DAIRY FARMERS OF NOVA SCOTIA

NEWSLETTER

Informing Nova Scotia dairy producers on matters affecting their industry.

Vol. 22, No. 7 - March 2022

Dear fellow producers,

Every day we see that the days are getting longer. For me this creates energy as we are starting to prepare for spring; having the equipment ready and all the orders put in for a busy season to come. We also know that our input costs will be up significantly when we look at almost anything we purchase for the farm. We all were aware of the announcement of a price increase at the farmgate as of Feb 1, 2022, of 8.4 %. Nevertheless, when final payments for February were received, we all noticed that we did not see this. Esben Arnfast has an article in this newsletter to explain why this happened. It is certainly our hope that the milk shipped for the month of March gives a better reflection of the increase. I just want to caution all of us on the 8.4 % because it depends on volumes produced and utilization in the different classes which will dictate the final price.

Lastly, I would like to draw your attention to the change that comes in effect on August 1, 2022, regarding underproduction days (credit). This lower limit will be reduced from a low of minus 30 days to a new low of minus 15 days. If your farms position is between the minus 15 and minus 30, please consider your option to fill these days because after July any credits below minus 15 are lost. Please read additional article (right column) on this.

Gerrit Damsteegt, DFNS Chair

In-person Spring Regional Meetings have returned!

April 7 12:00pm - 2:30pm
Claymore Inn & Suites, 137 Church St, Antigonish

April 7 7:00pm - 9:30pm
Inn on Prince, 437 Prince St, Truro
This meeting is also available on a virtual platform - contact the office for details

April 8 12:00pm - 2:30pm
Aylesford Fire Hall, 1083 Park St, Aylesford

*Please note registration is not required for in-person sessions
**Meals not provided

REMINDER: Overproduction and Underproduction Credit Limits Permitted

Matching P5 milk production with variable markets has been an increasing challenge in recent years. Some producers are accumulating underproduction credits, which create milk shortages, and then use those credits when there is already enough milk in the system. This explains, in part, quota increases and decreases, as well as the credit limitation policy observed in recent years. As such, farm underproduction credits have become a significant issue when trying to fill provincial or P5 markets.

P5 boards reviewed the overproduction and underproduction credits permitted and approved an adjustment, which will take effect by Aug. 1, 2022. Currently, all P5 producers are permitted to borrow a maximum of 10 overproduction credit days (10 x daily quota) and can accumulate a maximum of 30 underproduction credit days (30 x daily quota). This policy is in place to help producers manage their quota during milk production variations, while providing enough milk to meet yearly P5 demand. Current overproduction and underproduction credits permitted have been harmonized across P5 provinces since 2009.

• As of Aug. 1, 2022, the maximum number of underproduction credits permitted will change from -30 days to -15 days;
• Overproduction credits permitted will remain at +10 days, for 25 total credit days instead of 40.

Producers are reminded of the changes and are free to adjust their credit day position at their own pace, as long as they are within the revised underproduction credit limit by the effective date.
Any underproduction credits below the revised limit by the effective date of Aug. 1, 2022, will be lost.

Milk Producer magazine, Early Spring 2022

UPCOMING EVENTS & DEADLINES:

April 7 & 8……………………………..Spring Regional Meetings
*April 13 ……………………..…Quota Exchange **Noon Deadline***
April 15……..………………………………………...Good Friday
April 18……………………………………………..Easter Monday
April 25 ………………………………….…Quota Lease Deadline
*May 13………………………..…Quota Exchange **Noon Deadline***
May 23………………………………………………....Victoria Day
May 25……………………………………Quota Lease Deadline
*June 13…………………………Quota Exchange **Noon Deadline***
June 24…………………………………….Quota Lease Deadline

4060 Highway 236
Lower Truro NS B6L 1J9
Phone: (902) 893-MILK
Fax: (902) 897-9768

The March Quota Exchange was Cancelled as there was no quota for sale

Quota Exchange Deadline	Payment Due Date
April 13, 2022	April 27, 2022
May 13, 2022	May 27, 2022
June 13, 2022	June 28, 2022

Leased Quota

The total amount of quota leased in February 2022 was 900.92

To view the Lease-In List click here.

To add your farm to the list email farm name, contact name and phone number to dfns@dfns.ca

DFNB Newsletter

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

Lab Results
February 2022

Average IBC: 40,683

Average Somatic Cell Count (SCC): 163,018

Adulteration: (Tankers) 1

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

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

DFC sponsors Dietitians of Canada’s Nutrition Month 2022

Dairy Farmers of Canada (DFC) is proud to once again sponsor Dietitians of Canada’s Nutrition Month. The annual event, which happens every March, celebrates food and healthy eating by shining a spotlight on dietitians’ role in providing effective, credible nutrition guidance to Canadians.

This year’s theme explores *ingredients for a healthier tomorrow*, with a focus on sustainability. This important topic is relevant and timely as DFC is committing to a goal of net-zero greenhouse gas emissions from farm-level dairy production by the year 2050. As primary food producers, dairy farmers are passionate about managing resources responsibly for future generations.

We can all help reduce the environmental footprint of our diet by reducing food waste, buying Canadian products when possible, and choosing less processed foods. What’s more, because sustainable eating must always consider human health, that means nutritious milk, cheese and yogurt go hand-in-hand with sustainable healthy eating goals. Visit **www.whatyoueat.ca** to find helpful tips for a healthier you – and a healthier planet.

Dear Producer,

March has been a very intense month at DFNS. The key activities that have been keeping me busy include the following:

- Intersol Working Groups with the Board of Directors.
- Intersol Focus Groups with Producers.
- Reviewing resumes and setting up interview dates for both the Policy position and Accounting positions.
- The switch over from Proserveit to Carbon 60 for all our data storage and IT security needs.
- The extension of the old handheld system as we await the software for the new PLQ handheld system.
- Development of regulation changes for dairy barn inspections.
- Development of changes to the sampling system chain of custody.

Today I will deal only with some of what you have already been exposed to by the Intersol Focus groups activities and try to shed some additional light on the key subjects. Next month, I will try to bring you up to date on the other topics above that impact you daily.

After Intersol produced their summary report on the survey that many of you filled out, the Board had two working sessions with Intersol to determine some broad concepts concerning which direction the Nova Scotia industry should go, the first session was Feb 23 & the second on March 3. The results of these two intense sessions were what you have now had a look at on March 17 and March 22 with your own focus groups.

The overriding driving force behind all this is to find methods to redistribute TPQ in the most equitable way possible. The survey clearly pointed out that most active dairy farms in the Province, want both to stay in business and to add some growth to each operation to maintain profitability. From that very statement you can see the issue and the problem. Where is the growth going to come from? Clearly an increase in market would be the longer term goal; but that depends on factors over which we have little control, such as population growth and related consumption growth. If our 23,000kg/day of Bf was to grow to 24,000 kg/day everyone with TPQ will get their share. This is clearly a slower route then some seem willing to wait for, so the Board is searching for other ways to get what quota is available now, onto the exchange so that you all get an equal opportunity to offer on it. This is where the Iteration/ Proration changes originated. However, you cannot Iterate or Prorate thin air, so how to deliver quota to the exchange?

Clearly quota is changing hands when whole farm operations are being purchased. You all have heard the stories of whole farms selling on a TPQ basis for well over the $24,000/kg that is the cap on the exchange. So, the question becomes, is this an issue? Well, many think it is and that it is a distortion of the market. Some buyer can come along with a large equity position and can simply afford to pay well above market; regardless if this makes any sense from a cash flow point of view or not. Normally if one was to try to borrow the money required for such an over market buy the banker would send them packing. So comes the concept of a "Exchange Allocation". If the buyer can afford to pay over market, then they can afford to pay more over market and have a per cent of that already overpriced quota go to the exchange so the rest of you can have a chance to buy it at the cap price.

This scenario is of course not the only whole farm sale option and often a buyer has more limited means (equity) and a great deal of debt financing involved in the purchase. An Exchange Allocation will have a much greater impact on this deal. Losing a significant percentage of the purchased farms' quota from day one is going to make life very difficult as a portion of the debt repayment plan would disappear. So the Board is faced with another decision on how to handle the Exchange Allocation percentages in these two extremes in a whole farm purchases.

The concept of mergers is clearly a sticky wicket. Most of this is based on our view to the south where 3% of producers now supply 50% of the milk. It takes the other 97% to produce the other 50% . No one in Canada wants to see this sort of consolidation. Having said that, there are examples of mergers in Canada. If operated properly mergers can and would promote farm efficiency. Wild west style merging is not what your Board has in mind. Hence, the concept of a TPQ cap or farm size cap or whatever name one wishes to call it. There will most likely be additional limitations such as we see in DFO's regulations.

There has to be a limit on the merger idea to keep it from going rogue. A TPQ cap that represents a certain per cent of that 23,000 kgs/day Bf is what your Board is trying to determine. This may be the first and most powerful control. Bearing in mind that the P5 will have a lot to say about this idea. Remember that the P5 is critical to DFNS as the P5 are taking in the ballpark of 30% of our milk annually. They are more important to us then we are to them!! So, a 4% cap in NS is a 920 kg/day farm, where our average farm is around the 114Kg mark (or.49%). That will attract some attention at the P5, as Ontario and Quebec have much greater daily quotas.

How does the merger concept put more quota on the exchange? If you want to buy your neighbor and merge the purchased farm with yours, there will have to be an Exchange Allocation as with a whole farm sale outlined above. In this case, however, the dynamics are different as the purchaser is an active and progressive farm unit already and wishes to grow. The Board will have to consider the purchase to be a much different situation than found in a whole farm sale, particularly in the second scenario discussed above. Losing a per cent of the quota to the exchange, while painful, will have to be a part of the calculation in the to buy or not to buy decision.

The Board will have to decide how to navigate these difficult decisions. Rest assured that the Board heard your concerns around these issues and many others that I cannot touch on today …

See you at the Regional meetings … Greg Cox

Milk Production and Pricing

Esben Arnfast, Chief Financial Officer

NS raw milk production increased very slightly during February from 560,000 to 562,000 litres per day. Compared to last February, the volume has dropped 4.2%, however the decline in butterfat production was a smaller at 3.4% due to a slightly higher butterfat composition in raw milk.

The February provincial production of butterfat was 23,866 kgs per day which was 102.8% of allocated quota. The excess production resulted in a shift of the average Nova Scotia farm underproduction credits from -3.8 day of quota in January to -3.1 days.

The NS transportation rate jumped to $3.15/hl in February resulting from the quarterly review and new rates paid to transporters within the province. Of course, the higher February rates will be pooled but we can project rates would also be increasing across the P5 for the same reasons.

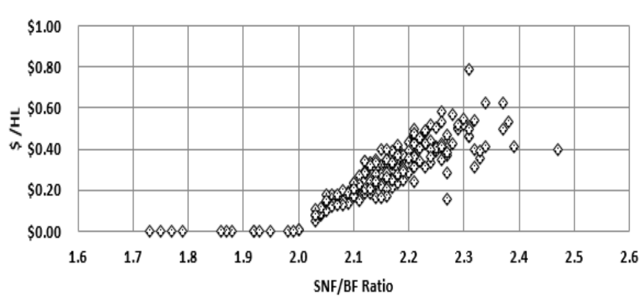
The Nova Scotia average producer raw milk price for in-quota, below market SNF/BF, for February declined to $84.38/hl and $19.11/kg b.f. for milk of average composition.

Processors reported a higher value of utilization in February as a result of the February 1st increase in billing prices of 8.4%. Normally that would lead to higher producer prices, however the value of the advance that is paid by the P5 to DFNS was much smaller than normal for February. The advance is used to pay producers for milk shipped to other provinces that is settled a month later when pooling. 4.35 million litres were delivered to other provinces in February.

The advance is determined by a calculation that compares January average P5 prices times February production versus total February dollars from processors available to be paid which were higher due to the price increase. The resulting difference for February's advance was much smaller than normal at $1.08 million. It was added to February dollars available to pay producers, but meanwhile, January's repaid advance of $2.73 million needed to be deducted as well.

For the March producer price calculation there will likely be a more normal advance calculated and the repayment of the smaller February amount should have a large positive overall effect.

Feb 22 In-Quota Raw Milk Price $/HL Market Price Loss at SNF Ratios

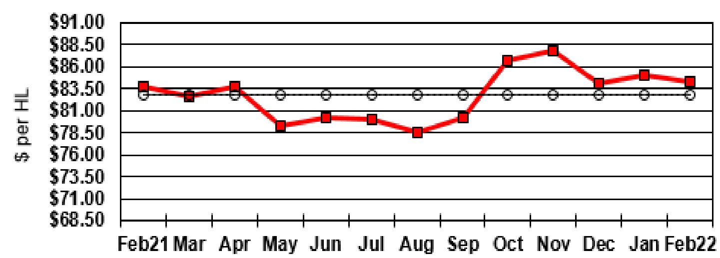


Milk Marketing Report
February

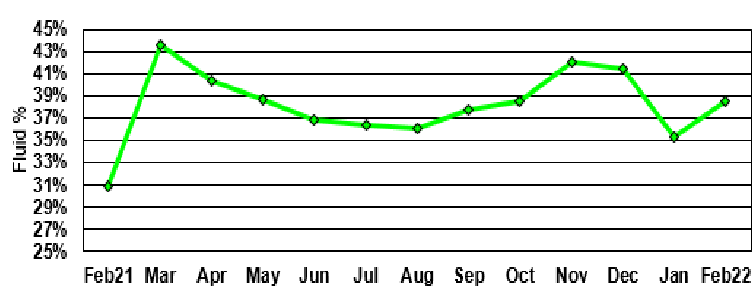
PRODUCTION	2022	2021
Average Liters/Day	562,212	586,900
Average kg Butterfat/Day	23,866	24,703
Average Composition, kg/hl		
Butterfat	4.2450	4.2090
Protein	3.2991	3.2694
Other Solids	5.9176	5.9409
Bulk Haulage ($/hl)	3.15	2.78

PRODUCER PRICES	BF ($ per kg)	Protein ($ per kg)	LOS ($ per kg)	Avg. per HL
Febin-Quota, Below Market	10.4010	10.5778	0.9000	84.38
Feb Market SNF Rate ($/kg) SNF/BF = 2.00-2.30	0.000	3.9223	3.9223	
Feb Over-Quota (Penalty)	-2.7327	-1.9107	-0.3917	-20.00
Mar Over-Quota (Penalty)	-2.7327	-1.9107	-0.3917	-20.00

NS Average In-Quota Below Market SNF/BF Producer Price Per HL basis



Fluid Utilization Percentage



Total Licensed Producers in February: 200