

January 27, 2012

Notice of Quota Policy Change

The SaskMilk Board of Directors recently reviewed Saskatchewan's production situation. Saskatchewan is in a considerably better production situation compared to a few months ago. The difference in the number of negative credits held by producers, relative to the amount that the province can hold, has been reduced by approximately half to 65,000 credits. This has significantly reduced the probability of a financial penalty, but more steps are required to close the remaining credit gap.

Please be advised of the following policy change to encourage the transferring of credits between producers:

Policy #1: Flexibility Limit Change to +5 and -15 days

- Effective April 2012, the flexibility limits will change to +5 and -15 days.
 - Producers will have 3 opportunities to transfer credits on February 20, March 20 and April 20 before these new limits are applied.

In addition, the following quota policies will take effect immediately:

Policy #2: Daily quota allocation for new producers.

- For new producers, daily quota allocation will start on the day that milk is picked up on the farm.
 - For example if a producers first shipment is June 26 the production days allocated will be 6 as the producer will have had their milk picked up 3 times June 26, 28 & 30. In other words, credits cannot be built up until shipments have commenced.

Policy #3: Daily quota allocation for producers exiting the industry.

- Producers exiting the industry will receive daily quota allocations up to their final shipment date
 - For example if a producers' last shipment is January 26, the producers' allocation will be 26 days based on 13 pickups for the month.

Policy #4: Daily quota allocation for missed pickups.

- Producers who experience missed pickups will receive a quota allocation for those missed pickups. Missed pickups may be the result of power failures, weather, mechanical breakdowns etc.



Policy #5: Quota reconciliation for producers exiting the industry

- Currently, producers exiting the industry can leave with a positive credit position, having forward produced on their quota allocation.
- Effective immediately, producers who exit the industry in a positive credit position must reconcile their production in order to receive payment for any production on positive credits. Producers will be given two months following their last shipment to transfer in negative credits from other producers to reconcile their production. Any over production that has not been reconciled at the end of this time will not be paid to that producer, and all remaining funds will be distributed in the next monthly producer pool.
 - For example, Producer A transfers his entire quota to another producer on March 1 and is in a positive credit position of 500 credits.
 - Producer A will have an opportunity to find negative credits up to the April 20th transfer credit deadline.
 - If Producer A transfers in 400 negative credits, he will be paid for that production, with the revenue from the remaining 100kgs of production being paid out in the producer pool for April production.

Policy #6: 10% transfer credit limit - No exemption to producers exiting the industry

- No producer exiting the industry will be granted an exemption on the 10% rule on transferring credits. This policy does not override the catastrophe provision of the quota policy.

