

ORDER 2017-03

**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

iii. *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 2010-03 – 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 Producers who have a Credit balance in the month prior to the exchange that is between -10 and -30 times their Daily Quota.

- Example: February statement "Ending credits" are [- (negative) 1,200 kgs] and DQ on same statement is 50 equals -24 times their DQ. This Producer is deemed to be a Seller on the March credit exchange. The Producer can offer to sell the lesser of:
 - 1) the difference between -24 times and -10 times his DQ (14 times x 50 = 700 kgs), or
 - 2) the Monthly Credit Trade Limit of 8 times DQ (8 times x 50 = 400 kgs).

The lesser amount that can be offered by the Seller in March is 400 kgs.

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Purchasers Producers who have a Credit balance in the month prior to the exchange that is between -10 times and +10 times their Daily Quota.

- Example: February statement "Ending credits" are [- (negative) 300 kgs] and DQ on same statement is 60 equals -5 times DQ. This Producer is deemed a Purchaser on the March credit exchange. In this example, the Producer can bid to buy the lesser of:
 - 1) the difference between -5 times and -10 times his DQ (5 x 60 DQ = 300 kgs), or
 - 2) the Monthly Credit Trade Limit of 8 times DQ (8 x 60 DQ = 480 kgs).The lesser amount that the Producer can bid for in March would be 300 kgs.

Monthly Credit Trade Limit (MCTL): Producers are limited to trading each month the lesser of 8 times their Daily Quota holdings of the month prior to the credit exchange or the kilograms that would adjust their credit position to -10 times their Daily Quota holdings of the month prior to the credit exchange.

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 completed by the Producer on forms provided by the Board.
- ii. Credit Transfers must be submitted by the Producer to the Board prior to the deadline for submission being 4:00 pm on the fourth 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.

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 that must be signed by the Producer's Business Representative and submitted to the Board in accordance with Section 2 (a) herein that legibly state:

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1. the kilograms of Credits offered or bid for that are the lesser of 8 times the Producer's Daily Quota holdings of the month prior to the credit exchange or the kilograms that would adjust their credit position to -10 times their Daily Quota holdings of the month prior to the credit exchange.
 2. A Producer who submits an offer or a bid that exceeds the Monthly Credit Trade Limit shall have his offers or bids rejected by the Board.
 3. the price per kilogram expressed in dollars and cents per kilogram of butterfat;
 4. 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 while 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).
- 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 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 amount of Credits of the Bids to Buy at or above the CESP as a percentage of the cumulative amount of Offers to Sell at or below the CESP.

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- 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. successful sellers, in ascending order of Offer to Sell price, will in effect sell 100% of the Credits they offered for sale and be paid the CESP, until a point is reached where there is insufficient Credits to satisfy 100% of the Offers to Sell that remain;
 - a. at this point the successful seller(s) at the next ascending Offer to Sell price will sell a percentage of the Credits they Offered for Sale, the percentage being the Credits that remains to be sold as a percentage of the total Credits offered for sale at that price; and
 - b. beyond this point, successful seller(s) that remain will sell no Credits.
 - 2. each successful purchaser will buy 100% of the 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 at opening of business on 25th day of the month or the first working day thereafter 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;
- 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 August 1, 2017

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