

NEWSLETTER

Vol. 20, No. 12 - June 2020

P5 Quota Clarification

Following recent decisions of the P5 Boards, the following clarification is provided:

Effective July 1, 2020 Nova Scotia's quota policies are:

- 3% increase in saleable quota to all producers;
- Resumption of regular quota leasing;
- Removal of the \$20/hl over quota penalty; and
- Return to harmonized quota issuance across the P5, allowing for resumption of pooling individual producer over quota.

The Quota Committee continues to monitor milk production and market changes.

Medavie Blue Cross Benefits Booklet is now available online. Click [here](#) to view

UPCOMING EVENTS & DEADLINES:

July 1, 2020.....Canada Day
July 13, 2020.....Quota Exchange **Noon Deadline**
July 27, 2020.....Quota Lease Deadline
August 3, 2020.....Civic Holiday
August 13, 2020.....Quota Exchange **Noon Deadline**
August 25, 2020.....Quota Lease Deadline

Reminder:

Quota leasing resumes July 2020

P10 Revenue Pooling

The Canadian Dairy Commission recently acted as arbitrator for a disagreement between the Western Milk Pool (WMP) and the P5. Each pool had their own view about components of a revenue-sharing pool at the P10 level during discussions last winter. When a common set of parameters could not be reached, the pools asked the CDC to arbitrate on three outstanding points. Their decision, which is binding on the pools (including Newfoundland), was rendered in May and is effective June 1, 2020.

Unlike the P5, where we pool provincial revenues and markets from all five provinces, this new P10 is a *pool of pools*. This means the P5, and the WMP still conduct pooling as has happened since the mid-1990's. What differs is now the revenues are pooled between the P5 and WMP and NL monthly such that producers will eventually receive the same revenue for components shipped. Eventually, because there is a 4-year transition to allow for the higher WMP revenues to be gradually shared with the P5. Newfoundland, with their unique markets and higher COP, has caps on transfers within the P10 to maintain equity for their producers.

The second element shared within the new P10 are selected costs, which should lead to more program harmonization and a fairer net return to all producers nationally. Revenues and costs are shared on all milk basis meaning fluid and industrial milk sales.

The remaining difference between the P10 and what happens in the P5 and WMP is market sharing. In the P5, provinces proportionally share P5 market growth and contraction. NS is 2.9% of the P5 so we receive that percent of any P5 quota change. Nationally, quota is allocated first to pools using a ratio of 10:90, which places 10% of the quota change on each pool's historical share and 90% on pool population growth. This longstanding deal means a slightly larger share of quota, compared to current markets, goes to the WMP when there are increases. It also means that the WMP experiences slightly larger cuts when markets decrease.

Looking forward the new P10 pooling arrangement sets the table for enhanced cooperation among Canada's 10,000 dairy farmers. It marks a new step in the evolution of supply management as a dynamic marketing model well into the future.

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

Quota Exchange Deadline	Payment Due Date
July 13, 2020	July 29, 2020
August 13, 2020	August 27, 2020
September 11, 2020	September 28, 2020

P5 QUOTA EXCHANGE MCP

New Brunswick.....\$23,900
Ontario\$24,000
Quebec\$24,000

DFNB Newsletter

Visit www.nbmilk.org/en/ and click on the "Milk Matters" link to read their monthly newsletter.

**Lab Results
May 2020**

Average IBC: 30,270

Average Somatic Cell Count (SCC): 168,820

Adulteration: (Tankers) 2

Send your **proAction** Self Declarations or corrections to:

Nancy Douglas
(northern regions 1, 2, & 3)
Email: ndouglas@dfpei.pe.ca
Fax: 902-566-2755
Call: 902-394-1657

Micha Joop
(southern regions 4, 5, & 6)
Email: proAction@nbmilk.org
Fax: 506-432-4333
Call: 506-432-4330 Ext. 104

Covid Impact on Retail Sales

This chart shows the progressive impact of Covid-19 on the national retail sales of milk, cream and dairy products. Retail sales are the best available indicator for changes in domestic demand at the retail level. Each column is the percent change for the 2020 4-week period versus the same period 1 year ago.


The right column shows very little variation pre-Covid for February 2020 versus 2019. But, March and April changes are dramatic and tell a story of market disruption, which led to distribution issues and consumer hoarding / shortages at many retail outlets. Butter is a good example of hoarding (up 37% March over March) but back to moderate changes April over April. Fluid milk, cream, ice cream and cheese retail sales remained strong both for March and April.

The other aspect influencing farm milk production and sales is the sharp decline in HRI (hotels, restaurants and institutions) sales. Because HRI uses a large amount of cream, yogurt and cheese, the overall processing of these products dropped, because retail sales didn't make up the shortfall. As the situation reopens, another adjustment period is anticipated while consumers return to the new normal.

Source: AC Nielsen

Product Category	% Change over 4-weeks a year ago		
	April 25, 2020 vs. April 27, 2019	March 28, 2020 vs. March 30, 2019	February 29, 2020 Vs March 2, 2019
Fluid Milk	12.32	11.81	-1.01%
Fluid Cream	15.13	20.75	3.53%
Yogurt	-1.83%	8.23	1.32%
Ice Cream	24.32%	20.80%	12.23%
Cheese	16.40%	21.48%	1.07%
Butter	1.68%	36.91%	-0.48%


DAIRY FARM WORKERS
AVAILABLE IMMEDIATELY!



- **DAIRY, HOG & POULTRY WORKERS**
- **TRUCK DRIVERS, COMBINE OPERATORS**
- **GENERAL LABOR & MANY MORE.**

ATLANTIC JOB'S provides you with :

- Very experienced dairy farm workers
- Workers providing permanent long term commitment to you

 **Atlantic**
JOBS Ltd. Specializing In Skilled Jobs Placement

We will make your hiring process easy and stress free by securing the best workers available that have the experience, skills, qualifications and language requirements to help your business prosper.
ATLANTIC JOBS has partnered with farmers for many years to provide excellent results.
Call now for information at absolutely no obligation to you

1-877-488-4699 or email CLIENTS@ATLANTICJOBS.NET

Produce more profits

It takes long hours and careful management to run a successful dairy farm. Success is also built on the decisions you make about succession, herd size, barn expansion and quotas.

Grant Thornton LLP advisors are here to help. Our experienced, reliable and friendly advisors have been serving farmers and business owners in Nova Scotia for decades. We care about your family business, because we're part of your community.

Our team can help you with:

- year-end accounting and tax compliance,
- cash flow and financing plans for expansion
- family succession and estate planning
- personal and corporate tax planning, and
- financial and business advice.

Let's start the conversation.

grantthornton.ca

Laura MacLaughlin
Partner, Assurance
T + 902 896 2542
E Laura.MacLaughlin@ca.gt.com

Peter Murray
Partner, Assurance
T + 1 902 752 7053
E Peter.Murray@ca.gt.com

Ryan Power
Partner, Tax
T + 1 902 690 2012
E Ryan.Power@ca.gt.com



Grant Thornton | An instinct for growth™

Audit | Tax | Advisory

© 2018 Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd


www.pwc.com/ca

Business advisors to the dairy industry

Business advisory services, accounting and auditing, estate and succession planning, personal and corporate income taxes.

Nancy M. Frame, CPA, CA
Dwayne A. MacKay, CPA, CA
Lisa A. Poehl, CPA, CA

For more information, please contact our Truro, Nova Scotia location at 902 895 1641.

 **pwc**

© 2016 PricewaterhouseCoopers LLP, an Ontario limited liability partnership. All rights reserved. 227983



Bluenose Financial

Ruth Scothorn - Insurance & Financial Advisor

T: 902-758-1448
C: 902-324-1969
F: 902-236-2444
rscothorn@eastlink.ca

Life, Disability & Critical Illness
Health Plans - Group & Individual
Mortgage Loan Insurance
RRSPs, RESPs, & TSFAs
RRIFs & Annuities

*By displaying advertisements, DFNS is not endorsing these businesses.
This is strictly for the information of dairy farmers.*

Milk Production and Pricing

Esben Arnfast, Chief Financial Officer

During May milk production declined to 22,177 kgs of butterfat per day from 22,567 kgs/day in April. Volume declined by 2.5% compared to May 2019 and the butterfat composition of raw milk produced was slightly higher than a year ago at 4.125 kgs/hl.

The daily quota issued to NS producers stands at 21,751 kgs/day after the May 1st 2% quota reduction so production closely matched the provincial quota issuance. NS producer utilized tolerance barely increased from -6.2 days to -6.1. There was a significant uptake of the additional production day resulting in usage of approximately half of one day's available quota.

The NS equalized pool transportation rate declined to \$2.74/hl and May's rate was affected by spring weight restriction costs in other provinces pooled for April. The May 1, 2020 quarterly review resulted in slightly reduced rates paid to NS transporters.

The average producer raw milk price increased from April's low price of 76.89/hl to \$80.93 or \$19.58 per kg of butterfat at average provincial composition.

Other provinces required raw milk throughout May so NS was able to return to more normal levels of exporting as required for milk movement obligations. Approximately 4.6 million litres were sold to other provinces at a value of \$4.2 million.

Milk utilization reported by processors was similar to Pre-Covid-19 months with slightly more milk declared in special classes 5 and 7. That resulted in NS being eligible for a larger advance of approximately \$1.5 million to temporarily compensate NS producers for higher production than the other pool provinces in the lower price classes.

Of course, that advance will be required to be paid back in June's milk price-setting but the underlying assumption is that NS will receive a higher pooling adjustment than usual. It is unknown at the time of price-setting, to what extent other provinces utilization may be in special classes. That calculation gets done late in June and in uncertain times, it could potentially result in a lower pooling benefit for NS if many other provinces across the country have similar experience with special classes.

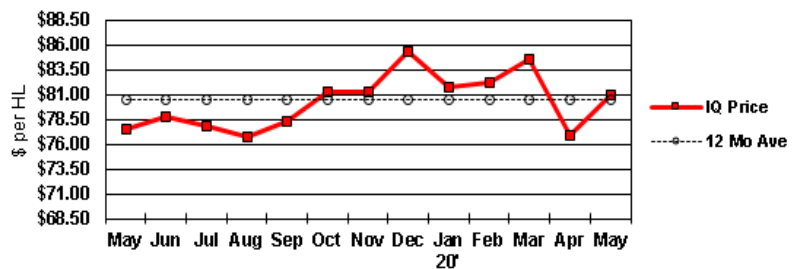
There was no raw milk disposal and one load of skimmed milk disposed of in late May.

Milk Marketing Report May 2020

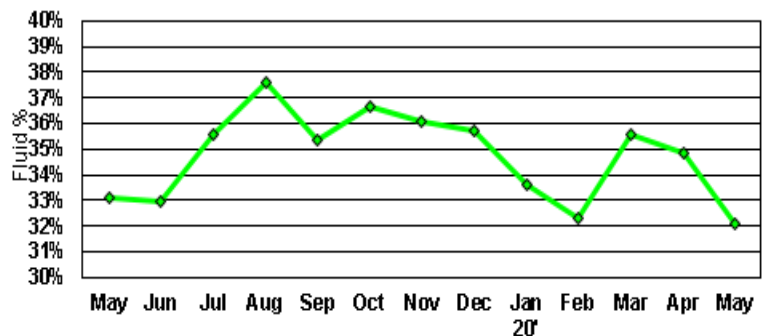
PRODUCTION	2020	2019
Average Liters/Day	537,580	552,111
Average kg Butterfat/Day	22,177	22,731
Average Composition, kg/hl		
Butterfat	4.1253	4.1170
Protein	3.2519	3.2362
Other Solids	5.9174	5.9224
Bulk Haulage (\$/hl)	2.74	2.83

PRODUCER PRICES	BF (\$ per kg)	Protein (\$ per kg)	LOS (\$ per kg)	Avg. per HL
May In-Quota	10.6398	8.5111	1.5815	80.93
May BF Premium ratio<2.30	0.0614			
May Over-Quota Penalty	-2.7327	-1.9107	-0.3917	-20.00
June Over-Quota Penalty	-2.7327	-1.9107	-0.3917	-20.00

NS Average In-Quota Producer Price
Per HL basis



Fluid Utilization Percentage



Total Licensed Producers in May: 199

DFC highlights extraordinary efforts taken by farmers to mitigate impacts of COVID-19

As the COVID-19 pandemic stretches on, DFC continues to work with government and provincial milk boards to ensure that dairy farmers can continue to feed the nation with high-quality and nutritious milk and dairy products.

On May 27th, DFC President Pierre Lampron and Vice-President David Wiens appeared before the House of Commons Standing Committee on Agriculture and Agri-Food as part of their Study of the Canadian Response to the COVID-19 Pandemic. This was the first opportunity for representatives from DFC to appear on the record before MPs since the crisis began.

In their presentation, Wiens and Lampron highlighted the key challenges dairy farmers have had to face since the onset of the pandemic in early March, from fluctuations in consumption to workforce challenges at the retail, distribution and processing levels. The presentation highlighted the extraordinary efforts and leadership of dairy farmers, who have worked with partners throughout the supply chain to lessen the impacts of COVID-19 on the sector. They also touched on the additional challenge and significance of the Canada-United States-Mexico Agreement (CUSMA) coming into force on July 1, 2020.

DFC highlighted how, thanks to supply management, the dairy sector was able to move quickly to mitigate the impacts of the COVID-19 crisis by adjusting production. Furthermore, our advocacy efforts paid off when Parliament approved an extension to the Canadian Dairy Commission (CDC) line of credit for the

additional storage programs. Finally, dairy farmers showed their community spirit by offering food donations valued at more than \$10 million across Canada.

Compared to other industries and other countries that do not have supply management such as the U.S. and the E.U., Canadian farmers were better positioned to act quickly or collectively to respond to the crisis.



Positive first steps

The recent increase to the CDC's borrowing capacity from \$300 million to \$500 million, was welcomed, as the existing level of borrowing would not have provided the level of flexibility needed to respond to any surplus milk situation should there be additional market shocks. DFC's presenters also noted the government's moves to facilitate the entry of new temporary foreign workers into Canada during the pandemic while safeguarding public health, given that some of them work on dairy farms.

Although we have welcomed these announcements which will benefit the broader agricultural sector, some industries have been more severely affected than others and will require additional government support, such as dairy processing.

DFC seeking full and fair compensation

DFC did not seek financial support from government to address the impacts of COVID-19. Rather, it highlighted the more significant issue of market access concessions, and called upon MPs to formalize the government's previous commitments to compensate dairy farmers for the domestic dairy production that was given up in CETA, CPTPP, and most recently with the early adoption of CUSMA. These agreements have eroded the supply management system – by 2026, 18% of our Canadian dairy production will have been transferred to imports coming from abroad. Unlike COVID-19 which created a market disruption, trade concessions mean Canadian product on the shelf will be replaced by dairy from other countries.

While the government committed to a compensation package for CETA and CPTPP, with a balance of \$1.75 billion to be delivered over eight years, only \$345 million has been made available under the Dairy Direct Payment Program, which ended on March 31, 2020. DFC continues to request that the remaining seven years of full and fair compensation for CETA and CPTPP be delivered in the form of direct payments, but the government has yet to make a commitment in this regard.

"A big part of our market was ceded to foreign production, and that's why we need this compensation, and like the first round of compensation, we are seeking it in direct payments," said Lampron.



'Every time there's more access given, it weakens us'

"The losses that we will incur have been well documented, and they will be felt even sooner than we had anticipated," said Lampron. "We were really hoping that CUSMA would take effect in August because that would align with the start of the dairy year, but these lower limits will be imposed on our exports and our industry will have to adjust."

"Part of what we're really trying to emphasize here is that with supply management, we can handle things like downturns, although this was extreme – we have never experienced something like this so that tested us to our limits," said Wiens when asked about the impact of CUSMA on dairy farmers. "But what supply management cannot do is to have the foundation continuously being undermined, and whenever we allow further access to the Canadian dairy market, that is in fact what is happening. So every time there's more access given, it weakens us and then it makes it more difficult for us to withstand the kind of challenges that we've seen with the pandemic, that concerns us, the in the future it does make us a little bit weaker."

STAY UP TO DATE WITH THE LATEST DFC NEWS!

DAIRY EXPRESS – DFC'S NEWSLETTER

Monthly updates straight to your inbox! To subscribe, email communications@dfc-plc.ca

DAIRY EXPRESS+

Timely news and tools, all at your fingertips! **Download the app today on iOS or Android.**



Dairy Farmers of Canada



@dfc_plc



[Dairyfarmersofcanada.ca](https://dairyfarmersofcanada.ca)