

# NEWSLETTER

**Vol. 20, No. 11 - May 2020**

## CUSMA Update

The Canada U. S. Mexico Trade Agreement should come into force on July 1, 2020. As many readers will know, this causes problems relative to the negotiated 2-level cap on exports and year 2 access both being reached at the start of the next dairy year – August 1, 2020 – one month into the agreement. DFC is lobbying for full and fair compensation for CUSMA market loss to imports, but also for the remaining seven years of announced compensation for CETA and CPTPP.

## Milk Slows Down

In response to successive quota adjustments, Nova Scotia dairy farmers have reduced milk production by about 5.5% since the first of April. This aligns with production slowdowns in the other P5 provinces. Fortunately the markets have begun to stabilize and as provinces follow their own paths of “reopening their economies”, further market adjustments are expected. But, this is a fragile situation as Covid-19 continues to disrupt consumer buying opportunities and patterns.

### UPCOMING EVENTS & DEADLINES:

June 12, 2020.....Quota Exchange **Noon Deadline**  
 July 1, 2020.....Canada Day  
 July 13, 2020.....Quota Exchange **Noon Deadline**  
 August 3, 2020.....Civic Holiday  
 August 13, 2020 .....Quota Exchange **Noon Deadline**

### Reminder:

Quota leasing is suspended until further notice

## Regional Meetings

For the first time ever, DFNS conducted three conference calls with members replacing the spring regional meetings. Over 100 callers heard Chairman Gerrit Damsteegt and General Manager Brian Cameron provide an update on Covid-19 impacts on milk and markets along with a review of Council’s investigation findings. This format worked well with discussions, questions and answers lasting about 90 minutes for each call. The Board will consider more updates as issues arise.

## New Entrant Program Changes

P5 Boards have agreed to enhance the New Entrant program for 2021 loan recipients by loaning 20 kg to qualified candidates who purchase between 20 and 30 kg. The full loan still lasts 10 years and starting year 11 the loaned quota is returned at 0.1Kg per month. The revised DFNS Program guidelines can be found in the resources and links section of our website [www.dfns.ca](http://www.dfns.ca)

## DFC 2020 Going Virtual

The cancellation of Dairy Farmers of Canada face-to-face AGM in Halifax this July has turned into a virtual format. DFC Delegates, staff and guests will participate in a large webinar to complete the mandatory AGM business items. DFNS is disappointed to not be hosting DFC this summer and showcasing Nova Scotia. Our next turn in the rotation is to host in 2030. Fortunately our deposits with the meeting venue have been refunded. The sunk costs of an organizing firm will be covered with a small surplus from when Nova Scotia last hosted DFC 2010. Next summer’s meeting is planned for Manitoba.

RETAIL SHARE (NIELSEN) OF DOMESTIC DISAPPEARANCE IN CANADA

Year	Dairy Products	Retail Market (Nielsen)	Remaining Markets (Note 1)
2019	Plain milk	70.7%	29.3%
	Cream	34.8%	65.2%
	Refrigerated yogurt	86.6%	13.4%
	Sour cream	53.9%	46.1%
	Natural cheese	50.6%	49.4%
	Butter	57.3%	42.7%
2018	Ice cream	72.4%	27.6%

(Note 1) Remaining markets represent retailers that are not captured by Nielsen, hotels, restaurants, institutions, and further processing.

According to Nielsen, its sales data captures between 80% to 90% of the total retail market.

Sources: Nielsen, Statistics Canada, GAC, CDIC, CDC, and DFC calculations

Covid-19 has disrupted milk and dairy markets. This chart shows the breakout of where the various products are sold – Retail or HRI & FP (see foot-notes).

The cream split is interesting, but fast food and coffee outlets are considered non-retail.

These figures help us better forecast the impact of the Covid closure of many hotels and restaurants. Also as those outlets start to gradually reopen, will there be another adjustment period?

**The May 2020 Quota Exchange was cancelled.  
There was no quota offered for sale.**

Quota Exchange Deadline	Payment Due Date
June 12, 2020	June 26, 2020
July 13, 2020	July 29, 2020
August 13, 2020	August 27, 2020

**P5 QUOTA EXCHANGE MCP**

New Brunswick.....\$24,000  
Ontario .....\$24,000  
Quebec.....\$24,000

**DFNB Newsletter**

Visit [www.nbmilk.org/en/](http://www.nbmilk.org/en/) and click on the "Milk Matters" link to read their monthly newsletter.

**PPE Suppliers**

Farm Safety NS has posted an updated list of **personal protective equipment** suppliers. It can be accessed at: [www.farmsafetyns.ca](http://www.farmsafetyns.ca) under Covid-19 and personal hygiene.

**Lab Results  
April 2020**

**Average IBC:** 31,336

**Average Somatic Cell Count (SCC):** 169,192

**Adulteration:** (Tankers) 1

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**Continuous Quota at the Pool Level**


The chart below shows calculations, by pool, of the change in continuous quota positions to the end of March 2020. Spring production typically exceeds monthly quota allocated to pools, however this has been a very different spring! The P10 production fell short of filling quota by 467,163 Kg butterfat. Note the WMP and P5 had almost the same amount of BF difference between quota and production, despite the P5 being roughly 3 times larger than the WMP. This shortfall moved the continuous position down slightly from -0.66% to -0.78%. Looking ahead to April, the volumes of disposed milk and variable market conditions may cause this trend to continue.

In response to Covid-19, all regional pools have sent production slowdown signals to their producers starting in April and continuing into May. The market continues to be served with healthy butter and cheese stocks.

**Table 1. Continuous Quota (BF Kg, Monthly) - March, 2020**

	NL	P5	WMP	P10
Final Positions - Previous - February, 2020 <sup>1</sup>	(432,299)	(1,336,746)	(783,055)	(2,552,100)
% of the Pool's 12-month Total Quota	-17.53%	-0.47%	-0.79%	-0.66%
Monthly Total Quota - March, 2020	218,633	25,019,504	8,753,106	33,991,244
Monthly Production - March, 2020 <sup>2</sup>	168,589	24,812,595	8,542,897	33,524,081
Difference	(50,044)	(206,910)	(210,209)	(467,163)
Final Pool positions	(482,342)	(1,543,656)	(993,265)	(3,019,263)
% of the Pool's 12-month Total Quota	-19.47%	-0.54%	-0.99%	-0.78%


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This is strictly for the information of dairy farmers.*

## Milk Production and Pricing

Esben Arnfast, Chief Financial Officer

During April milk production declined more than 1,000 kgs of butterfat per day from 23,576 kgs/day in March to 22,567 kgs/day. This 4.2% drop was mainly driven by a 3.4% decline in in volume with the remainder accounted for by a butterfat test reduction from 4.19 kgs/hl in March to 4.15 kgs/hl. It seems that NS producers have reduced their production in relation to the market contraction due to Covid-19. Last April's production was approximately 3% higher and the same butterfat composition of 4.15 kgs/hl.

The daily quota issued to NS producers was 22,295 kgs/day during April after the 3% quota reduction. Currently production is slightly more than 1% greater than quota holdings and the change in average producer utilized tolerance from -6.5 days to -6.2 days reflects that small difference. The May 1 quota reduction of 2% has been applied and producers can expect their individualized letters in the mail, if not already received, showing their new quota issuance.

The NS equalized pool transportation rate climbed to \$2.99/hl and reflects spring weight restriction costs pooled by Quebec as anticipated. Quebec does not build those extra costs into the monthly haulage rates as other provinces do.

The average producer raw milk price dropped from \$84.52/hl in March to \$76.89 or \$18.52 per kg of butterfat at average provincial composition.

Approximately 2.5 million litres of raw milk were disposed of during the first half of April with no ability for NS to export the milk to NB and Quebec Boards to fulfill milk movement obligations. Raw milk disposal was occurring in those provinces as well. In the second half of April, 1.8 million litres was sent to the other provinces.

Milk deliveries to plants within Nova Scotia also declined and the total value of April's milk reported to be utilized by processors was slightly under \$10 million dollars. DFNS used borrowing to pay producers in advance for the milk shipped to other provinces which amounted to \$1.7 million.

Also, after pre-pooling calculations were completed, it was decided that NS would be due to receive \$1.13 million dollars from the pool. DFNS also borrowed that amount to pay producers with plans to recover it from the pooling settlement to be received in early June. Totalling these amounts and other adjustments results in \$12.5 million being available to pay producers compared to the normal monthly amounts in the range of \$14 to \$15 million.

To this point in May there has not been any raw milk disposal in the P5 and it appears that the more normal deliveries to Quebec and NB have stabilized. Processor utilization across the pool is fragile and may eventually return to similar levels experienced prior to Covid-19. Producer component prices can be expected to rebound as that takes place.

## Milk Marketing Report

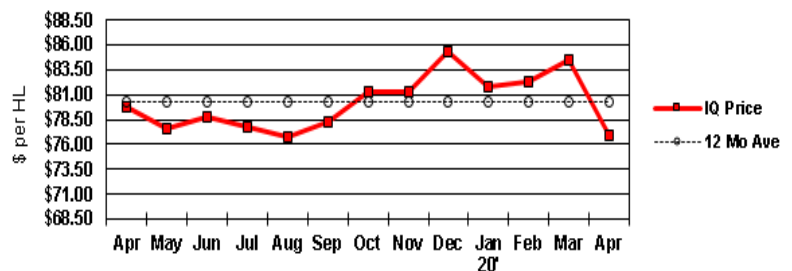
### April 2020

PRODUCTION	2020	2019
Average Liters/Day	544,440	561,443
Average kg Butterfat/Day	22,567	23,309
Average Composition, kg/hl		
Butterfat	4.1450	4.1515
Protein	3.2706	3.2551
Other Solids	5.9224	5.9215
Bulk Haulage (\$/hl)	2.99	2.70

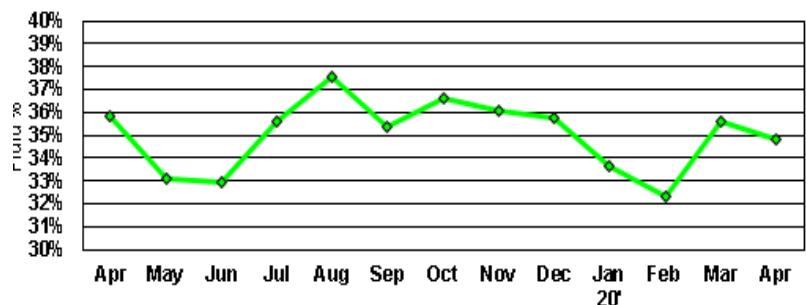
  

PRODUCER PRICES	BF (\$ per kg)	Protein (\$ per kg)	LOS (\$ per kg)	Avg. per HL
April In-Quota	10.7087	7.3509	1.4291	76.89
Apr BF Premium ratio<2.30	0.0530			
April Over-Quota Penalty	-2.7327	-1.9107	-0.3917	-19.90
May Over-Quota Penalty	-2.7327	-1.9107	-0.3917	-19.90

NS Average In-Quota Producer Price  
Per HL basis



Fluid Utilization Percentage



**Total Licensed Producers in April: 199**