



# NEWSLETTER

**Vol. 20, No. 9 - April 9, 2020**

## Notice of Quota Exchange Results

Due to unforeseen circumstances, the April Quota Exchange results will not be available until 4:30 pm, Tuesday April 14. Please check the DFNS website / Quota Hub after that time to view the results. We apologize in advance for any inconvenience this delay may cause.

## Quota Policy Changes April 1

The P5 boards approved policy changes starting in April designed to slow down milk production across the pool in the face of market disruption due to Covid-19. The following explains the tools available to send this signal to producers. The common objective is slowing milk production, in a time of the year when producers typically ship 3% or more above their quota. The P5 Quota Committee identified four tools available to provinces:

**Over-quota Levy** – In order for the measures to be effective in slowing production, boards adopted a \$20 per hl levy, which applies to any producer going above +10 days. Those producers still pay all regular deductions, amounting to another ~\$5/hl.

**Credit Limitation** – Ontario used this tool last year as a very direct intervention to slow production. A zero credit limit means all producers in that province can only fill their monthly quota because more than filling their quota, no matter where they are in their sleeve, attracts the -\$20 / hl overquota levy.

**Quota Reduction** – A more common way to slow down milk production is cutting quota, which impacts all producers proportionally. But, depending on how many credits producers in a province have, this tool can take many months before we see milk dropping by an amount close to the percent cut.

**Suspending Credit Exchange or Quota Leasing** – Only the Maritime Provinces have credit exchanges or quota leasing. These tools are suspended, or modified, to prevent producers from buying credits, or leasing-in quota to fill, when we need to slow milk production. Catastrophe leasing continues.

*continued . . .*

## Other Points:

- The intent is for each province to do what they can (within regulations, computer programming, etc.) to achieve equivalent impacts toward slowing milk production.
- It is very difficult to accurately measure the impacts of the above tools.
- Also keep in mind that various policy tools affect certain provinces differently, mainly due to position within their provincial sleeve.
- Another aspect is the interaction of tools. Applying a credit day limitation and continuing to run a credit exchange/leasing at the same time allows producers to circumvent the credit limit.
- All 5 provinces are charging the over quota levy but Quebec needs to apply it on BF basis. Numbers are equal. The rest will apply it on all components, like we did 1 year ago.
- The P5 Quota Committee will continue to closely monitor the milk market situation to react to any further Covid-19 related disruptions and once these disruptions have ceased the P5 Quota Committee is committed to ensure that the P5 quota is re-harmonized.

## Lactanet Update

Submitted J. Gunn Lactanet

Lactanet continues to serve dairy farmers through the COVID-19 pandemic by keeping the health and safety of our employees and farmers our top priority. We also recognize that even with the COVID-19 pandemic and the restrictions that come with it, our dairy farmers continue to go to work everyday, producing a quality product, and needing to manage their herd performance and profitability. We also recognize that many of them still want data to do this.

This is why we have moved to a non-contact service, which means any on-farm testing will be unsupervised (owner-sampler), which would involve the samples (including those for Gestalab) being taken by the farmer or their team, and the samples/data being picked up at the farm by the technician or a courier. Official records for any publishable herds will be maintained during this time. Advisory services will be offered remotely for the unforeseeable future.

We all need to play our part to beat COVID-19 and get this behind us as soon as is reasonably possible. Take care and stay safe everyone.

Dear Fellow producers,

I like to reach out to you in these unprecedented times. As a nation and as a world we are facing something we never faced before. The spread of the pandemic Covid19 has certainly turned a lot of things upside down. As a dairy industry we are faced with our own challenges, be they on the farm or in the whole supply chain. Markets are changing each day and what used to be normal buying habits are mostly gone. For that very reason it is almost impossible to predict what tomorrow, next week or next month might require. Just to give you an idea of what is happening at all different levels I will try to break it down.

From a provincial perspective as you should be aware of our staff is all working from home and doing their very best to do everything that is needed to be done. As you can appreciate this is not easy. Not being in the office, everything needs to happen by phone or email.

As a provincial board we have weekly conference calls to do the business of DFNS. Beside that we have weekly scheduled conference calls with transporters and processors, provincial representative, staff of DFNS and directors appointed to the advisory committee for milk and advisory committee for transportation. As a chair I have daily calls with Brian Cameron on the issues of the day. The executive talks with one another on a regular basis and directors discuss different matters between board calls to manage our time limitations on conference calls.

From a P5 perspective I will name a few of the activities happening, knowing I will forget some. P-5 chairs and GMs have weekly calls, P-5 quota committee at least weekly, along with technical committees within the P-5.

From a national level there are many different groups that meet through conference calls and webinars. To name a few, CMSMC, Issue Management Working Group, DFC board and many working groups through DFC in regard to production, transportation, trade, promotion, media and many more. Also the CDC has different working groups which are part of those calls or separate calls.

I am sharing this with you so that you may understand and appreciate the many things that are happening to allow our industry to go on as "normal" as possible.

In regard to production right across the country we have more milk than is needed in the marketplace. For that reason, we have all seen the measures put in place to reduce production for now. Disposing of milk is something nobody wants to do but we have no choice. The sooner we can curb this dumping the better, because we all realize that this is going to reduce our blend price. The question I can hear is "by how much?" My answer is that it is impossible to know because of changing processor utilization, depressed world prices and variable farm production and components. No one knows for how long Covid-19 will go on or how quickly and to what extent markets will come back.

Having all of that said, I am glad that we are working under supply management and we are all sharing the cost of this. Looking at other commodities they are facing the same challenges of market disruptions alone.

In regard to signs in the stores limiting the amount of milk allowed to be bought by consumers, this has been of great concern. We raised this with processors and in turn they are working with the retailers to ensure orders are filled and the signs come down. We are being told that the challenges in distribution and retail are manpower and protecting essential worker health - but this needs to be addressed somehow. DFC is having conversations with National Retail Association and government on this.

As far as cull cows and calves we don't know what will happen in the nearer future. So far we know that one big killing plant in the US shut down but there is word of them opening up again.

All in all we are in uncertain times.

I like to thank each one of you for your support and understanding and ask all of us to do our part to allow this pandemic to pass as soon as possible. I also like to thank all staff at DFNS and across the nation for working together so well and putting the effort in to minimize disruptions. We will get through this together and I encourage you to contact your director when needed and allow staff to do what needs to be done.

We as your board commit to keep you in the loop as often as possible.

On behalf of the board,

Gerrit Damsteegt (chair DFNS)

## Update on the Nova Scotia Dairy Markets

Submitted: Dustin Swinkels

The dairy industry has seen some massive changes in the past month, we are in uncharted territory that nobody could have predicted only a short few months ago. This memo will attempt to explain what has happened to date, we are beginning to get a clearer picture of the “new” market but I must stress that the situation changes daily.

In the traditional dairy market there is a roughly 50:50 split of products sold into the foodservice industry (hotels, restaurants, etc.) and the retail industry (Sobeys, Superstore, COSTCO, etc.). Today as a result of social distancing measures the food service industry has basically disappeared and this has resulted in a major shift in products that processors supply to markets (think little creamers and 20L polys of milk now becoming 2 liter cartons). This has also put considerable stress on supply chains at the distribution and retail levels and has resulted in an oversupply problem at the farm.

On April 1<sup>st</sup> NS announced a 3% quota cut, the suspension of leasing and an over-quota penalty. This was done as a measure to slow milk production and address the inevitable disposal of milk which followed days later. Since then we have been disposing of roughly 5% of the raw milk across the P5 because there is simply no market for it. Some excess milk is being processed into butter and cheese stocks, however, these increased stocks will only add to the future glut in our market.

We do not have a clear indication of how long the food service industry will be shutdown, but it most certainly will not rebound overnight, which creates a challenge as to how hard we should cut production. We all know it is much easier to cut milk production on the farm than to turn it back on. We will continue to monitor the situation and adjust quota and policies as needed.

Additionally, the current market situation will likely impact on the April milk price. The biggest impact is being felt in the fluid cream market, coffee shops are huge buyers of cream and have seen their sales largely impacted. Fluid cream is a high value product which adds significant value to the milk price.

We are also seeing large impacts in “special classes”, this class represents butter, cheese and other dairy used in the manufacture of other goods; examples of these goods would be cookies, doughnuts, muffins, etc. This is a lower value class and will have less impact on the blend price. We have also seen moderate impact on fine cheeses and the pizza cheese markets which will have some impact on the blend. The other important factor to note will be the impact of class 7 pricing. World protein prices have dropped about 30% in the past month as a result of oversupply, this will have a direct effect on class 7 prices pushing protein prices downward.

One positive point coming out of all this will likely be reduced transportation costs for April with very little milk being trucked out of province. Out of province trucking is usually a significant cost for us, this should add some value back into April milk revenues.

### Soil Testing Restarts

In response to the ongoing COVID-19 pandemic, the agri-food industry is recognized in Nova Scotia as an essential service. To ensure quality crop yields and environmental protection, the NSDA Animal and Plant Lab will be providing soil testing to Registered Farms during these critical times moving into the 2020 growing season. Please limit the number of samples submitted at one time to those required for this planting season so that we can prioritize our services.

**Please Note:** In order to follow public health orders to promote social distancing and minimize people in our buildings, all soil samples must be submitted to the lab using a courier service. Samples must be shipped to:

Laboratory Services  
176 College Road  
Truro, NS B2N 2P3

For public health and safety reasons there will be a minimal number of staff on-site working and following social distancing protocols. For this reason, turnaround times may be delayed.

Soil samples will be accepted effective April 6, 2020 with testing scheduled to begin the week of April 14, 2020.

## Questions and Answers

1. Q: Why does DFNS deduct transportation on a milk shipment when it is disposed of on the farm?  
A: Transportation, Promotion, DFNS admin., School Milk and Milk Testing fees are deducted on all milk marketed to DFNS. While we appreciate producers cooperating with on-farm milk disposal during these extraordinary times, Bulk Milk Graders still need to measure, grade and sample the milk. The transportation costs cover these activities, and should be lower the next period of time when out-of-province hauling is minimized.
2. Q: Why can't I turn my cooler off and pump milk directly into my lagoon if DFNS asks me to dispose of milk?  
A: We need all farms to abide by the regulations for the production and storing of milk. Covid-19 has not suspended any regulations. In the extraordinary times, we have needed to redirect milk from disposal to plant delivery at the last minute. All milk produced is still subject to the high standards of milk quality and proAction –every day.
3. Q: What else can I do to reduce production following the 3% quota cut?  
A: Producers are in the best position to make their own management decisions, but examples we have heard are drying off cows early, switching from 3x to 2x milking, culling cows and considering ration changes to slow milk production while continuing to meet the herd's nutritional requirements.
4. Q: Why did DFNS cut 3% quota and suspend quota leasing?  
A: Cutting quota alone would work but suspending leasing, as well, will help slow down milk production more quickly. On average NS producers are high on their sleeve (greater than -6 days) so moving higher, in a 3% narrower sleeve will lead to changes. The \$20/hl overquota levy re-introduced will also minimize production above +10 days.
5. Q: What will DFNS do to replace the cancelled spring regional meetings?  
A: DFNS is planning regional webinar presentations later in April to respect Public Health restrictions. Producers can log in using their computer to see a slide presentation, hear a presenter and ask questions. A schedule and connection instructions will be circulated in the coming weeks.

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