



BC Milk Marketing Board Continuous Daily Quota (CDQ) Policy

August 1, 2010

Continuous Daily Quota (CDQ) Policy Document

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**BRITISH COLUMBIA MILK BOARD
CONTINUOUS DAILY QUOTA (CDQ) POLICY
AUGUST 1, 2010**

This guide is designed to provide information about the Continuous Daily Quota (CDQ) policies of the British Columbia Milk Marketing Board (BCMMB). For detailed information please refer to the *BCMMB Consolidated Order of August 1, 2010*. If there is a discrepancy between this document and the Consolidated Order, the latter shall supersede this guide.

Persons wishing clarification or more detailed information should contact the BCMMB at:

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Authority

The BCMMB exercises its federal and provincial powers under the following enactments:

- Natural Products Marketing (B.C.) Act, R.S.B.C. 1996, c. 330 (the “B.C. Act”);
- British Columbia Milk Marketing Board Regulation, B.C. Reg. 167/94 (the “B.C. Regulation”);
- British Columbia Milk Order, SOR/94 - 511 made under the Agricultural Products Marketing Act, R.S., c. A-7 (the “Federal Milk Order”); and
- Dairy Products Marketing Regulations, SOR/94 - 466 made under the Canadian Dairy Commission Act, R.S., c. C-7 (the “Federal Regulations”).

PART I - Continuous Daily Quota Maintenance Policy

- ❖ On August 1, 2010, each producer's annual quota allocation will be converted to a daily quota as follows:
 - ❖ Annual Total Production Quota ÷ 365 days = **daily quota**
 - This conversion does not change a producer's total production quota, just the basis on which it is measured.

- ❖ Daily quota will be allocated on a monthly basis, by multiplying daily quota by pick-up days:
 - ❖ daily quota × pick-up days = **monthly quota allocation**

- ❖ Monthly quota allocation will be measured against actual butterfat production to determine a producer's credit position.
 - ❖ actual butterfat production – monthly quota allocation
❖ = **credits for the month**
 - Credits accumulated on a monthly basis will be combined to determine a producer's cumulative credit position which is carried forward indefinitely; ***there is no dairy year end.***

- ❖ The cumulative credit position will be divided by the current month daily quota allocation to determine the credit day position.
 - ❖ cumulative credit position ÷ current month daily quota
❖ = **credit days**

PART II – Production Limits

Over Quota and Deemed Quota

	July 31, 2010	August 1, 2010- July 31, 2011	August 1, 2011
Upper Limit	+1.0% (3.65 Days)	+1.37% (5 Days)	+2.74% (10 Days)
Lower Limit	-3.00% (11 Days)	-4.11% (15 Days)	-8.22% (30 Days)
Total Flexibility	4.01% (14.65 Days)	5.48% (20 Days)	10.96% (40 Days)

Stage 1 – Current to July 31, 2010

As of April 1, 2010, shipments over 101% (of monthly available) will receive no payment plus a 50% penalty of the current month blend price. Producers will have the opportunity to recover lost revenue on over-quota if production falls below 101% until July 31, 2010.

Stage 2 – August 1 2010 –July 31, 2011

Any shipments above 101.37% (5 days) will receive no payment plus a 50% penalty of the current month blend price. There will be no opportunity to recover lost revenue.

Stage 3 – August 1 2011

Any shipments above 102.74% (10 days) will receive no payment plus a 50% penalty of the current month blend price. There will be no opportunity to recover lost revenue.

After stage 1 there is no opportunity to reclaim lost revenue from the over-quota penalty in subsequent months.

Over Quota Funds Policy – Provincial Payment

All producer penalty money collected less any provincial penalty money paid will be kept by the Board until the fund reaches a balance of \$1 million. All penalty money exceeding this limit will be added to the monthly pool. Any provincial penalty money will be deducted from the pool on a monthly basis if there are no producer penalty funds to cover the provincial penalty.

Deemed Quota July 31st, 2010

Should a producer finish the 2009/10 dairy year below the 3.00% minimum target, any production quota that falls below the 3.00% minimum will be deemed production and the producer will not have the opportunity to produce this quota at another time.

August 1st, 2010

Any producer who falls below the 4.11% minimum production target will be deemed production kilograms and the producer will not have the opportunity to recover this quota at another time.

August 1st, 2011

Any producer who falls below the 8.22% minimum production target will be deemed production kilograms and the producer will not have the opportunity to recover this quota at another time.

Flexibility

All producers will start the CDQ system on August 1 with 5.48% flexibility available to them.

Flexibility will be determined on where a producer finishes on July 31, 2010. If a producer did not change his/her TPQ during the 2009/10 dairy year (i.e. no swaps or quota purchases) then the producer will end the 2009/10 dairy year anywhere between +3.65 and -11.00 days. This position will indicate where the producer will start on August 1, 2010 and is calculated based on actual kilograms. Producers are responsible for ensuring that they manage their quota and production to meet the CDQ upper and lower limits accordingly.

If a producer bought used quota or swapped quota during the 2009/10 dairy year, the producer can't start lower than -11 days (regardless of transactions) even though they created a change in their TPQ during the 2009/10 dairy year.

The following outlines examples of situations for producers to be aware of:

Example #1 ~Used Quota Purchase

TPQ = 36,500 kg

CDQ Production = 36,500kg divide by 365 days per year = 100kg Daily Quota

If 20,000 kg of used quota was purchased during the 2009/2010 dairy year, it would have the following effect on August 1, 2010:

	<u>TPQ</u>	<u>CDQ</u>
July 31, 2010	36,500kg	100kg Daily Quota
August 1, 2010	56,500kg	155kg Daily Quota

Example #2 ~ Impact of Swapping in the CDQ 1% Sleeve

Quota Holdings WITHOUT swap:

TPQ = 100,000 kg

CDQ = 274kg Daily Quota (Aug 1st)

CDQ 1% Transition kg = 1,000 kg

CDQ Start at Aug 1st = 3.65 days over

Quota Holdings WITH swap:

TPQ = 100,000 kg + 20,000kg

CDQ = 274kg Daily Quota (Aug 1st)

CDQ 1% Transition kg = 1,200 kg

CDQ Start at Aug 1st = 4.38 days over

- **If the producer utilizes all of the CDQ 1% transition kilos,**
 - 100,000kg TPQ + 20,000kg swap + 1,200kg 1% transition = 121,200kg filled
 - 121,200kg = 101% at July 31st
 - 1,200kg is carried forward to August 1st
 - At August 1, 2010 TPQ reverts back to 100,000kg owned or 274kg Daily Quota
 - 1,200kg pre-fill divide by 274kg Daily Quota = 4.38
 - **This producer will begin CDQ August 1st at 4.38 Days Over**

The 20,000kg swap caused an increase in the transition kilos which because they were filled in the 2009/2010 dairy year, carries forward to August 1, 2010 under CDQ. This additional production of 200 kg in the 2009/10 dairy year increased the starting position of this producer from 3.65 days to 4.38 days over.

PART III - Credit Days

Effective August 1, 2010

Over Credit Days

- The positive credit day limit +5 days.
- Producers may accumulate up to +5 credit days and receive full payment for those shipments.
- Credit days produced in excess of the +5 **Over** credit day limit (excess kilograms of butterfat) will receive **zero payment**, with the revenue from this excess production being used by the over quota fund. This excess production will be subject to all relevant deductions. The credit day position carried forward to the next month will be capped at +5 days. **Producers cannot recoup these dollars in future months.**

Under Credit Days

- The **Under** credit day limit is -15 days.
- Producers may accumulate up to -15 **Under** credit days without penalty.
- 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.**

PART IV - Transfer Credit Transactions (Swapping)

- Producers will be able to buy or sell a maximum of 20% of their previous 12 months CDQ (i.e. no more than 20% during a 12 month period)
- Any swaps prior to August 1, 2010 will not be included in the 20% calculation
- Producers may buy or sell transfer credit kilograms as long as they stay within their lower and upper limits
- Transfer Credit Transaction deadline will remain the 25th business day of the month, with the effective date being the 1st day of the same month or the first day of the following month
-

Example #1 – transfer *credit transaction of 500 kg

Producer A to Producer B:

Prior to the transfer:

Producer A has a cumulative credit position of -1900 kg

Producer B has a cumulative credit position of +400kg

After the transfer:

Producer A has a cumulative credit position of -1400 kg

Producer B has a cumulative credit position of -100kg

Producer A has sold 500 kg to Producer B

***1 credit = 1 kilogram**

Example #2 – transfer *credit transaction of 1200 kg

Producer C to Producer D:

Prior to the transfer:

Producer C has a cumulative credit position of -1200 kg

Producer D has a cumulative credit position of -100 kg

After the transfer:

Producer C has a cumulative credit position of 0 kg

Producer D has a cumulative credit position of -1300 kg

Producer C has sold 1200 kg to Producer D

***1 credit = 1 kilogram**

There are two limits on the amount of transfer credits that a licensed producer may **buy or sell**:

1. Producers may **buy or sell** kilograms up to +5 / -15 days
2. Producers are limited to an amount of kilograms that may be **bought or sold** during the most recent 12-month period (rolling 12-month period). This limit will not include any months prior to August **2010**. This limit is calculated as follows:

Transfer Credit Transaction Limit = (daily quota × 365 days × 20%)

Example

100 kgs/day × 365 days × 20% = 7,300 kgs that may be transferred out during the most recent 12-month period.

Each producer's past 12 months buy/sell credits will be available on the Producer Pay Statement.

As a producer's daily quota is adjusted (up or down), that producer's limit is adjusted accordingly. If a reduction in daily quota causes a producer to exceed the transfer out limit, that producer will not be able to transfer out additional transfer credits until the limit is no longer exceeded.

PART V - Incentive Day Credits

To encourage production, the Board may issue incentive day credits. Incentive day credits are used after a producer's monthly quota allocation is used, and cannot be carried forward to the next month. Incentive day credits cannot be transferred to other producers.

Incentive day credits do not affect a producer's cumulative credit position.

Incentive Days issued for the Fall of 2010 are as follows:	
August 2010	2 Days
September 2010	2 Days
October 2010	1 Day

PART VI - Quota Transfer Procedure

In BC, **all sales** of daily quota must be made through the Quota Exchange managed by the BCMMB Milk, **except for:**

- transfers of daily quota within the immediate family;

It is the producer's obligation to fill their daily quota until such time as the effective date of the transfer.

No off exchange transactions are permitted.

PART VII - Quota Exchange Operational Guidelines

See *Consolidated Order*