



Milk Allocation Policies

Dairy Farmers of Ontario

May 1, 2017

The document posted on the DFO website (www.milk.org) contains the most up-to-date policies and will be used for all policy interpretation.

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Intent

The intent of the Milk Allocation Policies is to provide a set of procedures and guidelines, established by Dairy Farmers of Ontario (DFO) in consultation with Ontario Dairy Council and Companies (as herein defined), for the marketing of on-demand milk for utilization in Classes 1 and 2 and the marketing of residual milk based on a system of plant supply quotas for milk utilized by Industrial Milk Plants (as defined herein).

The policies also incorporate the provisions of the P5 Harmonized Milk Allocation Policy (P5 Policy), as approved by the P5 Supervisory Body on January 22, 2014, for managing and allocating the milk supplies for market growth for Class 2a products and Class 3a products, which includes any related special class products. A copy of the January 22, 2014 P5 Policy is appended to this document (see Appendix 1).

All deliveries of raw milk to Ontario Companies, regardless of where the load originated, shall be governed by Ontario's procedure(s) and policy(ies). Plants (as defined herein) in Ontario are only obligated to communicate/deal with DFO for all issues related to their milk deliveries and utilization. Plants may deal with external Milk Marketing Boards, providing they are in agreement with the request and that DFO is made aware of any such agreements. However, all milk orders, deliveries, and invoicing issues are to be administered by DFO.

The Milk Allocation policies contained in in this book supersede all prior policies and/or agreements on the same subject matter.

For more information or clarification on any policies, please contact head office staff at (905-821-8970).

Definitions

1. “2a Reference Volumes” refers to the bases established, under the P5 Policy, for each Company that had milk use declarations for Class 2a products during the 2012/2013 dairy year. A first use volume reference and an end use butterfat reference were established, based on audited declarations in Class 2a plus any applicable special class declarations less any applicable Domestic Dairy Product Innovation Program (DDPIP) declarations.
2. “3a Reference Volumes” refers to the base established, under the P5 Policy, for each Company that had milk use declarations for Class 3a products during the 2012/2013 dairy year. A first use volume reference was established, based on audited declarations in Class 3a plus any applicable special class declarations less any applicable DDPIP declarations.
3. “Company” means a person or a corporate entity operating one or more milk processing plants and engaged in the processing of milk products or fluid milk products. For purposes of this document, the scope of Company will be limited to processing plants operated within the province of Ontario unless explicitly indicated otherwise. “P5 Company” will be used to reference situations where the related policy element applies to all plants operated by a Company within the P5.
4. "Ice Cream" or "Dairy Blend" means a combination of milk, cream and other milk products that may or may not be custom-blended and may be sweetened with sugar, liquid sugar, invert sugar, honey, corn syrup, or any combination of such sweeteners or other sweeteners and may contain flavourings, food colour, PH adjusting agents, stabilizers, emulsifiers, and salt.
5. “Industrial Milk Plant” means a Plant which manufactures dairy products in Classes 2 to 5.
6. “On-demand Milk” means the milk marketed for use in Classes 1 and 2 as defined in O. Reg. 753, similar products classified in Class 5 utilization, or for any product not requiring plant supply quota.
7. "Plant" means a licensed premise where milk is received for the purpose of being processed.
8. “On-demand Milk Plant” refers to a Plant that utilizes at least 50 per cent of its milk receipts in Classes 1 and/or 2.
9. “Plant Supply Quota” (PSQ) means the amount of milk, in litres, allotted to a Quota Plant which represents the Plant's share of the milk available to Industrial Milk Plants for Classes 3, 4 and 5 utilization.
10. “PSQ Milk” refers to that volume of milk, on a daily basis, that remains after fulfilling the quota exempt domestic requirements of On-demand and Industrial Milk Plants.
11. “Quota Exempt Milk” means the milk delivered to Companies for which PSQ is not required. On demand Milk ordered for Classes 1 and 2 dairy products, and milk supplies for DDPIP and Dairy Innovation Program (DIP), are quota-exempt. Effective August 1 2013, milk supplies allotted for growth in Class 3a above the P5 Company reference volumes and within the permitted growth limits established under the P5 Policy are quota-exempt. Quota Exempt Milk volume is determined on a first use basis, based on utilization for the applicable products.

12. "Quota Milk" means milk marketed to Plants with PSQs for utilization in the manufacture of Classes 3, 4 and 5 dairy products. Quota milk is to be determined based on volumes recorded on DFO's milk electronic hand held units, i.e. CN70, or based on the volume as determined by an approved volumetric metering system. .
13. "Quota Plant" means a Plant in respect of which DFO has allotted a PSQ.
14. "Quota Product" means a product manufactured using Quota Milk.
15. "Weekly Milk Order Period" refers to the seven-day order period from Friday through to Thursday inclusive.
16. "Christmas / New Year's Period" refers to the period from December 21st to January 3rd inclusive.
17. "Full Truckload Quantity" is the volume of milk a truck is carrying after the last pick-up of its designated pick-up route. DFO uses multiple truck types for milk pick-up, the following shows approximate full truckload quantities by truck type. Quantities will vary from day to day depending on production levels at each farm.
 - a. Tandem axles straight truck; 14,000 litres
 - b. Tri axle straight truck; 19,500 litres
 - c. Tandem axle trailers; 24,500 litres
 - d. Tri axle trailers; 31,500 litres
 - e. Four axle trailers; 36,500 litres
 - f. Five axle trailer; 38,500 litres

Part One

Conventional Milk Ordering and Milk Allocation Policy

1. Weekly milk orders are to be submitted to DFO every Monday by 10:00 a.m.
2. Plants have three opportunities during the week to make changes to weekly milk orders.
 - (a) Changes to Friday and Saturday milk orders are due Wednesday by 10:00 a.m.
 - (b) Changes to Sunday, Monday, and Tuesday milk orders are due Thursday by 10:00 a.m.
 - (c) Changes to Wednesday and Thursday milk orders are due Monday by 10:00 a.m.
3. Plants requesting a change to their weekly milk order, either an increase or a decrease, must do so in accordance with # 2 above of this Milk Policy except in cases of major breakdowns or emergencies.
4. Plants requesting additional milk after the ordering deadlines will only receive additional milk if another local Plant has contacted DFO to cancel a milk order on the same day.
5. Weekly milk ordering deadlines may change at the discretion of DFO to accommodate holiday weekends and during the Christmas/New Year's Period.
6. On-demand Milk Plants, utilizing 10.0 million litres or more but less than 20.0 million litres of milk annually, are required to receive milk six days per week. A minimum of 7 per cent of the weekly milk requirement up to a maximum of 19 per cent must be received on each day of the Weekly Milk Order Period.
7. On-demand Milk Plants, utilizing 20.0 million litres of milk or more annually, are required to receive milk seven days per week. A minimum of 7 per cent of the weekly milk requirement up to a maximum of 19 per cent must be received on each day of the Weekly Milk Order Period.
8. A Company with two or more On-demand Milk Plants may combine individual Plant orders, such that one or more of their On-demand Milk Plants receives the minimum 7 per cent, up to a maximum of 19 per cent, of the Company's combined milk requirements for that day.
9. During the Christmas/New Year's Period, a Company with two or more On-demand Milk Plants may combine individual plant milk orders, such that one or more of its On-demand Milk Plants receives the minimum 10 per cent up to a maximum of 19 per cent of the Company's combined milk requirements for that day.
10. All milk orders are subject to milk availability and will be delivered to the nearest Full Truckload Quantity. If logistically feasible, DFO will try to accommodate deliveries of partial loads to small Plants that do not have capacity for Full Truckload Quantities.
11. DFO will make its best efforts to fill all milk orders on a weekly basis but may require Companies to receive milk on a frequent basis, including weekends.
12. DFO does not guarantee that Quota Milk will be delivered on the day requested.

Part Two

Organic Milk Marketing Policy

The objective of the Organic Milk Policy is to set out the terms and conditions upon which DFO shall allocate the available organic milk supply to certified organic processors ordering organic milk.

Section A: Organic Milk Certification

1. In order to be eligible to participate in DFO's organic milk program, all producers, transporters and processors of organic milk must be certified organic for milk by a certification body accredited as per Government of Canada, Organic Products Regulations, SOR/2009-176.
2. All organic producers, transporters and processors are required to provide DFO with a copy of their organic certificate on an annual basis.
3. All organic producers, transporters and processors must immediately notify DFO of any decertification or interruption or inability to meet their obligations as an organic certified operation.
4. Expired certificates, decertification or the inability to provide proof of a valid certificate upon request will result in suspension of participation in the organic milk program until such time as a valid certificate is provided to and acknowledged by DFO.
5. No warranty or representation is made by DFO with respect to the qualification of organic milk delivered to a Company except that DFO represents and warrants that:
 - (a) Each producer from whom such milk has been sourced has represented to DFO that it is a certified organic milk producer and that the milk is organic qualifying milk; and
 - (b) At the time of shipment to a Company, DFO has not received notification of any decertification, or interruption or inability to produce organic qualifying milk by any such producer; and
 - (c) At the time of shipment to a Company, DFO has not received notification of any decertification of a transporter contracted to pick-up and deliver organic milk.

Section B: Company Weekly Organic Volume Commitment for Payment (For both on-farm and non on-farm processors)

1. The "Company Weekly Organic Volume Commitment" is the weekly volume of organic milk for which a Company will pay the Organic Rates as outlined in Part Two: Section C of this Organic Milk Policy.
2. Weekly Organic Volume Commitments are applied based on the allocation week which is the seven-day period from Friday through to Thursday inclusive. If an allocation week crosses over two months, for example three days at the end of one month and four days at the beginning of the next month, the volumes and rates will be assigned to the calendar month that each of the individual days fall under.

3. Deliveries of organic milk can occur bi-weekly if agreed to by DFO and two Companies who agree to accept approximately equivalent volumes on offsetting weeks. For example a weekly commitment of 50,000 litres can be met with a 100,000 litre delivery every second week to Plant A and 100,000 litre delivery on the offsetting week to Plant B.
4. A Company will commit to a Weekly Organic Volume Commitment for a minimum of three months.
5. A Company must provide DFO with three months' notice to decrease its Weekly Organic Volume Commitment.
6. The commitment period for a Company requesting additional organic milk that cannot be sourced from existing organic producers and requires the start-up of new organic farms will be negotiated between DFO and the Company. The minimum commitment periods will not be less than those identified in items 4 and 5 above.

Requests for increases to a Company's Weekly Organic Volume Commitment will be filled on a first-come first-serve basis and will be applied as soon as possible, based on organic milk availability.

Section C: Company Organic Rate (For both on-farm and non on-farm processors)

1. DFO will establish organic milk rates (Organic Rates) for Companies receiving organic milk. The Organic Rates can be viewed on DFO's website.
2. Organic Rates are subject to amendment by DFO at any time on forty five days' prior written notice to the industry.
3. Companies are always required to pay the Organic Rates on all milk received and marketed as organic. Companies accepting organic milk marketed as conventional milk will not be charged the Organic Rates unless required to by the 90% minimum payment commitment.
4. If organic milk received is less than 90 per cent of a Company's Weekly Organic Volume Commitment, the Company will pay the Organic Rates on 90 per cent of its Weekly Organic Volume Commitment.
5. The requirement to pay the Organic Rates on up to 90 per cent of the Weekly Organic Volume Commitment will not apply :
 - (a) on any volume of organic milk below the 90 per cent minimum payment commitment volume that is not received by a Company in the week but is marketed by DFO as organic milk to another Company; or
 - (b) if the milk received is less than 90 per cent of a Company's Weekly Organic Volume Commitment due to a DFO shortage
6. The Organic Rates charged when adjusting to the 90 per cent minimum will be based on the levels outlined in Section C, #1 of the Organic Milk Policy.
7. Organic Rates will be charged monthly on the basis of the terms described in this Organic Milk Policy.

Section D: Organic Transportation Charges

1. Trucks delivering organic milk will have organic identification tags to help differentiate the organic milk loads from conventional milk.
2. Where there is a request for segregation of milk within the organic pool a surcharge will be charged to cover the incremental transportation charges incurred.

Section E: Organic Milk Ordering

3. Organic milk ordering schedules are the same as those for conventional milk outlined in Part One of the Milk Policy.
4. Organic Milk ordering deadlines may change at the discretion of DFO to accommodate holiday weekends and the Christmas/New Year's Period.
5. All weekly organic milk orders are subject to milk availability and will be delivered as the nearest Full Truckload Quantity.
6. DFO will make its best efforts to fill all organic milk orders on a weekly basis.
7. DFO does not guarantee that organic milk will be delivered on the day requested.

Part Three
Plant Supply Quota (PSQ) Policy
Plants Manufacturing Class 3, 4 and 5 Products

For plants manufacturing Class 2a and 3a products, please refer to Section B: #9 and #10 of this PSQ Policy and Parts Five (Yogurt Policy) and Six (Growth Reserve Policy).

Section A: General Conditions

1. Plants not licensed, by the Ontario Ministry of Agriculture Food and Rural Affairs (OMAFRA) or by the Canadian Food Inspection Agency (CFIA) to process milk shall not be allotted Plant Supply Quotas.
2. All PSQs that are allotted by DFO to licensed Industrial Milk Plants for their use shall be the property of DFO.
3. DFO may adjust the PSQs by a uniformly applied percentage depending upon the milk production quota issued to producers.
4. A company that contravenes DFO’s PSQ Policy may have all or part of its PSQ cancelled by DFO for a period defined by DFO.
5. This PSQ Policy is subject to amendment by DFO at any time on 45 days’ prior written notice to all holders of PSQs.
6. Upon completion of a DDPIP Contract, the Plant possessing the contract shall be issued a volume of PSQ equivalent to the volume utilized under the contract during the last year of the contract, or the volume permitted under the contract, whichever is less.
7. A Company that defaults on payment for milk purchased from DFO in contravention of the applicable DFO Pricing Regulation, may have all or part of its PSQ cancelled or reduced by DFO for a period defined by DFO. DFO will endeavor to allot a like amount of PSQ to other Companies and to apply any proceeds received by it to cover its costs and losses due to the milk payment in default.

Section B: Plant Supply Quotas (All Plants)

1. A Plant’s daily quota will be multiplied by the number of days in a given month to establish a monthly quota allotment.
2. Monthly PSQ will be reset on the first day of each month.
3. A carry forward of under-supply or under-ordered credits per month is permitted to a maximum number of days as shown in the table below. Any credits greater than the maximum number of days would be lost and not carried forward. Credit days are cumulative until the maximum credit days are reached.

Company Daily Quota Volume (Litres)	Maximum Credit Days
Less than 10,000	30
Between 10,000 and 24,999	20

Between 25,000 and 49,999	10
Between 50,000 and 200,000	5
Greater than 200,000	2

4. Carry forward credits will only be filled if Surplus Milk is available after all PSQ allotment orders are satisfied.
5. Due to the fact that a Company's carry forward credits are only known for the previous month, two weeks into the current month, a Company's carry forward credit days will be applied on a one month lag. For example, credit days accumulated up to and including February would be used in April's PSQ allocation.
6. To reward Companies that receive Surplus Milk, the volume of unordered milk received shall be Quota Exempt as per the following:
 - (a) Unordered Surplus Milk will be first offered to Companies carrying forward credit days.
 - (b) For a Company that does not have any carry forward credit days, all milk received over and above its monthly PSQ allotment will be considered Quota Exempt.
 - (c) For a Company that has carry forward credit days, all milk received over and above its monthly PSQ allotment will be deducted from the credit amount first and any remaining milk will be considered Quota Exempt.
7. A Company that receives milk that has been rejected by another Company shall receive that volume of milk on a Quota Exempt basis.
8. A Company that fails to order sufficient milk to fill its monthly quota allotment is not eligible for Quota Exempt milk unless the milk complies with Item 7 above
9. A Company that places an order to meet On-demand Class 1 and 2 milk requirements and then diverts such milk to manufacture PSQ products shall have its monthly PSQ allotment reduced by an offsetting amount in a subsequent month(s).
10. Milk used by a Company to manufacture any dairy products included under Classes 3, 4 and 5 will be applied against the Company's PSQ allotment. DFO shall supply a Plant with sufficient volume of Quota Exempt milk to meet its requirements for utilization in Classes 1 and 2, DIP, DDPIP, DEP and for Classes 2a and 3a growth as per the P5 Policy.
11. Each month DFO shall inform Quota Plants and Companies of the average percentage that total quota milk utilization is of the total quota of those Plants and Companies sharing the quota milk supply.
12. Where a Company has more than one Industrial Milk Plant, such Plants will be considered jointly, rather than separately, for purposes of comparing the Plants' quota milk utilization with the provincial average milk utilization and for calculating credit days as outlined in item 3, Section B of this PSQ Policy.
13. Unplanned and Emergency Shutdowns at Industrial Milk Plants
 - (a) Unplanned and Emergency Shutdowns include but are not limited to picket lines, strike action, lock-outs, catastrophes (fires, floods, ice storms, etc.), acts of God, prolonged power interruptions and significant plant or equipment breakdowns as well as other unforeseeable circumstances that prevent regular plant operations from carrying on

- (b) Unplanned and Emergency Shutdowns shall be evaluated on a case-by-case basis between DFO and the Company.
- (c) Milk that cannot be delivered to a Plant due to an Unplanned or Emergency Shutdown shall be redirected to another Plant by DFO. With DFO's written approval, the Company may redirect its milk to an alternate Plant(s).
- (d) An Industrial Milk Plant that receives milk that has been redirected from the Plant experiencing the Unplanned or Emergency Shutdown shall receive that milk on a Quota Exempt basis.
- (e) DFO may approve the temporary transfer of PSQ or redirection of milk where an Industrial Milk Plant undergoes an Unplanned or Emergency Shutdown. The application for the temporary transfer or redirection shall state the reason for the transfer or redirection and the period of time for which it is expected to be required. Unprocessed milk held within the storage facilities of the Plant experiencing the Unplanned or Emergency Shutdown, if supplied to another Quota Plant, shall be on a Quota Exempt basis.

Section C: Plant Supply Quota Transfers

Unless stated otherwise, any reference in this PSQ Policy to PSQ transfers pertains to both permanent and temporary transfers alike.

1. A PSQ may be permanently transferred in whole, or in part, between and among Industrial Milk Plants subject to the terms and conditions of this PSQ policy and to the approval of DFO.
2. DFO's application form to request a transfer of PSQ shall be filled out and submitted to DFO at least 30 days prior to the effective date and shall state the duration of the requested transfer, in months, and the reasons for the requested transfer.
3. A transfer of a PSQ shall become effective only on the first day of a month.
4. DFO may approve the transfer of a PSQ on a temporary basis for a period of no less than one month or more than twelve months within the current dairy year.
5. After three consecutive years of underutilization of PSQ, the difference between the use rate of the highest utilization year plus 10 per cent and the permanent PSQ held must be sold.
6. After three consecutive years of underutilization of PSQ, DFO will issue a notification to a processor that they must sell the underutilized PSQ as outlined in # 5 of Section C of this PSQ Policy. If the underutilized PSQ remains unsold six months after the notification to sell is issued by DFO, the underutilized PSQ will be cancelled by DFO at DFO's discretion.
7. In the event of a Plant sale, PSQ may be permanently transferred in whole, or in part, between the seller and buyer subject to the terms and conditions of this PSQ policy and to the approval of DFO. In the event a plant is sold and 100 per cent of the PSQ is not transferred to the purchaser, the un-transferred PSQ must be sold by the existing quota holder within six month of the sale taking effect. If the PSQ remains unsold after six months, it will be cancelled by DFO.

Section D: Skim-Off Cream and Skim Milk Redirection at Plants with Supply Quotas

1. Cream that is skim-off as a result of cheese manufacturing and which is utilized in the manufacture of a quota product shall be declared as such by the original purchaser of the milk irrespective of whether the original purchaser utilized the skim-off cream as such or whether the original purchaser sold the skim-off cream to another Company for manufacture into a Quota Product.
2. If the original purchaser of the milk is the holder of a PSQ, the volume of skim-off cream used in the manufacture of a Quota Product, by either the original purchaser or a secondary purchaser, shall be charged against the PSQ of the original purchaser of the milk.
3. Under DFO's Skim Milk Redirection Agreement
 - (a) The volume of skim milk sold to a secondary purchaser shall be charged against the PSQ of the original purchaser of the milk.
 - (b) The volume of cream sold to a secondary purchaser shall be charged against the PSQ of the secondary purchaser.

Section E: Dairy Components Acquired By / Transferred to Quota Plants

1. Milk deliveries to meet a Company's On-demand milk requirements for Classes 1 and 2 (excluding evaporated and condensed milk) shall be strictly limited to the volume of milk required to process and/or manufacture milk and dairy products in these classes. Any associated surplus cream or surplus skim milk, whether transferred within the Company or sold to another Company, shall be designated Quota Exempt for use in quota products in Class 3, 4 and 5 and/or evaporated/condensed milk for use in Class 2.
2. Companies ordering more milk than required to meet their Class 1 and 2 requirements with a resulting surplus of both cream and skim milk and/or skim milk solids shall have their PSQ milk deliveries reduced by an offsetting amount in a subsequent supply period. Depending on the severity of the over-supply situation, the Company may, at the discretion of DFO, be subject to a fine on the surplus milk levied at the Class 4(a) component prices, in addition to paying for the surplus milk at the price for the Class in which it was actually used.

Section F: Bulk Sale/Transfer of Dairy Components Out of Province

1. No Company may purchase additional milk On-demand (over and above its own requirements) in Classes 1 or 2, from DFO, for the sole purpose of sourcing bulk dairy components, butterfat and/or SNF, for sale or transfer to a Company outside of the province of Ontario. Any non-quota Plant acquiring additional milk for the purpose of transferring bulk dairy components outside of Ontario will be assessed a premium of \$10.00 per hectolitre above the Class 1 or Class 2 price on 100 percent of the milk equivalent of any transferred components.
2. A quota plant acquiring additional milk on-demand for the purpose of selling or transferring bulk dairy components to a company outside of Ontario will have the milk equivalent of any transferred components assessed against their PSQ entitlement.

Section G: Skim Milk Resulting from the Manufacture of Aerosol Whips

1. Skim milk resulting from the manufacture of aerosol whips (pressurized creams) shall be Quota Exempt.

Section H: Domestic Dairy Product Innovation Program (DDPIP) and Dairy Innovation Program (DIP)

1. All milk delivered to a Company in support of approved DIP contracts shall be Quota Exempt and subject at all times to the terms and conditions of the contract.
2. The DIP was introduced effective August 1, 2013 and replaces the DDPIP for new contracts entered after such date.

Part Four

Artisan Dairy Program

In April 2006, DFO announced the launch of its Artisan Cheese Program to encourage new small-scale cheese makers using traditional production methods. However, in November 2011, this program was re-named “**Artisan Dairy Program**” (ADP) to recognize the fact that artisan processors in the dairy industry are not limited to just cheese but could include all types of dairy products.

Artisan dairy products, under the ADP, are defined as those products produced primarily in small batches, with particular attention paid to the tradition of the maker’s art.

This program makes available three million litres of milk for the manufacture of artisan style dairy products in Ontario. Each successful ADP applicant will be eligible to receive up to 300,000 litres of milk annually for three years.

Upon completion of the third year of manufacturing, the artisan processor will be allotted a volume of milk, based on the appropriate allocation policy, equivalent to the greater of the last year’s milk utilization or the average of the last two years milk utilization.

The ADP offers a way for artisan processors to obtain milk for new, innovative dairy products. Individuals interested in the ADP must first apply to the Canadian Dairy Commission to obtain milk through the Dairy Innovation Program, (DIP). If their DIP application is denied, they may apply to purchase milk under the ADP.

Industry stakeholders will review the ADP periodically to determine if it is achieving its objective of offering a way for artisan processors to obtain milk for new, innovative dairy products.

Part Five

Plants Manufacturing Class 2, Yogurt (Yogurt Policy)

For plants manufacturing Class 2a and 3a products, please refer to Part Six (Growth Reserve Policy).

Effective August 1, 2013, Part Five of this policy is placed in abeyance. The related policy elements are currently superseded by the P5 Policy.

Effective November 1, 2011, the manufacturers of yogurt, beverage yogurt and yogurt shakes (excluding frozen yogurt products), were allotted a "Base Volume" defined as the volume of whole milk utilized in the manufacture of their yogurt products during the base setting period. Manufacturers of yogurt products with a Base Volume will be entitled to receive their Base Volume as well as an annual growth allowance. The following points outline the details of the allocation policy pertaining to yogurt:

1. The Plant's Base Volume represents 12-months of milk entitlement.
2. The Base Volume setting period is the dairy year 2010/2011 or, the average of the dairy years 2009/2010 and 2010/2011, whichever results in a greater volume.
3. Yogurt manufacturers are expected to utilize their milk entitlement (Base Volume plus growth allowance) throughout the 12-month dairy year.
4. A growth allowance, equal to 20% of the company's Base Volume, will be made available each year to Companies, when the Base Volume utilized in the manufacture of yogurt exceeds 10 million litres. *Note: Plants that have been allotted a Base Volume of less than 10.0 million litres may increase their milk requirements on an on-demand basis until they reach the 10.0 million-litre utilization level.*
5. On August 1, **every other year** (beginning August 1, 2013) the greater of, the average growth allowance utilized for the past two dairy years or, the growth allowance utilized in the most recent dairy year, will be added to the Company's existing Base Volume, resulting in a new Base Volume.
6. Yogurt Base Volumes are transferable, upon approval of DFO, to another Company for the purpose of manufacturing yogurt and yogurt products.
7. Yogurt Base Volumes, allotted to multiple plants, owned by the same Company, may be treated corporately, i.e. a Company may specify which of its Plants receives the milk associated with the total corporate base.
8. Any new entrants into yogurt manufacturing will be limited by the volume available to them under the Artisan Dairy Program (see Section 6 for further details).

Part Six

Growth Reserve for Classes 2a and 3a

The P5 Policy approved by the P5 Supervisory Body as approved on January 22, 2014 (Appendix 1) allows for the allocation of milk from the P5 Growth Reserve as defined therein effective August 1, 2013. It also provides for retroactive adjustments back to August 1, 2013 against PSQ deliveries for any Quota Exempt Milk that Companies were entitled to receive under the P5 Policy when the operational elements of the policy are implemented. Thereafter, PSQ deliveries will be reported per # 13 below.

Rules and Administrative Principles Governing the Allocation of Milk Supplies under the P5 Harmonized Policy for Growth in Class 2a and Class 3a Products

1. Reference volumes have been established and will be maintained for each P5 Company that processes eligible Class 2a and Class 3a products. When a Company has Class 2a or Class 3a activities in more than one of the P5 provinces, Reference volumes and access to the P5 Growth Reserve will be determined at the P5 Pool Level. For administration purposes, these Companies will be asked to apportion their access to the Growth Reserve to the province(s) and Plants where they plan to access the Growth Reserve.
2. P5 Companies that have Class 2a and/or Class 3a Plants in more than one of the P5 provinces may be required to sign a confidentiality agreement between themselves and the P5 producer boards for those provinces where they have Class 2a or Class 3a related processing activities. The confidentiality agreement provides for the sharing of information on Reference volumes and growth between provinces for the administration of the P5 Policy. A copy of the Confidentiality Agreement template is appended (see Appendix 2).
3. For Companies that have Class 2a or Class 3a activities in more than one Plant in Ontario, Reference volumes and access to the Growth Reserve will be monitored and reported at both the Plant level and Company level within the provincial allocation policy. A Company will be free to allocate the related milk supplies from the Growth Reserve amongst its Plants within the Reference volume parameters and access limits established for the Company.
4. The 2012/2013 Reference volumes for Class 2a and Class 3a products will be adjusted for any relevant audit adjustments. Reference volumes will be increased going forward for expired DDPIP contracts pursuant to the crystallization of the related PSQ entitlements for the expired contracts. Additionally, reference volumes may also be adjusted at the discretion of DFO, and in consultation with the Company, for exceptional circumstances where the recorded utilization for Class 2a or Class 3a products does not reflect the requirements of the Company.
5. Effective August 1, 2013, DFO staff will track the utilization volumes for Class 2a products and Class 3a products each month against the established P5 Reference volumes and report any growth above the Reference volumes and within the growth parameters to the CDC. The CDC will adjust the associated P5 Milk Movements to ensure the appropriate allocation of milk supplies to Ontario from the P5 Growth Reserve is in accordance with the P5 Policy.
6. The utilization amounts for Class 2a and Class 3a products will be obtained directly from the Milk Utilization Verification System (MUV) and will be converted to first use for monitoring purposes. The converted utilization volumes will exclude any utilization amounts for DDPIP and DIP contracts and will include any related product sales utilization reported for Class 2a and Class 3a products in special classes.

7. For Class 2a products, growth at the Plant and Company level will be monitored on a 12-month rolling calculation against the 12 month 2012/2013 dairy year first use reference volume as well as against the 12-month butterfat reference measured in kilograms of butterfat. Growth in butterfat requirements at the Plant will be converted to a milk volume equivalent at the average 12-month rolling plant butterfat tests for the Plants involved. Monthly growth requirements for each Company will be determined based on the greater of the growth above the first use Reference volume or the milk equivalent growth in butterfat requirements.
8. For Companies processing less than or equal to 10 million litres of Class 2a products annually, all growth requirements will be allocated through the P5 Growth Reserve. For Companies processing more than 10 million litres of Class 2a products annually, only the growth in butterfat requirements will be allocated through the P5 Growth Reserve. Any growth in first use Reference volume for SNF above and beyond any growth in butterfat requirements will be provided either through the Skim Milk Redirection Program or, if applicable, from the Quota Exempt surplus skim milk available within the same Company from the Class 2 on-demand entitlements for ice cream.
9. Milk supplies for Class 3a products processed within the Reference volumes established under the P5 Policy will continue to be allocated as Quota Milk under provincial PSQ as part of the Company's PSQ entitlement. Milk supplies required for growth above the Reference volumes will be provided through the P5 Growth Reserve.
10. The annual Plant/Company Reference volumes for Class 3a products for provincial allocation will be administered monthly and tracked and monitored cumulatively over the dairy year by DFO based on the percentages in the following table established pursuant to the P5 Policy.

**Allocation Percentages for Class 3a Product PSQ Declarations
Against the Class 3a Reference Volume**

Month	Monthly %	Cumulative %
August	9.01	9.01
September	8.71	17.72
October	8.74	26.46
November	8.40	34.86
December	8.30	43.16
January	7.71	50.86
February	6.83	57.69
March	8.13	65.82
April	7.71	73.53
May	8.73	82.26
June	8.66	90.92
July	9.08	100.00
Total	100.00	

11. For the 2013-2014 dairy year, a Company processing Class 3a products will have the potential to access the P5 Growth Reserve for additional milk volumes equal to the greater of 3 million litres or 5 per cent of the Company's 2012-2013 Reference Volumes. Thereafter, the potential access to additional milk supplies available from the P5 Growth Reserve will be re-established at the beginning of each dairy year and limited to the actual net growth above the Reference

volume realized in the preceding dairy year plus the greater of 3 million litres or 5 per cent of the Company's Reference volume for the current dairy year.

12. Access to the P5 Growth Reserve for Class 3a products will be tracked and monitored monthly on a cumulative dairy-year-to-date basis within the cumulative monthly percentages in the following table established under the P5 policy. Any first use Class 3a milk utilization above the maximum cumulative tolerance for the month will be recorded as Quota Milk against the Plant's and Company's PSQ. For any cumulative growth falling below the minimum cumulative tolerance, the Plant and Company will lose the opportunity to produce the volume below the tolerance for the balance of the dairy year.

**Cumulative Tolerances for Quota-Exempt Access to the P5 Growth Reserve
For Class 3a Products**

Month	Minimum Cumulative Tolerance %	Maximum Cumulative Tolerance %
August	6.14	11.85
September	13.08	22.29
October	20.49	32.35
November	27.43	42.17
December	35.12	51.11
January	43.23	58.69
February	50.67	64.89
March	60.44	71.41
April	69.64	77.59
May	79.39	85.22
June	89.60	92.72
July	100.00	100.00

13. Monthly and cumulative usage against PSQ (provincial allocation system) and the P5 Growth Reserve will be reported to Companies by Plant and Company following billing each month.
14. A fundamental underlying principle of the P5 Policy is that the milk supplies available through provincial allocation systems to the other industrial milk classes should not be shorted as a result of Class 2a and Class 3a growth. As a consequence, the P5 Policy provides for the proration of the milk supplies available from the P5 growth reserve in the event that the milk supplies are insufficient to meet the combined Class 2a and 3a product growth requirements of P5 Companies. Under such circumstances, the milk supplies available from the P5 reserve to the province to support Class 2a and 3a growth will be prorated down to the level available in the P5 reserve.
15. In the event that proration of the P5 growth reserve is necessary, DFO will determine if under-utilization of milk within the provincial allocation system for Class 2a and Class 3a products is sufficient to fill Class 2a and Class 3a growth requirements, potentially avoiding the need to prorate. Proration of growth requirements for Class 2a and Class 3a may only be done at the Company level if there is insufficient under-utilization of Class 2a and Class 3a product reference levels within the province in combination with the prorated milk supplies available from the P5 growth reserve.

16. For the 2013/2014 dairy year, the under-utilization of Ontario Class 2a and 3a reference volumes will be used to offset any shortage of milk in the P5 Growth Reserve for the growth requirements of Class 2a and Class 3a products. For each subsequent dairy year, DFO in consultation with Ontario Dairy Council will determine in February of that dairy year, if under-utilization in Class 2a and 3a reference volumes will be used to offset any shortage of milk in the Growth Reserve for Class 2a and Class 3a products, or if proration should occur.

P5 Harmonized Milk Allocation Policy (Policy)

**As approved by the P5 Supervisory Body
January 22, 2014**

DM267511v24

Preamble

The purpose of this Policy is to implement the September 6, 2013 P5 Supervisory Body decisions on milk allocation and any related subsequent decisions.

Definitions

- (a) "Provincial boards" means milk marketing boards in each province in the P5, specifically Dairy Farmers of PEI, Dairy Farmers of Nova Scotia, Dairy Farmers of New Brunswick, the Fédération des producteurs de lait du Québec, and Dairy Farmers of Ontario.
- (b) "Company" means a business enterprise (partnership, corporation, cooperative, etc...) that operates one or more processing plants that receive milk from one or more provincial boards.
- (c) "Reference volume" means a volume of milk assigned to each company processing Class 2(a) or Class 3(a) for the purpose of the administration of this Policy.
- (d) "Growth" means any milk requested by a company above its reference volume.
- (e) "Cream" butterfat portion of milk after skimming.
- (f) "Skim milk" solid nonfat portion of milk after skimming.
- (g) "DDPIP" means the Domestic Dairy Product Innovation Program.
- (h) "DIP" means the Dairy Innovation Program.
- (i) "BF" means butterfat.
- (j) "SNF" means solids nonfat.
- (k) "CDC" means the Canadian Dairy Commission.
- (l) "End use" means volume of milk and components used to make the final product, as reported by the provincial boards to the CDC in their utilization reports.
- (m) "First use" means total volume of raw milk required to make the final product, as calculated using the Pearson Square Formula.
- (n) "Maritimes" means the provinces of New Brunswick, Nova Scotia and Prince Edward Island.
- (o) "Dairy year" means the period from August 1 to July 31.

Section 1

Milk Supplies for Growth in Yogurt

1. Purpose

The purpose of this section of the policy is to define how to supply the growth for yogurt under Class 2(a) across the P5, subject to the volume of milk available in the growth reserve.

2. Reference volumes

- (a) Each company will be assigned a reference volume for Class 2(a) at the P5 level.
- (b) Reference volumes will be calculated based on the data of 2012-13 dairy year as follows:
 - i. The total end use volume of milk used for yogurt production, declared in Class 2(a) and in Special Classes, is calculated;
 - ii. This total end use volume is converted into a first use equivalent to satisfy butterfat requirements and solids non-fat requirements, in order to determine and use the larger of the two;
 - iii. Any declarations under the DIP or on-going contracts under the DDPIP are removed from the calculation to determine the reference volume;
 - iv. An additional reference is provided in kg BF using the methodology outlined in articles 2(b)i and 2(b)iii above.

- (c) Upon expiration of any DDPIP contracts, the corresponding credits issued to the province will be added to company's references.
- (d) Milk requirements up to the calculated reference volume will be allocated in accordance with established provincial milk allocation rules, which will be harmonized to the greatest extent possible.

3. Allocation procedures

- (a) Each company will be assessed on a monthly basis to determine if it received 10 million or less of first-use litres of milk at the P5 level.
- (b) Companies receiving 10 million litres of milk or less over the most recent twelve month period for Class 2(a) at the P5 level will receive sufficient whole milk to supply their entire growth in Class 2(a) up to 10 million litres, using the same calculation method as the reference volume.
- (c) Companies receiving more than 10 million litres of milk over the most recent twelve month period for Class 2(a) at the P5 level will receive sufficient whole milk to supply their entire growth in Class 2(a) on the basis of their butterfat reference converted to a whole milk equivalent.
- (d) Provincial boards will work with companies to provide any remaining SNF requirements not satisfied in whole milk by using skim milk via the Skim Milk Redirection Program.
- (e) Provincial policies to supply milk required for growth in Class 2(a) must not contravene with any of the articles included in the P5 Harmonized Milk Allocation Policy.
- (f) Using utilization reports from each company, based on the template for measuring growth developed by the P5 TC,
 - i. Provincial boards will measure eligible growth for each company on the basis of: first use volume required to satisfy all requirements for plants at or below 10 million litres; and butterfat reference for plants above 10 million litres.
 - ii. Actual growth will be measured by comparing each company's most recent 12 month figure to the reference.
- (g) The provincial board will report each month to the CDC, the sum of actual growth, in litres of milk and in kg BF, for all companies in their province.

4. Force majeure

- (a) In the event that a company is not able to receive some or any milk due to force majeure, P5 provincial boards will collectively determine any accommodations on a case by case basis.
- (b) A common P5 policy and mechanism to respond to "force majeure" or plant emergencies will be developed by no later than August 1, 2014.

5. Companies in more than one province

- (a) In the event that a company is involved in the processing of Class 2(a) products in more than one province, by default, it is deemed that their P5 reference volume is above 10 million litres. For those companies, growth above their Class 2(a) reference volume will be managed within each province individually as per the terms of this policy. Provincial boards will not share their provincial portion of that company's reference volume with other provincial boards.
- (b) In the event that a company is involved in the processing of Class 2(a) products in more than one province but its reference volume is below 10 million litres, its total P5 reference volume will be confirmed and its growth monitored monthly to determine if and when it exceeds the 10 million litres. In this case, sharing of this company's confidential information will be governed by a strict, formal confidentiality policy between the affected provincial boards and the affected companies (see Appendix 2). The data will only be made available to the provincial board staff who are responsible for operational management of this policy, and shall be used only for the purposes of administering this policy.

Section 2

Milk Supplies for Growth in Fine Cheeses

1. Purpose

The purpose of this section of the policy is to define how to supply the growth of fine cheeses under Class 3(a) across the P5, subject to the volume of milk available in the growth reserve.

2. Reference volumes

- (a) Each company will be assigned an annual reference volume for Class 3(a) at the P5 level.
- (b) Reference volumes will be calculated based on the data of 2012-13 dairy year as follows:
 - i. The total end use volume of milk used for fine cheese production, declared in Class 3(a) and in Special Classes, is calculated;
 - ii. This total end use volume is converted into a first use equivalent to satisfy butterfat requirements and solids non-fat requirements, in order to determine and use the larger of the two;
 - iii. Any declarations under the DIP or on-going contracts under the DDPIP are removed from the calculation to determine the reference volume.
- (c) The annual reference volume for each company will be converted into a monthly reference based on a curve reflecting the average utilization per month at the P5 level for the previous two dairy years.¹
- (d) Upon expiration of any DDPIP contracts, the corresponding credits issued to the province will be added to the company's reference volume.
- (e) Milk requirements up to the calculated reference volume will be allocated in accordance with established provincial milk allocation rules, which will be harmonized to the greatest extent possible.

3. Allocation procedures

- (a) Each dairy year, each company is eligible to receive whole milk to satisfy growth up to a maximum amount equal to the larger of the two following quantities;
 - i. 5% of its reference volume plus the growth that occurred in Class 3(a) since August 1, 2013;
 - ii. 3 million litres plus the eligible growth that occurred in Class 3(a) since August 1, 2013.
- (b) The maximum volume a company is entitled to receive will be recalculated annually and may increase or decrease, but cannot be below the company's reference level.
- (c) The volume as calculated in item 3(a) is converted into monthly volumes using the curve of average monthly utilization in the P5 for the two previous dairy years.²
- (d) Provincial boards will calculate the minimum and maximum volume that a company can request per month, using a tolerance curve (cf. Section 4 on tolerance levels).
- (e) Provincial boards will receive milk orders and deliver all whole milk required to companies on a weekly basis according to the policy in place in their province, taking into account proration when required (cf. Section 4 on tolerance levels).
- (f) Provincial policies to supply milk required for growth in Class 3(a) must not contravene with any of the articles included the P5 Harmonized Milk Allocation Policy.
- (g) Using utilization reports from each company, based on the template for measuring growth developed by the P5 TC, provincial boards will measure actual growth for each company on the basis of the first use volume required to satisfy BF and SNF requirements.
- (h) Actual growth for each company will be measured by comparing the monthly total first use requirements to the respective monthly portion of its reference volume.

¹ Until two years of data is available at the P5 level, the Quebec utilization curve for class 3(a)1 will be used.

² Until two years of data is available at the P5 level, the Quebec utilization curve for class 3(a)1 will be used.

- (i) The provincial board will report each month to the CDC, the sum of actual growth in litres of milk for all companies in their province net of any volume supplied above tolerance levels.

4. Tolerance levels

- (a) On a monthly basis, each provincial board will measure total first use volume declared by each company from August 1st to the current month, and assess whether or not this volume is within the tolerance level as defined in Appendix 1.
- (b) If, in any given month, the first use volume is;
 - i. Below its minimum tolerance level, the company will lose access to the difference for the remainder of the dairy year;
 - ii. Above its maximum tolerance level, the company will not be allowed to receive additional milk from the P5 growth reserve
- (c) Tolerance will be revised at the end of each dairy year, as per the method described in Appendix 1.

5. Force majeure

- (a) In the event that a company is not able to receive some or any milk due to force majeure, P5 provincial boards will collectively determine any accommodations on a case by case basis.
- (b) A common P5 policy and mechanism to respond to “force majeure” or plant emergencies will be developed by no later than August 1, 2014.

6. Companies in more than one province

- (a) In the event that a company is involved in the processing of Class 3(a) products in more than one province, respective provincial boards will jointly;
 - i. Assess, once a year, the company’s total growth eligible to the Growth Reserve;
 - ii. Calculate, every month, the company’s eligible growth to the P5 Growth Reserve.
- (b) Sharing confidential information between affected provincial boards and companies for companies processing Class 3(a) in more than one province will be governed by a strict, formal confidentiality policy between the affected provincial boards and the affected companies (see Appendix 2). The data will only made be available to the provincial board staff who are responsible for operational management of this policy, and shall be used only for the purposes of administering this policy.

Section 3

P5 Growth Reserve and Interprovincial Milk Movement

1. P5 Growth Reserve

- a. The P5 Growth Reserve consists of;
 - i. MSQ changes due to Classes 2(a) and 3(a) activity since August 1, 2013, as per the method established by the CMSMC;
 - ii. Milk moved from or to the Western Milk Pool for Classes 2(a) and 3(a) as per the method established by the CMSMC;
 - iii. The P5 share of the permanent growth allowance.
- b. Based on the template developed by the P5 TC, the CDC will calculate, every month, the volume of milk available in the P5 Growth Reserve using a cumulative approach within the current dairy year.
- c. Access to the P5 growth reserve to satisfy growth in Classes 2(a) and 3(a) will be limited to the total amount available in the P5 growth reserve.

- d. For the dairy years 2013-14 and 2014-15, the P5 Growth Reserve will also include a volume of milk equivalent to 10% of the permanent growth allowance. This additional volume will be triggered only when milk available in the initial P5 Growth Reserve is not sufficient to satisfy the total of the growth at the P5 level. It will be made available in full after a period of six months.
- e. At the P5 level, total volume required for growth in Classes 2(a) and 3(a) will be compared to the total volume of milk available in the P5 Growth Reserve (including the 10% additional volume for flexibility) after (6) months and every month thereafter for each of the dairy years 2013-14 and 2014-15.
- f. Milk received from the P5 Growth Reserve will not be added to company reference volumes or plant bases under provincial allocation policies (no crystallization).
- g. A review of the use of the P5 Growth Reserve will take place after 1 year or as needed and consideration would be given as to whether any changes are necessary to address concerns from any one province or region.
- h. CDC will develop a transparent communication tool whereby all stakeholders can view monthly volumes of milk used and/or available in the Growth Reserve.

2. Proration

- (a) In the event that there is insufficient milk in the P5 Growth Reserve (including the 10% additional volume for flexibility) to satisfy all of the demand for growth in Classes 2(a) and 3(a), the total volume of milk available in the P5 Growth Reserve will be prorated based on the sum of the reference volumes of all companies in each province.
- (b) At the provincial level, volume available for each company will be prorated based on their respective share of the province reference volumes.

3. P5 Growth Reserve Residual Milk

- (a) Any whole milk related to the P5 growth allowance left in the growth reserve after satisfying the full requirements for growth in Classes 2(a) and 3(a) will be considered residual milk.
- (b) Residual milk must be made available at the P5 level to the remainder of Classes 2 and 3 before being allocated to Class 4.
- (c) The P5 Technical Committee will forecast on a yearly basis, potential growth in Classes 2(a) and 3(a) for the upcoming dairy year and will recommend to the P5 Supervisory Body the appropriate allocation of any residual milk above this forecast within Classes 2 and 3.

4. Interprovincial Milk Movement

- (a) In the event that the total amount of milk in the province that corresponds to its part of the P5 Growth Reserve is not sufficient to satisfy the total of the growth in the province, milk will be moved from other provinces to fulfill the volume missing to satisfy total growth.
- (b) The CDC will calculate the volume of milk to be moved between provinces to balance the milk supply with milk requirements for growth in Classes 2(a) and 3(a) on a monthly basis.
- (c) Milk movement for Classes 2(a) and 3(a) will take place retroactively to August 1, 2013. Any surplus milk moved between August 1, 2013 and the date that the policy is adopted will be used to offset any additional milk movement obligations that are applied retroactively during the same period.

Section 4

Maritimes First Right of Refusal

1. Purpose

The purpose of this policy is provide the Maritimes with an opportunity to develop Class 2 and 3 markets.

2. Criteria

- (a) The Maritimes collectively have the first right of refusal of up to 5 million litres of whole milk annually, as a reduction to milk movement obligations.
- (b) Any milk retained in the Maritimes must be used solely in Classes 2 and 3 (excluding Classes 2(a) and 3(a)).
- (c) Any milk retained under this clause is separate from and in addition to any milk received from the P5 Growth Reserve for growth in Classes 2(a) and 3(a).

3. Allocating first right of refusal milk within the Maritimes

- (a) To be established by no later than August 1, 2014.

Section 5

Roles and Responsibility

1. General considerations

- (a) Unless specifically indicated, a provincial board cannot make unilateral decisions concerning the operation of this policy.

2. Provincial Milk Marketing Boards are responsible

- (a) For undertaking required actions in order to implement this policy, as soon as possible.

3. The P5 Technical Committee is responsible

- (a) For monitoring implementation of this policy;
- (b) For developing tools required to monitor provincial compliance with this policy;
- (c) For reporting to the P5 Supervisory Body on a regular basis.

4. The P5 Supervisory Body is responsible

- (a) For amending this policy as needed;
- (b) For taking action to ensure compliance with this policy.

5. The CDC is responsible

- (a) For determining the amount of milk available in the P5 Growth Reserve;
- (b) For calculating the resulting milk to be moved as per the terms of this policy.

APPENDIX 1: Utilization and Tolerance Curves for Class 3(a)

1.1. Utilization Curve

The utilization curve is used to balance the availability of milk supply with seasonal demand over the course of the dairy year. Utilization curves will be based on P5 utilization data for the 2 most recent dairy years. Until P5 data becomes available, utilization curves will be based on FPLQ curves for Class 3(a).

Table 2: 3(a) Utilization Curve of Reference + Access to Growth Reserve in Percentage of a Company's Annual Total of Reference + Access to Growth Reserve (Monthly)

Month / mois	Monthly Reference+ Access to Growth Reserve (%)
August/août	9.01
September/septembre	8.71
October/octobre	8.74
November/novembre	8.40
December/décembre	8.30
January/janvier	7.71
February/février	6.83
March/mars	8.13
April/avril	7.71
May/mai	8.73
June/juin	8.66
July/juillet	9.08
TOTAL	100.00

1.2. Tolerance Curve

Tolerance refers to the range of volumes companies may request from the P5 Growth Reserve, above or below the utilization curve for growth in a given period without incurring supply restrictions.

Month / mois	Cumulative Reference+ Access to Growth Reserve (%)	Cum. Tolerances / Tolérances cumulatives (%)	
		Minimum	Maximum
August/août	9.01	6.14	11.85
September/septembre	17.72	13.08	22.29
October/octobre	26.46	20.49	32.35
November/novembre	34.86	27.43	42.17
December/décembre	43.16	35.12	51.11
January/janvier	50.86	43.23	58.69
February/février	57.69	50.67	64.89
March/mars	65.82	60.44	71.41
April/avril	73.53	69.64	77.59
May/mai	82.26	79.39	85.22
June/juin	90.92	89.60	92.72
July/juillet	100.00	100.00	100.00

APPENDIX 2

Confidentiality Agreement on sharing information for companies processing Classes 2(a) and 3(a) activities in more than one province

Confidentiality Agreement between

Company Name (hereinafter called the “Company”) and Provincial Marketing Board A (hereinafter called “Board A”) and Provincial Marketing Board B (hereinafter called “Board B”)

Pursuant to Section 1, Item 5 (Companies in more than one province)¹ and/or Section 2, Item 6 (Companies in more than one province)² of the P5 Harmonized Milk Allocation Policy (the “Policy”) adopted on January 22, 2014 by the P5 Supervisory Body, as may be amended from time to time, the Company agrees to share its provincial reference volume in Class 2a and/or Class 3a and monthly utilization thereafter in Class 2a and/or Class 3a for each P5 province with Board A and Board B for the sole purpose of administration of the Policy, specifically:

- For Class 3a:
 - To determine the P5 reference volume for the Company (based on the August 1, 2012 – July 31, 2013 dairy year)
 - To assess, once a year, the Company's total maximum annual growth eligible from the Growth Reserve (greater of 3 million litres or 5% of reference volume)
 - To calculate monthly the Company's eligible growth from the P5 Growth reserve
 - To monitor the Company's allocation, monthly and year-to-date, from the P5 Growth Reserve
- For Class 2a:
 - Companies processing Class 2a in more than one province are deemed to have a P5 reference volume above 10 million litres and the provincial shares of their reference volume will not be shared between Board A and Board B.
 - If a company wishes to declare a P5 reference volume below 10 million litres, this Agreement:
 - allows Board A and Board B to collectively confirm once a year that the Company is using less than 10 million litres of milk in Class 2a; and
 - To monitor monthly if and when the Company exceeds 10 million litres of milk for the dairy year in Class 2a

This Confidentiality Agreement is made between the Company, Board A, and Board B under the following terms and conditions:

- The data shared with Board A and/or Board B will not be used for any purpose other than as set forth in this Confidentiality Agreement;
- Access to and sharing of this data does not extend beyond Board A and Board B, except as otherwise agreed by the Company in writing;
- Access to and sharing of this data within Board A and within Board B is limited only to the staff responsible for the operational management of the Policy; and
- If the Company ceases to process Class 2a and/or Class 3a in more than one province, the sharing of this data will also cease concurrently therewith.

- 1 *Required for companies processing less than 10 million litres of milk in more than one P5 province collectively in Class 2a products*
- 2 *Required for companies processing milk in more than one P5 province in Class 3a products.*

The undersigned, with authority to sign on behalf of the listed party, agree to the above terms and conditions related to the sharing of the Company's confidential corporate data, and bind the party accordingly.

_____ Name	_____ Name	_____ Name
_____ Signature	_____ Signature	_____ Signature
_____ Title	_____ Title	_____ Title
_____ The Company	_____ Board A	_____ Board B
_____ Date	_____ Date	_____ Date