



# Dairy Farmers of Ontario

## New Entrant Quota Assistance Program (NEQAP)

### Introduction

Dairy Farmers of Ontario's (DFO) New Entrant Quota Assistance Program (NEQAP) is designed to assist those with an interest in dairy farming who may not have the financial means to get started in the industry. DFO will provide up to 120 kilograms of quota per year for the NEQAP. Subject to DFO issuing a licence to produce and market milk and approving an order to issue quota, DFO will allocate up to 12 kilograms of quota to each successful applicant.

Up to 10 applicants will be selected to receive assistance per year.

### What are the eligibility requirements?

In order to be considered for the NEQAP, applicants:

- Must be 18 or more years of age and shall not be an undischarged bankrupt at the time of application.
- Cannot have been previously licensed to produce and market milk in Canada.
- Can only submit one application and can only be listed on one application. If multiple applications are received from the same applicant(s), all multiple applications listing the applicant(s) will be cancelled.
- Only one application per farm facility can be submitted. If multiple applications are received for the same farm facility, all multiple applications for the same farm facility will be cancelled.
- May not use a non-registered business name. When the necessary ownership and farm location information has not been provided or when the third party is not satisfied with the ownership structure, the application will be cancelled.
- Cannot apply for assistance if they are starting on a licensed dairy facility from which their parents were licensed and shipped milk in the previous five years.
- Must produce and market milk from their own separately licensed dairy facility.

### In addition:

- Spouses of previously licensed milk producers in Canada are not eligible to apply.
- DFO staff members and contract employees, their spouses, their children and their children's spouses, are also not eligible to participate in the NEQAP.

### What does the application process involve?

In order to be considered for the NEQAP, applicants:

- Are required to have a certified accountant prepare or review a 10-year business financial plan and have the certified accountant verify, in writing, that the plan is legitimate and indicate the business has the ability to generate profit. If there is no signed verification from a certified accountant, the application will be cancelled.
- The business financial plan is to include:
  - (i) pro forma income statements, cash flow statements and balance sheets for the 10-year period;
  - (ii) sufficient detail on the ownership structure and governance of the business;
  - (iii) a description of the proposed dairy enterprise;
  - (iv) a description of the assets to be employed;
  - (v) the ownership of the milking cows;

- (vi) the location of the farm facility where milk will be produced and marketed from;
- (vii) the sources of funding in liquidity order; and
- (viii) the highest education achieved by the applicant(s).

Applicants must:

- Provide a letter from their lender(s) indicating that they agree, as required in the business financial plan, to finance the operation. The financing plan cannot contain any contingencies such as, “based on property appraisals”. When there are multiple lenders, the liquidity priority must be provided in an agreement signed by all lenders.
- Complete and submit an application form.
- Send by registered mail, in a single package, (i) an application form, (ii) a financial business plan (verified by a certified accountant), and (iii) an “agreement to finance” letter from their lender(s), to Dairy Farmers of Ontario by November 30, 2010.

Since there is a limited amount of quota available each year and demand for the program may be high, only complete application packages will be considered for selection for the NEQAP.

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## Important dates regarding the application process

### July 2010

DFO will provide applications for the NEQAP each year in the July issue of *The Milk Producer* magazine and the application forms will also be available on DFO’s website during the application period.

### August to November 2010

The application period for the NEQAP is from August 1 to November 30 of each year. Complete application packages must be sent by registered mail to DFO with a date stamp of no later than November 30, 2010. Any costs or fees associated with applying for the NEQAP are the responsibility of the applicant.

### December 2010 to January 2011

Applications will be reviewed by an independent third party to determine which applications meet the established criteria and if there are more than 10 applicants who qualify, the third party will use a lottery system to select the successful applicants and will advise DFO of those who have been selected. The third party’s decision is final with no appeal or explanation required.

### February 2011

Successful applicants will be notified in early February that they have been selected to participate in the NEQAP. Applicants will now have to fill out the required DFO forms to become a producer (Form F026 - Application for a DFO number, Form F138 - Application to participate on the quota exchange and Form F528 - MOU Regarding the Quota Provided by DFO in Assistance).

### March 2011 to February 2012 Quota Exchanges

Successful applicants must hold a minimum of 12 kilograms of their own quota at all times while they receive quota in assistance and must obtain their required quota (12 kilograms) on the designated quota exchange according to their queue number. New entrants must receive a parent-to-child quota transfer or purchase an ongoing operation and transfer the quota no later than April 1, 2012.

If successful applicants bidding on the exchange do not acquire 12 kilograms of quota by March 1, 2012, they will no longer be eligible for the NEQAP.

The allotment of quota through the NEQAP will coincide with the effective date of the acquisition of the required 12 kilograms of quota by the successful applicant.

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- An independent third party will determine which applications meet the established criteria and if there are more than 10 applicants who qualify, the third party will use a lottery system to select the successful applicants and will advise DFO of those who have been selected.

Quota exchange policies for new entrants:

- DFO will operate a new entrant queue.
- The new entrant will be given a queue number based on the order their application is selected in the lottery system.
- The number of new entrants who may participate on a single quota exchange is limited to one when the quota price cap is in effect.
- A new entrant's bid will be cancelled if there is an insufficient volume available on a quota exchange to issue at least 0.1 kilogram of quota to all other successful buyers. The new entrant whose bid was cancelled will be notified immediately. New entrants will maintain their queue order if a bid is cancelled.
- New entrants whose initial quota allotment is acquired as part of an ongoing operation or quota transfer from a parent are subject to general quota exchange policies.

## How are DFO's policies administered?

- DFO new entrant quota allotment cannot be encumbered.
- General increases or decreases will be applied to the new entrant's own quota and not the quota provided by DFO in assistance.
- New entrants cannot increase their quota and the DFO quota provided in assistance to an amount greater than 35 kilograms. DFO will take back from the quota that was provided under the assistance program, any amount greater than 35 kilograms of quota. Quota provided under the NEQAP that is taken back by DFO will not be reissued if new entrants reduce their own quota to less than or equal to 35 kilograms.
- New entrants cannot conduct a quota transaction that would reduce their own quota below the minimum level of 12 kilograms, but are not required to replace their own quota that is reduced through a general quota decrease that applies to all producers.
- New entrants cannot transfer quota to any other party, with the exception that a new entrant who receives assistance can add a spouse to the licence.
- DFO may provide quota to a new entrant for a period not exceeding sixteen years. DFO will take back from the quota provided in assistance, the amount greater than the maximum quota assistance for a program year, as indicated in Schedule A.

<b>Schedule A</b>	
<b>From the Start of Year(s)</b>	<b>Maximum Assistance (kg quota)</b>
One to Five	12
Six	11
Seven	10
Eight	9
Nine	8
Ten	7
Eleven	6
Twelve	5
Thirteen	4
Fourteen	3
Fifteen	2
Sixteen	1
Seventeen	0

## Frequently asked questions

### **My parents are licensed dairy farmers; can I apply for the New Entrant Quota Assistance Program?**

If you meet the application criteria, you are eligible to apply. However, you are required to establish your own dairy facility to produce and market milk. Applicants cannot start on a licensed dairy facility from which their parents were licensed and shipped milk in the previous five years. Applicants who take over their parents' operation are not eligible for the NEQAP.

### **My parents are licensed dairy farmers and own a primary and a linked dairy facility; can I apply for the New Entrant Quota Assistance Program using one of their farm facilities as the location of my facility?**

Since both of your parents' dairy facilities (primary and linked) are currently licensed, you cannot use either of these as the location of your facility. Applicants cannot start on a licensed dairy facility from which their parents were licensed and shipped milk in the previous five years.

### **My brother, sister, and I would all like to apply for NEQAP. Is this allowed?**

You can either apply as one applicant on one farm or make three single applications. Please note that if you are submitting three applications, the dairy facility must be different for all three applications or **all** applications listing the same farm facility will be cancelled.

### **My husband was on his parents' licence in Alberta, but since moving to Ontario he is no longer on the licence. Can I apply for the NEQAP?**

Since your husband was a previously licensed milk shipper in Canada, you, as the spouse, cannot apply for the NEQAP.

### **To increase my chance of being selected for NEQAP, can I send in more than one application for different farm locations?**

If multiple applications are received from the same applicant, **all** applications listing the same applicant(s) will be cancelled.

### **Can I apply using a non-registered business name?**

The business name must be registered. If the necessary ownership information has not been provided or if the third party is not satisfied with the ownership structure, the application will be cancelled.

### **If DFO issues a general quota increase or decrease, will it affect quota provided by DFO in assistance?**

General increases or decreases will be applied to the new entrant's quota and not the quota provided by DFO in assistance.

### **Is there an appeal process if I am not selected?**

The third party decision in choosing the successful candidates by lottery is final with no appeal process provided.

### **If I am not selected, does my application remain on file?**

Applicants who are not selected must reapply to be considered for the NEQAP. Applications are accepted each year from August 1 to November 30.

### **If I am not selected, will you let me know if my application was cancelled?**

The third party and/or DFO will not advise applicants whose applications were cancelled and/or not selected for the program.

### **If I submit an incomplete package or the package arrives late, will I be notified?**

Please ensure that the package is complete and arrives on or before November 30. The package will not be checked to ensure it is complete. A letter from DFO will be sent to applicants acknowledging receipt of the package before forwarding to the third party. There will be no further correspondence between DFO and/or the third party and applicants until the successful applicants are announced. Late arriving packages will not be forwarded to the third party. DFO will not advise applicants whose applications were cancelled.

**If I am selected as a successful applicant and own more than 12 kilograms of quota, what happens?**

DFO will provide up to 12 kilograms of quota to successful applicants. If you own more than 23 kilograms of quota, DFO will provide the difference between 35 kilograms and your quota, e.g., if you own 25 kilograms of quota, DFO will provide 10 kilograms.

**I am currently 17 years of age, but will be 18 in February 2011, can I apply?**

You must be 18 years of age when submitting your application.

**Do I need to have a farm facility to apply?**

You need to list the farm you intend to produce and market milk from on the application. If you are not able to start producing and marketing milk from your own dairy facility within 90 days of acquiring quota, you will need to sell your quota and the quota provided in assistance will be taken back by DFO.

**Do my farm premises need to be Grade A before applying?**

Farm premises will need to be Grade A before shipping milk but not at the time of application.

**If I am a successful participant in the NEQAP, can I transfer quota in year two of the program?**

Participants in the NEQAP cannot at any time transfer quota.

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**Summary of Application Package Requirements:**

- Applicants are required to have a certified accountant prepare or review a 10-year business financial plan and have the certified accountant verify, in writing, that the plan is legitimate and indicate the business has the ability to generate profit. If there is no verification from a certified accountant, the application will be cancelled.
- Applicants are required to have a letter from a lender(s) indicating that they agree, as required in the business financial plan, to finance the operation. The financing plan cannot contain any contingencies such as, “based on property appraisals”. When there are multiple lenders, the liquidity priority must be provided in an agreement signed by all lenders.
- Applicants are to send by registered mail, in a single package, (i) the application form, (ii) the financial business plan (verified by a certified accountant), and (iii) the “agreement to finance” letter from their lender(s).
- Complete application packages must be sent by registered mail to DFO with a date stamp no later than November 30, 2010. Only complete application packages will be considered for selection.
- Any costs associated with applying for the NEQAP are the responsibility of the applicant.

**If you have any other questions regarding the New Entrant Quota Assistance Program,  
please call Dairy Farmers of Ontario.**

**Dairy Farmers of Ontario  
Production Division  
6780 Campobello Road  
Mississauga, Ontario L5N 2L8**

**Telephone: 905-821-8970 FAX: 905-821-3160**

**E-mail: [questions@milk.org](mailto:questions@milk.org) Website: [www.milk.org](http://www.milk.org)**

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**APPLICATION FOR DAIRY FARMERS OF ONTARIO (DFO)  
NEW ENTRANT QUOTA ASSISTANCE PROGRAM**

Name of Applicant (as it is to appear on DFO Licence) \_\_\_\_\_

Given name(s) (if above is a business or corporate name) \_\_\_\_\_

Given name(s) (if above is a business or corporate name) \_\_\_\_\_

Given name(s) (if above is a business or corporate name) \_\_\_\_\_

*Note: If more than three 'Given name(s)', use an additional form.*

Mailing Address \_\_\_\_\_ County \_\_\_\_\_

City/Town \_\_\_\_\_ Province \_\_\_\_\_ Postal Code \_\_\_\_\_

Contact Phone Number (\_\_\_\_\_) \_\_\_\_\_ Alternate Phone Number (\_\_\_\_\_) \_\_\_\_\_

E-Mail \_\_\_\_\_ Fax (\_\_\_\_\_) \_\_\_\_\_

Language Preference  English  French

<i>Please answer all questions by putting your initials in the appropriate box.</i>	Yes	No
Are all applicants 18 years of age or older?		
Are any applicants an undischarged bankrupt?		
Have any applicants been previously licensed to produce and market milk in Canada?		
Have any of the applicants' spouses been previously licensed to produce and market milk in Canada?		
Are any applicants an employee or contract employee of DFO?		
Are any applicants a spouse, a child or child's spouse of an employee or contract employee of DFO?		
Are any applicants starting on a licensed dairy facility from which their parents were licensed and shipped milk in the previous five years?		

**APPLICATION PACKAGE REQUIREMENTS (to accompany this application)**

- Applicants are required to have a certified accountant prepare or review a 10-year business financial plan and have the certified accountant verify, in writing, that the plan is legitimate and indicate the business has the ability to generate profit. If there is no verification from a certified accountant, the application will be cancelled.
- Applicants are required to provide a letter from their lender(s) indicating they agree, as required in the business plan, to finance the operation. The financing plan cannot contain any contingencies such as, based on property appraisals. When there are multiple lenders, the liquidity priority must be provided in an agreement signed by all lenders.
- Applicants are to send by registered mail, in a single package, (i) the application form, (ii) the financial business plan (verified by a certified accountant), and (iii) an "agreement to finance" letter from their lender(s).
- Complete application packages must be sent by registered mail to DFO with a date stamp no later than **November 30, 2010**. Only complete application packages will be considered for selection.

**Any costs associated with applying for the NEQAP are the responsibility of the applicant.**

The undersigned certify the information herein contained is complete, true and correct in all respects. Furthermore, the undersigned acknowledges that any breach of these requirements will entitle DFO to take appropriate action.

_____ Witness' Name (non-family member)	_____ Witness' Signature	_____ Applicant's Name	_____ Applicant's Signature	_____ Date
_____ Witness' Name (non-family member)	_____ Witness' Signature	_____ Applicant's Name	_____ Applicant's Signature	_____ Date
_____ Witness' Name (non-family member)	_____ Witness' Signature	_____ Applicant's Name	_____ Applicant's Signature	_____ Date

**Please send by registered mail to New Entrant Quota Assistance Program at the above address**

**FOR OFFICE USE ONLY** Date Package Received \_\_\_\_\_ Date Acknowledged \_\_\_\_\_