



Notice to all Saskatchewan Producers

September 7, 2018

As you know from previous announcements, it has been an important focus of SaskMilk, the Western Milk Pool, and the P5 provincial milk boards to ensure that we are not only making our best efforts to align production with demand, but also to take into consideration processing capacity. As has also been presented at all producer meetings for the past several years, it is imperative to recognize that the demand is greatest for milk during the fall months, and is much less in the spring months.

In order to be responsive to the fall demand, Incentive Days are issued to encourage production. However, there has been no corresponding tool to restrict production in the spring when demand is lowest, and oversupply may reduce the value of milk due to the need to skim. While SaskMilk recognizes that this needs to be an effort shared by the entire Western Milk Pool, Saskatchewan can do our part and take the initiative to introduce a Spring Production Restriction Policy (attached).

As you can see, the policy restricts production in March, April, May, and June to your monthly quota plus 2 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 plus $2 \times 200 = 400$ kgs for a total of 6400 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. (See next page for examples)

While there is still growth in the Canadian dairy market, both the WMP and P5 have recognized that it is important to consider all of the market factors in production. The intent of this policy is to introduce the concept of spring production restriction without being too restrictive – resulting in the two day over quota flexibility.

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 and Examples:

Q: I am at -6 days, how much milk can I ship?

A: You can ship your monthly quota plus 2 days. If you did so, with no credit transfers, your cumulative position at the end of the month would be -4 days.

Q: I am at +4.5 days, how much milk can I ship?

A: You can ship your monthly quota plus 0.5 days, which brings you to the maximum cumulative position of +5 days (the maximum cumulative position limit of -15 to +5 is still in place).

Q: How much can I be under my monthly quota?

A: There is no limit on undershipment with this policy; however, the normal limit of -15 days before penalties apply is still in place.

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

A: You can ship your monthly quota plus 2 days. Your cumulative position at the end of the month will be -3 days.

Q: If I transfer in credits, can I ship more milk without the restriction?

A: No, regardless of your cumulative position you may only ship your monthly quota plus 2 days. If you ship more, you will not be paid for the milk (and deductions will still apply), but your cumulative position will still increase.

Example 1:

You have 100 kgs of daily quota over 30 shipping days with a cumulative position is at -5 days. You can ship $100 \text{ kgs} \times 30 \text{ days} = 3000 \text{ kgs}$ *plus* $2 \text{ days} \times 100 \text{ kgs} = 200 \text{ kgs}$ *for a total of* 3200 kgs. If you ship 3200 kgs, your cumulative position will be -3 days.

If you shipped 3300 kgs (quota plus 3 days) you will only be paid for 3200 kgs, but your cumulative position will still go to -2 days.

Example 2:

You have 200 kgs of daily quota over 30 shipping days with a cumulative position of +4 days. You can ship $200 \text{ kgs} \times 30 \text{ days} = 6000 \text{ kgs}$ *plus* $200 \text{ kgs} \times 1 \text{ day} = 200 \text{ kgs}$ *for a total of* 6200 kgs, as you will hit your +5 maximum flexibility range.

If you shipped more than 6200 kgs, your cumulative position will still be capped at +5 days.

Example 3:

You have 300 kgs of daily quota over 30 shipping days with a cumulative position of -10 days. You can ship $300 \text{ kgs} \times 30 \text{ days} = 9000 \text{ kgs}$ and $300 \text{ kgs} \times 2 \text{ days} = 600 \text{ kgs}$ for a total of 9600 kgs. With no transfer credits your cumulative position will be at -8 days.

If you shipped 9900 kgs, you would only be paid for the 9600 kgs (with deductions still applying to the total shipped), and your cumulative position would go to -7 days.

SASKATCHEWAN MILK MARKETING BOARD POLICY

SPRING PRODUCTION LIMITS

WHEREAS demand for milk production is greatest in the fall and least in the spring;

AND WHEREAS SaskMilk is committed to meeting our production obligations while maximizing value for producers;

AND WHEREAS fall production is encouraged through incentive days, but no discouragement has been implemented for spring production;

THE SASKATCHEWAN MILK MARKETING BOARD, hereby determines as follows:

1. For the months of March, April, May, and June, production will be restricted to a maximum of the production unit's monthly quota (daily quota calculated monthly in accordance with the Quota Policy) plus 2 days (the 'limit')
2. Milk shipped over the limit will be deemed overproduction and the production unit will not receive payment for that overproduction.
3. All deductions shall be applied to milk shipped over the limit.
4. Milk shipped over the limit is deemed as utilized for the purpose of calculating cumulative position.