

SASKATCHEWAN MILK MARKETING BOARD POLICY

Dairy Entrant Assistance Program

WHEREAS the purpose and objectives of the Saskatchewan Milk Marketing Board (SaskMilk) includes matters set out in s. 5 of The Milk Marketing Plan Regulations;

AND WHEREAS SaskMilk has the power to do those things set out in ss. 7 and 20.8 of the *Plan*;

AND WHEREAS s. 20.51 of the *Plan* requires that SaskMilk must establish a policy to assist persons to become licensed producers;

AND WHEREAS SaskMilk has determined it is beneficial to grow the Saskatchewan dairy industry by providing tools to new production units that enable their long-term sustainability;

THE SASKATCHEWAN MILK MARKETING BOARD, pursuant to the provisions of The Milk Marketing Plan Regulations and *The Agri-Food Act, 2004* hereby determines the following to make up the Dairy Entrant Assistance Program (DEAP) policy.

Purpose

The purpose of DEAP is to assist knowledgeable and passionate applicants who NEED financial assistance to be able to enter the Saskatchewan dairy industry for the first time, in order to stabilize and possibly increase the number of successful, long-term dairy farms in Saskatchewan.

Application, Eligibility, and Selection

Acceptance into DEAP will require a two-step application process. The criteria for being accepted into this program includes a combination of actual need for assistance and the likelihood that the applicant will be a successful, long-term participant in the dairy industry.

Eligibility Screening

An initial eligibility screening will be conducted by SaskMilk based upon a preliminary application. Preliminary application and Eligibility requirements are set out in Appendix A. Applicants who are successful in the Eligibility Screening will be categorized as ‘Eligible Applicants’ and invited to submit a full application for review by the Selection Panel.

Selection

Full application requirements are set out in Appendix B. The Selection Panel will conduct an assessment of the application documents/information and conduct the selection interview prior to selecting any successful applicant(s). Successful applicants will be categorized as ‘Selected Applicants’.

DEAP Availability

The Board of Directors (Board) will consider:

- available quota and provincial quota growth;
- provincial production;
- future trend projections of supply requirements;
- WMP requirements and obligations; and
- Recommendations of the Selection Panel on quality and number of Selected Applicants for that intake period;

and determine, in its sole judgement, the kilograms of Grant Quota that will be made available to DEAP for that intake period.

DEAP Benefits

Grant Quota

- SaskMilk will provide Selected Applicants with Grant Quota (GQ) in the amount of 20kg/day for the 20kg/day of quota purchased by the Selected Applicant. The Selected Applicant must purchase and maintain 20 kg/day of owned quota in order to retain the matching GQ.
- After one (1) year of successful operation/shipping under the DEAP, the Selected Applicant will be eligible to apply for a further GQ matching of purchased quota on a 1:1 basis of up to 5 kg/day. The Selected Applicant will have two (2) years to apply and to purchase the additional 5 kgs. Approval for this additional GQ is at the discretion of SaskMilk.
- GQ may be produced by the Selected Applicant for as long as the Selected Applicant remains a licensed producer and continues to meet program requirements.
- GQ is not saleable or transferable.
- GQ is assignable to financial institutions for the purpose of security, subject to approval by SaskMilk, with specific conditions to apply to the assignee's ownership and disposal of GQ, including:
 - GQ must be treated as 'last resort' asset seizure, and only if all other recourses have been attempted; and
 - SaskMilk may impose other security conditions as required; such conditions will be agreed upon in advance of security being granted.
 - Seized GQ must be disposed of by the assignee on the SaskMilk Quota Exchange.
- GQ will be treated as owned quota for the purpose of production management including credit transfers, limits on transfers, and over/under production.
- GQ will not be adjusted to reflect provincial quota increases and decreases.

Education/Training

- Eligible Applicants will be entitled to receive funding towards the development of their complete Business Plan for the selection process. This funding is a lifetime maximum amount of \$2000.
- All Selected Applicants to the DEAP will be required to attend an orientation session organized by SaskMilk.
- Selected Applicants will be matched with an existing producer or producers for the purpose of orientation and mentorship.

- Selected Applicants will be eligible to receive funding for their related education and training, including conferences, seminars, or other dairy industry educational opportunities, in the lifetime maximum amount of \$2500.

Guidelines

Application and Intake Periods

- Applications will be accepted at any time on an ongoing basis, with two intake period end-dates of April 30th and October 31st.
- Only applicants with a maximum of \$4 million in equity are eligible to apply.

Timelines

- The Selected Applicant must meet all eligibility and production criteria and begin production on their production facility under the DEAP within:
 - 12 months from the notification of their Selection for those Selected Applicants taking over or renovating existing facilities; or
 - 18 months from the notification of their Selection for Selected Applicants constructing a new facility.
- In an Extended Entry situation, these timelines may be combined with the mentoring period to become 24 months (existing facility) and 30 months (new construction).
- The timelines may be extended for a further 6 months with the agreement of SaskMilk, at SaskMilk's discretion.

Extended Entry

- Selected Applicants may wish to work/be mentored on an existing established Saskatchewan licensed dairy farm. The mentoring farm may not be that of a family member of the Selected Applicant, nor a farm that is within its first five years of production. The mentoring farm must be a farm in good standing as determined by SaskMilk and is subject to additional inspections at the discretion of SaskMilk.
- Selected Applicants will be permitted to work/be mentored for a period of up to 12 months following their Selection. The 12-month limit may be extended upon agreement of SaskMilk if the Selected Applicant is concurrently establishing their production unit and herd and wishes to continue on the mentoring farm during this establishment. The maximum period is that of the allowed Timelines for beginning production on their own production unit.
- This option allows the 20 kg GQ to be temporarily assigned to the mentoring/host farm at the Selected Applicant's discretion. The GQ cannot be used for security/cannot be assignable during this time.
- At any time if the Selected Applicant does not feel they wish to continue with the mentorship, the GQ can be removed from the mentoring/host farm with 30 days' notice.
- At the expiration/ending of the mentoring period, the 20 kgs GQ is pulled back to SaskMilk reserves until the Selected Applicant begins shipping on their own production unit (and is then available and assignable as per normal DEAP guidelines).

Auditing

- DEAP farms will be visited for inspection a minimum of three (3) times per year for the first two years of operation.
- SaskMilk will perform an audit after the first year of production if the Selected Applicant wishes to apply for the additional 5 kg of GQ.
- Annual audits will be performed to ensure continued eligibility and compliance with the Program.

Applicants

- Applicants are deemed to be the individual Applicants and the individual Applicant Farm that was listed on the original application form submitted, regardless of the legal structure, registered name, or ownership structure of the farm. The only additions or changes that may be made to the recognized Applicants are spouses of the original Applicant(s), at the discretion of SaskMilk and with supporting documentation as required by SaskMilk. Any change to the farm's registered name or ownership structure requires the prior written approval of SaskMilk, and approval of such is entirely at the discretion of SaskMilk.

Quota

- If the production unit purchases or acquires quota within the first year from the start of production that results in the production unit producing more than 90 kg, GQ will be returned to SaskMilk on a 1:1 basis on any amounts over the 90 kg limit. If the production unit grows over 90 kg as a result of an increase in total production quota issued by SaskMilk, the 90 kg limit does not apply to those increases.
- If the production unit purchases or acquires quota from years two to five that results in the production unit producing more than 100 kg, GQ will be returned to SaskMilk on a 1:1 basis on any amounts over the 100 kg limit. If the production unit grows over 100 kg as a result of an increase in total production quota issued by SaskMilk, the 100 kg limit does not apply to those increases.
- After five years shipping under the program, if the production unit purchases or acquires quota that results in the production unit producing more than 230 kgs, GQ will be returned to SaskMilk on a 1:1 basis on any amounts over the 230 kg limit. If the production unit grows over 230 kgs as a result of an increase in total production quota issued by SaskMilk, the 230 kg limit does not apply to those increases.
- Selected Applicants are permitted to purchase quota either through the SaskMilk Quota Exchange, Going Concern /Whole Farm Transfer, or the Family Transfer options. All rules, terms, and conditions of quota transfers apply.

Continued Eligibility

- Selected Applicants must maintain all eligibility requirements for DEAP for the duration of the Selected Applicant's participation in the Program.

- Selected Applicants must remain in compliance with all Regulations, Orders, Policies, and directions of SaskMilk.
- Selected Applicants will be audited annually by SaskMilk to ensure continued eligibility for DEAP and compliance with all other requirements.
- Failure to achieve and maintain eligibility and compliance as per this section will result in removal from the program, at the discretion of SaskMilk.

Transitional

Prior DEAP applicants deemed eligible and placed on the waiting list will be deemed as Eligible Applicants and provided the opportunity to move to the Full Application stage.

This policy is effective as of October 12, 2023.

Appendix A

Preliminary Screening Requirements

1. The applicant(s) must each be a Canadian citizen or permanent resident. Proof of either is required.
2. The applicant(s) must each have been a resident of Saskatchewan for at least one year prior to the application deadline and must have each filed at least one personal Saskatchewan tax return (Note: alternatively, the applicant must plan to become a resident of Saskatchewan upon Selection and must establish residency prior to beginning production and receiving their Grant Quota). Proof is required.
3. Every applicant(s) must maintain their primary residence a maximum of 50 kilometers from the production unit. Proof is required.
4. The applicant(s) must each be 18 years of age or older.
5. The applicant(s) must not have previously been a licensed dairy producer in Saskatchewan. The applicant(s) may have had a past indirect or direct interest in quota or an existing dairy production unit, provided they meet the following criteria:
 - The production unit that is the subject of the application must be on separate land, with separate buildings, adequately distant to be considered an independent production unit in the sole judgement of SaskMilk; and
 - The applicant may not continue to retain indirect or direct interest, as determined in the sole judgement of SaskMilk, in any existing dairy production unit while qualifying under DEAP.
6. The applicants(s) must complete and sign the DEAP Application Form and any other documents SaskMilk may require.
7. The applicant(s) must provide a Description of Operations by answering the following questions:
 - Who are you and why do you want to be a dairy farmer?
 - What is your long-term vision for your dairy farm?
 - What relevant experience, education, or knowledge do you possess?
 - Describe your, or other applicants' knowledge and understanding of current farm management practices; specifically address proAction® in your response.
 - Outline your, or other applicants' knowledge and experience of the dairy industry's best practices; specifically address the Code of Practice for the Care and Handling of Dairy Cattle in your response.
 - Which information management systems will you employ to improve your management practices (CanWest DHI, Cost of Production Study, etc.)?
 - Who will be involved in your dairy farm to help to enhance your management practices (Nutritionists, Veterinarians, etc.)?
 - Who will mentor you in the dairy industry OR do you require a mentor to be assigned to you?
 - Who will be involved in the day-to-day operations of your dairy farm, and what will they be doing?
 - Do you participate in any agricultural or non-agricultural enterprises that are likely to make it easier to enter, or prosper in, the dairy industry?
 - Will you have any other income sources while you are starting your dairy farm?

8. The applicant(s) must provide a basic five-year plan stating the following information:
 - production targets and milestones
 - long-term farm size projections, expected major capital expenditures, planned quota purchase timelines, and a long-term vision for the farm, sources of financing including personal equity, to support the plans.

9. The applicant(s) must provide a Description of Facilities by providing the following information:
 - A description of the dairy farm, dairy infrastructure, and dairy equipment planned;
 - The proposed location of your dairy farm, and whether it is owned or leased; and
 - Confirmation that you understand your RM's farming requirements, including Discretionary Use Permit requirements, and the Government of Saskatchewan's ILO requirements.

Appendix B

Full Application Requirements

1. As per requirement #7 in the Preliminary Screening Requirements, the applicant(s) must provide a Description of Operations.
2. As per requirement #9 in the Preliminary Screening Requirements, the applicant(s) must provide a Description of Facilities, this time including:
 - a detailed diagram of the barn, milk house, and all other required facilities; and
 - If you own a location for your dairy farm, include documentation of the ownership of that location; or, if you will be leasing a location for your dairy farm, a minimum of five-year lease agreement for the proposed dairy farm location.
 - Reasonable assurance that the farm will meet ILO requirements by Government of Saskatchewan and/or RM Discretionary Use Permits.
3. The applicant(s) must provide a detailed Two-Year Business Plan for the dairy farm, to demonstrate that the farm will be viable in the short-term. It is recommended, but not required, that the business plan be verified or prepared by an accountant or agricultural business consultant to confirm that the business plan is viable and that the dairy farm could be profitable (the applicant may use the \$2000 Business Plan Education amount for this purpose). The Two-Year Business Plan must provide the following information:
 - The expected start date of production
 - The balance sheet at the start date, indicating initial assets and liabilities
 - A breakdown of the projected operating costs for the first two years of operation
 - A breakdown of the projected capital costs for the first two years of operation
 - Projected monthly cash flow statements for the first two years of operation
 - Projected annual income statements for the first two years of operation
4. The applicant(s) must provide a basic Ten-Year Vision by providing the following information:
 - production targets and milestones;
 - Long-term farm size projections, expected major capital expenditures, planned quota purchase timelines, and a long-term vision for the farm.
5. The applicant(s) must provide a detailed Risk Mitigation Strategy providing the following information:
 - A list of potential risks to the viability or stability of the farm.
 - A rating of the magnitude each risk, the probability of each risk, and potential impact to the dairy farm of each risk.
 - A plan and/or procedure that will be implemented to mitigate/minimize the probability of, and/or impact of, each identified risk.
6. The applicant(s) must provide a signed Conditional Letter of Approval from a Financial Institution indicating that the financial institution is satisfied with the business plan and agrees to finance the dairy farm as described in the business plan. The Signed Conditional Letter of Approval must provide the following information:

- It must indicate that the lender has read the business plan that is being submitted in its entirety and indicate that the lender agrees to finance the proposed dairy farm as outlined in the business plan, upon the applicant's acceptance into the DEAP.

7. All Full Applications must be completed and submitted by the deadline set by SaskMilk.