



# Quota and Milk Transportation Policies

Dairy Farmers of Ontario  
July 1, 2010

Check [www.milk.org](http://www.milk.org) for updates to DFO policies  
Revisions as of June 1, 2021

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This book has been prepared to provide all Ontario producers with information on the quota and milk transportation policies of DFO. These policies became effective February 24, 2010, and remain in effect until DFO advises producers otherwise.

Policy changes may be announced in *Milk Producer* magazine. As well, an updated version of the policy book is included on the DFO website ([www.milk.org](http://www.milk.org)). The document posted on the DFO website contains the most up-to-date policies and will be used for all policy interpretation and quota transactions.

Should one clause in these policies change or be removed, the other clauses will not be affected.

Furthermore, each clause in these policies refers to a specific requirement and cannot be superseded by another.

For more information or clarification on any policies, producers are required to contact DFO's [Field Services Representatives](#) (names and addresses on DFO website) or head office staff (905-821-8970).















facilities including but not limited to (a) hiring personnel or (b) receiving on-farm support from family members to carry on the proper operation of the dairy farm, while the producer is recovering from the medical condition.

- (d) Producers using shared facilities and producers providing shared facilities services are not eligible for twice-a-month payment.
- (e) Producers shut off from the milk market as a result of the application of Ontario Regulation 761 or as a result of not meeting quality assurance program requirements are not eligible to use shared facilities during the month(s) in which they are shut off.

#### **4. Producer Death**

- (a) A dairy licence that experienced the death of a producer that prevents the production of milk may be permitted to share facilities with up to five existing producers for a period of up to six months, provided DFO is notified and approves the request. Through shared facilities, the appropriate milk shipments can be moved back to the licence of the producer identified.
- (b) At the end of the six-month period, producers must resume shipments or they may request permission to have their quota held in abeyance for one year.
- (c) Producers using shared facilities and producers providing shared facilities services are not eligible for twice-a-month payment.
- (d) Producers shut off from the milk market as a result of the application of Ontario Regulation 761 or as a result of not meeting quality assurance program requirements are not eligible to use shared facilities during the month(s) in which they are shut off.

#### **5. When Production Levels Are Low**

- (a) The amount of milk on the first milking should be approximately 10 per cent of the capacity of the bulk tank.
- (b) When production is not of sufficient volume for satisfactory cooling or agitation after the first milking is completed or for sampling or measurement at the time of milk pickup, DFO may refuse to market such milk and may cancel or suspend the licence or the quota allotted to the producer.

#### **6.1 Renovations and Construction of New Facilities**

##### **Construction of New Facilities**

- (a) Producers who are constructing a new facility and are unable to milk in their current dairy facility due to the construction of the new facility and provide stamped engineer's building plans and a start construction date can share facilities with up to five existing producers for a period of up to six months on the condition that the producer provides written confirmation that the cows being milked, and whose milk is being assigned, are owned by the producer who is constructing the new facilities.
- (b) Producers are allowed to begin the use of shared facilities within one month of their stated construction project start date, for a total of six months.
- (c) The period of six months can be extended to one year if the producer makes a written request and DFO is satisfied there has been significant progress in the building of the facility.
- (d) The period of one year can be extended to 18 months if the producer makes a written request and DFO is satisfied there has been significant progress in the building of the facility.
- (e) Producers who have renovated facilities or built a new facility must have a Grade A inspection of the facility and be classified Grade A before milk can be stored in the bulk tank to be offered for sale.
- (f) Producers shut off from the milk market as a result of the application of Ontario Regulation 761 or as a

result of not meeting assurance programs requirements are not eligible to use shared facilities during the month(s) in which they are shut off.

## 6.2 Renovations of Current Facilities

- (a) Producers who have started renovations and are unable to milk in their current dairy facility due to the renovations can share facilities with up to five existing producers for a period of up to six months on the condition that the producer provides written confirmation that the cows being milked, and whose milk is being assigned, are owned by the producer who is renovating their facilities.
- (b) Prior to the start of using shared facilities, the producer must provide a signed contract with a contractor, and show proof that a minimum 10 percent deposit has been made, or if a producer is doing the renovation him/herself, he/she must show proof of ordering the material and proof of the shipping date and the producer must provide a project timeline.
- (c) Producers would be granted the use of shared facilities for a maximum of six months provided that at the three month mark, they provide proof of significant progress such as proof of framing, or poured concrete.
- (d) Producers are allowed to begin the use of shared facilities within one month of their stated renovation project start date, for a total of six months.
- (e) The period of six months can be extended to one year if the producer makes a written request and DFO is satisfied there has been significant progress in the renovations of the facility.
- (f) The period of one year can be extended to 18 months if the producer makes a written request and DFO is satisfied there has been significant progress in the renovations of the facility.
- (g) Producers who have renovated facilities must have a Grade A inspection of the facility and be classified Grade A before milk can be stored in the bulk tank to be offered for sale.
- (h) Producers shut off from the milk market as a result of the application of Ontario Regulation 761 or whose licence and milk pickups have been suspended as a result of not meeting assurance program requirements, are not eligible to use shared facilities during the month(s) in which they are shut off or suspended, respectively.

## 6.3. Shared Facilities Revoked

Shared facilities that appear to contravene the intent of DFO's policies will be revoked immediately and previous payment transactions related to the shared facilities may be reversed.

## 7. Linked Dairy Facility

- (a) Effective August 1, 2011, each dairy facility must have its own licence and quota to produce and market milk.
- (b) Prior to August 1, 2011, producers could set up additional or linked dairy facilities to fill the quota on the primary dairy facility. Producers who had linked dairy facilities in operation prior to August 1, 2011 are permitted to continue at their current farm location until continuous production ceases at that dairy facility. The following policies remain in effect for "grandfathered" producers.
  - Each dairy facility will have a separate licence number under the same producer name.
  - All of the quota is allotted to one dairy facility and licence.
  - Quota utilization is based on the combined production from all dairy facilities licensed to the producer.
  - There is one monthly payment for the combined shipments from all of the dairy facilities licensed to the producer.
  - A statement showing milk shipped and test results will be provided for the secondary facilities.
  - Shipments and test results are distinct for each dairy facility.
  - The weighted average composition tests and associated component yields are used for payment.

- Quality penalties, if applicable, are applied on the volume of milk shipped by the dairy facility incurring the penalty level test result.

(c) Effective August 1, 2015, a producer with a single licenced dairy facility, referred to as a primary dairy facility, is permitted to set up one linked dairy facility to fill the quota on the primary dairy facility, under the following conditions:

1. the linked dairy facility must be within 10 km, measured in a straight line between the two locations, of the primary dairy facility.
2. A producer can only have one linked dairy facility at a time.
3. The maximum period of time a producer can have a linked dairy facility is five consecutive years from the date milk was produced and marketed from a linked dairy facility.
4. The primary and linked dairy facility will each have a separate licence number under the same ownership or control.
5. All the quota will continue to be allotted to the primary dairy licence.
6. Quota utilization is based on the combined production and marketing from both the primary and linked dairy facilities.
7. There is one monthly payment for the combined shipments from all the dairy facilities licensed to the producer.
8. Statements showing the milk shipped and test results will be provided for both the primary and linked facilities.
9. Shipments and test results are measured separately for each dairy facility.
10. The weighted average composition tests and associated component yields from both the primary and linked dairy facilities are used for payment on the primary or quota holding licence.
11. Quality penalties, if applicable, are applied on the volume of milk shipped by the dairy facility incurring the penalty level test result.

## **8. Multiple Farm Operations**

(a) Producers can be licensed at more than one dairy facility that holds quota providing the ownership is the same on all dairy facilities. If different corporate names are used, the common or voting shareholdings must be the same. All dairy facilities are treated as separate dairy facilities for reporting and payment purposes.

(b) For multiple farm ownership with parents and children only, the following is permitted:

1. Parents may hold all of the ownership of the licence(s); and/or
2. Parents and children may be on multiple licences in different combinations of ownership and different percentages of ownership.

Note: A child's spouse would be permitted to be on the licence provided the spouse does not hold more voting shares than the child.

(c) Effective February 24, 2016, a producer is not permitted to set up a second licenced dairy facility on the same parcel of land. Existing producers with two licenced dairy facilities on one parcel of land would be grandfathered and permitted to transfer both licences within family only.

## **9. Producers Changing Locations**

A DFO licence is issued to a producer at the dairy facility specified on the application. Producers who are relocating and/or want to move their primary licence to a different dairy facility must reside within 20 km of the primary dairy facility and must obtain prior approval from DFO for the change of location and have the new premises approved as Grade A before milk production can commence.

## Section C

# Policies for Acquiring, Selling or Transferring Quota

Producers must advise DFO of any intent to transfer quota prior to the transfer being conducted by providing a letter of intent or intent form and, if authorization to transfer quota is granted, must make application to DFO to transfer quota.

### 1. Sales or purchases of quota may be made:

- (a) On the monthly quota exchange. [Refer to Section D.](#)
- (b) Through a transfer of quota from a parent to a child. [Refer to Section C-3.](#)
- (c) Through a quota ownership update. [Refer to Section C-4.](#)
- (d) Through an ongoing operation purchase. [Refer to Section C-5.](#)
- (e) Through dissolving a partnership or corporation. [Refer to Section C-6.](#)

### 2. Minimum Quota Transactions

- (a) The minimum amount of quota which can be purchased, is 0.1 kg of quota.
- (b) The minimum amount of quota which can be sold or transferred is 0.5 kg of quota.
- (c) Quota transfers are not permitted to a new licensee who will hold less than 10 kg of quota.

### 3. Parent to Child Transfer

1. A parent can transfer quota to a child who does not hold any quota on the condition that the child agrees to ship milk on a continuous basis for five years from the effective date of the transfer before being able to transfer the quota.

Note: The parent to child quota top-up policy also permits a grandparent to top-up the quota of a grandchild.

2. A child or children who hold quota are eligible to receive a quota transfer from a parent under the following conditions:

- (a) At the time of transfer, the parent must have been licenced and continuously produced and marketed milk for a minimum period of 10 years;
- (b) The parent can transfer quota to more than one child on separate licences or to a licence held by one or more of their child(ren);
- (c) The parent can transfer up to 50 per cent of the parent's quota, the eligible amount based on the parent's quota holdings at the time of their first transfer;
  - (i) Where quota is held with a licence in the name of a corporation, the maximum percentage of a parent's quota eligible for transfer shall be determined by calculating 50 per cent of the parent's total common and/or voting beneficial interest in the corporation held at the time of the first transfer and for a minimum period of five years immediately prior to the first transfer.
  - (ii) Where quota is held with a licence in the name of a partnership, the maximum percentage of parent's quota eligible for transfer shall be determined by calculating 50 per cent of the parent's total equity partnership interest at the time of their first transfer and for a minimum period of five years immediately prior to the first transfer.
- (d) The parent can transfer quota to the same licence held by a child or children up to three times;
- (e) The parent must have started to produce and market milk prior to the child;
- (f) The child ships milk on a continuous basis for a minimum period of five years from the effective date of the transfer to be eligible to transfer quota transferred from the parent as part of an on-going farm operation or to their child; and

(g) The child, or children if the license is held by two or more children, must hold at least 50 per cent of the quota prior to the first transfer and maintain the same level of quota ownership after the first or subsequent transfers for at least five years from the effective date of the transfer or the quota must be sold on the quota exchange.

Note: For the purposes of the policy requirement in section C, 3, 2(g), the combined ownership of the child and their spouse will be accepted towards the total ownership percentage requirement of the child.

**Rev. June 1, 2021**

(h) Starting with the 2021 NEQAP applicants, new entrants are not eligible to receive a parent to child top-up.

3. If any of the conditions in item 2 are not met, the transfer may be denied and/or previous transfers reversed and/or the Board may issue an order to sell, on the quota exchange, the quota acquired from a transfer.

4. If the parent began shipping milk using shared facilities or leased quota out for a period of time following acquisition after acquiring their quota as part of an on-going farm operation, the 10 year requirement to produce and market milk begins from the point in time that the quota holder began to produce and market milk.

5. A child cannot transfer quota from their licence back to the licence of a parent.

6. DFO may require verification and a sworn affidavit by legal counsel or accountant regarding the parent to child relationship.

7. Parents who transfer quota to a child cannot at any time:  
(a) be added to the licence of the child; and  
(b) take over the licence of the child or their successors.

8. A child who received quota through a transfer is not permitted to link their licensed dairy facility to the licensed dairy facility from which the quota was transferred.

#### **4. Licence Update Involving Members of the Immediate Family**

The quota ownership update is used when there is a change in the family members on a licence. Production must continue on an uninterrupted basis at the same location. With a quota ownership update, the licence number is not changed, just the names of the owners of the licence who are registered with DFO.

### **5. Ongoing Operation and Sale**

#### **5.1 Sellers**

(a) The seller must own the dairy facilities and associated land base to be eligible to transfer the quota as part of the sale of an ongoing operation.

(b) The seller must have produced milk continuously at the farm location for a period of five years unless the quota was acquired as part of an ongoing operation.

(c) The ownership of the dairy facilities and associated land base must be unchanged for a period of five years prior to the effective date of the ongoing operation sale unless the quota was acquired as part of an ongoing operation.

(d) DFO does not require that the dairy animals or farm machinery be transferred with the sale of the ongoing operation. The sale of these assets is optional.

(e) A producer who is leasing a dairy facility is not eligible to transfer quota as part of an ongoing operation.

(f) If purchasers of an ongoing operation are former or existing quota holders or are spouses of existing or



former quota holders, the quota acquired through the purchase of the ongoing operation can be relocated provided all the following conditions are met:

- (i) The purchaser must have produced milk continuously at the farm location for a period of five years; and
  - (ii) The relocation is within the same Board region or no more than 100 km from the original location; and
  - (iii) Only one relocation per licence permitted.
- (g)
- (i) DFO requires 10% of the quota held at the time of application to transfer total quota as part of an on-going farm operation be offered for sale on the quota exchange by the deadline to submit the on-going operation transfer forms or one month prior to the effective date of the transfer.
  - (ii) If a quota transfer as part of an on-going farm operation is cancelled after 10% of the quota holdings is sold on the quota exchange and if the farm is sold as an on-going operation within one year, the seller will be required to sell the difference between 10% of quota held at the time of an application to transfer quota and the amount of quota previously sold on the quota exchange.
  - (iii) For on-going farm sales transferring a partial amount of quota to a non-related party, at the time of the initial quota transfer and each transfer thereafter, 10% of the quota being transferred must be sold on the quota exchange.
- (h) a producer who provides the following documentation on or before October 1, 2015 may, subject to Board approval, be exempt from item (g):
- (i) A copy of the accepted and witnessed offer to purchase dated prior to July 9, 2015; and
  - (ii) A sworn affidavit by legal counsel or accountant for the seller and buyer confirming item 1.
- (i) If there is a transfer of quota as part of an on-going farm operation that was not approved by DFO, DFO's Board may require a minimum of 10% of the quota transferred be sold on the exchange (refer to section A item {s}).
- (j) Producers whose intent is to transfer quota as part of an on-going farm operation, approved by DFO administrative staff as a result of completing an offer to purchase and sell prior to 1:00 p.m. on July 10, 2015, are not subject to items (g) and (h).

## 5.2 Purchasers

When all the dairy facilities and associated land base of a licensed farm are purchased from a licensed producer, the purchaser can also acquire all or part of the quota (minimum 10 kg) at that farm, subject to the following terms:

- (a) Quota purchased with an ongoing operation cannot be merged with other quota holdings or vice versa.
- (b) The purchaser agrees to ship milk on a continuous basis for five years from the effective date of the ongoing operation purchase from the same dairy facility or a new dairy facility located on a parcel of land acquired as part of the on-going farm operation and within five kilometers of the original dairy facility before being able to transfer quota from a parent to a child on another farm site, dissolve the operation into two or more operations, or relocate the quota acquired with the ongoing operation purchase.
- (c) Producers can build new milk facilities on the parcel or parcels of land acquired with the ongoing operation provided the new facilities are within five kilometres of the original milking facilities and the milking facilities acquired with the ongoing operation are no longer licensed.
- (d) If the ownership of the dairy facilities and associated land base are not maintained while milk is being produced and marketed under the quota acquired as part of the ongoing farm operation, DFO may by order, require the quota purchased with the dairy facilities and associated land base be sold on the quota

exchange.

- (e) If a producer is purchasing a share of the quota on a licence, a prorated share of the dairy facilities and associated land base must also be purchased and the original share cannot be changed for a period of five years.
- (f) If purchasers of an ongoing operation are former or existing quota holders or are spouses of existing or former quota holders, the quota acquired through the purchase of the ongoing operation can be relocated provided all the following conditions are met:
  - (i) The purchaser must have produced milk continuously at the farm location for a period of five years; and
  - (ii) The relocation is within the same Board region or no more than 100 km from the original location; and
  - (iii) Only one relocation per licence permitted.
- (g) Purchasers must follow all quota and milk transportation policies. A continually updated version of the policy book is included on DFO's website and is to be used as the official reference document.
- (h) Farm premises and farm yards and lanes must be approved by DFO's Field Services Representatives prior to commencing shipments.

## **6. Dissolving a Partnership or Corporation**

When dissolving a partnership or corporation, quota can be transferred to a partner or shareholder that was on the dissolving licence starting milking premises at a new "green" site. The producer at the new "green" site agrees that they will ship milk on a continuous basis for five years from the effective date of the quota transfer before being able to sell as an ongoing operation.

## **7. Changes in Membership in a Partnership or Shareholders of a Corporation**

If there is any change in the partners in a partnership or a change in shareholders in a corporation, the producers must notify DFO of the change, in writing. DFO will require that the producers complete DFO forms. DFO approval of the change is required before the quota will be transferred.

## **8. Transfer from an Estate**

To transfer from an estate, the following documents are required.

(a) An application to update quota ownership.

In addition, (b) or (c) is required.

(b) With a Will:

- (i) A notarial copy of the last Will and Testament; or,
- (ii) A copy of the Certificate of Appointment of Estate Trustee with a Will or Letters of Probate; or,
- (iii) A letter from the Estate Lawyer unequivocally confirming that it is the last Will and he/she is acting for the Estate and clearly names the executor/trustee.

OR

(c) No Will:

- (i) Copy of the Certificate of Appointment of Estate Trustee without a Will or Letters of Probate; or
- (ii) Direction and indemnification from all the beneficiaries authorizing the transfer and indemnifying DFO, together with a lawyer's letter of explanation.

Note: In cases where a lawyer's letter is referring to a specific document, a notarial copy of the document must also be provided.

## **9. Interprovincial Transfers**

DFO permits the interprovincial transfer of quota subject to the conditions that follow:

- (a) The transfer of a producer's total quota will be permitted where the farmer is moving from Ontario to a

new farm in another province providing there is a reciprocal quota movement agreement with the other province;

- (b) Ontario quota cannot be moved if it is being merged with the quota allotted to a milk licence in another province;
- (c) Quota transfers to a licensed shipper in another province are not permitted;
- (d) Any quota that is sold within five years of moving to the new farm in another province is to be sold on the quota exchange in the province the quota originated;
- (e) Dairy producers who sell their total quota in one province and move to another province and buy quota, are subject to the quota policies of the province they are relocating to, unless section (d) above applies;
- (f) The quota holdings of producers who move to other provinces are to be reported to the Board of the province the producer came from, one year after moving and again after two years; and
- (g) In the case of Quebec, the agreement to supply milk to the province that quota is moving from will be adjusted to reflect the kilograms of quota transferred.

## Section D

# Quota Exchange Policies

### 1. Exchange Operations

(a) Quota purchases or sales on the exchange are effective on the first day of the month following the exchange month.

(b) All offers to sell and bids to purchase quota must be made through the [DFO website \(www.milk.org\)](http://www.milk.org) by one of two methods:

- producer self-service; or
- assisted service through a customer service representative.

Offers to sell or bids to buy quota which are delivered to DFO by any other means will not be accepted. Producers not being able to bid due to a problem with DFO's website will have until noon on the business day following the close of the exchange to call 905-821-8970 and place or change their bid or offer. Guidelines on how to send a bid or offer to the quota exchange are provided in [Section "D", #2](#).

(c) All bids or offers must include:

- the amount of quota to be sold or purchased to be listed in kilograms of quota (the saleable and non-saleable proportions will be calculated administratively by DFO); and
- the price for one kilogram of quota.

(d) Quota must be offered for sale, or bid to purchase, in dollars. For example, buy five (5) kg of quota at \$24,000 per kg. Producers bidding for a fraction of a kilogram (for example, 0.5 kg) must also price their bid on a one (1) kilogram basis such as \$24,000 per kg.

(e) All offers to sell and bids to purchase quota through the quota exchange must be made from 12:00:01 a.m. on the 20th of a month to 11:59:59 p.m. on the first of the following month (for example, from September 20 to October 1 to participate on the October exchange). If you are using the customer service representative method, please refer to the times of operation in [Section "D" #2](#). DFO recommends that offers and bids be placed on the exchange in advance of the deadline date to ensure adequate time for staff to contact producers should corrections be necessary. Any bid or offer sent to DFO before the 20th or after the 1st will not be accepted. It is the responsibility of the producer to enter the bid or offer within the dates the exchange is open.

(f) A producer who wishes to cancel an offer or bid or change the volume or price of an offer or bid can do so on DFO's website or through a customer service representative. All changes or cancellations must be made from the 20th to the first of the following month.

(g) There is a service charge of \$5.00 plus HST for listing an offer to sell or a bid to buy quota through the producer self-entry method. There will be no additional charge for changing or cancelling a bid or offer on the same exchange through the producer self-service method. The service charge for using the customer service representative method is \$15.00 plus HST. There will be an additional charge of \$15.00 plus HST for changing or cancelling a bid or offer on the same exchange by the customer service representative method.

(h) All producers will be advised of the results of the quota exchange through a cheque stuffer received with their milk statement. In addition, producers who listed offers to sell or bids to buy quota on the exchange will be advised by mail whether or not their offer or bid was successful. Invoices for quota purchases and statements for quota sales are also available in the password protected area on the [DFO website](#). Details of an exchange are posted on the DFO website at the time the exchange price is released.

(i) Bids to purchase or offers to sell at a price exceeding the price cap of \$24,000, unless notified otherwise by DFO, for the month in which the producer wishes to buy or sell quota, will be adjusted to the quota

price cap by DFO.

- (j) A producer may not make more than one offer to sell or one bid to purchase in the same month.
  - (k) A producer cannot offer to sell and bid to purchase quota on the same exchange.
  - (l) The minimum bid that a licensee can enter on a quota exchange is 0.10 kg of quota. The minimum offer that a licensee can enter on a quota exchange is 0.50 of quota.
  - (m) The maximum bid to purchase quota that may be entered on a quota exchange is 10 per cent of the licensee's quota as of the closing day of the quota exchange.
  - (n) If the calculated Exchange Clearing Price (ECP) for a quota exchange is lower than the quota price cap, the ECP will apply.
  - (o) When the quota price cap is in effect for a quota exchange and demand for quota is greater than supply, the order of allocation on the quota exchange to the extent possible will be:
    - i) currently licensed producers with successful bids will receive 0.1 kg of quota;
    - ii) one new entrant with assistance will be next in line for 20 to 30 kg of quota; *Rev. March 1, 2021***
    - iii) one new producer without assistance will be next in line for up to 35 kg of quota;
    - iv) any balance will be distributed through allocation and proration policies as follows: quota will be issued in allotment rounds of 0.1 kg to all successful buyers until a minimum of 50 per cent of the available quota is issued; and, after quota is issued to successful buyers in allotment rounds, the balance of the available quota on a quota exchange will be prorated across the unfilled balance of successful bids.
- Note: If there is insufficient volume to meet step (ii) and/or step (iii), any unallocated balance will be carried forward to the next quota exchange.
- (p) When the supply of quota is greater than demand at the quota price cap or the exchange clearing price, DFO will prorate the successful offers listed at the ECP or the offers listed at the quota price cap to bring the volume of quota purchased, the quota sold and the DFO quota inventory as close to a zero balance as possible.
  - (q) Producers will be paid by DFO for quota sold on the exchange on or about the 20th of the month following the exchange month.
  - (r) Producers must pay for quota as per the terms of the invoice if their bid, or a prorated portion thereof, is successful.
  - (s) Payment for all quota purchased on the quota exchange must be received by DFO on or before the last business day of the month prior to the effective date of the quota purchase; and if not received at DFO by this date, the greater of a \$100 service fee or late payment charges applied at a rate of two per cent per month, calculated daily, will be charged.
  - (t) Cheques for quota payment can be postdated to the last business day of the month.
  - (u) If payment is not received by DFO by the eighth day of the month, or next business day if the eighth falls on a weekend or holiday and there are insufficient funds to collect all of the funds owing by a milk cheque deduction, the proceeds of all subsequent milk and/or quota proceeds will be withheld until the balance owing is fully paid. The producer will also not be able to bid on the exchange for a period of 12 months after the first payment for quota has been deducted. For the next five years, after the producer is permitted to use the quota exchange again, all bids to purchase quota must be prepaid by a certified cheque or Letter of Credit before the bids will be accepted.

- (v) DFO reserves the right to request a Letter of Credit, wire transfer, or certified cheque to cover any bid from a producer where it is deemed appropriate.
- (w) When a producer's quota transactions do not appear to be related to the production of the dairy facility, DFO reserves the right to reject a bid or offer on the quota exchange, and may require that the producer have permission from DFO prior to using the exchange again.
- (x) The quota exchange is operated for the convenience of producers, and DFO accepts no liability or obligation whatsoever in the event that an exchange is cancelled for whatever reason.
- (y) For general rules regarding NEQAP and new producer applicants, please see Sections F and G.

## 2. To Send a Bid or Offer to the Quota Exchange

### Producer Self-Service

- (a) To reach the quota exchange through the Internet ([www.milk.org](http://www.milk.org)) select the Login link, enter your Username (licence number) and primary password, when prompted. Select Quota Exchange and then Buy or Sell Quota. Follow the instructions for submitting your bid or offer. Bids and offers are accepted from 12:00:01 a.m. on the 20th of a month to 11:59:59 p.m. on the first of the following month.
- (b) Submit your bid or offer a few days prior to the deadline, the first of each month, to allow adequate time for corrections, if necessary.
- (c) The minimum purchase is 0.10 kilogram of quota. The minimum sale is 0.50 kilogram of quota.
- (d) If selling your total quota, select YES for this option and your total quota will be offered for sale.

### Customer Service Representative

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 first 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.

## 3. Producers Wanting to Sell Their Quota

- (a) Producers who have permanently ceased to supply milk to DFO have three exchanges on which to sell their total quota, starting with the first exchange held after their last month of shipments.

Example: a producer who ceases shipments during the month of September can offer the total quota for sale on the October exchange (offer sent between September 20th and October 1st), or the November or December exchanges. The December exchange (offer sent between November 20th and December 1st) would be the final deadline. For transfers to a child or children, the same deadlines apply.

- (b) Producers are permitted to sell their total quota on the exchange held during their last month of shipment. If the quota is sold, the producer continues to have the use of the quota until the end of the exchange month. Milk pickup will be stopped after the last regularly scheduled pickup for that month.
- (c) Producers are not permitted to sell an amount of quota that would reduce their quota allotment to greater than zero and less than 10 kg.
- (d) A producer who has not sold all quota due to proration on an exchange is not permitted to continue shipping if they hold less than 10 kg of quota.
- (e) If a producer has stopped shipping milk and has not sold their quota within the time period allowed, they are not permitted to sell quota unless they re-enter production for a period of at least 60 consecutive days at a level equal to at least 90 per cent of their daily average production in the 12-month period before they ceased production.
- (f) Producers who have been out of production for a period exceeding 90 consecutive days and have not sold their quota will have their quota allotment cancelled by an Order of DFO.

Note: Producers who have no milk shipments due to a suspension under proAction policy may receive an extension of 30 days to the policies in section D, 3(f), and section D, 4(c), provided DFO is satisfied that they have made progress towards meeting proAction reinstatement requirements. Producers must submit a written request to DFO describing the progress they have made towards meeting reinstatement requirements and requesting the 30-day extension. **Rev. June 1, 2021**

- (g) Producers must ship milk for at least 150 days in any 365-day period.

#### **4. Producers Who Cease Shipping Milk for a Period and Wish to Recommence**

Producers are permitted to cease production for a period of up to 90 consecutive days. Producers intending to cease production and recommence within the 90-day period must take note of the following policies:

- (a) If there are no milk shipments for a period in excess of 30 days, the producer must contact the local DFO Field Services Representative to arrange to have their farm inspected. The dairy facility must be deemed to be Grade A by the FSR prior to milk pickup being arranged.
- (b) Unless the producer has been shut off from the milk market, a producer who resumes shipments after being out of production for more than six consecutive days is not permitted to sell quota unless they reenter production for a period of at least 60 consecutive days at a daily level equal to at least 90 per cent of their daily average production in the 12-month period before they ceased production.
- (c) Unless quota is being held in abeyance, producers who have been out of production for a period exceeding 90 consecutive days or have less than 150 days of shipments in the most recent 12 months may have their quota allotment cancelled by an Order of DFO.

Note: Producers who have no milk shipments due to a suspension under proAction policy may receive an extension of 30 days to the policies in section D, 3(f), and section D, 4(c), provided DFO is satisfied that they have made progress towards meeting proAction reinstatement requirements. Producers must submit a written request to DFO describing the progress they have made towards meeting reinstatement requirements and requesting the 30-day extension. **Rev. June 1, 2021**

- (d) Producers who are shut off from the milk market do not receive quota days for the shut-off period and are not permitted to pay back overproduction credits and/or accumulate underproduction credits during the shut-off period. They are also not allowed to share facilities or set up primary/linked facilities.

# Section E

## Quota and Payment

### Introduction

Quota is administered on a monthly basis and production is applied to monthly quota, incentives and credits in the order listed as follows:

1. monthly quota;
2. production incentives;
3. underproduction credits;
4. overproduction credits; and
5. over-quota milk.

### 1. Monthly Quota

Quota is issued on a daily basis but is administered on a monthly basis. Daily quota is multiplied by quota days to determine monthly quota.

Quota days are the difference in the number of days from the last pickup in the previous month to the last pickup in the current month.

However, if milk was not shipped on the last pickup or pickups in a month, the following procedures apply. If quota days are less than the current month's calendar days minus one, then quota days are the difference in the number of days from the last pickup in the previous month to the last calendar day in the current month. When calendar days are used, the last day of the month is deemed to be the last pickup date for the month for the next month's quota day calculations.

If a producer does not ship on the last scheduled pickup in a month and provided the calendar day provision is not triggered, the quota days are available in the next month. It is recommended that you not dump the last scheduled milk pickup in a month.

Producers may be either slightly above or slightly under their quota on a monthly basis. The overproduction and underproduction credit system is meant to accommodate fluctuations in production.

### 2. Production Incentives

To encourage increased production, normally in the fall months, and other times when needed, all producers may be given additional incentive credits based on their daily quota allotment. The level of fall incentive credits is usually announced early in the calendar year.

- (a) Incentive credits are available only for the month in which they are allotted, and cannot be carried forward in part or whole.
- (b) Incentive credits are utilized after the monthly quota and before underproduction and overproduction credits.

### 3. Underproduction Credits

Producers who ship slightly under their monthly quota are permitted to carry the unused monthly quota forward to future months to offset shipments over the monthly quota, subject to limitations the Board may place on credit use. This unused quota is referred to as an underproduction credit, and, when needed, is available for use in addition to the regular monthly quota.

- (a) The maximum number of underproduction credits that can be accumulated and carried forward indefinitely is equivalent to quota holdings multiplied by 30 days.



- (b) If there are no overproduction credits owing, underproduction credits are earned when production in the month is below the monthly quota.
- (c) When a producer's quota is reduced or the producer sells or transfers any or all quota, the maximum underproduction credits, if applicable, will be reduced to a maximum of the new quota multiplied by 30 days.
- (d) Underproduction credits can be transferred with the quota for a quota ownership update, ongoing operation purchase or parent to child quota transfer.
- (e) Producers shut off from the milk market are not eligible to earn underproduction credits and/or pay back over production credits during the period in which they are shut off.
- (f) Producers transferring partial quota are not permitted to have more than the maximum of 30 days of underproduction credits, on the effective date of the transfer.

#### **4. Overproduction Credits**

Overproduction credits allow producers to occasionally ship slightly above their monthly quota at domestic prices, with the intent that overproduction credits will be paid back by under-quota production in future months, subject to limitations the Board may place on credit use. Overproduction credits are a loan of quota. The producer incurs a "debt" of the difference between domestic and over-quota prices on the kilograms of overproduction credits borrowed. Borrowed overproduction credits and the associated debt are carried forward and the producer is obligated to pay back the overproduction credits. Borrowed overproduction credits can be paid back through underproduction of monthly quota or, if quota is reduced due to a sale, transfer, or quota decrease the debt owing is deducted from milk and-or quota proceeds and are again available for use if the producer remains in production.

- (a) The maximum overproduction credits that producers may borrow is 10 days.
- (b) Overproduction credits are utilized when production in the month exceeds monthly quota plus, if applicable, production incentive credits and underproduction credits.
- (c) Borrowed overproduction credits can be paid back through underproduction of monthly quota (all utilized overproduction credits must be paid back before underproduction credits can be earned).
- (d) Producers who have borrowed some of their available overproduction credits and sell quota or have their quota reduced, may be in a position of having borrowed more overproduction credits than the new maximum available after the sale. In these cases, any overproduction credits borrowed that are greater than the number available are paid back through a deduction equivalent to the difference between within-quota milk prices and over-quota prices.
- (e) If a producer sells all quota, all overproduction credits owing must be paid back. The deduction will be made on the milk statement for the month the quota is last available for use.
- (f) Overproduction credits are transferable with the quota for a quota ownership update involving family members where the licence number remains the same.
- (g) Overproduction credits are transferable with the quota through an ongoing operation purchase if both the seller and purchaser agree in writing.
- (h) Producers who are shut off from the milk market cannot pay back any borrowed overproduction credits during the period in which they are shut off.
- (i) Producers receiving or transferring partial quota are not permitted to have more than the maximum of 10























































## **9. Maintenance**

The yard and lane must be kept in good repair. The transporter may refuse to pick up the milk if potholes and ruts exist and/or the lane appears unsafe.

In winter, that portion of the yard and the lane through which the milk truck travels must be clear of snow when the milk is scheduled to be picked up. The yard and lane must also be clearly marked with poles and reflecting markers. The lane surface must be kept clear of ice through the use of salt and/or sand.















REVISION DATE	PART	SECTION	SUB-SECTION	PAGE(S)
26-Jun-20	I - Quota Policies	B - General Quota Policies	2. (e), 4.1 (f), 4.2 (h)	6-7
08-Jul-20	I - Quota Policies	A - General	3	2
08-Jul-20	I - Quota Policies	B - General Quota Policies	6. (b)	8
08-Jul-20	I - Quota Policies	C - Policies for Acquiring, Selling or Transferring Quota	5.2 (f)	12
11-Sep-20	II - Milk Transportation Policies	A - General	9., addition of 14.	38-39
01-Dec-20	I - Quota Policies	B - General Quota Policies	1. (a)(b), addition of (c). 2. (a)(b). Addition of 3. Producer Medical Conditions and 4. Producer Death.	6-7
01-Dec-20	I - Quota Policies	I - Definitions	Addition of 26. "Producer medical condition" and 28. "Production catastrophes."	34
01-Feb-21	I - Quota Policies	E - Quota and Payment	10. SNF/BF Ratios, 11. Explanation of the Interim Milk Cheque Statement, 12. Explanation of the Milk Cheque Statement (f) SNF to BF Ratio	22-23
01-Feb-21	I - Quota Policies	I - Definitions	Update of 34. "Ratio cap"; addition of 41. "Within-quota"	33
22-Feb-21	I - Quota Policies	I - Definitions	Addition of 24. "Plant" and 43. "Transportation cost."	34-35
22-Feb-21	II - Milk Transportation Policies	A - General	7. Isolation Policy	38-39
01-March-21	I - Quota Policies	D - Quota Exchange Policies	1(o)(ii)	16
01-June-21	I - Quota Policies	C - Policies for Acquiring, Selling or Transferring Quota	3. Parent to Child Transfer (g)	11
01-June-21	I - Quota Policies	D - Quota Exchange Policies	3. Producers Wanting to Sell Their Quota (f), and 4. Producers Who Cease Shipping Milk for a Period and Wish to Recommence (g)	18
01-June-21	I - Quota Policies	F - New Entrant Quota Assistance Program (NEQAP)	10, addition of 21	25-26
01-June-21	I - Quota Policies	G - New Producer Applicant Requirements	Addition of 1(t)	30