

ORDER 2025-02
AN ORDER DEFINING THE CREDIT EXCHANGE POLICIES OF
DAIRY FARMERS OF NEW BRUNSWICK
(the "**CREDIT EXCHANGE POLICIES ORDER**")

PURPOSE: To provide Producers with a mechanism through which they can buy or sell their existing accrual of Credits to help them administer their farm's Production and to outline the means by which the Credit may be transferred between Producers and the rules governing such transfers.

WHEREAS the Board, inter alia, is vested with the power to make such orders as are considered by the Board necessary or advisable to regulate effectively the marketing or production and marketing of milk in New Brunswick.

AND WHEREAS these recitals form part of this Order.

NOW THEREFORE BE IT ENACTED pursuant to

i. *Milk Plan Order – Dairy Farmers of New Brunswick and all of its Orders*, and amendments or successor thereto;

DAIRY FARMERS OF NEW BRUNSWICK (hereinafter called the "Board") in its exercise of its Federal and Provincial powers, where applicable, in whole or in part, concurrently and in combination hereby repeals Order 2022-00 – Credit Exchange Policies Order and replaces it with:

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CREDIT EXCHANGE POLICIES ORDER

- 1) **DEFINITIONS:** The terms referenced herein have the same meaning as given in the by-law, act, regulation, order or agreement in which the term was originally defined. If a term originates herein the term will be defined below.

Credit Exchange means the procedure established herein, whereby a Producer may offer to buy or sell Credits at the Credit Exchange Selling Price.

Credit Exchange Selling Price (CESP) the price at the point where the Credit Exchange is cleared shall be the price that the Credits are sold or purchased on that Credit Exchange. When there are two prices where the Credit Exchange can be cleared, the lesser of the two prices, on the purchaser's side, will be chosen as the CESP.

Sellers means Producers who wish to offer to sell all or a portion of their ending Credit balance from the prior month and within their Monthly Credit Trade Limits. In the event Sellers are successful selling credits, this will increase their Credit balance in the direction of their Maximum Credit Limit as set out in the Milk Plan Order without exceeding such limit.

Purchasers means Producers who wish to bid to buy all or a portion of their ending Credit balance from the prior month and within their Monthly Credit Trade Limits. In the event Purchasers are successful buying Credits, this will decrease their Credit balance in the direction of their Minimum Credit Limit as set out in the Milk Plan Order without exceeding such limit.

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Monthly Credit Trade Limit (MCTL):

Producers are limited to trading each month the lesser of one of the following limits and further prohibited from offering for sale any credits that would cause them to exceed their Maximum Credit Limit as set out in the Milk Plan Order or bidding to buy any credits that would cause them to exceed their Minimum Credit Limit as set out in the Milk Plan Order.

- **The Monthly Limit** 25% of their current Monthly Quota holdings calculated as Daily Quota * Calendar Days in the month.
- **The Crossover Limit** which is currently set to "0" zero credits, prohibits Sellers with a negative Credit Balance from offering for sale any portion of their credits that would cause their Credit Balance to become positive and prohibits Purchasers with a positive Credit Balance from bidding to buy any portion of their credits that would cause their Credit Balance to become negative.
 - Note: This Crossover Limit will be removed at a future date to be determined by the Board and its removal would only take effect after publishing its removal in two consecutive monthly newsletters. The removal of the Crossover Limit will then allow Producers to buy or sell credits regardless of their Credit Balance position with the knowledge that selling credits will increase their credit balance towards the Maximum Credit Limit and purchasing credits will decrease their credit balance towards the Minimum Credit Limit.
- **The Quality Limit** shall be imposed on those Purchasers who've been subject to milk quality penalties as outlined below. This Quality Limit will come into effect at a future date and only after having communicated its effective dates for two consecutive months in the monthly newsletter.
 - The MCTL will be reduced to 20% in the month that the Board collects a Producer's first milk quality penalty in a 12 consecutive month period. The reduction shall remain in effect for three "3" consecutive months inclusive of the month in which the penalty is collected; and
 - The MCTL will be reduced to 10% in the month that the Board collects a Producer's second milk quality penalty in a 12 consecutive month period. The reduction shall remain in effect for four "4" consecutive months inclusive of the month in which the penalty is collected; and
 - The MCTL will be reduced to 0% in the month that the Board collects a Producer's third milk quality penalty in a 12 consecutive month period. The reduction shall remain in effect for five "5" consecutive months inclusive of the month in which the penalty is collected.

2) **CREDIT EXCHANGE TERMS AND CONDITIONS:** Transfers of Credits are subject to the terms and conditions of this Order, which terms and conditions are as follows:

- a. **The Credit Exchange** The Board will operate a Credit Exchange each calendar month where Credits will in effect be transferred between successful buyers and sellers in the same calendar month that the Credit Exchange operates.
 - i. Credit Transfers must be submitted by:

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1. Completed forms provided by the Board and signed by the Producer's Business Representative, or
 2. submitted through the Board's Producer Portal requiring a secure login known to the Producer's Business Representative.
 - ii. Credit Transfers must be submitted by the Producer to the Board prior to the deadline for submission being 4:00 pm on the second business day following the 15th of the calendar month. It is the Producer's responsibility to complete the Credit Transfer forms and to confirm that the Board has received the completed forms.
 - iii. Any incomplete forms, as determined by the Board, within its full and complete discretion, will not be included in the Credit Exchange.
 - iv. Credit holdings shall not exceed the Maximum Credit Limit.
 - v. Credit holdings shall not fall below the Minimum Credit Limit.
 - vi. Sellers may offer to sell amounts up to their MCTL.
 - vii. Purchasers may offer to buy amounts up to their MCTL.
- b. Requirements to Participate on the Credit Exchange**
- i. Producers must hold Daily Quota to participate in a Credit Exchange. Those Producers having transferred all their Daily Quota are entitled to participate in one final Credit Exchange, which final Credit Exchange is to be the first Credit Exchange following the Daily Quota Transfer. The Producers failure to participate in, or being unsuccessful in, the Credit Exchange may result in a Due Board or in the Credits being cancelled.
 - ii. A Producer cannot offer to sell and bid to buy Credits on the same Credit Exchange.
 - iii. Sellers must complete the offer to sell Credit form and Purchasers must complete the bid to buy Credits form. The completed form must be submitted by the Producer's Business Representative and submitted to the Board in accordance with Section 2 (a) herein that legibly state:
 1. the kilograms of Credits offered or bid for that are within the Producer's MCTL. A Producer who submits an offer or a bid that exceeds the MCTL shall have his offers or bids rejected by the Board.
 2. the price per kilogram expressed in dollars and cents per kilogram of butterfat;
 3. the month of the Credit Exchange;
 - iv. Any incomplete forms, as determined by the Board, within its full and complete discretion, will not be included in the Credit Exchange.
- c. Clearing the Credit Exchange** Volumes of Credits offered for sale are ranked cumulatively in ascending order of price. Volumes of Credits associated to bids to purchase are ranked cumulatively in descending order. The point where the difference between the cumulative volume offered for sale by the Sellers and the cumulative volume bid for by the Purchasers is the least will determine the price at which the Credit Exchange will be cleared and the volume that will be transferred between the successful Purchasers and successful Sellers. This cleared price is the Credit Exchange Selling Price (CESP).

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- d. **Determining the CESP** The CESP shall be the price that the Credits are sold and bought for on that Credit Exchange. When there are two CESP prices where they exchange clears, the lesser of the two prices, on the Purchaser's side, will be chosen as the CESP.
- e. **Determining the Credits to be Sold and Purchased**
- i. In the event the cumulative amount of Credits of the Offers to Sell at or below the CESP equals the cumulative amount of Credits of the Bids to Buy at or above the CESP, the Credits will be sold and purchased as follows:
 1. each successful seller at or below the CESP will sell 100% of the Credits they offered for sale and be paid the CESP; and
 2. each successful purchaser will buy 100% of the Credits they bid to buy and pay the CESP.
 - ii. In the event the cumulative amount of Credits of the Offers to Sell at or below the CESP is less than the cumulative amount of Credits of the Bids to Buy at or above the CESP, the Credits will be sold and purchased as follows:
 1. each successful seller at or below the CESP will sell 100% of the kilograms of credits they offered for sale and be paid the CESP; and
 2. each successful purchaser at or above the CESP will purchase a percentage of the Credits they Bid to Buy and pay the CESP, the percentage being the cumulative kilograms of credits of those Bids to Buy at or above the CESP divided by the cumulative amount of kilograms of credits of those Offers for Sale at or below the CESP.
 - iii. In the event the cumulative amount of Credits of the Offers to Sell at or below the CESP is greater than the cumulative amount of Credits of the Bids to Buy at or above the CESP, the Credits will be sold and purchased as follows:
 1. each successful seller at or below the CESP will sell a percentage of the Credits they Offered to Sell and be paid the CESP, the percentage being the cumulative kilograms of credits of those Offers for Sale at or below the CESP divided by the cumulative kilograms of credits of those Bids to Buy at or above the CESP.
 2. each successful purchaser will buy 100% of the kilograms of credits they bid to buy and pay the CESP.
 - iv. The Board shall have the option to add Credits to the Credit Exchange to exactly balance the Credit Exchange.
- f. **Communicating the Credit Exchange Results** Monthly Credit Exchange transaction results will be available no later than noon of the 21st day of the month or at the discretion of the Board.
- g. **Collecting from Successful Purchasers** Successful Purchasers shall be advised in writing and the debt associated to the purchase of their Credits shall be deducted from their milk statement of the month corresponding to the effective date of the Credit Exchange;

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- h. **Payment to Successful Sellers** Successful Sellers shall be advised in writing and the proceeds of the sale of their Credits shall be added to their milk statement of the month corresponding to the effective date of the Credit Exchange;
- i. **Effective Date of Credit Successfully Purchased or Sold through the Credit Exchange** Credits shall be transferred and become effective on the first day of the month in which the Credit Exchange operated;
- j. **Rights of Board to Cancel or Postpone Credit Exchange** The Board reserves the right to cancel or postpone any Credit Exchange at any time for any reason it deems necessary; and if the Board cancels or postpones a Credit Exchange, Producers must resubmit their bids or offers.

This Order takes effect March 1, 2025

This Board Order is a reproduction of the original Board Order which has been signed by the Chair and the General Manager.