



Dairy Farmers of Ontario

New Entrant Quota Assistance Program (NEQAP)

Application Deadline : October 31, 2014

Introduction

The P5 (Ontario, Quebec, Prince Edward Island, New Brunswick and Nova Scotia) New Entrant Quota Assistance Program (NEQAP) is designed to assist those with an interest in dairy farming who may not otherwise have the financial means or opportunity to get started in the industry. The P5 makes available up to 120 kilograms of quota per year for the program in Ontario. 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. DFO allocates 12 kilograms of quota for five years and takes back one kilogram per year starting in year six.

Up to 10 applicants are selected to receive assistance each 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 by October 31, 2014.
- 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 of these applications will be cancelled.
- Can only submit one application per farm facility. If multiple applications are received for the same farm facility, all applications for the same farm facility will be cancelled.
- May use a provincially 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 will be 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 and can therefore not share facilities.
- Cannot be spouses of milk producers previously licensed in Canada.
- Cannot be DFO staff members or contract employees, their spouses, their children or their children's spouses.

What does the application process involve?

Send by registered mail, on or before October 31, 2014, in a single package, (a) an application form, (b) a financial business plan verified and signed by a certified accountant, and (c) an "agreement to finance" letter from their lender(s), to Dairy Farmers of Ontario. More information on what needs to be included in the complete three-section application package follows:

(a) Application Form

The application form needs to be complete, signed and dated.

(b) Financial Business Plan

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 per the assumptions made that the business has the ability to generate profit.**

The business financial plan must include the following sections:

- (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 location of the farm facility where milk will be produced and marketed;
- (vi) if there is more than one lender, the provision of a liquidity order agreement signed by all lenders indicating the sources and the liquidity order. This applies to financial institutions and private lenders (e.g. family and/or friends);
- (vii) the highest education achieved by the applicant(s); and
- (viii) dairy and agricultural experience.

(c) Agreement to Finance

Provide a signed letter from their lender (if only one) or from all lenders (if more than one) indicating that they have seen and reviewed the business financial plan and agree to provide the financing that is stipulated in the plan. The letter should also state the principal amount and term of the loan. This applies to both financial institutions and private lenders. The financing plan cannot contain any contingencies such as, “based on property appraisals”.

Application and Selection Dates

July 2014

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 October 2014

The application period for the NEQAP is from August 1 to October 31 of each year. A complete three-section application package must be sent by registered mail to DFO with a date stamp of no later than October 31, 2014. Any costs or fees associated with applying for the NEQAP are the responsibility of the applicant.

November to December 2014

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.

Successful applicants will be notified in late December 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). Please note that applicants must meet all DFO policies and DFO and provincial regulations.

March 2015 to February 2016 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 12 kilograms of quota on the assigned exchange month.

If successful applicants bidding on the exchange do not acquire 12 kilograms of quota by March 1, 2016 due to their decision, 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.

Selection

Since there is a defined amount of quota available each year and demand for the program may be higher than the amount of quota available for the program, only complete three-section application packages will be considered for selection for the NEQAP.

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

Quota exchange policies for new entrants:

- DFO will assign an exchange month from March 2015 to December 2015.
- The new entrant will be given an assigned exchange month 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. The new entrant whose bid was cancelled will be notified immediately. New entrants will maintain their selection order if an exchange is cancelled.

How are DFO's NEQAP policies administered?

- DFO quota allotted in assistance to new entrants cannot be encumbered.
- General increases or decreases will be applied to the new entrant's saleable quota and not the quota provided by DFO in assistance.
- New entrants will have priority access to 12 kilograms of quota on the assigned exchange month.
- Starting with the March 2015 exchange, there is no maximum quota holding for new entrants. Meaning, quota provided in assistance will not be taken back if quota is purchased on the quota exchange.
- 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.
- If a new entrant conducts a quota transaction and reduces their own quota below 12 kilograms, DFO will take back all quota provided in assistance.
- New entrants cannot transfer quota to any other party, with the exception that a new entrant who receives assistance can add their 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 as indicated in Schedule A.

Schedule A

From the Start Month in Year(s)	Maximum Assistance (kg quota)
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, 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. You are required to establish your own dairy facility to produce and market milk.

My parents are licensed dairy farmers and operate 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 the NEQAP. Is this allowed?

You can either apply as one applicant on one farm or make three single applications on three different farms. Please note that if you are submitting three applications and the dairy facility is the same for all three applications, 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 previously licensed to ship milk in Canada, you, as the spouse, cannot apply for the NEQAP.

To increase my chance of being selected for the NEQAP, can I send in more than one application for different farm locations and/or under different business names?

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 provincially 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 saleable quota and not the quota provided by DFO in assistance.

Is there an appeal process if I am not selected?

The third party's 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 each year to be considered for the NEQAP. Applications are accepted each year from August 1 to October 31.

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. It is the responsibility of the applicant to meet the application requirements.

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 October 31. 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 can I acquire more than 12 kilograms of quota on the initial exchange?
No. If an initial bid submitted is greater than 12 kilograms, it will administratively be reduced to 12 kilograms.

I am currently 17 years of age, but will be 18 in February 2015, can I apply?
You must be 18 years of age on or before October 31, 2014 the deadline for 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, not at the time of application.

If I am a successful applicant in the NEQAP, can I transfer quota in year two of the program as part of an ongoing farm transfer or to a family member?
Participants in the NEQAP cannot at any time transfer quota, other than adding their spouse to the licence.

If I submit financial statements only, with no business plan or only submit notes to the financial statements, will my application be accepted?
No. The business plan is a distinct document that should describe how the business will operate. Financial statements are one section of the business plan.

Where can I find further information on DFO policies and provincial regulations in general?
The most recent DFO Quota and Milk Transportation Policies book is available on our website as well as a link to Ontario Regulation 761. Ontario Regulation 761 describes quality and safety regulations including consequences for non-compliance.

What are some helpful hints for filling out the application package?

- i) Start the application process as early as possible to allow for the appropriate review time by the accountant and lender(s).
- ii) The certified accountant's letter must state that the plan is legitimate and indicate per the assumptions made that the business has the ability to generate profit.
- iii) The lender(s) letter must include the principal amount and term of the loan and must indicate that he/she has seen and reviewed the business financial plan and agree(s) to provide the financing that is stipulated in the plan.

If you have any other questions regarding the New Entrant Quota Assistance Program,
please contact:

Dairy Farmers of Ontario
Operations Division
6780 Campobello Road
Mississauga, Ontario L5N 2L8
Telephone: 905-821-8970 FAX: 905-821-3160
E-mail: questions@milk.org Website: www.milk.org



**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 _____

Farm Location Address _____

City/Town _____

City/Town _____ County _____

Province _____ Postal Code _____

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?		
Are any applicants currently in the New Producer Program (NPP) queue?		

APPLICATION PACKAGE REQUIREMENTS CHECKLIST

Applicants are to send by registered mail, in a single package:

- Application form for Dairy Farmers of Ontario (DFO) New Entrant Quota Assistance Program.
- The Business Financial plan including items (i) to (viii).
- A signed document or letter from a certified accountant verifying that the plan is legitimate and indicate per the assumptions made that the business has the ability to generate profit.
- A signed letter from your lender (if only one) or all lenders (if more than one) indicating that they have seen and reviewed the business financial plan and agree to provide the financing that is stipulated in the plan. The letter should also state the principal amount and term of the loan. This applies to both financial institutions and private lenders.

Complete three-section application packages must be received by October 31, 2014 or sent by registered mail to DFO with a date stamp no later than October 31, 2014. 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 _____ 1st Applicant's Name _____ Applicant's Signature _____ Date _____

Witness' Name (non-family member) _____ Witness' Signature _____ 2nd Applicant's Name _____ Applicant's Signature _____ Date _____

Witness' Name (non-family member) _____ Witness' Signature _____ 3rd 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 _____