replaces the former Nova Scotia Dairy Commission. The organization provides a regulatory and administrative service to Nova Scotia's dairy producers, and exists under the umbrella of the Natural Products Marketing Council of the Department of Agriculture.

Working in cooperation with Natural Products Marketing Council, DFNS licenses producers and milk transporters, sets the farm gate price for milk, administers the production quota system which is a cornerstone of the supply management system, and represents the province's producers on the committees administering the National Milk Marketing Plan and two interprovincial milk pools.

DFNS has approximately 240 members located on farms from Yarmouth to Cape Breton. Together, they produce over 170,000,000 litres of high-quality milk each year. This represents revenue at the farm of approximately \$130,000,000 per year, and over 550 on-farm jobs. The majority of the milk is destined for the fluid market, but the province's six processors and two producer/processors also make yogurt, ice cream, cheese, butter, and skim milk powder.

The Producer Manual

Dairy Farmers of Nova Scotia (DFNS) has prepared this manual to provide all Nova Scotia dairy producers and industry stakeholders with information on quota, milk transportation, and milk quality regulations. The information in this manual is compiled from Nova Scotia statutes and regulations, as well as established DFNS policies.

Updates will be distributed periodically and an up-to-date version of this manual will be maintained on the DFNS website: www.dfns.ca.

The following Nova Scotia statutes and regulations were used in the development of this manual:

- *Dairy Industry Act*
- *Natural Products Act*
- *Bulk Haulage Regulations*
- *Milk House Water Quality Regulations*
- *Milk Pricing Regulations*
- *Milk Producer Licensing Regulations*
- *Milk Production, Transportation, and Pasteurization Regulations*
- *Schedule 2 – Milk Production Regulations*
- *Schedule 5 – Milk Transportation Regulations*
- *Total Production Quota Regulations*

A reference to the applicable DFNS policy and/or statute is included at each section of the manual. If there are any discrepancies between this manual and the statutes and regulations, the statutes and regulations will take precedence.

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GENERAL

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WHO IS WHO?

- DFNS/Board: Dairy Farmers of Nova Scotia
Producer-elected marketing and representation board.
- DFC: Dairy Farmers of Canada
The national lobby, policy, and promotion organization representing all dairy farmers in Canada. It is a federation of provincial milk marketing boards, dairy producers' organizations, and milk recording and breed-related organizations. The operation of the organization, including promotion activities, is completely funded by Canada's dairy producers.
- CDC: Canadian Dairy Commission
Federal government Crown Corporation which administers the National Milk Marketing Plan
- NPMC/Council: Natural Products Marketing Council
An arm of provincial government which administers the *Dairy Industry Act*, delegates authority to DFNS, and hears DFNS appeals.
- NSDA: Nova Scotia Department of Agriculture
This provincial department provides various services to the province's agriculture sectors.
- CQM: Canadian Quality Milk Program
Nationally adopted, HACCP-like milk quality assurance program

PRODUCER INFORMATION

CONTACT INFORMATION

DFNS Policy

Requests to change or update producer information related to address, contact person, or structure (eg. partnership to corporation), are required to be submitted in writing to the DFNS office by the licensed producer.

PRIVACY AND OWNERSHIP INFORMATION

DFNS Policy

All producer and ownership information held by DFNS will not be released without consent from the producer, subject to research and industry requirements. See Appendix A for a consent to release information form.

PRODUCER HEALTH PLAN

THE PROGRAM

DFNS provides a comprehensive, cost-effective group insurance plan for the benefit of DFNS producers, their employees, and families. The costs for coverage are advantageous, as the overall group is comprised of approximately 330 insured individuals resulting in a powerful volume purchasing arrangement. We encourage all producers to explore opportunities under the DFNS program to ensure your plan meets your objectives for attraction, retention, and supports the well-being of you and your employees and their families.

STRUCTURE

The program is managed by the DFNS Health Committee. The committee is proactive and has a very keen sense of the challenges and issues of providing benefits in the agriculture arena. The program offers the following coverage:

- Life Insurance
- Optional Life Insurance
- Dependent Life Insurance
- Accidental Death and Dismemberment Insurance (AD&D)
- Extended Health Care and Dental Care

EXPERIENCED CONSULTANTS

Morneau Shepell is an independent health and benefits consulting firm with over 40 years of experience in creating and managing benefit programs. They are knowledgeable about the agricultural sector, and have a reputation for delivering the highest level of customer service. They are consultants to and administrators of the DFNS program.

Morneau Shepell will assist you with enrolling in the plan, make changes, or answer any questions. We encourage you to contact them directly regarding any inquires about the plan:

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GENERAL RULES AND REGULATIONS

GENERAL LICENSING AND QUOTA REQUIREMENTS

Dairy Industry Act (DIA)

Milk Producer Licensing Regulations (MPL)

Milk Production, Transportation, and Pasteurization Regulations (MPTP)

Total Production Quota Regulations (TPQ)

- Everyone who produces, transports, processes, distributes, or markets milk must be licensed (*DIA s.7*).
- DFNS is the licensing authority for dairy producers in Nova Scotia (*MPL s. 4*).
- DFNS can refuse to grant a licence when it is not satisfied that the applicant is qualified (*DIA s. 7*).
- DFNS can cancel a producer's licence if the producer has been penalized three times for milk quality violations in an 18-month period (*MPL s. 10*).
- A producer can only sell milk that has been produced by cows located on that producer's licensed farm location (*TPQ s. 8*).
- A producer cannot ship milk under the quota held in the name of another producer (*TPQ s. 8*).
- A producer cannot ship milk to another producer for the purpose of shipment to a processor (*TPQ s. 8*).
- No one is allowed to sell, offer for sale, deliver or distribute milk or cream that has not been pasteurized in a plant that is licensed by the Natural Products Marketing Council (Council) (*MPTP*).

PROVINCIAL LAWS AND REGULATIONS

By obtaining a licence to produce and market milk, the producer agrees that it will follow all provincial laws, regulations, and policies related to the production and marketing of milk.

Nova Scotia acts can be found at:

<http://nslegislature.ca/legc/index.htm>

Nova Scotia regulations can be found at:

<http://www.gov.ns.ca/just/regulations/rxaa-l.htm#dairy>

PROVINCIAL QUOTA

Total Production Quota Regulations s. 2(j)

Nova Scotia is allocated a certain amount of quota through the Canadian Dairy Commission, the Canadian Milk Supply Management Committee, and the Pooling Agreement. Every two months, the Canadian Milk Supply Management Committee gathers and analyzes information to set the quota level for each province for the next two months.

DFNS then adjusts the provincial total quota allocated to producers to ensure the province's annual butterfat or equivalent milk volume requirements and consumer demand for milk and dairy requirements are met. Details of DFNS quota adjustments are further explained in the quota adjustment section.

TOTAL QUOTA

Total Production Quota Regulations s. 2(m)

A producer's total quota (saleable plus non-saleable) allocation is their share of provincial total quota. Quota is measured in kilograms (kg) of butterfat per day. It requires approximately 0.8 kg to 1.5 kg of quota to milk one dairy cow. For help in calculating the amount of milk that must be produced to meet the quota requirements, see Appendix B.

A producer's total quota consists of its saleable quota plus its non-saleable quota.

SALEABLE QUOTA – TOTAL PRODUCTION QUOTA

Total Production Quota Regulations s. 2(l)

Saleable quota is called "Total Production Quota" or "TPQ" in the regulations. It is quota that can be bought and sold by producers on the quota exchange, and can be assigned by producers to their lenders as security for a loan.

NON-SALEABLE QUOTA

Total Production Quota Regulations ss. 2(h), 15(4)

Non-saleable quota is referred to in the regulations as "non-saleable adjustment quota" or "NSAQ"). It cannot be bought or sold by producers and cannot be assigned to lenders.

Non-saleable quota is a percentage of a producer's saleable quota. The percentage is set by DFNS. Generally quota adjustments by DFNS, as described in the quota adjustment section, will be first applied to non-saleable quota. The sum of a producer's saleable and non-saleable quota is the total quota that the producer holds.

When a producer transfers some of its saleable quota, a percentage of the non-saleable quota is transferred as well. For all saleable quota transfers, the formula for the non-saleable quota that also gets transferred is:

$$NSQ \text{ transferred} = \text{seller's NSQ before transfer} \times \frac{\text{Saleable quota transferred}}{\text{Saleable quota before transfer}}$$

For example, if a producer holds 100 kg of saleable quota, and 3 kg of non-saleable, and the producer transfers 15 kg of saleable quota, then 0.45 kg of non-saleable quota will transfer along with the saleable quota in that transaction, as follows:

$$NSQ \text{ transferred} = 3\text{kg} \times \frac{15\text{kg}}{100 \text{ kg}} = 0.45\text{kg}$$

SALEABLE BASE REFERENCE

Total Production Quota Regulations ss. 2(c), 15(3)

A producer's saleable base reference is the minimum amount of saleable quota that each producer can hold. The saleable base for each producer is set at the amount of saleable quota that the producer held as of August 1, 2009, and is adjusted for producer purchases and sales of quota through the quota exchange. The purpose of the saleable base is to prevent producers from losing saleable quota in a quota reduction and then having it replaced with non-saleable quota when there is a later quota increase.

Similar to non-saleable quota above, when a producer transfers its saleable quota, the percentage of the saleable base transfers with the saleable quota. For all saleable quota transfers, the formula for the saleable base transferred is:

$$\text{Base transferred} = \text{seller's base before transfer} \times \frac{\text{Saleable quota transferred}}{\text{Saleable quota before transfer}}$$

QUOTA ADJUSTMENTS

Total Production Quota Regulations s. 12

To meet provincial demand, DFNS will make adjustments to the total quota held by all producers on an equal percentage basis. For example, if DFNS determines that the overall total quota in the province should be adjusted by 1%, the total quota held by each individual producer is adjusted by 1%.

If a producer has non-saleable quota:

- an increase in quota will be added to the non-saleable quota; and
- a decrease in quota will be deducted first from the non-saleable quota, and then from the saleable quota once the non-saleable quota reaches zero.

If a producer does not have non-saleable quota:

- an increase will be in the form of saleable quota to bring the amount of saleable quota up to that producer's saleable base, and then any further increase will be in the form of non-saleable quota; and
- a decrease will be deducted from the saleable quota.

MINIMUM QUOTA REQUIREMENTS

Total Production Quota Regulations s. 16

Producers are required to hold at least 10 kg of total quota in order to ship milk. If a producer's total quota falls below 10 kg, the producer has one month to acquire enough quota to meet the 10 kg requirement. If a producer fails to meet the 10 kg requirement within one month of falling below, DFNS will no longer purchase the producer's milk. In this case, the producer must either purchase more quota to hold 10 kg or more before milk purchases resume, or sell all their saleable quota on the exchange.

Producers who held a total quota of less than 10 kg on August 1, 2009, as well as new producers within the first 12 months of operation, are exempt from this requirement.

MINIMUM SHIPPING

Total Production Quota Regulations s. 9

A producer must produce enough milk to provide satisfactory cooling, sampling, and measurement, and must ship an average daily rate of at least 110 litres. If the producer fails to ship an average daily rate of 110 litres for two or more consecutive months, DFNS can order the producer to dispose of its quota. DFNS can also refuse to market the raw milk if production is too low.

Every producer must pay a minimum of \$63 per week for bulk tank pickup, regardless of how much raw milk is available. If a producer wants to have the raw milk picked up every day instead of every other day, that producer must pay 150% of the maximum bulk haulage rate set by DFNS on all milk shipped.

MULTIPLE TANKS/LOCATIONS

Milk Producer Licensing Regulations s. 4

Producers can be licensed for more than one bulk tank or for more than one dairy location if the ownership is the same. The address for each of a producer's dairy locations must be on the licence.

Any quality testing and penalties for farms with two or more bulk tanks will be determined using a weighted average of the individual results and the volume of milk in the tanks.

If a producer with two or more dairy farms fails to meet milk quality standards at one of the farms, the penalties above apply only to the milk from the farm where milk quality standards are not met.

PRODUCERS CHANGING LOCATIONS

Milk Producer Licensing Regulations s. 4

Total Production Quota Regulations s. 6

A DFNS licence is issued specifically for the dairy farm location listed on the licence. Producers who are relocating and want to change their location **must obtain prior approval** from DFNS.

The new location must meet the yards and lanes, transportation, and premises and location requirements contained in this document. The new location must also pass an inspection by the Dairy Inspector. The quality of the milk will be sampled and tested on the first pickup and two weeks after production commences to ensure quality requirements are met.

QUOTA ASSIGNMENTS

Total Production Quota Regulations s. 10

a. General Assignment Information

Upon approval from DFNS, saleable quota can be assigned as security to:

- recognized banks;
- credit unions;
- the Nova Scotia Farm Loan Board;
- Farm Credit Canada; or
- any other lender approved by DFNS.

To assign saleable quota, the producer (all partners in a partnership or the signing officer(s) in a corporation) must sign all assignment documents and waiver forms and ensure that every document indicates the producer's DFNS registration number. See Appendix C for assignment documents. The producer must hold enough unassigned saleable quota to satisfy the assignment amount before the assignment can be recorded. If the producer does not hold enough unassigned saleable quota, the assignment will be reduced to the amount of unassigned saleable quota available. If the assignment is dependent on a release of an assignment from another lending agency, it will not be recorded until the release is received.

If a producer sells assigned quota on the quota exchange, the producer will receive a cheque jointly payable to it and the lender holding the most recent assignment.

When a loan or a portion of a loan is satisfied, lenders must submit written release to DFNS as soon as possible. The most recent assignment will be released first.

DFNS is not liable or responsible for any loss or damage that may be suffered by the lending institution in dealing with quota assignments.

If a producer defaults on its obligations under the terms of the lending agreement, the lender may sell some or all of the assigned quota on the quota exchange to satisfy the loan.

b. Calling Quota Assignment Administrative Procedures

DFNS Policy

If a producer defaults under its loan agreement with a lender, the lender must complete the following procedures to sell the assigned quota:

- (i) If a lender intends to sell assigned quota on the quota exchange, it must submit a Quota Exchange Form, with applicable fees, to DFNS five business days before the exchange. The lender must also provide an affidavit or statutory declaration, sworn by an authorized representative of the lender, stating that the producer is in default of its obligations under the terms of the loan to which the assignment relates. Forms received less than five business days before an exchange deadline will be held over for inclusion on the next exchange.
- (ii) Upon receipt of this notice from the lender, DFNS will provide a written notice to the producer that includes the following information:
 - (a) Notice that the lender has submitted an offer to sell assigned quota on the exchange for the month, and the amount of quota offered for sale;
 - (b) That DFNS has confirmed the assignment and intends to act on the lender's submission, and
 - (c) That the producer should raise any questions or concerns over this action directly with its lender and/or discuss the issue with its legal counsel.
- (iii) The offer to sell from the lender will be processed, including all applicable administrative fees.
- (iv) If the quota is successfully sold on the exchange, DFNS will issue the total sale funds payable solely to the lender.
- (v) If all of the producer's saleable quota was sold on the exchange, the producer's license will expire on the last day of the month of the quota exchange.
- (vi) If some saleable quota (assigned and/or unassigned) remains, the producer's license remains active, as long as minimum quota and minimum shipments are met.

QUOTA PRODUCTION AND PAYMENT

MONTHLY QUOTA

Total Production Quota Regulations s. 11

Quota is issued in kilograms of butterfat per day, but is administered on a monthly basis. This means that each producer's monthly total quota is calculated by multiplying the producer's daily total quota by the number of days of milk production shipped during that month.

Producers may be above or below their quota on a monthly basis. The overproduction and underproduction credit tolerance accommodates changes in production throughout the month, and on a month-to-month basis.

UNDERPRODUCTION CREDITS

Total Production Quota Regulations s. 14

Producers who ship less than their monthly quota are permitted to carry the remaining monthly quota credits forward to future months to offset shipments above the monthly quota. The unutilized quota is referred to as an underproduction credit, and is available for use in addition to the regular monthly quota in later months when the producer ships more than its quota.

The limit of underproduction credits that a producer is allowed to carry forward is 30 times its daily total quota. Any underproduction in excess of 30 times its daily total quota will not be carried forward and represents lost production opportunity.

See "Example of Production Credits" below.

OVERPRODUCTION CREDITS

Total Production Quota Regulations s. 14, 31

Overproduction credits allow producers to occasionally ship above their monthly quota with the intent that overproduction credits will be offset by under quota production in future months.

Producers have an overproduction limit of 10 times their daily quota. If a producer ships more than its monthly total quota, any underproduction credits it has accumulated are used to offset the overproduction. If the producer does not have any underproduction credits to offset the overproduction, then the overproduction credits will accumulate. If the producer exceeds the overproduction limit, any further overproduction is considered "over-quota

production” and the producer will receive the over-quota price, which is currently set at zero dollars.

If a producer exits the industry and sells all of its total quota, the producer’s cumulative overproduction credits at the time of the sale are classed as over-quota production. The exiting producer must reimburse DFNS for all over-quota production based between the most recent component prices and the over-quota component prices.

See “Example of Production Credits” below.

ADDITIONAL PRODUCTION DAYS

Total Production Quota Regulations s. 32

To encourage increased milk production, DFNS may issue additional production day(s) for a month. All producers will be issued additional production days based on their total quota. An additional production day means that the producer can overproduce by its daily total quota without affecting its overproduction credits. DFNS strives to announce the issuing of additional production days as far in advance as possible, but in some cases there is a shorter notice period.

- Additional production days are utilized when production exceeds the monthly total quota, including leased in quota, and before overproduction credits.
- Additional production days that are not used in the month in which they are issued cannot be carried forward for future use unless DFNS decides otherwise.
- A producer who is leasing out quota to another producer is not eligible to receive additional production days of quota for the current month.
- A producer who is leasing in quota must fill the total quota it holds, and then must fill the leased in quota before it can take advantage of the additional production days.

EXAMPLE OF PRODUCTION CREDITS

In this example, a producer holds 75 kg of daily total quota, in a 30-day month.

- the producer has quota for 2,250 kg of butterfat during the month (75 kg x 30 days);
- the total overproduction credits allowed are 750 kg, or 10 days; and
- the total underproduction credits allowed are 2,250 kg, or 30 days.

Overproduction

- If the producer produces more than 2,250 kg of butterfat, the overproduced amount is considered an overproduction credit.

- If the producer continues to overproduce in the following months and accumulates more than 750 kg (greater than ten days) in overproduction credits, it will be paid the over-quota price for the over-quota production.
- One strategy to reduce overproduction is to lease in quota from another producer (see leasing section for further details)

Underproduction

- If, instead of overproducing, the producer ships less than 2,250 kg of butterfat, the producer would receive underproduction credits.
- The underproduction credits would first offset any overproduction credits that producer may have, and then the credits would accumulate. The producer cannot accumulate more than 2,250 kg of underproduction credits.
- One strategy to avoid underproduction is to lease out quota to another producer (see leasing section for further details)

Additional Production Days

- If DFNS adds two additional production days to the month, the producer can ship an additional 150 kg (2 days), for a total of 2,400 kg for the month, without affecting its overproduction credits.

EXPLANATION OF MILK PAYMENT AND DEDUCTIONS

Milk Pricing Regulations ss. 3-9

A producer's monthly milk revenue is calculated based on the producer's milk volume and components for the month, and on the monthly milk price determined by DFNS.

At each milk pick-up, bulk milk graders record the volume of milk and sample the milk, with four of these samples being tested each month for component (butterfat, protein, and lactose/other solids) content. After each month's volume is totaled, the total components in the milk shipped are determined based on an average of available weekly component results. Therefore, each farm ends up with total kilograms of butterfat, protein, and other solids shipped for the month.

DFNS determines the monthly prices of butterfat, protein, and other solids payable to producers based on payments from processors for milk received and how it was used, but also adjusting for all pooling obligations. These component prices are multiplied by a producer's component totals to determine gross revenue for the month. Any over-quota production, as determined by the total butterfat shipped compared to quota plus the 10 day overproduction limit, receives zero pay.

In Nova Scotia, producers are paid by processors who act as payment agents on behalf of DFNS. Producers are paid twice per month.

The following is an example of calculating a payment for February's milk:

- The first (advance) payment is made on March 1st, or if March 1st is not a business day, the first payment is made on the previous business day. This payment consists of 45% of January's net total payment to that producer.
- The final payment for the remaining amount owed to the producer for February is made on March 15th. If March 15th is not a business day, the final payment is made on the next business day.
- The final payment is the difference between the amount of the advance payment and what is owed from February's production.

If the producer is experiencing a reduction in milk production compared to the previous month (for example, ships less milk per day in February than January), the payment agent may adjust its advance payment on March 1st to reflect the reduction.

Each payment agent sends the producer a monthly payment statement detailing the calculations of revenue, the advance payment, plus all month-end deductions. The DFNS-calculated deductions subtracted from a producer's final payment include, but are not limited to:

- the equalized bulk haulage rate, calculated by averaging the cost of milk transportation for all producers and adjusting for pooling obligations;
- any milk quality penalties, CQM validation fees, or over-quota penalties;
- a DFNS administration fee of \$0.12/kg of butterfat (\$0.46 per hectolitre); and
- a milk promotion fee of \$0.3684/kg of butterfat (\$1.40 per hectolitre). This rate will change to \$1.50/hl starting August 2013.

The payment agents may also have additional adjustments, including health plan premiums.

Along with the monthly payment statement from the payment agent, each producer receives a Producer Report. This report summarizes the producer's quota holdings, tolerance range, over-quota or unrecoverable quantities, SNF: BF ratio, and milk production/components for the previous 12 months.

SOLIDS NON-FAT/BUTTERFAT RATIOS

Milk Production Regulations s. 3

The Canadian milk supply is balanced based on butterfat requirements (quota), which results in surplus solids-non-fat (protein and other solids) left over from processing raw milk. Much of this surplus SNF is dried into skim milk powder and sold at very low prices to

animal feed manufacturers. As an incentive to produce milk with higher butterfat content, DFNS adjusts the monthly component prices by deducting \$5/kg from the protein price and adding these dollars to the butterfat component price. Producers can determine how their components compare to the provincial target by calculating the SNF: BF ratio. The provincial target ratio is 2.3009.

The formula for the SNF:BF ratio is:
$$\frac{\text{Protein and Other Solids}}{\text{Butter Fat}}$$

If a sample of raw milk has 3.8 kg/hl of butterfat, 3.2 kg/hl of protein, and 5.6 kg/hl of other solids, the SNF:BF ratio will be:
$$\frac{3.2 + 5.6}{3.8} = 2.3158$$

Effective August 2014, Nova Scotia and the other P5 provinces will implement a common SNF:BF Payment Policy. More details will be available to producers leading up to the change.

ACQUISITION, SALE, OR TRANSFER

In this section:

- **Immediate family member** of a producer means the producer's spouse, child, grandchild, son-in-law, daughter-in-law, niece, nephew, grandson-in-law, and granddaughter-in-law, or another person who stands in a relationship to a producer as determined by DFNS.
- **Dairy farm** includes (i) the land and buildings necessary for a producer's dairy operation; (ii) the producer's dairy and farm equipment; and (iii) all of the producer's cows that have calved at least once and are required to support the producer's total quota as determined by DFNS.

SALES, PURCHASES, OR TRANSFER OF QUOTA

Total Production Quota Regulations ss. 7, 15, 17

Producers cannot buy, sell, or otherwise transfer quota except as permitted in the sections below. All quota transfers must be approved by DFNS. Unless DFNS otherwise approves the transaction, all transfers of total quota must occur at the beginning of a month.

All transfers of quota must take place on the quota exchange except for:

- parent to child transfer;
- a transfer of total quota with a dairy farm to a new producer or immediate family member;
- a transfer by a producer to a partnership or corporation; and

- a transfer by a corporation to a shareholder.

These exceptions are discussed in further detail in the sections below.

When a producer stops production, its total quota must be sold within the next four quota exchanges after its last milk shipment. If the fourth quota exchange after the last milk shipment is pro-rated for sellers, the producer must sell all of its remaining total quota in the next quota exchange that is not pro-rated for sellers. If the producer does not sell all of its quota in this time period, then all of the remaining unsold quota will be cancelled .

MINIMUM QUOTA TRANSACTIONS

DFNS Policy

The minimum quota transaction is 0.01 kg of quota.

PARENT TO CHILD TRANSFER

Total Production Quota Regulations s. 15

A parent can transfer quota to a child once per calendar year without using the quota exchange. There is no limit on the amount of quota that can be transferred under this exemption.

TRANSFER OF QUOTA WITH A DAIRY FARM

Total Production Quota Regulations s.15 (2)

This section applies to the transfer of an ongoing dairy operation to a new producer or immediate family member. An ongoing dairy operation cannot be sold to an existing producer.

DFNS will only permit quota to be purchased under this exemption if:

- the buyer is purchasing all of the assets of the “dairy farm” as defined above;
- the buyer intends to continue to operate the purchased assets as an operating dairy farm; and
- the assets purchased are sufficient to operate the dairy farm as it existed before the transfer.

DFNS will not approve the transfer under the “new producer” exemption if the purchasing producer is:

- an existing producer;
- a director, officer, partner, or shareholder of an existing producer;

- the spouse of an existing producer or the spouse of a director, officer, shareholder or partner of an existing producer;
- a corporation or partnership which has an existing producer or the spouse of an existing producer as a director, officer, partner or shareholder; or
- a corporation or partnership that has any directors, officers, partners or shareholders in common with an existing producer.

In order to approve the transfer, DFNS requires:

- details on the nature of the transaction, including the signed purchase and sale agreement and any related agreements;
- release of any quota assignments that have been made by the seller;
- a copy of the registered deed showing the transfer of the land and buildings to the purchaser;
- a completed bill of sale for the remaining assets of the dairy farm; and
- a fee of \$500.00 + HST for legal review of the transfer.

ESTABLISHING AND DISSOLVING A PARTNERSHIP OR CORPORATION

Total Production Quota Regulations s. 15

Transfers of total quota do not have to occur on the quota exchange when:

- a producer incorporates: A transfer by a producer of its total quota to a corporation if the transferring producer is the same and only shareholder in the corporation.
- a producer that is a corporation dissolves: A transfer of total quota from a corporation to one or more of its shareholders, on dissolution of the corporation.
- a producer forms a partnership: A transfer by a producer of total quota to a partnership in which the transferring producer is a partner and the partnership does not hold any quota at the time of the transfer.
- a producer that is a partnership dissolves: A transfer of total quota by a partnership to one or more of its partners on dissolution of the partnership.

TWO-STEP TRANSFER

Total Production Quota Regulations s. 18

If authorized by DFNS, a producer may complete a transfer to a partnership or corporation in two steps. Part of the total quota will be transferred in step one, and the balance will be transferred in step two.

During the period between step one and step two, the producer and the partnership or corporation are deemed to be one producer, with one dairy farm.

In order to complete a two-step transfer, the producer must:

- submit a written request for approval from DFNS; and
- complete the two-step transfer within five business days and within the same calendar month.

TRANSFER FROM AN ESTATE

Total Production Regulations s. 15

A transfer from a producer's estate is subject to the same rules as a transfer from a living producer.

QUOTA EXCHANGE

EXCHANGE OPERATIONS GUIDELINES

Total Production Quota Regulations s. 19-27

All quota transfers, other than the exemptions allowed for in regulations and the Acquisition, Sale, or Transfer section, must take place on the quota exchange. The quota exchange is available to all licensed producers or their authorized designates (such as lenders acting on a quota assignment).

The exchange runs each month, but DFNS can cancel a quota exchange for a particular month if there are insufficient offers, or if DFNS believes it is advisable to do so (i.e. other factors interfering with the intent and function of the exchange). If an exchange is cancelled, DFNS returns the offer and accompanying funds, including service fees. Producers can re-submit their offer on a future exchange.

Quantities offered for sale or purchase may be in hundredths of a kilogram (0.01, 0.02, etc.), but prices must be submitted in whole dollars on a "per kilogram" basis.

OFFERS TO BUY AND SELL

Total Production Quota Regulation ss. 20, 22, 23, 27, 28

General information on offers:

- A producer wishing to buy or sell on the quota exchange must submit the Quota Exchange Offer Form (Appendix D) by 4:30 pm on the last business day before the 14th day of the month.

- It is the producer's responsibility to confirm receipt of offers submitted to DFNS. Only offers applying to the current exchange will be accepted.
- Each producer may submit only one offer to buy or one offer to sell per exchange, and cannot offer to sell and buy quota on the same quota exchange.
- If a cheque is submitted to DFNS and is returned for non-payment or insufficient funds (NSF cheque), the quota bought with that cheque will return to DFNS and may be sold on a later quota exchange.
- DFNS will individually notify each participant on a quota exchange in writing whether or not its offer was successful.
- The transfer of quota to and from the successful participants will occur at the beginning of the month following the quota exchange.

Offers to buy:

- Each offer to buy quota on the exchange must be accompanied by a \$15.00 + HST non-refundable service fee.
- Successful buyers must pay in full for the actual quantity or quota purchased, at the market clearing price, on or before the 3rd last banking day of the month.
- It is the producer's responsibility to confirm receipt of offers and payment of funds submitted to DFNS.
- The maximum amount any producer can offer to buy is 10% of the producer's total quota (saleable plus non-saleable; for assisted new entrant saleable plus non-saleable plus loaned) at the time the offer is submitted, unless the producer is an assisted new producer within the specified time limits. For example, a producer who holds 30 kg can only submit a buy offer for up to 3 kg of quota.

Offers to sell:

- Each offer to sell must be accompanied by the following non-refundable service fee:

(i) 1.0 kg or less	\$100 + HST
(ii) 1.01 to 10 kg	\$200 + HST
(iii) More than 10 kg	\$300 + HST

WITHDRAWAL OR AMENDMENT OF OFFER TO BUY OR SELL

Total Production Quota Regulations s.23

If a producer wishes to change or withdraw an offer to buy or sell, it must notify DFNS in writing before 4:30 pm on the exchange deadline.

MARKET CLEARING PRICE

Total Production Quota Regulations s. 26

The market clearing price is the price at which the quantity of quota offered for sale most closely matches the quantity offered to buy. DFNS sets the market clearing price by matching the volumes and prices of the offers to sell and offers to buy, and determining the point of minimum difference between the cumulative buy and cumulative sell volumes according to the following table:

\$ Price Lowest to Highest	Kilograms Offered for Sale at Price	Cumulative Sales	Difference	Cumulative Buys	Kilograms Offered to Buy at Price
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If the minimum difference is the same in two price points, DFNS will set the market clearing price at the lower of the two prices (see example below).

The market clearing price set by DFNS will be the price at which all quota is sold or bought on that quota exchange. If a producer offers to buy quota at a price equal to or higher than the market clearing price, that offer will be successful and the transaction will take place at the market clearing price. Similarly, if a producer offers to sell quota at a price less than or equal to the market clearing price, that offer will be successful and again the transaction will take place at the market clearing price.

An example of setting the market clearing price is below. This chart shows the results of the April 2011 quota exchange. The market clearing price was set at \$27,050 as that was the point that the difference between offers to buy and offers to sell was the smallest at the lowest price.

	Kilograms		Producers
		Buying Quota	46
Purchased (actual)	56.4	Offering to Buy	46
Offered to Purchase	536.41	Selling Quota	2
Offered to Sell	56.4	Offering to Sell	2

Price	Offers to Sell (kg)	Cumulative Sales	Difference	Cumulative Buys	Offers to Buy (kg)
\$25,000.00	0.4	0.4	-536.01	536.41	0
\$27,050.00	56	56.4	-480.01	536.41	0
\$27,084.00	0	56.4	-480.01	536.41	536.41

DISTRIBUTION OF QUOTA TO BUYERS

Total Production Quota Regulations s. 26

a. General Rules

If, as in the example above, the cumulative amount to buy is higher than the cumulative amount to sell at the market clearing price, the quota exchange is said to be prorated for buyers. If, instead, the successful quantity for sale exceeded the quantity to be purchased, the exchange will be prorated for sellers (see next section).

b. Pro-rating for Buyers

When the successful buy offers exceed the successful sell offers, a three-step priority is followed to distribute the quota to the successful buyers.

Step 1 – An assisted new producer has a successful buy offer on this exchange:

- If the assisted new producer's offer is within the quota acquisition period of the New Entrant Program and the total of their offer and their saleable quota before the exchange are equal to or less than the maximum exemption (currently 12.0 kg saleable), then their offer is filled until they either reach the maximum exemption quantity or all quota offered for sale on the exchange is sold to them.

Step 2 – If no assisted new producer has a successful buy offer or there is unsold quota after step 1 is completed:

- At least 50% of the unsold quota is allocated to the remaining successful buyers, after fulfilling the assisted new producer's offer, in rounds of 0.01 kg each; and
- Allocation rounds continue until at the end of a completed round at least 50% of the unsold quota has been allocated; and
- If there is insufficient unsold quota to complete one full round under step 2, all unsold quota is allocated under step 3.

Step 3 – Prorating of remaining unsold quota:

- All remaining unsatisfied buy offers receive a prorated share of the remaining unsold quota after steps 1 and 2 using the following formula

$$\text{Volume bought} = \text{volume of unsatisfied successful buy offer} \times \frac{(\text{remaining cumulative volume of successful offers to sell})}{(\text{remaining cumulative volume of successful offers to buy})}$$

PRO-RATING FOR SELLERS

Total Production Quota Regulations s. 26

a. Current Producers

Similar to the above section, if the cumulative quantity to sell is more than the cumulative quantity to buy at the market clearing price, then the quota sold will be pro-rated for sellers

to the extent necessary to balance the exchange, so that each producer who has a successful offer to sell will sell the volume of quota calculated as follows:

$$\text{Quantity Sold} = \text{Offer Quantity} \times \frac{\text{Cumulative Quantity of Offer to Buy}}{\text{Cumulative Quantity of Offer to Sell}}$$

For example, if the market clearing price is set at \$25,000 and there are offers to buy 105 kg of quota and 120 kg are available to sell at the market clearing price, the pro-rating factor would be 0.875, or 87.5%. If a producer offered to sell 6 kg, the pro-rated amount would be 5.25 kg. Therefore, it would sell 5.25 kg for a total amount of \$131,250. See the following example:

$$\begin{aligned} 6 \text{ kg offered for sale} \times (105 \text{ kg total offered to buy} / 120 \text{ kg total offered for sale}) &= 5.25 \text{ kg} \\ 5.25 \text{ kg} \times \$25,000 &= \$131,250 \end{aligned}$$

b. Exiting Producers

If a quota exchange is pro-rated for sellers, and one or more of the selling producers is an exiting producer (holding 10 kg or less of total quota and offering to sell all of their quota on the exchange) then:

- before the exchange is pro-rated for sellers, all of the total quota offered for sale by the exiting producers must be sold; and
- the exchange will be pro-rated for sellers based upon the remaining cumulative volume of offers to buy and sell.

If the exiting producers are selling more total quota than the offers to buy, then the total volume of quota offered for sale by the exiting producers will be pro-rated and no other quota will be sold on that exchange.

MARKET CLEARING PRICE CAP

Total Production Quota Regulations s. 21

The board must reject any offer to buy or offer to sell TPQ on a quota exchange at a price greater than \$25,000/kg TPQ

PAYMENTS AND DEPOSITS BY DFNS

Total Production Quota Regulations s. 24

Successful Buyers

On or before the third last banking day of the month of a quota exchange, successful buyers will pay DFNS for the actual quantity of quota purchased times the market clearing price, by way of payment methods approved by the board.

Consequences of Non-Payment

If a successful buyer does not pay for the quota purchased by the deadline above, or if the buyer's payment is dishonored, the following steps take place:

- The quota purchased by the producer returns to DFNS and may be sold on a future exchange; and
- The producer is liable for all costs incurred by DFNS as a result of non-payment, and these costs must be repaid in full before the producer can buy or sell quota on the exchange; and
- The producer is not eligible to buy quota on the exchange for 12 months following successful repayment of DFNS's costs; and
- For a period of five years from when the producer becomes eligible to buy quota on the exchange, the producer may only purchase quota using a bank draft, direct deposit, or wire transfer.

The twelve-month buying suspension and five-year payment requirement can be appealed by the producer in writing to DFNS within 30 days from the missed payment deadline. The Board of Directors will consider the appeal, and if they decide the circumstances leading to non-payment were beyond the control of the producer, these two steps will not apply to the producer.

Successful Sellers

Before the 10th day of the month following the quota exchange, DFNS will pay successful sellers for the quota sold on the exchange at the market clearing price.

PRODUCERS WANTING TO SELL ALL OF THEIR QUOTA

Total Production Quota Regulations s. 17

When a producer stops production, its quota must be sold within four quota exchanges. If the fourth quota exchange after the last milk shipment is pro-rated for sellers, the producer must sell all remaining quota in the next quota exchange that is not pro-rated for sellers. If the producer does not sell all remaining quota in this time period, the total quota will be cancelled.

QUOTA LEASING

MECHANICS OF LEASING

Total Production Quota Regulations s. 29

A lease of quota (quantity and price) is an agreement between two producers, with one producer leasing out quota and another producer leasing in that quota. A producer can

lease out or lease in up to 25% of its quota, for a one-month duration, with the lease starting at the beginning of the month and ending on the last day of the month.

To lease quota, the producers involved must submit the TPQ Lease Agreement form (Appendix E) to DFNS by 4:30 pm on the 5th last business day of the month in which the lease will be effective. The producer should confirm receipt of the lease forms with DFNS. The lease will not be effective until DFNS approves it.

Other important facts of leases:

- All payments for lease arrangements are between the leasing producers.
- A producer cannot both lease out and lease in quota during the same month.
- Both the producer leasing out quota and the producer leasing in quota can only lease out or lease in, respectively, 25% of their total quota held.
- Quantity of leased quota is calculated by DFNS based on the number of days of the leasing month.
- Quota can be leased in denominations of tenths of a kilogram (i.e. 0.1 kg/day).
- Only leases applying to the current month will be accepted by DFNS.
- The producer must still be shipping milk on the date of the lease deadline to lease quota in or out that month.
- DFNS maintains a current list of producers wishing to lease in quota on the DFNS website (www.dfns.ca). Producers wishing to lease in quota can contact DFNS to be placed on the list. Producers wishing to lease out quota can refer to the list and contact the producers listed directly.

CATASTROPHE EXEMPTION

Total Production Quota Regulations s. 30

If a producer must reduce or discontinue production temporarily due to a catastrophe, the producer can lease out up to 100% of its quota to other licensed producers. A catastrophe is defined as severe injury, illness, or death of a producer or a producer's dairy herd. A catastrophe also includes destruction of a producer's dairy facilities.

An application for catastrophe leasing (Appendix F) must be submitted in writing to DFNS as soon as possible after the catastrophe, and no later than the end of the month before the start of the lease. The application must include evidence of the catastrophe that is satisfactory to DFNS.

Catastrophe leases can be approved by DFNS for up to six months and can be extended for a further six months by written request. Any renewals or extensions of a lease beyond 12 months will be approved by DFNS on a month-to-month basis.

All approvals of catastrophe leases and all extensions or renewals are decided by DFNS on a case-by-case basis.

If a producer is leasing in quota under a catastrophe lease, and is also milking any or all cows from the dairy herd owned by the producer that has the catastrophe, DFNS will allow that producer to also lease in quota under an ordinary quota lease as discussed in the leasing section, but the amount of “ordinary” quota leased in cannot exceed 25% of the producer’s total quota.

If a producer is not milking cows from the dairy herd associated with the catastrophe lease, the total amount of quota leased in by the producer under a catastrophe lease plus an ordinary lease cannot exceed 25% of the producer’s quota.

For example, if Jack is involved in a catastrophe and wants to lease out 100% of his quota:

- If Jill milks any or all of Jack’s cows, she can lease in all of his quota under a catastrophe lease and can lease in 25% of her total quota in an ordinary lease.
- If Jill does not milk any of Jack’s cows, the maximum amount of quota she can lease in under an “ordinary” lease plus a catastrophe lease with Jack is 25% of her total quota.

For a list of suggestions of other issues to consider during a catastrophe, please see Appendix G.

NEW ENTRANT PROGRAM

DFNS Policy

ELIGIBILITY FOR THE NEW ENTRANT PROGRAM

To be eligible for the assisted New Entrant Program the producer:

- Must be 19 or more years of age and not be an undischarged bankrupt.
- Must be licensed by DFNS to produce milk under the *Dairy Industry Act*.
- Must be a “new producer”. A “new producer” is someone who:
 - (i) is not selling milk to DFNS,
 - (ii) is located within a reasonable area for bulk milk pick-up, as determined by DFNS,
 - (iii) has never previously held a license to produce milk under the *Dairy Industry Act*,
 - (iv) is none of the following:
 - (a) a director, officer, partner, shareholder, or spouse of a producer,

- (b) a corporation or partnership of which a producer, or a producer's spouse, is a director, officer, partner, or shareholder
 - (c) a corporation or partnership that has any directors, officers, partners, or shareholders in common with a producer,
 - (d) in the opinion of DFNS, otherwise related to a producer,
- Where the applicant is a partnership or corporation, ALL partners/shareholders must meet the required criteria to be an assisted new producer.
 - Must not have been previously licensed to produce and market milk elsewhere in Canada, including as a shareholder in a corporation or partner in a partnership.
 - Must not apply for assistance if, at the time of application, they are starting on a licensed dairy facility from which its 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.

WHAT THE NEW ENTRANT PROGRAM PROVIDES

Each dairy year, DFNS will loan up to 12 kg of total quota to one successful applicant. DFNS will loan quota to the "assisted new producer" on a kilo-for-kilo basis for each kilogram of saleable quota the assisted new producer purchases through the monthly quota exchange, or obtains through a quota transfer.

DETAILS OF THE NEW ENTRANT PROGRAM

Applicants under the program must apply to DFNS between August 1st and September 30th. DFNS will notify the successful applicant by October 31st.

The assisted new producer has until the end of the quota acquisition period to purchase up to 12 kg of quota and be eligible for the matching loan. The assisted new producer can obtain quota through the monthly quota exchange or a quota transfer and will not be subject to buyers' pro-rate during the 12-month quota acquisition period or until the 12 kg quantity is reached, whichever occurs first (*pending regulation changes*).

DFNS will loan the assisted new producer up to 12 kg to match their saleable quota. Quota purchased by the assisted new producer after the end of the 12-month quota acquisition period will not be eligible for matching under the program.

When an assisted new producer acquires over 45 kg of total quota holdings (including the loaned quantity), the amount of quota over 45 kg will be deducted from the loaned quantity. Quota provided under the program that is returned to DFNS will not be re-issued if the assisted new producer later reduces its total quota to less than 45 kg.

The calculation of general increases or decreases of quota by DFNS does not apply to loaned quota. 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 12 kg.

If the assisted new producer sells quota, or their saleable quota is reduced through a general decrease by DFNS, bringing its saleable 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 saleable quota.

The assisted new producer cannot sell quota that would reduce its saleable quota below the required minimum level of 10 kg, but it is not required to replace its saleable quota that is reduced below 10 kg through a general quota decrease that applies to all producers.

The assisted new producer cannot sell or assign DFNS-loaned quota to a lender.

LEASING QUOTA UNDER THE NEW ENTRANT PROGRAM

During the quota acquisition period or until 12 kg are purchased, whichever occurs first, an assisted new producer may lease in or lease out 100% of its purchased quota and loaned quota as approved by DFNS. After that, and as long as any quota is loaned to the assisted new producer, it may lease in up to 25% of its purchased quota and loaned quota; it may lease out up to 25% of its purchased quota, but may not include loaned quota in the 25% calculation. The assisted new producer will be subject to other standard policies and guidelines with respect to leasing.

APPLICATION PROCESS

Application Period: August 1st to September 30th

Application Form: See Appendix H

Application Requirements:

- (i) \$100 non-refundable application fee;
- (ii) Detailed ten-year financial business plan signed by a qualified individual or firm including aspects of capital purchases, cash flow, livestock, feed, etc.;
- (iii) Written confirmation of financing approval from a lender or lenders indicating that they agree, as required in the business plan, to finance the operation;
- (iv) Where the applicant is a partnership or corporation, all partners/shareholders must be listed on the application form;
- (v) Five copies of completed application forms and supporting documents; and
- (vi) Any costs or fees associated with applying for the program.

Acknowledgement of Receipt: DFNS will send an acknowledgement of receipt respecting all applications.

SELECTION PROCESS

Only complete application packages will be considered for selection and applicants are encouraged 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. Applicants meeting the eligibility and application requirements will be required to undergo an interview with and be approved by the Selection Committee. The Selection Committee must be satisfied that, based on the business plan and interview, the proposed operation will likely be financially viable.

If more than one applicant is approved by the Selection Committee, the successful applicant will be determined by lottery. The Selection Committee's decision is final, with no appeal or explanation required. Applicants not selected may re-apply the following year or proceed without assistance.

RETURNING LOANED QUOTA

DFNS may provide quota to a new entrant receiving assistance for a maximum period of sixteen years. Loaned quota will be returned to DFNS at a rate of 1.0 kg of quota per year, starting on January 1st in the sixth year.

This is accomplished by returning 0.1 kg per month for the first ten months of each year.

Year	Maximum loaned quota held by new entrant
1-5	12 kg
6	11 kg
7	10 kg
8	9 kg
9	8 kg
10	7 kg
11	6 kg
12	5 kg
13	4 kg
14	3 kg
15	2 kg
16	1 kg

NEW ENTRANTS AND THE CANADIAN QUALITY MILK PROGRAM

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 the Farm Investment Fund); 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.

NEW PRODUCER APPLICANT REQUIREMENTS

Total Production Quota Regulations ss. 15, 26

New producers can enter the industry through the transfer of quota from a parent, or through purchasing an ongoing dairy farm, or by joining the business structure of an existing dairy farm. A new producer must apply for a license through DFNS (Appendix I). In order to be approved, the facility and equipment must be inspected and approved by the Dairy Inspector. The new location must meet the yards and lanes, transportation, and premises and location requirements contained in this document. The quality of the milk will be sampled and tested on the first pick-up and two weeks after production commenced to ensure quality requirements are met.

The quota can be transferred once a license is granted. Once a new producer holds quota they can participate in the quota exchange as a “producer”.

NICHE MARKET MILK

NICHE MARKET MILK

DFNS Policy

DFNS encourages the development and production of niche market milk including organic, CLA, and Omega-3. All producers selling niche market milk to DFNS must provide evidence they are producing milk that meets the niche market claim, and that the milk will only be sold to a licensed processor. All niche market producers are subject to the prevailing requirements and regulations governing provincial milk quota, licensing, payment and milk quality.

ORGANIC MILK

ORGANIC MILK

Milk Producer Licensing Regulations s. 4A

To become certified organic, a producer must be recognized by an organic certification body approved by Council, such as Atlantic Certified Organic (ACO) Cooperative. The producer must then provide a copy of the certification to DFNS, and sign an Acknowledgment and Undertaking Agreement with DFNS.

SELLING ORGANIC MILK

DFNS Policy

DFNS will sell the first one million litres of organic milk purchased from producers per year, for a period of three years, to the licensed organic processor(s) processing organic dairy products, commencing August 1, 2009. Any organic volume above one million litres per year during the first three years will be offered for sale to all NS processors, including those processing organic dairy products.

For the next two years, a quantity equal to the milk volume processed into organic dairy products during the third year will be sold to those processing organic dairy products. Any organic volume above the third-year base described in the previous point will be offered for sale to all NS processors, including those processing organic dairy products. No sale commitments are made after the completion of the fifth year.

DIRECTING MILK

DFNS Policy

DFNS will purchase milk as organic from producers to supply the organic market, developing a waiting list as producers subsequently become certified. DFNS will purchase additional milk as organic from the farms on the waiting list, based on the sequential achievement of full certification, once market requirements exceed the current supply of organic milk.

Only milk required for organic milk processing, on a farm-by-farm basis, will be directed to an organic milk processor. The milk from farms on the waiting list will be purchased as conventional milk with no premiums and still be sold to conventional processors.

TRANSPORTATION OF ORGANIC MILK

DFNS Policy

DFNS will strive to minimize the transportation costs when directing organic milk to organic processors. Organic milk to be processed into organic dairy products can only be

transported by a DFNS-licensed transporter in an approved vehicle operated by a certified bulk milk grader in contract with DFNS. Producers selling organic milk to be processed into organic dairy products to DFNS will cover the entire additional transportation costs of handling such organic milk, as determined by DFNS.

BULK MILK GRADER PROCESS

DFNS Policy

The transfer of raw milk to the processing facility will be conducted by a certified bulk milk grader. Any additional costs with respect to the bulk milk grader participating in the milk transfer will be paid by the farm processor.

PREMIUMS

Milk Pricing Regulations s. 3(3)

Organic processors will pay a 20% premium on the component milk prices for organic components processed into organic dairy products. The premium dollars collected from organic processors will be distributed as a premium payment to those producers selling organic milk to be processed into organic dairy products to DFNS.

Existing payment agents will continue to pay organic milk producers. Any processor who processes organic milk or dairy products as organic will report this utilization (organic and conventional volumes) to DFNS. DFNS will calculate and provide separate components and component prices along with transportation deduction prices for both milk types. The premium payment and additional bulk haulage deductions will be taken into account with the monthly settlement with DFNS.

PRODUCER REQUIREMENTS

DFNS Policy

Certified organic producers are required to provide satisfactory evidence of certification to DFNS and to sign an Acknowledgment and Undertaking, as developed by DFNS. All certified organic producers will be subject to the same requirements for milk quality, quota/production, licensing, and other policies of DFNS and Council. This policy applies to producers selling certified organic milk to be processed as organic to DFNS and also to producer/processors making organic milk and dairy products.

QUALITY REQUIREMENTS

AUTHORITY AND RESPONSIBILITIES

The quality requirements for the production of raw milk are found in *Schedule 2 – Milk Production Regulations* as well as the CQM program. The CQM program is an on-farm food safety program that enhances food safety by anticipating and preventing hazards, rather than relying on inspection and finished product testing.

The Canadian Quality Milk Reference Manual can be found at:
<http://www.dairyinfo.gc.ca/pdf/referencemanual.pdf>

REQUIREMENTS FOR RAW MILK PRODUCTION

a. Requirements for Farm Milk Premises

Schedule 2 – Milk Production Regulations ss. 13 -24

Every farm must be kept clean, sanitary and in good condition. The outside of all buildings with milk parlors must be attractive in appearance and the inside must be free from flies, dust, and cobwebs, and must have adequate lighting and ventilation. The interior must be kept free from accumulation of manure. No animals other than cows can be in the same section of the stable.

Every producer must have a milk house located either separate from the stable, attached to the stable, or inside the stable, but separated using partitions. The milk house must meet the specifications of *Schedule 2- Milk Production Regulations* and be used only for the cooling and storing of milk, storing of milking equipment and utensils, and washing and disinfecting of milking equipment and utensils.

b. Requirements for Milk Quality

Schedule 2 – Milk Production Regulations ss. 6 - 12

Raw milk sold by producers must be sweet and clean, and cannot have an objectionable odour, foreign substance, coagulation, or evidence of melted or churned butterfat. The milk must not have an abnormal freezing point, or have any fat removed.

The raw milk taken from the bulk tank must have a bacterial count of no more than 50,000 colonies per ml (or 121,000 IBC if measured with a Bactoscan), a freezing point above -0.525 degrees Hortvet, and a somatic cell count monthly average of no more than 400,000 per ml.

A producer cannot sell milk from a cow that has received medication that could affect the milk, and cannot sell the milk twenty days before, or five days after, the cow gives birth.

c. Bulk Tank Sample Testing

Schedule 2 – Milk Production Regulations ss. 48 - 62

At each milk pickup, a licensed bulk milk grader measures the quantity of milk in the farm's tank, grades the milk for flavour, and inspects the milk for odour, color, etc., and then pumps it onto the truck. The bulk milk grader is required to take at least one bulk tank sample from every pick-up. These samples are used for quality control and components. They are collected using a stainless steel dipper from the top of the tank or an auto-sampling device used during milk transfer. No samples are taken from the tank valve.

At the first stop, the transporter is required to take a sample with a dipper, for monitoring temperature. The sample must first be labeled as a temperature control and kept in the same cooler storage rack as the producer samples.

It is very important that milk samples are placed in the sample storage cooler immediately after they have been taken. Samples must not be held in the transporter's hand or pockets, or placed anywhere other than in the cooler, as the integrity of the sample can be compromised if not handled or stored properly.

d. Water Testing

Milk House Water Quality Regulations s. 3

In order to be compliant, water that is used to clean equipment and building surfaces in a milk house must be delivered through a safe plumbing system for potable water, and contain less than 1cfu/ml *E. coli* and less than 10 cfu/ml total coliform.

As part of the CQM Program, all producers are required to have their milk house water tested annually, and send compliant results to DFNS. The NSDA Dairy Inspector can collect and submit milk house water samples during a regular farm visit. Producers are responsible for the cost of analysis and follow-up of substandard results.

Producers who fail to comply with this requirement will receive a letter requesting that they provide a reason in writing for non-compliance with the regulation, and details on how and when they plan to complete the requirements. Producers who do not comply with the regulation will be required to attend a hearing with the DFNS Executive. The purpose of the hearing is to provide the producer with an opportunity to explain why their farm does not comply with the regulation.

Producers who do not comply with any DFNS or NPMC regulation or policy may be required to attend a hearing with the entire DFNS board. At that time, the board has the authority to suspend or cancel a producer's license to produce milk.

e. Farm Inspection

Dairy Industry Act s. 21

The NSDA employs a Dairy Inspector Specialist who travels to each farm in the province to inspect facility and quality. The Dairy Inspector has the authority to suspend shipment of a producer's milk due to milk quality issues.

REPORTING TO PRODUCERS

NOTIFICATION OF RESULTS

DFNS Policy

Results of the samples taken by the bulk milk grader are accessible through a toll-free MILKLINE service and through the Maritime Quality Milk (MQM) secure website. Both methods provide up-to-date results, available 24 hours per day, seven days per week. Results for the monthly bacteria count and freezing point tests are sent to each producer once a month by the Nova Scotia dairy laboratory.

MILKLINE: 1-800-386-9109

Maritime Quality Milk: www.milkquality.ca/dnsresults

RESULTS FOR MULTIPLE TANKS/LOCATIONS

DFNS Policy

For farms with two or more bulk tanks, milk components and milk quality infractions are determined using a weighted average of the results and the milk in the tanks.

A producer with two or more dairy farm locations will have infractions determined and penalties applied only to the milk from the farm location where milk quality standards are not met.

PRODUCER CHALLENGE OF FRESH SAMPLE COMPONENT TEST RESULTS

DFNS Policy

The lab has a weekly review process for all tests and specific criteria for removing a result that falls outside the accepted criteria.

If a producer receives an abnormal test result, the producer can request that DFNS investigate that result. This request must be made within three business days after the last scheduled test for that month is reported. If the laboratory confirms that the result is in error and recommends that it be deleted, DFNS will adjust the producer's quality record and/or production and payment calculations for that month accordingly. If the laboratory does not recommend deleting the result, it will remain part of the producer's record and/or production and payment calculations for that month.

PROBLEMS WITH MILK QUALITY

PENALTIES FOR NON-COMPLIANCE

Milk Producer Licensing Regulations ss. 5-9

Penalties for bacteria or somatic cell count (SCC) occur when a farm's samples exceed the standard for three out of any five consecutive months. Penalties occur for added water after the standard is exceeded for two out of any five-month period.

Penalties are determined within an 18-month window. A first penalty is issued when the standard is exceeded, as described above, for the first time in an 18-month period. A second penalty is assessed when the farm's sample exceeds the standard for three out of five months (two out of five for added water) twice within an 18-month period. A third penalty occurs when this happens three times in an 18-month period. Infraction letters are issued by DFNS to producers in any month when their milk fails to meet the SCC standard. Warning and penalty letters are sent to producers for all standards.

Producers receiving a second penalty, or a failing farm score from the NSDA Dairy Inspector, or whose milk is repeatedly rejected by their bulk milk grader, will be invited to a hearing with the DFNS board. This hearing provides an opportunity for the producer to explain its situation to the board. The NSDA Dairy Inspector will be asked to join the hearing to add his perspective and participate in the corrective action plan.

Penalties for failing milk quality standards: If test results show that a producer's milk has failed to meet the milk quality standards more than twice in any five consecutive months, DFNS will promptly notify the producer of the test results and the producer's milk value will be reduced from the current month values by the applicable rate as set out in the following table:

No. of days milk production delivered in payment period	1 st penalty in 18 pay periods (\$/hl)	2 nd penalty in 18 pay periods (\$/hl)	3 rd penalty in 18 pay periods (\$/hl)
27	\$1.80	\$2.70	\$3.60
28	1.74	2.60	3.48
29	1.68	2.52	3.36
30	1.62	2.43	3.24
31	1.57	2.35	3.14
32	1.52	2.28	3.04

DFNS will refund penalty funds for the first and second penalty if producers resolve the problem within three months following penalization. Producers who fail to meet the standard for any of the three months will not receive a refund.

Penalties for abnormal freezing point: If test results show that a producer’s milk has an abnormal freezing point indicating added water twice within any five consecutive pay periods, DFNS will notify the producer of the test results and the producer’s milk value will be reduced from the current pay period values by the applicable rate as set out in the following table:

No. of days milk production delivered in payment period	Penalty rate (\$/hl)
27	\$3.60
28	3.47
29	3.35
30	3.26
31	3.15
32	3.04

Penalties for unnatural inhibitors (antibiotics): If test results show that a producer’s milk contains unnatural inhibitors, the load, or the portion of load that is contaminated, will be rejected and the producer must pay for the rejected tanker of milk, and the producer’s subsequent milkings will be tested at an accredited lab. If the subsequent tests are positive, the producer’s milk must not be offered for sale until DFNS determines that the milk is free of unnatural inhibitors.

Penalties for freezing point and unnatural inhibitors are not refunded.

Un-refunded penalty funds are used in support of the CQM program.

SUSPENSION OR CANCELLATION FOR NON-COMPLIANCE

Milk Producer Licensing Regulations s. 10

If a producer's milk has been subject to penalty three times in an 18-month period, the purchaser of the milk does not have to accept it. The producer, along with a processor representative and the NSDA Dairy Inspector, will be invited to a hearing with the DFNS board. The Dairy Inspector provides a written report. The board must notify the affected producer and processor representative in writing of the date, time, and location, and reason for the hearing. The board may suspend or cancel the producer's license in whole or in part, following the hearing.

The board may suspend or cancel a producer's license in whole or in part for failing to comply with any of the following:

- (a) the *Milk House Water Quality Regulations*;
- (b) the Canadian Quality Milk program requirements as established by DFNS;
- (c) effective August 1, 2008, the Canadian Quality Milk validation requirements as established by DFNS;
- (d) any production-related provision of an applicable Act or Regulation; and
- (e) an order made or policy established by Council or the Board.

POLICY FOR CQM NON-COMPLIANCE

DFNS Policy

Producers who are non-compliant with the CQM program requirements may be required to attend a hearing with DFNS. Producers who are not registered with CQM will meet first with the DFNS Executive, and if non-compliance continues they will proceed to a hearing with the Board of Directors. At that hearing, the board may suspend or cancel the producer's license, in whole or in part.

CQM Registration status is determined based on the National CQM Registration System Manual and Procedures.

The board adopts the following guidelines with respect to the extent of a partial license suspension when the board finds that a producer is not CQM Registered:

First month following board hearing producer is not CQM Registered	5% license suspension
Each subsequent month producer remains not CQM Registered	5% additional suspension per month
Month following time when producer becomes CQM Registered	0% suspension

License suspension is applied on a month-to-month basis with no pro-ration for partial months.

License suspension will be implemented as follows:

- The producer will be permitted to sell raw milk only to the extent of the portion of the license that is not suspended. For example, in the first month following the board hearing, the producer can sell raw milk only on the basis of 95% of their quota holdings (subject to production flexibility).
- In the second month of the suspension, the producer can sell raw milk only on the basis of 90% of their quota (subject to production flexibility), and so on.

These guidelines are not binding on the board, but the board will consider the guidelines, along with all other circumstances, in determining the appropriate penalty for producers who are non-compliant with the CQM program.

REINSTATEMENT FOLLOWING SUSPENSION

DFNS Policy

If a producer receives a license suspension, the producer can resume shipping milk once the duration of the suspension has expired.

PRODUCER APPEALS OF DECISIONS

Dairy Industry Act s. 24

A producer wishing to appeal a decision of the DFNS Board of Directors can appeal to the Natural Products Marketing Council in the time and manner as decided by Council.

DFNS EXCELLENCE AWARD

DFNS Policy

Dairy Farmers of Nova Scotia Excellence awards are awarded annually to producers that have:

- (i) A bacteria count of less than 20,000/ml for eleven out of twelve months;
- (ii) A somatic cell count average of less than or equal to 200,000/ml for the dairy year;
- (iii) A farm inspection score from the Nova Scotia Department of Agriculture of at least 94 or higher;
- (iv) An appearance score on the farm inspection report of five or higher;
- (v) No abnormal freezing point or antibiotic infraction during the dairy year; and

- (vi) Registered with the CQM Program;

If the owner of a farm changes, then the new owner will be considered a new producer for this program. Intergenerational transfers will have their history carried forward, and the registered name of the farm must be the name that appears on the certificate that is presented to an award winner.

ANIMAL COMFORT AND CARE

National Farm Animal Care Council Dairy Code of Practice

Canada's dairy industry has updated its *Code of Practice for the Care and Handling of Dairy Cattle*. This code encompasses the proper ways to care for dairy cattle and calves including: Regulatory Requirements, Industry Requirements, and Recommended Best Practices.

Areas such as cattle being provided feed and water, acceptable euthanasia, and humane transportation are all regulatory requirements under the Code. Examples of industry requirements are proper bedding, stalls, newborn calf nutrition, attention paid to sick and lame cows, and no tail docking. As the term implies, recommended best practices are those husbandry steps which successful dairy farmers follow.

The complete Dairy Code of Practice can be found at:

<http://www.nfacc.ca/pdfs/codes/Dairy%20Code%20of%20Practice.pdf>

TRANSPORTATION

GENERAL

TRANSPORTATION AREA

Total Production Quota Regulations s. 6

All dairy farms must be located within a reasonable area for bulk milk pick-up. DFNS will consider factors such as the transportation costs, logistical constraints, and whether the location would extend the time required for a milk pick-up beyond the time permitted for a driver to operate a truck. DFNS will not purchase milk from a producer whose dairy farm is not within a reasonable area.

BULK MILK PICK-UP

Bulk Haulage Regulations s. 7

Every other day, a producer's raw milk will be picked up by a licensed and certified bulk milk grader. A producer's bulk milk tank should contain raw milk from two full days to ensure consistent sampling. Producers should have enough capacity to hold two and a half full days of raw milk in their bulk tanks.

DFNS determines the monthly cost of bulk milk pickup from the cost of picking up milk within the province, moving milk out of the province, and the impact of pooling transportation costs within the regional pool (NS, NB, PEI, Ontario, and Quebec). All producers pay the same monthly transportation rate.

Every producer must pay a minimum of \$63 per week for bulk tank pick-up, regardless of how much raw milk is available. If a producer wants to have the raw milk picked up every day instead of every other day, that producer must pay 150% of the maximum bulk haulage rate set by DFNS on all milk shipped.

OWNERSHIP OF MILK

DFNS Policy

A producer owns, and is responsible for, the raw milk when it is in the dairy facility's bulk tank. When the bulk tank grader pumps the raw milk onto the bulk tank truck, DFNS takes ownership of the raw milk. At the processing plant, a certified plant receiver grades the milk. If approved, the processor takes ownership of the milk when the milk is pumped off the truck at the processor.

RESPONSIBILITIES OF BULK TANK MILK GRADER

Schedule 2 - Milk Production Regulations

Schedule 5 – Milk Transportation Regulations

At every pickup, a bulk milk grader licensed by the Natural Products Marketing Council must examine the raw milk before the milk is pumped onto the truck. The bulk milk grader will examine the raw milk to ensure the milk is being kept at the right temperature and is free from abnormal smells, flavours, and physical abnormalities. The grader can reject the milk if it contains any abnormalities.

A bulk milk grader must wear clean clothes at all times and cannot enter the animal housing areas. When the grader is collecting milk, the grader must:

- use the hose port;
- ensure that his hands are clean before the handling and touching of equipment,
- accept or reject the raw milk;
- measure the volume of milk contained in the bulk tank;
- draw a sample from the tank; and
- place each sample in a container approved by DFNS and clearly identify the sample with the producer's name and DFNS registration number.

A detailed description of the bulk milk grader's sampling process can be found in Appendix J.

BULK TANKER SEALING PROGRAM

DFNS Policy

All raw milk transported within the province is done in sealed trucks. This is a proactive measure taken by DFNS to provide an early warning that a load of milk may have been tampered with.

Bulk milk graders are trained to record and apply seals on all openings on their trucks once they are cleaned, sanitized and leaving the plant. All compartments are sealed after the last farm pick-up and the plant receiver ensures that all seals are in place when the truck arrives at the plant. A log book is used to record all seals applied, and if any are removed and replaced during the route.

If a seal is discovered missing, the log is checked and an investigation launched to determine if the load of milk has been potentially compromised. DFNS and the transporter have agreed to split the cost of any discarded load.

FARM YARDS AND LANES

DFNS Policy

INTRODUCTION

The purpose of these standards is to ensure greater farm safety and hauling efficiencies. Dairy Farmers of Nova Scotia and producer members are responsible for ensuring that safe and practical access to the milk house is provided for the milk transporter.

In some cases, it is impractical or impossible for a current operation to meet the DFNS Yards and Lanes Policy standards due to pre-existing conditions. Farms that have made every reasonable effort to comply, but cannot due to pre-existing conditions, may apply to DFNS for grandfathering consideration with respect to the specific standard identified.

Under the grandfather clause, the farm may have to implement special practices to minimize the impact of not meeting the current standard. When the farm changes control or ownership, such as by intergenerational or dairy facility transfer, the exemption expires. The acquiring producer may seek a continuation of grandfathering from DFNS prior to a change in control or ownership.

Current owners of grandfathered farms have signed an agreement indicating they acknowledge the limitations of this exemption.

ADMINISTRATION OF THE FARM YARDS AND LANES POLICY

Any farm yard or lane issue brought to DFNS's attention will be investigated by a DFNS representative. A report will be completed after the DFNS representative has discussed the matter with the producer. The report will indicate the necessary corrective action and a target completion date.

A follow-up visit will be carried out by the DFNS representative shortly after the targeted completion date. The DFNS representative will record, on their copy of the original Farm Yard and Lane Report, what action has been taken.

Failure to complete the necessary changes and comply with DFNS policy may result in the producer's milk not being picked up and/or a request for a meeting with the Executive.

LANE ENTRANCE

The lane entrance must provide a safe and reasonable access for the type of vehicle operating in the area. If the type of vehicle used to pick up a producer's milk changes, then the producer must ensure that the lane entrance can accommodate the new type of vehicle.

At a point where the lane intersects with the road, the width of the lane must be 15.2 metres (50 feet). This is required so that the truck does not have to swing across the centre line and into oncoming traffic in order to enter the lane.

The lane entrance should taper from the shoulder of the road so that, at a point 12.3 metres (40 feet) in from the edge of the traveled portion of the road, the width of the lane is a minimum of 3.7 metres (12 feet). The length of any necessary culvert will depend on the ditch location with respect to the lane entrance. (See Figure A).

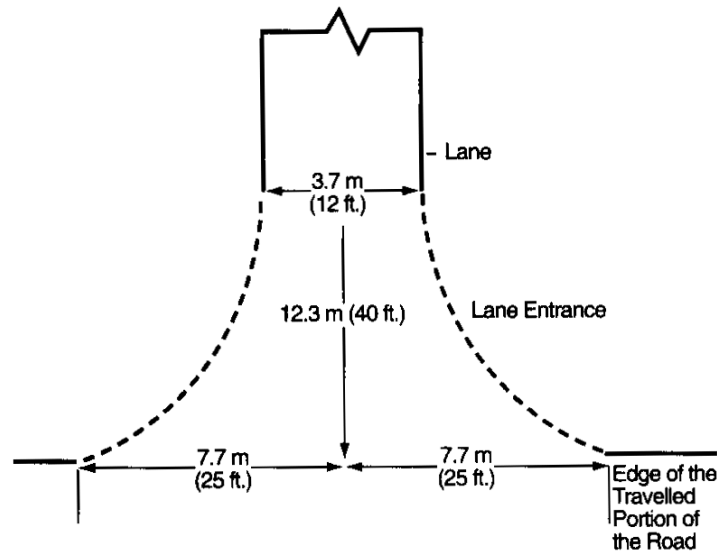


Figure A

LANE WIDTH

The minimum width of the lane should be 3.7 metres (12 feet) for the entire length of the lane, and greater than this at the entrance and at points where the lane direction changes.

FENCES ALONG LANES

Fences should be set back at least 2.4 metres (8 feet) from the closest edge of the lane to allow for adequate snow removal.

LANE CONSTRUCTION

In order to provide adequate drainage and permit winds to carry snow over the laneway, the lane surface should be elevated with a gentle downward slope from the centre to each side of the lane. In addition, the lane shoulders should slope at an angle not greater than 45 degrees.

That portion of the yard and lane through which the milk truck travels should be constructed to provide adequate drainage and prevent the buildup of mud. Proper construction guidelines, for those areas on which the milk truck travels, vary depending on the type of soil.

BACKING IN OR OUT OF LANES

The Nova Scotia Motor Vehicle Act states, “The driver of a vehicle shall not back the vehicle unless such movement can be made in safety”. Backing in or out of farmyards or lanes will be permitted only where it is deemed safe.

MAINTENANCE

The driveway and yard must be kept in good repair, free of potholes and ruts. In winter conditions, the portion of the driveway and yard that the tanker travels must be cleared of snow whenever necessary. The driveway edges should be clearly marked. Ice surfaces must be salted or sanded, especially on steep inclines.

FARM GATES

Under normal circumstances, a gate of any type which requires opening and closing by the transporter in the process of picking up the milk is not permitted.

LANE BRIDGES

All bridges, culverts, and Texas-style gates should be clearly identified on all four corners where the lane meets the bridge. The weight-bearing capacity must meet the maximum weight of the loaded milk truck.

BLOCKED ACCESS

Cars, farm trucks, farm tractors, farm implements, and other obstructions must not be located in that portion of the yard and lane which is travelled by the milk truck in the process of picking up milk.

OVERHEAD OBJECTS

The travelled portion of the yard and lane should be free of all overhead objects, such as branches and wires to a height of 4.5 metres (15 feet) from the surface of the yard and lane. Ice and snow build-up should be taken into consideration when determining the height.

TURNAROUNDS

An adequate truck turnaround area, or other such arrangement, must be provided on the farm as close to the milk house as possible so that the truck does not have to back up on the lane. The following examples identify two types of truck turnarounds:

A circular turnaround area (Figure B) is the safest type of turnaround in that it allows a milk truck to turn in the yard, minimizing the need to back up the vehicle.

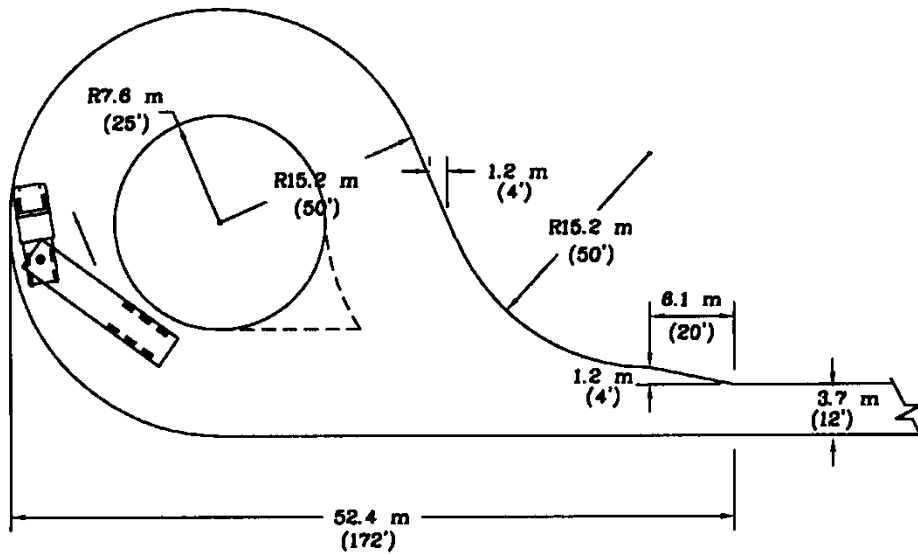


Figure B

If a circular driveway is not possible, a yard in which a milk truck can be turned around by means of a three-point turn can be provided. An example of this type of turnaround area is shown in Figure C.

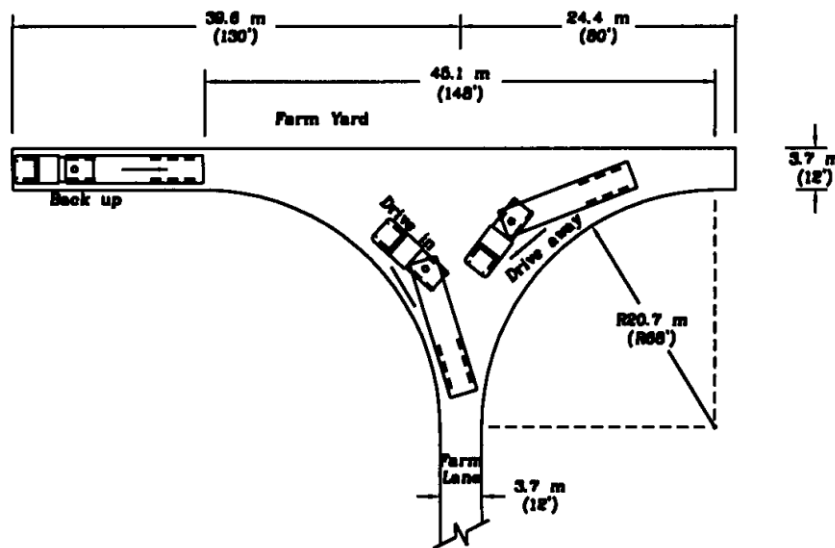


Figure C

CROSS CONTAMINATION

Farmyards and lanes must be kept free of an accumulation of manure. Livestock may be driven across, but must not have unlimited access to that portion of the yard and lane travelled by the milk transporter. Manure that may accumulate in yards and lanes as a result of livestock in the area or by falling from a manure spreader, must be removed prior to the arrival of the milk truck. Livestock is not permitted in the truck loading area.

Inadequate and poorly maintained farmyards and lanes are considered to be a possible source of contamination through soil and manure adhering to the underside of bulk milk tank trucks and truck tires. There is increasing pressure within the industry to minimize the spread of pathogens from farm to farm, and from farms to processing plants. Adherence to this requirement will help reduce the spread of these pathogens.

Seepage from silos must not be allowed to drain across the route the milk transporter travels. This seepage adheres to bulk milk transporter tires and can cause serious odour contamination at the processing delivery point.

SPECIAL EVENT MILK

DFNS Policy

In Nova Scotia, there are several exhibitions and dairy sales events held annually at a number of locations in the province, where raw milk is produced and picked up. These are important agricultural awareness and industry events. To ensure the high standard of milk quality, proper credit for milk produced, liability for inhibitor contaminated milk, and a positive public perception of special event milk, it is important that all persons involved understand the policies related to special event milk.

DFNS developed and approved a Special Events Milk Policy in 2007 for these types of events. An Event Notification Form can be found as Appendix K.

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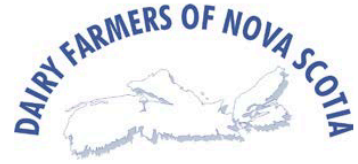
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**Please note that these forms are current at the time of publication. Please contact the DFNS office or refer to the website for the most current versions.*

APPENDIX A: INFORMATION CONSENT



Date: _____

To: Dairy Farmers of Nova Scotia ("DFNS")
Suite 100, 4060 Hwy 236
Lower Truro NS B6L 1J9

From: _____

(Financial Institution Name and Address) ("CREDITOR")

RE: Credit, Quota, and Production Information ("INFORMATION")

The undersigned producer hereby authorizes DFNS to exchange credit, quota, and production information on the undersigned with the CREDITOR, until this consent is revoked in writing.

Name of Producer
(please print)

DFNS Registration No. 2

Signature of Producer
(if a partnership, all partners must sign)
(if a company, the president must sign)

APPENDIX B: CALCULATING DAILY BUTTERFAT PRODUCTION

Total Production Quota (TPQ) is based on daily kilograms butterfat produced. To calculate the amount of milk you can produce to meet your daily quota, both your butterfat test (bf) and litres of milk produced per day must be considered. The table and the examples below show one way to calculate your production. The table indicates the number of litres of milk per kg of bf over a range of test values.

BF Test (kg/hl)	Litres milk per kg of BF
3.0	33.3
3.1	32.3
3.2	31.3
3.3	30.3
3.4	29.4
3.5	28.6
3.6	27.8
3.7	27.0
3.8	26.3
3.9	25.6
4.0	25.0
4.1	24.4
4.2	23.8
4.3	23.3
4.4	22.7
4.5	22.2
4.6	21.7
4.7	21.3
4.8	20.8
4.9	20.4
5.0	20.0
5.1	19.6
5.2	19.2
5.3	18.9
5.4	18.5
5.5	18.2

To calculate your daily quota in litres, multiply the litres matching your average bf (from table above) times your daily quota. For example, if you have 60 kg of TPQ and 3.8 bf, then $60 \times 26.3 = 1578$ litres/day.

To calculate the amount of bf you are producing based on your shipments, do the reverse. Determine your daily milk production and divide by the litres/kg of bf from the table. For example, if you are producing 1578 litres/day of 3.8 bf, then $1578 / 26.3 = 60$ kg per day.

With this information you can determine your upper limit (15 days X daily TPQ) and your lower limit (15 days X daily TPQ).

APPENDIX C: QUOTA ASSIGNMENT FORM

TOTAL PRODUCTION QUOTA ASSIGNMENT



BETWEEN:

DFNS registration number _____
(hereinafter referred to as "the Producer")

- and -

Branch/Address: _____
(hereinafter referred to as "the Lender")

TAKE NOTICE that, for value received, the Producer hereby assigns all of the Producer's right, title, and interest in and to _____ kilograms of the Producer's Total Production Quota (the "Assigned Quota") to the Lender for the purposes of securing certain indebtedness that from time to time the Producer may owe to the Lender (the "Indebtedness").

Pursuant to this Assignment, the Producer has assigned to the Lender the amount of Assigned Quota as stated above. Including the quota assigned herein, the Producer has now a total of _____ kgs of TPQ assigned to the Lender.

IN ACCORDANCE with this Assignment, the Producer:

- (a) represents that the Assigned Quota has been allotted to the Producer, being the registered quota holder, by Dairy Farmers of Nova Scotia ("DFNS") pursuant to regulations respecting milk quotas made by DFNS;
- (b) covenants, promises and agrees that so long as this Assignment remains in effect:
 - (i) the Assigned Quota shall be maintained by him in good standing;
 - (ii) he shall not apply to DFNS for permission to sell, transfer, or otherwise dispose of or cancel all or any part of the Assigned Quota without the consent of the Lender;
 - (iii) in the event that all or any part of the Assigned Quota is sold, transferred, or otherwise disposed of or cancelled, unless the Producer and Lender have agreed otherwise, he shall pay or cause to be paid to the Lender an amount from the proceeds (if any), sufficient to retire the Indebtedness that was secured by the Assigned Quota;
- (c) agrees that the Lender may apply in writing to DFNS to consent to this Assignment upon such terms and conditions as may be acceptable to both DFNS and the Lender;
- (d) hereby irrevocably constitutes and appoints the Lender his attorney during the term of this Assignment with full power and absolute discretion to act for him in any dealing or application with respect to the Assigned Quota, including its sale or other disposition, PROVIDED THAT the Lender may act as the Producer's attorney only during such time(s) as the Producer is in default of his obligations to the Lender pursuant to the terms and conditions of the Indebtedness;
- (e) agrees that, for the purposes of this Assignment, where the Producer is in default of his Indebtedness to the Lender, the Lender shall provide evidence to DFNS of the default by way of a statutory declaration or affidavit of a representative of the Lender stating that default in respect of the Indebtedness has occurred, and where DFNS receives and relies upon such a statutory declaration or affidavit, DFNS shall be deemed to have acted in good faith in allowing the Lender to exercise rights as an attorney with respect to the Assigned Quota;
- (f) covenants to release and forever discharge DFNS from any and all actions, claims, suits, and rights that the Producer may have against DFNS or its successors or assigns as a consequence of losses the Producer sustains from anything done by DFNS, in good faith, in dealing with the Assigned Quota at the direction of the Lender when DFNS believed, in good faith, that the Lender possessed a valid power of attorney to deal with the Assigned Quota in accordance with the provisions paragraph (e); and
- (g) covenants, promises, and agrees that upon breach of any of the provisions in this Assignment, the Indebtedness shall, at the option of the Lender, immediately become due and payable.

AND FURTHERMORE, this Assignment will remain in full force and in effect only until the date it is revoked or withdrawn by both the Producer and the Lender, at which time it will cease to apply without any further act or formality.

The Lender hereby recognizes that DFNS does not operate a quota registry and does not take responsibility for assignments. The Lender asks that DFNS take notice of and consent to this Assignment and acknowledge that, as far as the records of DFNS indicate, the amount of the Assigned Quota stated herein is available for assignment, and the Assignment is now recorded in the name of the Lender.

The Lender further acknowledges that, where a Producer has executed more than one Assignment of their TPQ, assignments will be honoured on a "last in, first out" basis, such that the TPQ most recently assigned will be deemed to be the first sold, and the most recent Assignment will be the first honoured.

The Lender further agrees to notify DFNS and withdraw the Assignment from DFNS's records when the Assignment is no longer of any force or effect.

The Lender further covenants to release and forever discharge DFNS from any and all actions, claims, suits, and rights that it may have against DFNS or its successors or assigns as a consequence of losses the Lender sustains from anything done or not done by DFNS in relation to this Assignment and the Assigned Quota.

The Producer and Lender request that DFNS consent to this Assignment in the amount of the Assigned Quota described above, or if the Producer does not have enough unassigned TPQ available, that the amount of Assigned Quota be reduced to the amount of unassigned TPQ available. The parties acknowledge that DFNS's consent, if granted, will be granted pursuant to section 10 of the *Total Production Quota Regulations* made under the *Dairy Industry Act* of Nova Scotia, and will be recorded in DFNS's Production and Quota System.

The Producer and Lender acknowledge that this Assignment is subject to the provisions of the *Dairy Industry Act* and regulations made under that Act, and if there is any conflict between the terms of this Assignment and the Act or regulations, the Act or regulations (as the case may be) prevail.

The Producer signing below is the registered quota holder. In the case of a partnership, all partners must sign, and in the case of a corporate quota holder, the designated signing officer(s) must sign.

DATED at _____, Nova Scotia, this _____ day of _____, 20_____.

_____)	PRODUCER
_____)	
_____)	
Witness _____)	Per: _____
_____)	
_____)	
Witness _____)	Per: _____
_____)	

DATED at _____, Nova Scotia, this _____ day of _____, 20_____.

_____)	LENDER
_____)	
_____)	
Witness _____)	Per: _____
_____)	

FOR DFNS USE ONLY	
<input type="checkbox"/>	DFNS hereby confirms that there is sufficient unassigned TPQ available according to our records for the Producer to assign the full amount of the Assigned Quota;
OR	
<input type="checkbox"/>	The amount of the Assigned Quota is being reduced to _____ kilograms, being the amount of unassigned TPQ available as of the date this Assignment is being recorded by DFNS. If the Producer acquires more TPQ, DFNS <u>will not</u> adjust the amount of the Assigned Quota unless another Assignment is provided.
CONSENTED TO AND RECORDED BY DAIRY FARMERS OF NOVA SCOTIA on _____, 20_____.	
Per: _____	

APPENDIX D: QUOTA EXCHANGE OFFER FORMS



DEADLINE FOR OFFERS IS LAST BUSINESS DAY BEFORE THE 14th OF EACH MONTH.

4060 Highway 236
 Lower Truro NS B6L 1J9
 Phone: (902) 893-6455
 Fax: NOT ACCEPTED
 www.dfns.ca

Quota Exchange Offer to PURCHASE _____ (Exchange Month)

Registered Producer Name: _____

DFNS Registration Number: _____ Phone: _____

Offer to Purchase _____ kgs of TPQ per day @ \$ _____ per kg.

PLEASE NOTE: Offers above the MCP Cap of \$25,000 will not be accepted. Quantities offered may be in hundredths of a kilogram (two decimal places). Prices must be for a whole kilogram. Offers must not exceed 10% of the producer's total quota at the time the offer is submitted (exception for assisted new producers). Offers are limited to one buy or sell per producer per exchange. Each participant in an exchange will be notified in writing of whether or not their offer was successful.

Successful buyers must select a method of payment below. Payment must be made by way of the selected method **on or before the third last business day of the month**. Producers choosing option 2A must complete and attach a PAD agreement form and void cheque. PAD forms are available on the DFNS website or by contacting the office.

<p>1. Cheque Payment <input type="radio"/></p> <p>Producer will provide a cheque to DFNS by the payment due date. Delivery method may be by mail, XpressPost, courier, or hand delivery.</p> <p>It is the producer's responsibility to ensure payment arrival and accuracy.</p>	<p>2. Pre-Authorized Debit <input type="radio"/></p> <p>DFNS will withdraw required funds from producer's bank account on payment due date.</p> <p>A <input type="radio"/> I am a <u>new</u> PAD user, attached is an authorization form and a void cheque.</p> <p>B <input type="radio"/> I am a <u>recurring</u> PAD user, please use my authorization on file.</p>
--	--

\$17.25 Service Fee must accompany offer (\$15 + \$2.25 HST) Reg No. 107788523

All offers must be signed by the registered quota holder. In the case of a partnership or corporate quota holder, the offer must be signed by designated signing officer(s). It is the producer's responsibility to confirm receipt of offers by DFNS. If the buyer does not pay by the payment deadline, or the buyer's payment is dishonoured, the quota purchased by the buyer will return to DFNS, the producer is liable for all costs associated with non-payment, the producer is not eligible to purchase on the exchange for a period of 12 months, and the producer may only purchase TPQ on a future exchange using a bank draft, direct deposit, or wire transfer for a period of five years.

 Date Signature(s)

The information on this form is a summary of the applicable rules, which are contained in the TPQ Regulations. The DFNS Producer Manual on our website contains the current policies and procedures, or you may contact office staff for assistance.

FOR DFNS OFFICE USE ONLY

Service Fee Received: cash cheque Offer Received/Verified By: _____

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DEADLINE FOR OFFERS IS LAST BUSINESS DAY BEFORE THE 14th OF EACH MONTH.

4060 Highway 236
Lower Truro NS B6L 1J9
Phone: (902) 893-6455
Fax: NOT ACCEPTED
www.dfns.ca

Quota Exchange Offer to SELL _____ (Exchange Month)

Registered Producer Name: _____

DFNS Registration Number: _____ Phone: _____

Offer to Sell _____ kgs of TPQ per day @ \$_____ per kg.

PLEASE NOTE: Offers above the MCP Cap of \$25,000 will not be accepted. Quantities offered for sale may be in hundredths of a kilogram (two decimal places). Prices must be for a whole kilogram. Offers are limited to one buy or sell per producer per exchange. Each participant in an exchange will be notified in writing of whether or not their offer was successful.

Successful Sellers will be paid for their quota sold on the last business day before the 10th day of the month following the exchange. If the sold quota is assigned to a lender, cheques will be jointly payable to the producer and lending institution.

QUOTA CURRENTLY ASSIGNED:

_____ kgs _____ Name of Lending Institution(s)

Seller's Service Fee must accompany offer as per schedule below (HST Reg No. 107788523)

SELLERS FEE SCHEDULE	
Amount Offered	Fee Per Offer
1 kg or less	\$115 (\$100 + \$15 HST)
1.01 – 10 kg	\$230 (\$200 + \$30 HST)
More than 10 kg	\$345 (\$300 + \$45 HST)

All offers must be signed by the registered quota holder. An offer must be signed by all partners of a partnership, or the designated signing officer(s) of a partnership or corporation. It is the producer's responsibility to confirm receipt of offers by DFNS.

_____ Date _____ Signature(s)

The information on this form is a summary of the applicable rules, which are contained in the TPQ Regulations. The DFNS Producer Manual on our website contains the most up-to-date policies and procedures, or you may contact office staff for assistance.

FOR DFNS OFFICE USE ONLY

Service Fee Received: cash cheque Offer Received/Verified By: _____

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APPENDIX E: TPQ LEASE AGREEMENT FORM



TPQ Lease Agreement

100-4060 Highway 236
Lower Truro, NS B6L 1J9
Phone: (902) 893-6455
Fax: (902) 897-9768
www.dfns.ca

THIS LEASE made _____ day of _____, A.D., 20__

BETWEEN: _____ DFNS Reg. # _____ 2
hereinafter called the "LESSOR" (Lender of the quota)

- and -

_____ DFNS Reg. # _____ 2
hereinafter called the "LESSEE" (Borrower of the quota)

AGREEMENT

The Lessor and the Lessee agree that:

1. The Lessor shall lease to the Lessee _____ kilograms of daily Total Production Quota (TPQ)
2. The lease term shall commence on the first day and terminate on the last day of _____ (month).
3. The Lessee shall pay to the Lessor \$_____ per kilogram per day for milk quota leased, payable as described below:

4. This lease is not assignable.
5. This lease shall bind the heirs, executors, administrators and successors of each of the parties.

Signature of LESSOR

Date

Signature of LESSEE

Date

IMPORTANT NOTES

Leases will be for a one-month duration and will expire at the end of the month, so any adjustments to provincial TPQ do not apply to leases.

Quota may be leased in denominations of tenths of a kilogram.

A producer can lease in or out up to a maximum of 25% of the sum of current owned and non-saleable TPQ holdings.

A producer cannot be both a lessor and a lessee during the same month.

Only leases applying to the current month will be accepted.

DFNS is not responsible for receipt of lease forms mailed or faxed to our office. **IT IS THE PRODUCER'S RESPONSIBILITY TO CONFIRM RECEIPT.**

DEADLINES

Completed lease forms must be delivered to the DFNS office no later than 4:30 p.m. on the fifth (5th) last business day of the month in which the lease will be effective.

AUTHORIZED BY _____

on behalf of Dairy Farmers of Nova Scotia this _____ day of _____, 20__.

APPENDIX F: CATASTROPHE LEASE TEMPLATE LETTER

I _____ (producer name) _____ Producer number _____

request Dairy Farmers of Nova Scotia to approve the leasing of up to 100% of the Total
Production Quota of my farm under section 30 of the TPQ Regulations due to

_____ (nature of catastrophe)

for a period of _____ (initially up to six months) _____.

Producer signature _____

Dated _____

Mail or fax to DFNS:

Dairy Farmers of Nova Scotia

Suite 100, 4060 Highway 236

Lower Truro NS B6L 1J9

Phone: (902) 893-6455

Fax: (902) 897-9768

APPENDIX G: ISSUES TO ADDRESS IN A CATASTROPHE

In the event of a catastrophe, there are considerations for both the person housing the animals and the producer who owns the animals. The following is a suggestion of areas to be addressed by the parties as soon as possible:

- (i) Placement of cows on another farm:
 - A placement farm cannot overcrowd its own facilities.
 - Can the placement farm keep the cows while they are dry?
 - Will there be a charge for dry cows?
 - Who pays the veterinary costs for emergencies such as milk fever, D.A., problem calvings, etc. as well as routine costs such as vaccinations, pregnancy checks, sore feet, etc?
 - If a cow gets sick with pneumonia or mastitis, for example, who makes treatment decisions and who makes the final decision that the cow should be culled?
 - Is there a charge for inseminating the cows? Who pays for the semen? Which semen is used?
 - If cows are to be moved from farm to farm, who pays for trucking?
 - Who is the livestock insurance paid to if a cow dies?
- (ii) For calves that are born on placement farms:
 - Who owns the calf if it is a heifer; or a bull?
 - What happens to the calf after it is born, if it is a heifer; if it is a bull?
 - If the placement farm is keeping the calf, what is the cost to the producer to keep the calf until the producer's facility is finished?
 - Who is responsible for the veterinarian costs for the calf?
- (iii) Bred heifers that will calve before the producer's facility is ready:
 - Is there a place for heifers, and for how many?
 - Do the same veterinarian costs apply as for cows?
 - When will the heifers be moved to the placement farm?
- (iv) Leasing the cows and quota:
 - What is the fee to lease a cow alone?
 - What is the fee to lease the quota alone?
 - What is the fee to lease the cow and quota together?
 - What date each month will quota be leased?
- (v) Feed:
 - Who pays for the cost of feeding and transporting the feed?
- (vi) Loss of income insurance:
 - How is loss of income insurance paid?
 - Is any money received from quota leasing deducted from the insurance payments?
- (vii) Tax implications:
 - What are the tax implications of the catastrophe?

APPENDIX H: ASSISTED NEW ENTRANT APPLICATION FORM



DAIRY FARMERS OF NOVA SCOTIA
 4060 Highway 236, Lower Truro, Nova Scotia, B6L 1J9
 Telephone (902) 893-6455 Fax (902) 897-9768 www.dfns.ca

NEW ENTRANT PROGRAM APPLICATION FORM		
Applicant's Name/Farm Name _____		
Mailing Address _____		
Contact Phone Number () _____ Alternate Phone Number () _____		
E-Mail _____ Fax () _____		
Type of dairy enterprise: <input type="checkbox"/> Individual Ownership <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation		
<i>Please answer all questions by checking the appropriate box.</i>		
Is the applicant 19 or more years of age?	Yes	No
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?		
<p>APPLICATION PACKAGE REQUIREMENTS</p> <p>Applicants are required to submit:</p> <p>(a) \$100 non-refundable application fee, payable to DFNS;</p> <p>(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</p> <p>(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.</p> <p>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.</p> <p>Applicants are to compile all supporting documentation in a single package.</p> <p>Complete application packages must be received by DFNS at the above address no later than September 30th of each year. Only complete application packages will be considered for selection.</p> <p>Any costs associated with applying for the program are the responsibility of the applicant.</p> <p>Successful applicants will be notified by DFNS by October 31st.</p>		
<p><i>NOTE: In the case of a corporate applicant, all designated signing officer(s) must sign; attach a separate sheet if necessary.</i></p> <p>THE UNDERSIGNED CERTIFY that the information herein contained is complete, true and correct in all respects.</p>		
Date: _____	Applicant's Signature(s): _____	
Date: _____	Applicant's Signature(s): _____	
<p>FOR OFFICE USE ONLY Date Package Received _____ Date Acknowledged _____</p>		

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APPENDIX I: LICENCE APPLICATION FORM



DAIRY FARMERS OF NOVA SCOTIA
4060 Highway 236, Lower Truro, Nova Scotia, B6L 1J9
Telephone (902) 893-6455 Fax (902) 897-9768 www.dfns.ca

Application for a Milk Producer License

Date of Application: _____ / _____ / _____

Producer Name: _____
(name in which TPQ will be registered)

This producer is a: sole proprietorship partnership corporation
(please attach a copy of your Certificate of Incorporation)

Dairy Farm Name: _____
(if applicable)

Contact Name: _____
(if different from Producer Name)

Address: _____
Civic Number and Street Name

City/Town County Province Postal Code

Telephone: _____ Fax: _____ Email: _____

I have made arrangements with _____ to accept and process my milk.

I have made arrangements with _____ to transport my milk.

To Dairy Farmers of Nova Scotia:

I hereby make application for a Milk Producer License under the provisions of the Dairy Industry Act and the Dairy Products Marketing Regulations made pursuant to the Canadian Dairy Commission Act. Once issued, this license will continue in force until suspended or revoked.

Signature of Applicant(s)

FOR OFFICE USE ONLY: Approved: yes no License No. Assigned: _____

APPENDIX J: BULK MILK TANK GRADER PROCEDURES

Source: 2011 Bulk Milk Graders Manual

BULK MILK PICK-UP PROCEDURES

Auto Sampling Day Only

1. Turn off main power supply to tank
2. Check quality of milk (sight and smell)
3. Read and record volume of milk
Wait until there is no movement of milk in tank if agitator had been running.
Repeat measurement to ensure accuracy
4. Turn on agitator (leave running during pumping)
5. Set up auto-sampler
Target volume of component sample is 35mL
6. Take temperature reading
7. Check flavor of milk
8. Pump milk on truck (with agitator running)
Turn agitator off when milk is no longer in contact with agitator blade
9. Remove auto-sample, ID, date, and place in cooler- Samples must be kept between 1°C and 4°C
10. Rinse tank and leave covers down
Check that main power to bulk tank is turned off
11. Place dust cover vial on auto-sampler

A separate, reusable dust cover vial is recommended between farms

Combination of Manual Component/Microbiological Sampling and Auto Sampling 'Fresh' Samples

1. Turn off main power supply to milk tank
2. Check quality of milk (sight and smell)
3. Read and record volume of milk- Wait until there is no movement of milk in tank. Repeat measurement to ensure accuracy
4. Start Agitator (run 5 minutes or longer when taking manual samples)
5. Set up auto-sampler- Target volume of component sample is 35mL
6. Take microbiological sample, ID, date, and place in cooler- Dipper must be sterilized properly and rinsed with milk at least twice before sampling. Samples must be kept between 1°C and 4°C
7. Take component sample (if auto-sampler not working), ID, date, and place in cooler- Samples must be kept between 1°C and 4°C
8. Take temperature reading
9. Check flavor of milk
10. Pump milk on truck (with agitator running)- Turn agitator off when milk is no longer in contact with agitator blade
11. Remove auto-sample, ID, date, and place in cooler- Samples must be kept between 1°C and 4°C
12. Rinse tank and leave covers down- Check that main power to bulk tank is turned off
13. Place dust cover vial on auto-sampler- A separate, reusable dust cover vial is recommended between farms

Procedure Taken if Agitator is Running When Bulk Milk Transporter Enters the Milkhouse

- Allow agitator to continue agitating for a further 5 minutes
- Start at step 2 and then follow steps 5 through 9
- Turn off main power to bulk tank (step 1)
- Read and record milk volume- when there is no movement of milk in tank (step 3)
- Follow steps 10 through 13

For more information, contact your Dairy Fieldman

APPENDIX K: SPECIAL EVENT MILK NOTIFICATION FORM

SPECIAL EVENT MILK NOTIFICATION

(in accordance with DFNS Special Event Milk Policy—for policy details, please contact the office)

Please submit this form to the following individuals at least **two weeks** prior to the scheduled event:

Company/Contact	Phone	Fax
DFNS – Dwane Mellish	893-6455	897-9768
Dairy Inspector – Scott MacKenzie	893-6524	893-6531
Scotsburn Dairy Group – Bill Garvie	863-2393	863-0977
Farmers Dairy – Alison McDonald	832-4071	835-4017

NAME OF EVENT: _____

LOCATION: _____

ANTICIPATED PICK UP DATES		
	DATE	ESTIMATE VOLUME/DAY
DAY 1		
DAY 2		
DAY 3		

Contact Person for Event: _____

Phone Number Pre-Event: _____

Cell Phone Number During Event: _____

Form Completed By: _____ Date: _____