



April 8, 2020

## **FURTHER CHANGES to Spring Production Restriction UPDATE – Quota plus ZERO days**

The dairy market fluctuations and projections due to COVID-19 continue to change frequently, and the industry is continuing to see surplus volumes that cannot be processed. SaskMilk and the WMP are constantly re-evaluating the situation and collaborating to reduce raw milk disposal as much as possible.

Unfortunately, based on current projections a further tightening of supply is necessary. The WMP has agreed to collectively take action to reduce supply to levels that may eliminate the need to dump milk – however, these are projections based on current information that is subject to change, and the volume will depend on how well farmers across the west react to the restrictions.

Effective April 1<sup>st</sup>, B.C., Manitoba, and Saskatchewan are moving to restrict production to quota + 0 days, and Alberta is using other measures to reduce their production.

**SaskMilk is tightening the Spring Production Restriction Policy to your monthly quota plus ZERO days for the months of April, May, June, AND JULY (note that July is a new addition to restriction months).**

If you need to reduce your volumes to stay within the credit restriction, please do your best to spread out your production volume decrease throughout the month. This will make volumes shipped more consistent and predictable, and also avoid a shortage of milk at the end of the month. Also please remember that missing your last shipment will reduce your monthly allocation and will not help you stay within the credit restriction. If you would like help with your quota management, please contact the SaskMilk office.

SaskMilk and the WMP will continue to evaluate the market situation and will make further changes as new information becomes available.

**The Board recognizes the difficulty of improving/increasing cumulative position while this tight restriction is in place, and is therefore suspending the lost opportunity penalties for April, May, June, and July.** This means that during these months if you fall into lost opportunity, you would not be assessed the financial penalties, quota issuance holdback penalties, or the restriction on transferring in credits or purchasing quota. **HOWEVER**, normal lost opportunity rules still apply (i.e. credit days accumulated in excess of -15 days are deemed to be lost production opportunity and cannot be carried forward by a producer. There is no opportunity to recoup lost negative credit days in future months).

It's important to remember that although we want to curtail production this Spring, the fall will still see incentive days and increased demand we will need to prepare for. We know this is a difficult situation, and we hope that as the weeks progress there will be better news on market demand.

We are wishing you and your family health and safety during these difficult times.

## **Spring Production Restriction – ZERO DAYS for April, May, June, & July 2020**

The policy restricts production in April, May, June, and July to your monthly quota plus 0 days (calculated as normal by multiplying your daily quota by your pickup days). That is, if you have 200 kgs of quota and 15 pickups/30 pickup days, you can produce  $200 \times 30 = 6000$  kgs. Any milk shipped over this limit will be treated as overproduction: no payment will be made for the over-limit milk shipped, and deductions will still apply to all the milk shipped.

The overshipment will still be considered ‘utilized’ for the purpose of cumulative position.

If you have any questions, please feel free to contact the SaskMilk office. For questions regarding how the policy will be applied or how it will work, please contact Doug at #306-721-9485, and for any questions on your quota position and numbers please contact Bev Solie at #306-721-9488.

### **Questions:**

#### **I am at -6 days, how much milk can I ship?**

You can ship your monthly quota. If you did so, with no credit transfers, your cumulative position at the end of the month would stay at -6 days.

#### **I am at +4.5 days, how much milk can I ship?**

You can ship your monthly quota.

#### **How much can I be under my monthly quota?**

There is no limit on undershipment with this policy; however, the normal limit of -15 days before you fall into lost opportunity still applies. There would be no financial or quota penalties applied for falling into lost opportunity.

#### **I am at -3 days and transferred in credits this month to bring me to -5 days, how much milk can I ship?**

You can only ship your monthly quota. Your cumulative position at the end of the month will be -5 days.

#### **If I transfer in credits, can I ship more milk without the restriction?**

No, regardless of your cumulative position you may only ship your monthly quota. If you ship more, you will not be paid for the milk (and deductions will still apply), but your cumulative position will still increase.