

March 2, 2010

To: Ontario Milk Producers

Subject: **DFO Announces Quota Policy Revisions**

Dear Producer,

Dairy Farmers of Ontario (DFO) advised producers that, effective January 14, 2010, all quota transactions, other than those made over the quota exchange, would not be approved pending a review of current quota policies.

**The review was undertaken to ensure that as many quota sales as possible take place over the quota exchange.** It included quota transfer, quota donation, shared facility and relocation policies. The process involved a review of policy objectives and established policies that best achieve the desired objectives.

**The objectives the Board established were:**

- continued support for the transfer of quota on the same farm site;
- to maximize the volume transferred over the quota exchange;
- fair and equitable access to quota by all producers by ensuring:
  - quota from two licences is not merged; and,
  - quota is not rented.

To achieve these objectives, the policy principles that came into effect on February 24, 2010 follow by subject area. **The exact wording of the revised quota policies will be mailed to all producers in early May 2010.**

**Family Donation of Quota to a Child at Another Farm Location**

Quota transfers from the parent's original farm location and licence to a child are restricted to a child who does not hold any quota and is starting at a dairy facility at which the parent was not issued a licence to produce and market milk in the last five years. Children who have quota, purchased quota as part of an on-going operation, or purchased quota on the exchange and were exempt from the quota exchange proration policy, are not eligible to receive a transfer of quota from a parent.

**On-Going Dairy Farm Operations**

The seller must have produced milk continuously for **a period of five years** to be eligible to sell the farm as an on-going farm operation. Purchasers of on-going dairy farm operations are required to purchase the dairy facilities and associated land base to be eligible to obtain the quota associated with the licence. Purchasers cannot relocate the quota within five years of the effective date of the quota being transferred as part of the on-going operation.

Purchasers of on-going dairy farm operations can continue producing and marketing milk from the dairy facility that was purchased as part of the on-gong operation or can move into a new barn within five years if the new barn is built within five km of the original milking facility and is on the parcel of land acquired as part of the on-going farm operation purchase.

Quota acquired as part of an on-going operation **can never be merged** with the quota on another licence to produce and market milk.

**Eligibility for the Quota Exchange Proration Exemption**

An applicant is not eligible for the quota exchange proration exemption if they or their spouse:

- 1) held a licence to produce and market milk in Canada in the previous five years;
- 2) are starting on the farm on which a parent was licensed to market milk in the previous five years; or
- 3) hold quota.

**New Entrant and New Producer Quota Exchange Queues**

Effective with the operation of the March 2010 quota exchange, DFO has established two exchange queues. The New Entrant queue is for producers who have been selected to receive quota with assistance through the New

Entrant Quota Assistance Program (NEQAP). The New Producer queue is for producers who intend to start producing and marketing milk without DFO assistance.

A producer from each queue will be eligible to bid on a quota exchange. A new entrant receiving assistance can bid for up to 23 kg of quota and a new producer can bid for up to 35 kg of quota.

#### **The Order of Quota Allocation on Each Month's Quota Exchange**

The order of allocation on the quota exchange beginning in March 2010 will be:

- First, currently licensed producers with successful bids will receive 0.1 kg of quota.
- Second, one new entrant with assistance will be next in line (up to 23 kg of quota).
- Third, one new producer without assistance will be next in line (up to 35 kg of quota).
- Fourth, any balance will be distributed through allocation and proration policies.

Each step depends on there being sufficient quota available on the exchange.

#### **Shared Facility Use**

Producers who suffer a herd health or human health catastrophe are able to share facilities for a maximum period of 90 days. Alternatively, DFO can hold the quota in abeyance for up to 12 months following the date of the catastrophe.

Producers who suffer major damage to, or loss of a production facility, are also eligible to share facilities for a period of 90 days. If the producer who suffered damage to or loss of a production facility, is rebuilding, the producer may ask for an extension to share facilities for a period of up to one year. The producer must provide proof of plans to rebuild to be eligible for this extension.

#### **Applications to Transfer or Acquire Quota**

There will be specific requirements and application forms for:

- Requests to Transfer Quota to a Child on a site at which the parent was not issued a licence to produce and market milk in the last five years.
- Requests to Transfer Quota as Part of an On-going Operation.
- Requests to Acquire Quota on the Quota Exchange and be Exempt from the Quota Exchange Proration Policy.

Producers planning any of these quota transfers or acquisitions should contact the DFO head office. Appropriate forms and process will be available on the DFO web site at [www.milk.org](http://www.milk.org).

Upon review of the information contained in the forms referred to above, the Director of the Production Division will advise the producer if the application meets the intent of DFO policy objectives and quota policies and will provide the next steps in writing. General inquiries about quota policies should be directed to your DFO Field Services Representative (FSR). Requests for intergenerational transfers on the same site can be made to FSRs directly for the appropriate transfer forms.

**In all cases, DFO's official position will be confirmed, in writing, by the Director of the Production Division.**

The Board made the above changes to ensure that all producers have equitable access to quota over the quota exchange. Quota transfers will be monitored to ensure that the intent of the policy is not being circumvented.

Yours truly,



Bill Emmott  
Chair

BE:ss