

DAIRY FARMERS OF PRINCE EDWARD ISLAND

ORDER: DFPEI 2017-07

EFFECTIVE: 1 March 2017

Under the *Natural Products Marketing Act*, R.S.P.E.I.1988, Cap. N-3, and the Dairy Farmers of Prince Edward Island Regulations thereunder, Dairy Farmers of Prince Edward Island makes the following Order:

**CREDIT TRANSFER EXCHANGE ORDER**

Application

1. This Order provides for the establishment, control and operation of a credit transfer exchange for producers by Dairy Farmers of Prince Edward Island.

Definitions

2 (1) The words herein shall have the meanings as found in the *Natural Products Marketing Act* and the *Dairy Farmers of Prince Edward Island Regulations* under that Act.

(2) In this order:

- (a) "buyer" means a producer who obtains credits from other producers;
- (b) "cleared" means the process by which the Board shall conduct the transfer of credits between producers who participate in the exchange;
- (c) "credit" means an unused unit of milk production, equal to 1 Kg of butterfat quota, that is created when daily quota is not filled to its maximum potential, including any flexibility granted by DFPEI to manage milk production, as permitted by the quota credit system;
- (d) "credit transfer" is the assignment of one or more credits from one producer to another, which may be for a fee;
- (e) "daily quota" means the unit of measure for quota, which is expressed as the amount of kilograms of butterfat in milk that may be marketed by a producer in one day;
- (f) "DFPEI" means Dairy Farmers of Prince Edward Island;
- (g) "exchange" means a market established, controlled and operated by DFPEI for producers to buy and sell credits;
- (h) "milk" is the normal milk from a cow, and includes whole milk and such products of milk that are supplied, processed, distributed or sold in any form;

- (i) “producer” means a person, partnership or company that produces milk for sale and is registered with DFPEI;
- (j) “quota” means a producer’s share of the market for milk as fixed and allotted by DFPEI;
- (k) “quota credit system” a mechanism established by DFPEI that allows milk producers to over ship up to a maximum of ten (10) times their daily quota on a cumulative basis, referred to as over quota production credits, or to under ship up to a maximum of thirty (30) times their daily quota on a cumulative basis, referred to as under quota production credits; and
- (l) “seller” means a producer who transfers credits to other producers.

Exchange established

3. DFPEI hereby establishes and will operate an exchange for the transfer of credits held by producers.

Eligible participants

4. Only producers shall be eligible to participate on the exchange.

Offer prices

5. Producers may offer to sell or buy credits at any price, unless a price limit is established by a DFPEI Board Order.

Offer amounts

6. Producers may offer to buy or sell credits within the limits established by Board Order 2017-03, or other limits as may be determined by DFPEI Board Order from time to time.

Offer forms

7. Offers to buy or sell credits on the exchange shall only be accepted if submitted on a form provided by, or approved by, DFPEI.

Exchange opening

8. The exchange will open to receive offers to buy or sell credits on the first day of each month.

Offers

9. Offers shall specify the quantity of credits offered to buy or sell and the price of the offer. Offers must be received at the DFPEI office prior to the close of the exchange to be included in the exchange. DFPEI will accept a facsimile, scan or other electronic offer to buy or sell credits, provided the offer is properly signed or otherwise legally authorized.

Changing offers

10. A producer may change or cancel an offer to buy or sell credits, provided that such change or cancellation is made in writing and the notice of change or cancellation is received at the DFPEI office prior to the close of the exchange.

Closing the exchange

11. The exchange shall close as of close of business on the tenth day of the month of transfer. If the tenth day of the month falls on a weekend or a statutory holiday, the exchange shall close at the close of business on the next business day. No offers or changes to existing offers shall be accepted after the exchange has closed.

Clearing the exchange

12. DFPEI shall establish the clearing price and clear the exchange by noon on the second business day following the close of the exchange.

Clearing price

13 DFPEI shall determine the clearing price for the exchange in the following manner:

- (1) offers to sell credits shall be accumulated based on the prices at which the credits are offered for sale, from the lowest to the highest price offered;
- (2) offers to buy credits shall be accumulated based on the prices offered to purchase credits, from the highest price to the lowest price offered; and
- (3) the price at which the least difference between the accumulated number of credits offered for sale and the accumulated number of credits offered for purchase occurs shall determine the clearing price for the exchange.

Exchange does not clear

14. If no point is reached where the number of credits for sale is equal to, or nearly equal to, the number of credits offered for purchase, the exchange shall not clear and no transactions shall be recorded for that exchange.

Distribution of credits

15. DFPEI shall transfer credits to exchange participants as follows:

- (1) If the accumulated number of credits offered for sale and the accumulated number of credits offered to purchase at the clearing price are equal, then all offers to purchase at or above the clearing price shall be satisfied by all offers to sell at or below the clearing price;

(2) If the accumulated number of credits offered for sale at or below the clearing price is greater than the accumulated number of credits offered for purchase at or above the clearing price, DFPEI shall distribute credits to all successful buyers using credits from all successful sellers on a rotating basis in 1.0 credit increments, except that the last iteration of distribution shall be made from successful sellers in the order in which bids were received, until all successful offer to purchase are satisfied; and

(3) If the accumulated number of credits offered for purchase at or above the clearing price is greater than the accumulated number of credits offered for sale at or below the clearing price, DFPEI shall distribute all credits offered from all successful sellers to all successful buyers on a rotating basis in 1.0 credit increments, except that the last iteration of distribution shall be made to successful buyers in the order in which offers were received, until all successful sell offers are exhausted.

Payments to  
DFPEI

16. Producers who are successful buying credits on the exchange shall deliver payment to DFPEI by cheque or other payment method, payable to Dairy Farmers of Prince Edward Island, that covers the full amount of the offer to purchase plus the appropriate service charge, no later than close of business on the fifth business day following the clearing of the exchange.

Payments to  
sellers

17. DFPEI shall issue Payment to sellers, less applicable service charges, on the twentieth day of the transfer month or the next business day if the twentieth falls on a weekend or holiday.

Transfer if credits

18. DFPEI shall transfer the credits from sellers' accounts to buyers' accounts in the month of the exchange.

Service charges

19. Producers shall pay DFPEI a service charge of \$10.00 for each successful offer to buy or sell credits.

Default of  
Payment

20. In the event of default of payment by a buyer, that buyer shall deliver guaranteed payment, by bank draft, electronic transfer or comparable payment instrument, within two business days of notice to the buyer that his payment has been dishonoured. The replacement payment remitted shall be sufficient to pay the cost of the lease and any related service charges levied by third parties.

Right of Offset

21. In the event of default of payment for a credit transfer for which a producer is unable to provide payment within two business days, as outlined in section 20 of this Order, the Board shall retain the right to offset the indebtedness created by the default of payment against future revenues for milk sales of the buyer, and shall withhold the required funds from future milk sales payments to the buyer for settlement of the account.

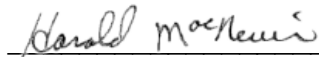
Accounting

22. The Board shall maintain accounting records for the operation of the exchange and shall submit audited financial statements on the records of the exchange at its annual meeting and make an accounting of its operation based on the fiscal year of Dairy Farmers of Prince Edward Island.

Commencement

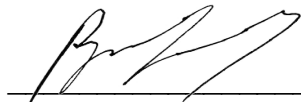
23. This Order comes into force on 1<sup>st</sup> day of March 2017.

DATED at Charlottetown, Prince Edward Island, this 25<sup>th</sup> day of February 2017.



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Harold MacNevin, Chairman



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Ronald Maynard, Secretary