



NEWSLETTER

Vol. 19, No. 11 - June 2019

IT Update

About one year ago DFNS withdrew from the Milk Marketing System (MMS) IT computer program development, leaving BC, Alberta, and Manitoba as the remaining MMS provinces. At that time, the board made the difficult decision based on seemingly never-ending costs and delays.

Another concern for DFNS, as the only P5 province left, was policy changes resulting in computer programming changes would not be shared with the other western provinces.

One year later, we are close to pricing alignment with Quebec's central system, as well as New Brunswick. Once final business requirements are compared and better understood, the Quebec board will propose pricing for a phased transition to their system.

Areas where we align, we will adopt; areas where we differ, either we will modify our policies and procedures, or Quebec will adjust their program to accommodate those differences.

There are advantages to moving to a proven operating computer system, versus building one from the ground up. DFNS and DFNB will share some costs to get both provinces coordinated in a fully bilingual program. The system extends beyond producers to include processors and transporters as well. In the meantime, DFNS staff continue their dedicated work with a variety of programs to serve our industry.

UPCOMING EVENTS & DEADLINES:

July 1, 2019.....Canada Day—Office Closed
July 12, 2019.....Quota Exchange Deadline
July 25, 2019.....Quota Lease Deadline
July 31—August 1, 2019.....Policy Session—Hampton Inn

DFNB Newsletter

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

TRQ Allocation

DFNS vice chair Byron Lamb delivered the national producer position at a Global Affairs Canada (GAC) consultation in mid-June. Following a number of implemented trade deals, or soon to be ratified, GAC is asking stakeholders how the import Tariff Rate Quotas (TRQ) should be allocated. For dairy, TRQs dictate who imports how much of which dairy products, and when. Lots of moving parts. Dairy producers and processors wish to see TRQ in the hands of those impacted by imports; i.e., dairy processors.

Allocating TRQ to distributors and retailers can lead to market destabilization, depending on when the imports occur relative to domestic processing planning.

As seen in the past, markets would be least disrupted with imports in all twelve months of each year, versus concentrating on the pre-Christmas period. Also, the proportion of imports arriving packaged for retail sales, versus as an ingredient for further processors, needs to be respected. GAC will review input from across the country before determining their final position. DFNS supports Dairy Farmers of Canada's position, which will be submitted on behalf of all producers.

A4 Update

The A4 (Atlantic dairy boards) met in May to discuss moving forward with a joint initiative called the Regional Services Model (RSM). This initiative is based on strong feedback from the fall Atlantic Policy Conference, where operational and services efficiencies among dairy boards were promoted.

Terms of reference for the RSM were developed and approved by all boards this spring. Next steps are to contract with a business consultant to map out how boards should proceed. This should start in the fall after responses are received to our request for proposals. While the four dairy boards derive their delegated authorities from their respective provincial governments, the RSM is designed to focus on harmonizing and, where possible, merge common operational and administrative activities.

For producers to save money, investment is needed to develop and implement the right plan. Savings are realized as a medium-term result. Stay tuned for a further update this fall.

Results of the June 2019 Quota Exchange

Iteration (all buyers): 0.19 kgs
Prorated for buyers: 1.34%

Kilograms

Purchased (actual)	26.16
Offered to Purchase	947.56
Offered to Sell	26.16

Producers

Buying Quota	72
Offering to Buy	72
Selling Quota	3
Offering to Sell	3

Price	Offers to Sell (kgs)	Cumulative Sales	Difference	Cumulative Buys	Offers to Buy (kgs)
\$24,000	26.16	26.16	-921.4	947.56	947.56

Quota Exchange Deadline	Payment Due Date
June 13, 2019	June 26, 2019
July 12, 2019	July 29, 2019
August 13, 2019	August 28, 2019

Save the Date!

Nappan Forage Day

August 7, 2019

Contact Amy Higgins for more information:

maritimebeefcouncil@gmail.com or
506-349-5395

Lab Results May 2019

Average IBC: 31,214

Average Somatic Cell Count (SCC): 189,797

Adulteration: (Tankers) 1

P5 QUOTA EXCHANGE MCP

PEI	\$24,000
New Brunswick	\$23,500
Ontario	\$24,000
Quebec.....	\$24,000

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

Lindy Brown
(southern regions 4, 5, & 6)
Email: lindy.brown@nbmilk.org
Fax: 506-432-4333
Call: 506-435-2117

Dairy Farmers Concerned about Climate Change

Last winter, Michael Urso, a fourth year student at Dal 'AC, surveyed NS and NB dairy farmers about their farms and climate change. Various reports blame agriculture for as much as 30% of greenhouse gas emissions, while others are closer to 4%. A realistic range is between 14-18%, depending on how much of the value chain we include. Livestock, particularly cattle, are blamed for a big portion of this in the media. Many levels of politics are involved, which the survey avoided. Thirty farmers responded to the survey. While this response rate is low, it is large enough to analyze and draw some general conclusions. Because the questions were adapted from surveys conducted, and a 2014 Dal 'AC project, the 7.5% response rate is not problematic.

Most of the farmers live on family farms, and just over 50% own the land, which is typical of a "normal" dairy farm. Not surprisingly, farmers were very positive toward any new ideas that would improve their bottom line. But the commitment to the land, and the desire to practice "environmental stewardship," was stronger. We believe this reflects farmers' awareness of current public concerns about agriculture and the environment.

Preliminary analysis indicated a strong willingness to adopt new ideas to reduce the greenhouse gas impact of farming, particularly when the ideas are supported by government funding. But most farmers were willing to invest some of their own funds. These findings support work completed in 2014, which concluded that dairy farmers are innovative.

The scores were much higher on both Dal 'AC surveys than they were in other countries where the same questions were applied. Michael has graduated from the International Food Business Program, jointly offered by Dal 'AC and AERES in the Netherlands. His work is continued by graduate student Ashley MacDonald of East Stewiacke, and other students supervised by Dr. Christopher Hartt. They are currently interviewing dairy farmers. If you are interested in being interviewed, contact Chris at chris.hartt@dal.ca

Policy Session

DFNS Milk Committee Members and P5 representatives will once again meet with our board and staff on July 31-August 1 to discuss and debate policy issues facing our industry. With a full slate of topics, the meetings will help our board set direction for the coming year and beyond.

Many files are ongoing, including trade deals and industry compensation, another five-year Quota Policy Review in 2020, DFC changes, and milk pricing. Plenty of time will be allotted for questions from the floor and open discussions. A report from our meetings will be published in an upcoming newsletter.

Fall Incentive Days Announced

The P5 Boards reviewed milk production and market trends, as well as processing capacity, and announced the following incentive days, to be issued on a non-cumulative basis:

Two days for September; **two** days for October; and **one** day for November 2019.

The P5 Quota Committee will continue to monitor milk production and market demand and determine if additional incentive days are required. The P5 Quota Committee remains committed to quota issuance harmonization, effective November 1, 2019.

Looking for Validators

DFNS and DFNB currently have contracts with three proAction validators. We are currently pursuing the addition of one or two more validators. This will allow more flexibility to meet national validation requirements, any farm conflicts of interest, scheduling issues, and contingency for illness and vacations. A full request for Expression of Interest can be found on the DFNS website, with a closing date of June 27, 2019. Please relay this to anyone you think would be a fit for this part time opportunity.

Validation No-Show

On rare occasions, a proAction validator arrives at a dairy farm for a previously scheduled validation, and no one is at the farm. Attempts to contact the producer, or other farm workers, fails. Validators are instructed to leave the farm and re-schedule the validation. Boards then pay the validator one-half their validation rate, plus incremental mileage related to the failed validation. This rarely occurs, but costs are shared by all NS producers. The DFNS Board agreed at their May meeting that starting June 1, 2019, the "absent producer" will be charged to cover the costs (50% validation fee plus mileage) for the validator. Currently, validations are \$270 per farm. These amounts will be deducted by the payment agent as part of quarterly proAction producer deductions, and the producer will be charged the full \$250 validation fee when it is rescheduled.

Continuous Quota at the Pool Level

The chart below shows the calculations, by pool, of the change in continuous quota position between March and April, 2019. This creates better understanding of impacts of comparing production to monthly, versus 12-month, total quota. Note that Easter occurred in April, which seasonally drives market demand in a similar way as the lead-in to Christmas. Monthly total requirements in April 2019 were 10.4% higher than April one year earlier. Even with April being one of the highest milk production months of the year, all three pools saw a decrease in their cumulative position when compared to April's monthly total quota. This demonstrates how volatility of monthly quota can swing higher/lower month-to-month. Note the P5 pool dropped from a position of -0.32% at the end of March (row 1) to -0.52% after April (last row). Nationally, we went from -0.58% to -0.82%. Despite this downward trend, markets continue to be served, as there was a drop in butter stocks and a slight increase in cheese stocks during April. These stocks assist with filling the market month-to-month, or increasing when milk production exceeds quota.

Table 1. Continuous Quota (BF Kg, Monthly) - April 1, 2019

	NL	P5	WMP	P10
Final Pool Positions - March, 2019 ¹	(154,869)	(903,047)	(1,130,602)	(2,188,517)
% of the 12-month Total Quota	-7.22%	-0.32%	-1.18%	-0.58%
Monthly Total Quota - April, 2019	195,374	24,186,815	8,457,797	32,839,986
Monthly Production - April, 2019	171,288	23,629,289	8,109,328	31,909,905
Difference	(24,086)	(557,527)	(348,469)	(930,082)
Preliminary Pool Positions	(178,955)	(1,460,573)	(1,479,071)	(3,118,599)
% of the 12-month Total Quota	-8.19%	-0.52%	-1.53%	-0.82%
Net Penalty shared between responsible pools (Table 2)	-	-	-	-
Total Credits transferred	-	-	-	-
Preliminary Pool Positions Adjusted for Penalties	(178,955)	(1,460,573)	(1,479,071)	(3,118,599)
% of the 12-month Total Quota	-8.19%	-0.52%	-1.53%	-0.82%
Reimbursed Prefilled Quota (Table 4)	-	-	-	-
Final Pool Positions - April, 2019	(178,955)	(1,460,573)	(1,479,071)	(3,118,599)
% of the 12-month Total Quota	-8.19%	-0.52%	-1.53%	-0.82%



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: (902) 897-9768
www.dfns.ca
Email: dfns@dfns.ca

Quota Exchange Bid to BUY _____

(Exchange Month)

Registered Producer Name: _____

DFNS Registration Number: _____ Phone: _____

Offers above the MCP Cap of \$24,000 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 (exception for assisted new producers). Offers are limited to one buy or sell per producer per exchange.

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

☐ Email address: _____
(for confirmation of receipt of offer, if requested)

Payment for quota must be made via the selected method below **on or before the third last business day of the month**. Producers choosing option 2 must have completed a PAD agreement (available on the DFNS website or from the office) and a void cheque.

1. Cheque Payment ☐

Producer will provide a cheque to DFNS by the payment due date. Delivery method may be by mail, XpressPost, courier, or hand delivery. It is the producer's responsibility to ensure payment arrival and accuracy.

2. Pre-Authorized Debit ☐

DFNS will withdraw required funds for quota from producer's bank account on payment due date; service fees will be processed within five business days of the exchange. Authorization provided by producer will be used.

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

In the event of a cancelled exchange, service fees are returned to the producer (or not collected in the case of PAD). Please note that offer forms cannot be held for future exchanges.

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: ☐ cash ☐ cheque ☐ PAD

Offer Received/Verified By: _____

10/16



TPQ Lease Agreement

100-4060 Highway 236
Lower Truro, NS B6L 1J9
Phone: (902) 893-6455
Fax: (902) 897-9768
dfns@dfns.ca
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 \$_____ (plus any applicable HST) 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

AUTHORIZED BY _____

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

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 current 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.

<u>Lease Month</u>	<u>Deadline</u>
June	June 24, 2019
July	July 25, 2019
August	August 26, 2019
September	September 24, 2019

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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:

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- 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

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



proAction Update - September 2019

The next proAction milestone is fast approaching. Starting September 1, 2019, all Biosecurity requirements and records will be mandatory. They include:

- Risk Assessment Record, completed with herd veterinarian;
- Disease Event Record;
- four Standard Operating Procedures (SOPs):
 - Vaccination SOP;
 - Introduction of New Cattle to the Herd SOP;
 - Returning Cattle to the Herd SOP;
 - Control of Human Movement SOP; and
- Biosecurity sign.

Additional changes to the program are being introduced and will also come into force in September 2019. These requirement changes included:

- Dry cattle housing: The requirements currently applicable to weaned heifer and bull housing are being extended to dry cows. Producers must ensure that dry cow housing provides bedding and that it allows cattle to easily stand up, lie down, and adopt normal resting postures.
- Cattle hygiene: The requirement to ensure the cleanliness of lactating cow's udders, legs and flanks will be scored under Animal Care instead of Food Safety. This is being done to group together all the requirements related to cattle hygiene.
- Pain control: The pain control requirements for disbudding / dehorning will be increased. Farmers must use an anesthetic **AND** an analgesic, at minimum, before disbudding / dehorning. If not already currently doing so, farmers will need to start this practice, and update their SOPs to reflect the changes and state the products they are using. In addition, for all procedures requiring pain control, farmers must use approved pain control products (i.e. products with a DIN). If the product has a milk or meat withdrawal, the treatment must be recorded.
- Severely lame cattle: Severely lame cattle will be specifically included in the requirement to provide prompt medical care for cattle that are sick, injured, too thin (BCS ≤ 2), severely lame (e.g. gait score of 5 or classified as severely lame through the stall lameness scoring method) , in pain or suffering.
- Down cattle: The down cattle Corrective Action Plan will be changed to a SOP. Farmers will need to ensure that their SOP includes the required elements. The structure of the SOP will provide more flexibility for farmers to describe their procedures. **Producers and farm personnel must understand how to humanely euthanize cattle using acceptable methods. Further details to be discussed in a newsletter article.**
- Euthanasia SOP: The euthanasia SOP is being changed from a demerits question to a major/minor question. Farmers that already have an acceptable SOP will not be impacted by this change. Farmers that did not previously develop an acceptable SOP will now need to develop one in order to achieve/maintain registration.
- Cattle Assessment: An assessment of the lactating dairy herd by Holstein Canada is required under proAction and is known as "cattle assessment". After a cattle assessment is conducted, a "peer report" is provided to the farmer showing if the herd's results are in the green, yellow or red zones. If a peer report indicates that the herd's results are in the red zone for one or more measures, a producer must develop a corrective action plan to improve. Cattle assessment requirements were scheduled to be upgraded for the second and subsequent rounds. However, due to the complexity of the discussion and the extensive consultation required, more time will be needed in order to design a credible, long-term solution. As a result, the cattle assessment requirements for the second round of assessments will remain unchanged.

Dairy Farmers of Canada (DFC) will continue to work on revised requirements for cattle assessments. Changes will be communicated to farmers once the revised requirements are finalized. DFC has asked Holstein Canada to issue peer reports to all farmers who have had a second cattle assessment done, and to issue peer reports along with cattle assessments moving forward. The peer reports will be based on the same design that was used for the first round, which matches the cattle assessment requirements published in the proAction Workbook and Reference Manual. If you have further questions, please contact your proAction Provincial Coordinator directly.

Milk Production and Pricing

Esben Arnfast, Chief Financial Officer

The NS Milk production seasonal decline continued in May of approximately 600 kgs BF/day to 22,731 kgs/day. Compared to last May, the BF production is approximately 6 percent lower, with a corresponding 2.5% reduction in quota allocated to the province during that time. Volumes have declined more sharply than butterfat production with the milk composition this May at 4.12 kgs/hl compared to 4.09 kgs/hl last May.

Quota utilization continues to exceed 100%, but the percentage has narrowed to just 1% excess of production over quota. During May, the average utilized tolerance only increased marginally from -3.3 to -3.0 days. The result of continued lowering seasonal production in the coming months will be a switch to decreasing average producer utilized tolerances, usually continuing until late fall.

The NS equalized pool transportation rate increased to \$2.83/hl. from April's \$2.70/hl. Spring weight restrictions are no longer in place; however, Quebec pooled their highest costs in the past twelve months in April which, after the one month pooling lag, affects NS's May transportation rate calculation.

May's average raw milk price declined from \$79.72/hl in April to \$77.60/hl. There was a reduction in the revenue from fluid milk processed during May. It was mostly offset by increased utilization values in ice cream and class 7. Also, there was more raw milk transported and sold to Quebec and NB as part of Milk Movement Obligations.

Also, during May, there was more unprocessed skimmed milk than in previous months. Although the butterfat would be included in milk products reported and paid for by processors at the domestic price, the associated protein and other solids would not have any value. In fact, there are milk skimming fees to be paid by DFNS and extra transportation/disposal costs as well. The costs are pooled so provinces share the costs associated with unprocessed skimmed milk.

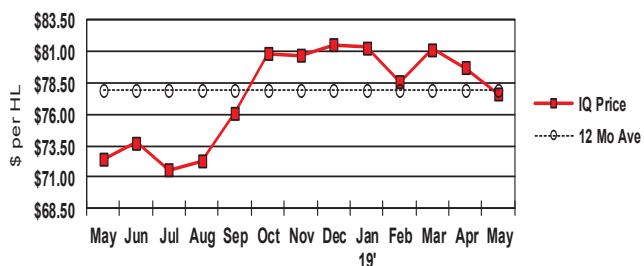
The pooling adjustment for April, used in May's price calculation, was \$287,843, compared to \$164,856 used a month ago.

Total Licensed Producers in May: 200

Milk Marketing Report May 2019

PRODUCTION	2019	2018		
Average Liters/Day	552,111	588,923		
Average kg Butterfat/Day	22,731	24,094		
Average Composition, kg/hl				
Butterfat	4.1170	4.0911		
Protein	3.2362	3.3455		
Other Solids	5.9224	5.7349		
Bulk Haulage (\$/hl)	2.83	2.60		
PRODUCER PRICES	BF (\$ per kg)	Protein (\$ per kg)	LOS (\$ per kg)	Avg. per HL
May In-Quota	10.8132	7.5768	1.4450	77.60
May Butterfat Premium (\$/kg) SNF/BF<2.35	0.0258			
May Over-Quota	0.0000	0.0000	0.0000	
June Over-Quota Penalty	0.0000	0.0000	0.0000	

**NS Average In-Quota Producer Price
Per HL basis**



Fluid Utilization Percentage

