P5 MESSAGE: NEW SNF/BF PAYMENT POLICY IN 2021

5 provinces agreed to modify the on-farm component payment policy to better reflect market revenue and ensure better equity between producers in an environment of solids non-fat (SNF) structural surplus.

The new payment policy will be implemented by January 2021. Additional information will be provided to producers during the information meetings in early 2020.

These changes do not affect plant billing but rather the method of distributing revenue among producers.

In other words, the same money will be directed to producers but distributed in such a way that it takes better account of individual contributions to SNF surpluses and ensures greater value for components that generate yields during processing, i.e. butterfat and protein. The main change is the inclusion of an additional SNF/BF ratio, meaning there are now two ratios.

At present, producers who have an SNF ratio lower than 2.30 are all paid the same revenue and they are not paid for SNF when the ratio exceeds 2.30 (this revenue is redistributed on the basis of the BF of producers who have an SNF/BF ratio lower than 2.30). The maximum payable ratio went from 2.35 to 2.30 on Jan. 1, 2020.

Payments for SNF:

- The portion of produced SNF with an SNF/BF ratio lower than 2.0
  - Protein: paid at a higher within-quota price than current prices;
  - Lactose and other solids: paid at a set rate of $0.90 per kilogram;
  - All producers will receive these payments for the portion of their SNF that is lower than 2.0.

- The portion of produced SNF with an SNF/BF ratio between 2.0 and 2.3
  - Protein and lactose and other solids: ingredient class price;
  - Producers who have a ratio higher than 2.0 will receive this price for the portion of their SNF between 2.0 and 2.3.

- The portion of produced SNF with an SNF/BF ratio higher than 2.30
  - Protein and lactose and other solids: No payments will be made for these components, as will be the case starting in January 2020. There will be no more BF premium but this portion of the total revenue will be paid to producers with SNF Below 2.0.

Payments for butterfat:

- All butterfat produced on a within-quota basis will be paid at a similar rate to the current price.

See page 2 for tables with examples. Find all documents, including questions and answers (Q&As), on the producer dashboard. More information is available in the January Milk Producer magazine and future issues.

CUSMA SIGNED BY U.S., CANADA, WAITING TO RATIFY

On Dec. 10, 2019, the United States and Canada signed the Canada-United States-Mexico Agreement (CUSMA). The U.S. Congress must now ratify the agreement, after which Canada will move forward with ratification. Mexico ratified on June 20, 2019.

The earliest a CUSMA implementation bill could be adopted is mid-February 2020. However, due to the structure of the agreement, with Canada being the last country to finalize its legislation, the most optimistic scenario would see CUSMA coming into force on April 1, 2020. This could change, however, should there be any procedural or political delays in either country.

CUSMA will impact Canadian dairy in three areas: the U.S. being given market access through tariff-rate quotas on dairy, milk classes 6 and 7 being eliminated, and the setting of global export thresholds and extra charges for milk protein concentrate, infant formula and skim milk powder.

Dairy Farmers of Ontario takes the position that while CUSMA might be an important milestone for Canada and its trading partners, this agreement will have a profound, negative effect on the Canadian dairy industry, including farmers in Ontario.

DFO will keep producers updated on timing as this process unfolds.

For the full announcement, see the producer dashboard online and look out for the news article in the January Milk Producer magazine.

SUPPORT NO-TRESPASS BILL

The Ontario Federation of Agriculture (OFA) has launched a letter-writing campaign aimed at showing support across our industry for Bill 156, Security from Trespass and Protecting Food Safety Act, 2019, which is the proposed no-trespass law that will protect farmers if passed. We encourage you to send a letter to your local member of provincial parliament (MPP) expressing your support—you can use the easy online platform at bit.ly/trespass-letter.

Read board chair Murray Sherk’s open letter to the Ontario government, as well as more information, on the producer dashboard.

PROACTION: INDEPENDENT VALIDATIONS TO BEGIN IN 2020

Dairy Farmers of Ontario (DFO) is committed to producing safe, high-quality milk. Assurance programs, such as proAction—the dairy industry’s quality and sustainability program—provide credible verification of DFO’s farm processes and standards for consumers.

DFO’s board recognizes the need to bring an elevated level of credibility to programs and national alignment to the administration of proAction across provinces. As such, the board has approved using independent validators for proAction. This change in program communicates an increased transparency to consumers and mitigates criticisms of having self-regulated practices.

Moving proAction to independent validators will allow FSRs to spend more time supporting producer needs and focusing on the Raw Milk Quality program. Producers have expressed their desire for increased support on farm. These changes enable FSRs to respond to producers more efficiently and provide better assistance to producers altogether, as was done effectively in the past.

It is anticipated to take approximately six to 12 months before DFO is ready to start using independent validators for proAction. An RFP process will commence in 2020 to select a partner, and training will follow in the months thereafter. The RFP process will entail a comprehensive selection exercise, recognizing field experience to be a critical asset for independent validators.

For the full text and questions and answers (Q&As), see the producer dashboard.

New PAWS animal welfare laws

The Ontario government has passed a new animal welfare legislation, the Provincial Animal Welfare Services (PAWS) Act, on Jan. 1, 2020, which will include tougher penalties for cruelty offences and replaced the Ontario Society for the Prevention of Cruelty to Animals (OSPCA) Act. The new PAWS Act introduces penalties that would be the strongest in Canada and a new enforcement model. See more information and the news release on the producer dashboard.

Bulk Tank Error Policy updated in quota and milk transportation policy book

DFO’s board updated the Bulk Tank Error Policy on Dec. 10, 2019, effective immediately: “(d) For retroactive adjustments relative to section 3(b) showing an absolute volume error of negative one per cent (-1%) or greater, if the recalculation of the 12 months retroactive volumes and quotas including any over-quota penalties results in net monies owed by the producer, then the net monies owed will be reduced to zero.” See page 32 of the quota policy book: bit.ly/dfo-pub.
MARKETS UPDATE

OPTION 1—Producer Self-Service (www.milk.org)

(a) Bids and offers are accepted from the 20th of a month to 11:59:59 p.m. on the first of the following month. It is recommended that you submit your bid or offer a few days prior to the deadline (the first day of each month) so that, if there is an error or error message, there is adequate time for you to provide the additional information to the Quota Administrator in advance of the exchange closing.

(b) To place a bid or offer on the quota exchange yourself or have it placed by someone on your behalf, go to www.milk.org and select Login. When prompted, enter your Username (your licence number) and your primary Password. Select Quota Exchange and then Buy or Sell Quota. Follow the screen instructions to submit your bid or offer.

OPTION 2—Customer Service Representative (CSR)

Have your most recent milk statement available so that the CSR can verify the caller is the licence holder or licence holder’s representative.

(a) Bids and offers are accepted from 8:30 a.m. to 4:30 p.m., Monday through Friday, excluding holidays, from the 20th of the month to the 1st of the following month.

(b) Write down your bid or offer in the space below before making your call.

Buy ________ kg of quota at ________ dollars per kilogram. (Note: You can ask the CSR to put 10% in the kg section and the kg will automatically be calculated.)

OR

Sell ________ kg of quota at ________ dollars per kilogram. (Note: You can ask the CSR to put ALL in the kg section if you are selling your total quota.)

(c) Call 1-866-518-2525 and a CSR will take your buy or sell information. Record the confirmation number provided by the CSR at the end of your call with your written bid or offer information.

MARKETS AND PRODUCTION

Market demand remains strong across P5 provinces with P5 boards projecting a 3.3 per cent increase in demand for the 2019-20 dairy year. P5 boards are projecting production to increase by 2.9 per cent, and butter stocks are anticipated to fall below 30,000 tonnes at the end of December 2019—a high level for this time of the year when butter stocks would typically be around 22,000 tonnes.

* Full markets update is available in January Milk Producer on page 44.