

DAIRY FARMERS OF PRINCE EDWARD ISLAND

ORDER: DFPEI 2022-07

EFFECTIVE: 1 September 2022

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

MILK PRODUCER QUOTA EXCHANGE ORDER

- Application 1. This Order provides for the establishment, control and operation by the Board of a Quota Exchange to be operated for milk producers.
- Definitions 2. The words herein shall have the meanings as found in the Prince Edward Island **Natural Products Marketing Act** and the Dairy Farmers of Prince Edward Island Regulations unless differentiated herein, and as hereinafter defined:
- (a) "cleared" shall mean the process by which the Board shall conduct the buying and selling of quotas which results in the purchase and sale of quotas.
 - (b) "daily quota" shall mean the amount of kilograms of butterfat quota assigned to a producer by the Board, expressed to two decimal places.
 - (c) "exchange month" shall mean the calendar month in which a producer's quota shall be adjusted by the amount of quota purchased or sold on the exchange.
 - (d) "exchange clearing price" shall be the price at which the amount of quota offered for sale on an exchange equals, or comes closest to, the amount of quota bid for, except that where the volume is the same for more than one price, the lowest price shall be used.
- Exchange Established 3. The Board hereby establishes a quota exchange, to be operated by the Board, for the purchase and sale of daily quota held by milk producers.
- Eligible Producers 4. Only producers registered by the Board shall be eligible to participate on the quota exchange.

Purchasing prohibition

5. Any producer who has incurred two or more violations resulting in penalties in the preceding 12 months, as specified in the current DFPEI Violations and Penalties Order, shall be prohibited from purchasing quota through the exchange beginning with the first exchange to clear following the month in which the last violation occurred. This prohibition shall continue until the producer has recorded three consecutive months of production without incurring another violation resulting in a penalty.

Maximum offer price

6. The price at which milk producers may offer to sell or purchase quota on the exchange is limited to a maximum offer price as established from time to time by the Board. The maximum price permitted as of 1 September 2021 is twenty-four thousand dollars per Kg of daily quota.

Bids to be Excluded

7. Any bid to purchase or sell quota that exceeds the maximum offer price as determined by the Board shall be excluded from the exchange and returned to the bidder.

Offer amounts

8. Producers may offer to sell or purchase any amount of daily quota in increments of 0.1 kilograms, except when a producer sells all their quota the sale shall be measured to two decimal places. A producer may not offer to sell more than the amount of their quota holdings.

Offer forms

9. Producers offering to sell or purchase quota on the exchange shall only submit offers on a form provided by, or approved by, the Board.

Close of the Exchange and Delivery of Forms

10. The exchange shall close, meaning that no more offers to buy or sell shall be accepted, at normal close of business on the first business day of the month prior to the exchange month. The Board will accept a facsimile copy or a scanned and electronically transmitted copy of an offer to sell or purchase quota.

Change or cancellation of offers

11. A producer may change or cancel an offer to sell or purchase quota provided that such change or cancellation is made in writing and the notice of change or cancellation is received prior to the close of the exchange.

Clearing date

12. The Board shall establish the clearing price, clear the exchange and release the exchange results by noon on the second business day following the closing of the exchange.

Determination of the exchange clearing price

13. Offers to sell and offers to purchase quota (bids) shall be used to establish the market clearing price of the exchange in the following manner:

(1) Offers to sell quota shall be accumulated based on the prices at which the quota is offered for sale, from the lowest to the highest price offered.

(2) Bids shall be accumulated based on the prices at which producers have bid for quota, from the highest price to the lowest bid price.

(3) The accumulated offers shall be compared to determine the price at which the minimum difference between the volume offered for sale and the volume offered for purchase occurs, which shall determine the exchange clearing price.

(4) If no point is reached where the amount of quota offered for sale is equal to, or nearly equals, the amount of quota bid for purchase on an exchange, the exchange shall be deemed to have not cleared and no transactions shall take place on that exchange.

Selection process

14. Where the amount of quota offered for sale and amount of bids for purchase at the clearing price does not equal, the Board shall distribute the available quota in the following manner:

(1) If the amount of quota offered for sale at or below the clearing price is greater than the amount of quota bid for at the clearing price, the Board shall sell the quota offered for sale based on the order in which the offers to sell were received at the board office.

(2) If the amount of quota bid for at or above the clearing price is greater than the amount of quota offered for sale at the clearing price, the amount of quota sold shall be distributed in 0.01 kilogram lots until the amount of quota offered for sale at or below the clearing price is fully distributed.

(3) Producers are limited to three bids per exchange. If more than three bids are received from one producer, then the lowest priced offers to purchase or the highest priced offers for sale shall be disqualified and returned to the producer until only three bids from that producer remain.

(4) If a registered producer submits more than one bid to purchase quota and more than one of those bids are at or above the clearing price, they will be accumulated and considered as one bid for the distribution of quota as described in section 13 (2) (above).

Settlements

15. Producers offering to purchase quota on an exchange shall provide full payment to the Board for any quota purchased not later than the 20th of the month prior to the exchange month.

Deposit of cheques

16. The Board shall deposit cheques for successful purchases on the 20th of the month prior to the exchange month except where the 20th falls on a weekend or a statutory holiday the Board shall deposit the cheques on the prior business day.

Settlements to

- sellers 17. The Board shall issue settlements to sellers of quota effective the first (1st) business day of the exchange month.
- Adjustments to producer quotas 18. The Board shall debit seller's quota with the amount of quota sold and credit purchaser's quota with the amount of quota purchased on the first (1st) calendar day of the exchange month.
- Service charges 19. Producers shall pay to the Board a service charge of \$5.00 for each successful offer to sell or purchase quota.
- Failure to pay for quota 20. Where a producer fails to pay the Board for the amount of quota purchased by the twentieth of the month prior to the exchange month, or where a cheque provided to the Board by a producer in payment of quota purchased has been dishonoured by a financial institution, the Board shall hold the quota in reserve and offer it for sale on the next exchange. A producer who fails to provide payment by the date specified shall be prohibited from purchasing on the exchange for a period of three calendar months.
- Accounting 21. 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 the Board.
- Revocation 22. Dairy Farmers of Prince Edward Island order DFPEI 2021-04 dated April 1st, 2021 is hereby revoked.
- Commencement 23. This Order comes into force on September 1st, 2022.

DATED at Charlottetown, Prince Edward Island, this 31st day of August 2022.

<Original sign by>

Gordon MacBeath, Chairman

<Original signed by>

Connie Gorrill, Secretary