

A fair payment policy focused on the market



The new on-farm component payment policy will be implemented on August 1, 2021. It is designed to better reflect market revenue and ensure greater equity amongst producers in an environment in which there is a structural solid-non-fat (SNF) surplus on the market.

The reduction in volume and associated increase in the market value of SNF have been priority issues for the Canadian dairy industry for the past 20 years. To understand the context behind the new payment policy, we need to review the various measures that have been integrated into the Milk Payment Regulation to gradually achieve the goal of decreasing SNF quantities. Before 1992, payment was based on the volume of milk delivered and on butterfat (BF). It was at that time that the first application of multiple component pricing gave more value to protein, with 80% of the price of SNF being applied to protein and 20% to lactose and other solids. In 2004, a maximum SNF-BF ratio was implemented and any SNF above that level received no payment. Incentive measures were put in place with the transfer of \$3 per kg from protein to butterfat to add value to milk with high fat content and, two years later, a premium was introduced for the lowest SNF-BF ratios. In 2012, we harmonized our policies at the P5 level to obtain collective gains. The maximum ratio and the premium were also reviewed.

While these measures and policies were instrumental in reducing SNF production over the years, trends and consumer choices favouring fat-rich dairy products like butter and cream, together with the decline in consumption of drinking milk, continue to contribute to significantly increase SNF surpluses across the country.

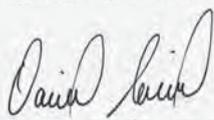
The new payment policy responds to resolutions carried at our annual general meetings between 2016 and 2018, which called for adjustments to be made to better reflect market realities. We brought these requests to the attention of our P5 colleagues and following a stringent, democratic multi-phase process, including comprehensive work and analysis by the P5 Quota Committee and consultations with various decision-making bodies, the policy was adopted in 2020. The new payment method was implemented in Ontario, New Brunswick and Prince Edward Island on February 1. It is scheduled to begin on August 1, 2021 in Quebec and Nova Scotia. The harmonization of payment policies between the provinces will ensure income equity among P5 producers, while being more attuned to market needs. A key factor behind the development of the new policy was a desire for greater producer income equity, based on their respective contribution to SNF surplus. While the implementation of the SNF-BF ratio has helped to reduce SNF production, a revenue discrepancy for the various target ratios remains.

This new payment policy helps to enhance the income of producers who contribute nothing or very little to SNF surpluses and must not create a major change in food habits. It is also designed to ensure continued production of high-quality components.

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The main change is the introduction of an additional ratio level under 2.0 kg of SNF per kg of BF, called the market ratio. This will provide for adding value to all SNF required by the Canadian market, whether for dairy products or further processing. Producers who have an SNF-BF ratio between 2.0 and 2.30 will be paid according to the Ingredients class price and not paid when the ratio exceeds 2.30. If the ratio is less than 2.0, lactose and other solids will be paid at a set rate of \$0.90 per kilogram and 75% of the total revenue will be attributed to butterfat and 25% to protein. Thus, we are sending a clear message to the market while being sufficiently flexible to evolve with market demand and respond to new information related to milk components.

The challenge of marketing surplus SNF has become more difficult under the Canada-United States-Mexico agreement (CUSMA), which ties our hands by imposing charges on exports above a certain level, thus restricting our skim milk powder and protein concentrate exports. CUSMA limits these exports to 35,000 tonnes in addition to capping exports of infant formula. This represents a serious challenge when we consider that Canada exported 82,000 tonnes in 2017-2018 and 60,000 tonnes in 2018-2019! The entire industry must address this problem. At the farm level, we will continue to reduce quantities produced in all provinces. The industry also needs to ensure that all markets that can add value to non-fat solids are satisfied. Lastly, processors must increase their processing capacity and develop new outlets. This will require significant investments for which we will need government support. The involvement of government is essential in this context of export restrictions and uncertainty generated by the recent trade agreements.



DANIEL GOBEIL
Chairman

Strategies for improving winter survival of legume crops

- **Damage caused to legume crops during the winter can have serious financial consequences for dairy farms. The decrease in yield is sometimes so extensive that you have to overseed the area or destroy the pasture. How can you improve the odds of avoiding this kind of situation?**

During the winter, forage plants may be subject to many stresses, including subfreezing temperatures without a sufficient snow cover, excess soil moisture, the presence of ice, and diseases. Among the future effects of climate change, experts anticipate a decrease in plant hardiness, a reduction of snow cover, and increased winter rainfall and freeze-thaw cycles. With these changes, legume survival

is expected to become increasingly difficult in the future. To help legumes survive the winter, many strategies are available.

CAREFULLY SELECT SEEDS

The probability of winter survival varies greatly depending on the forage species. That's why it is always important to select species that have demonstrated hardiness in our climate. The

cultivars of any given species do not all have the same tolerance for cold. The improved persistence of cultivars is possible thanks to genetic selection. Choosing cultivars with a better winter survival score helps to improve the resilience of our pastures.

According to the researchers, the presence of one or more grasses also improves the persistence of the legume stand. Mixed forage crops also demonstrate benefits over single type crops!

THE SOIL, YOUR ALLY

Throughout the pasture's productive life, the soil plays a crucial role in winter survival. First of all, well-drained soil will improve the plants' resistance to cold, reduce the degree of frost in the soil and prevent ice crust formation. Excess water must be avoided at any cost.

Soil fertility also plays a key role. Several studies have shown that potassium (K) and phosphorus (P) have a positive effect on legume resistance to cold. However, before you even think of fertilizing your soil, it is important to ensure that you have adequate pH. Fertilizing soil with a poor pH is a waste of money, because a non-optimal pH makes certain fertilizing elements less accessible by the plant. For pastures, a pH_{water} between 6.5 and 7.0 is recommended. Consult your agri-environmental fertilization plan (AEFP) to verify the quantity of lime and fertilizer to apply in your fields.

IMPORTANCE OF CUTTING MANAGEMENT

Cutting management is the factor that has the greatest impact on winter survival of legume crops. Intensive management reduces the capacity of legumes to accumulate reserves, which reduces their persistence. In addition, fall harvesting has a negative effect on legume persistence. It hinders the plants' accumulation of reserves, as well as reduces the capacity of the fields to retain snow, a very efficient insulator!

According to a recent study conducted in Québec, fall harvesting only generates a short-term benefit for



SUMMARY OF RECOMMENDATIONS

- **Select species that have proven their ability to survive our winters.**
- **Choose a cultivar with good winter survival.**
- **Sow one or more legumes in combination with one or more grasses.**
- **Verify/improve soil drainage.**
- **Fertilize and lime your fields adequately; consult the AEFP.**
- **Give priority to mowing during the first bloom of alfalfa.**
- **Avoid mowing in the fall. If there are no other choices:**
 - Wait at least 50 days after the previous harvest.
 - Leave at least 10 cm (4 inches) of stubble.
- **Consider planting windbreak hedges to increase snow accumulation.**

pasture yield. Although this practice results in additional yield in the year it is adopted, it has no effect on the overall yield of a pasture that has been in production for the past four years. This is due to a yield decrease in the years after fall harvesting. Therefore, crops should only be mowed in the fall as a last resort. If it is absolutely necessary, you should leave at least 10 cm (4 inches) of stubble in order to capture a minimum amount of snow. You must also allow a minimum period of 50 days between the last summer harvest and the fall harvest. This will allow the legumes time to accumulate a minimum reserve to survive the winter.

Also always remember that over the pasture's total lifecycle, harvesting at first bloom without harvesting in the fall can maximize winter survival of alfalfa. This strategy also maximizes milk production per hectare, based on nutritional value and yield. ■

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Centralized Quota Sales System (SCVQ)

MARCH 2021

Fixed Price: \$24,000.00

	Number	kg of BF/day
Offers to sell		
Total	14	231.15
Eligible for allocation	14	231.15
Successful	14	231.15
Reserve		
Quantity purchased (-) / sold (+)		-0.09
Offers to buy		
Total	1,992	20,833.06
Eligible for allocation	1,992	20,833.06
Successful	1,992	231.06

Participation on a prorata basis in any unprocessed purchase offers of 1.03 kg of BF/day or higher.
After the sale, the balance of quantities available for regional priorities is 52.14 kg of BF/day for Gaspésie-Les Îles and 0.00 kg of BF/day for Abitibi-Témiscamingue.

ALLOCATION OF OFFERS TO SELL AND TO PURCHASE PER PRICE STRATUM

SALES				PURCHASES		
Number	kg of BF/day	Cumulation	Price offered \$/kg of BF/day	Number	kg of BF/day	Cumulation
			< 24,000.00			
14	231.15	231.15	24,000.00 ceiling price	1,992	20,833.06	20,833.06

ALLOCATION TO BUYERS AND SELLERS

	Number	kg of BF/day	%
Buyers			
Startup Assistance Program	0	0.00	0.0
Holding of less than 12 kg of BF/day	1	1.00	0.4
Reimbursement of startup loans	23	2.30	1.0
Regional priority	3	7.20	3.1
Iteration (0.06 kg of BF/day)	1,987	119.22	51.6
Prorata (0.49%)	1,907	101.34	43.9
1.11% of the offers have been processed	231.06	100.0	
Sellers			
Seller who stopped producing 1 or more month ago	0	0.00	0.0
Offers partially processed in the previous month	0	0.00	0.0
Offers in the current month	14	231.15	100.0
100.00% of the offers have been processed	14	231.15	100.0

Quota prices in Canadian provinces FEBRUARY 2021

	\$/kg of BF/day		\$/kg of BF/day		\$/kg of BF/day
Nova Scotia	24,000 ceiling	Quebec	24,000 ceiling	Alberta	45,485
Prince Edward Island	24,000 ceiling	Ontario	24,000 ceiling	Saskatchewan	-
New Brunswick	24,000 ceiling	Manitoba	-	British Columbia	36,500