

August 6, 2009

Dear Producer:

**August 2009 Quota Exchange Opens August 12 and Closes on August 21, 2009  
Under New Harmonized Quota Policies**

As a result of a decision released on August 6, 2009 by the Tribunal, Dairy Farmers of Ontario is able to implement the new harmonized quota policies.

The new harmonized quota policies became effective August 1, 2009. New policies include:

- i) a quota price cap of \$25,500 for the August 2009 quota exchange;
- ii) the introduction of 1.30 per cent non-saleable quota;
- iii) the New Entrant Quota Assistance Program; and
- iv) capping the overproduction credit day availability to a producer's actual overproduction credit day status on January 31, 2010 or 10 days, whichever is greater, with the change taking effect as planned on February 1, 2010.

The August 2009 quota exchange had been delayed pending the consideration of the stay by the Tribunal. As a result of the Tribunal decision, **the August 2009 quota exchange will open at 12:00:00 a.m. on August 12, 2009 and close at 11:59:59 p.m. on August 21, 2009.** The maximum bid that can be placed on the August 2009 and subsequent exchanges is 10 per cent of quota holdings.

Producers placing a bid or offer on the exchange will get a message advising that bids or offers are under the new harmonized quota policies. Producers will be asked to accept this information before they can proceed with a bid or offer.

Purchases and sales on the August 2009 quota exchange are effective September 1, 2009.

The September 2009 quota exchange will also be delayed and will open at 12:00:00 a.m. on August 28, 2009 and close at 11:59:59 p.m. on September 11, 2009. Purchases and sales on the September 2009 quota exchange will be effective October 1, 2009.

### **Introduction of Saleable and Non-saleable Quota**

Further to DFO's letter of June 30, 2009, 1.30 per cent of quota holdings of all Ontario dairy farmers was designated as non-saleable quota effective August 1, 2009.

Any subsequent quota increases will be added to the non-saleable portion. Any reductions will first come from the non-saleable portion.

Each farm's total quota will continue to be shown on line (a) on the monthly milk statement. The non-saleable quota percentage will be shown separately. This will begin with the August 2009 milk statement that will be received in mid-September 2009.

### **How Quota Exchange Bids or Offers Work on the August Exchange**

Producers are to bid for and offer the total amount of quota they want to acquire or reduce. For example, a producer who wants to acquire exactly one kg of quota should bid for one kg. If successful, invoicing will be for the saleable portion. All quota transactions will be rounded to the second decimal place. After applying a non-saleable percentage of 1.30, a producer would be invoiced for 0.99 kg and will receive an additional 0.01 kg as non-saleable quota.

The same principle applies when selling quota. A producer who wants to reduce quota by one kg would offer one kg on the exchange. If successful, payment will be for 0.99 kg, the saleable portion. The non-saleable portion of 0.01 kg will be transferred to the buyer at no cost.

If you have any questions about the operation of the August 2009 quota exchange, or how saleable and non-saleable quota will work, please contact your Field Services Representative or staff in the Production Division at DFO head office.

Yours truly,



George MacNaughton  
Director, Production Division