

| **SPECIALTY (ORGANIC)**  
POLICY GUIDE



| JUNE 1, 2018

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BRITISH COLUMBIA MILK MARKETING BOARD  
SPECIALTY (ORGANIC) POLICY GUIDE  
JUNE 1, 2018

This guide is designed to provide information about the Specialty (Organic) policies of the British Columbia Milk Marketing Board (BCMMB). For detailed information please refer to the current *BCMMB Consolidated Order*. *If there is a discrepancy between this document and the Consolidated Order, the latter shall supersede this guide.*

Persons wishing clarification or more detailed information should contact the BCMMB at:

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## AUTHORITY

The BCMMB exercises its federal and provincial powers under the following enactments:

- Natural Products Marketing (B.C.) Act, R.S.B.C. 1996, c. 330 (the “B.C. Act”);
- British Columbia Milk Marketing Board Regulation, B.C. Reg. 167/94 (the “B.C. Regulation”);
- British Columbia Milk Order, SOR/94 - 511 made under the Agricultural Products Marketing Act, R.S., c. A-7 (the “Federal Milk Order”); and
- Dairy Products Marketing Regulations, SOR/94 - 466 made under the Canadian Dairy Commission Act, R.S., c. C-7 (the “Federal Regulations”).

## 1. ORGANIC EXPRESSION OF INTEREST LIST

### A. INVITATION TO BEGIN ORGANIC PRODUCTION

- I. Existing dairy producers (quota holders) interested in converting from conventional to organic production must submit a written request to the BCMMB. All qualified requests will be placed on the Organic Expression of Interest list. The selection of candidates from the Expression of Interest list is based on stage of certification (i.e. T1, T2, and Certified) and production volume, not on chronological order.
- II. GEP Candidates and New Entrants (non-quota holders) with the intention to become organic dairy producers also must submit a written request to the BCMMB and they will be added to the Organic Expression of Interest list.
- III. GEP Candidates may be preferentially invited to enter the GEP where the candidate has the genuine intention to be actively engaged in Organic production subject to the candidates place on the wait list.
- IV. The Board will only invite producers who hold quota or producers who have formally accepted an invitation from the Board to begin production (i.e. GEP or New entrants) to become organic producers.
- V. Any producer is entitled to pursue organic certification through a certifying body recognized by the BC government and/or the Canadian government. (See section 8 for more detail.)
- VI. Only those producers who receive a commitment from the Board to join the organic pool will be entitled to receive an organic premium on the milk that they ship.

### B. ORGANIC INCENTIVE ALLOCATION

An organic producer who has not previously received an organic allocation from the Board is eligible to receive a one-time organic incentive allocation equivalent to 30% of their SCDQ (organic quota) to a maximum of 25.0 kg/day, effective the date of start in the organic pool. The organic incentive allocation is not applicable on a previously allocated GEP allocation.

Only those producers who receive a commitment from the Board to join the organic pool will be entitled to receive an organic incentive allocation.

This policy applies only to quota converted from CDQ to SCDQ, any existing SCDQ that is repurchased within the organic production pool does not qualify for incentive allocations.

### C. ORGANIC PREMIUM

\$0.30 for each litre of Organic Production determined by the Board to be within quota production and received by the Pool Participant Vendor from that Certified Organic Producer during the previous month. (BCMMB C.O. PART VIII - PRICES AND PAYMENT – Section 40)

## 2. SPECIALTY (ORGANIC) CONTINUOUS DAILY QUOTA (SCDQ) MANAGEMENT

### A. SPECIALTY (ORGANIC) CONTINUOUS DAILY QUOTA (SCDQ)

SCDQ refers specifically to the amount of organic milk production that is required to be produced daily by organic producers.

### B. ALLOCATION

SCDQ allocation is based upon shipped days for the production month as follows:

$$\text{SCDQ} \times \text{Shipped Days} = \text{Monthly Quota Allocation}$$

Eg. 100kg x 30 (eg. June) = 3000kg

### C. MONTHLY CREDIT POSITION

Monthly quota allocation will be measured against actual butterfat production to determine a producer's credit position.

$$\text{Actual Butterfat Production} - \text{Monthly Quota Allocation} = \text{Over/Under Credits for the Month}$$

Eg. 2900kg - 3000kg = -100kg (one day under production)

### D. CREDITS

Credits accumulated on a monthly basis will be combined to determine a producer's cumulative credit position which is carried forward indefinitely; there is no dairy year end.

The cumulative credit position will be divided by the current month daily quota allocation to determine the credit day position (over or under).

$$\text{Cumulative Credit Position} / \text{Current Month SCDQ} = \text{Credit Days}$$

Eg. -100kg / 100kg = -1 (one credit day to carry forward)

### E. QUOTA RECONCILIATION

Quota is reconciled monthly. Each month is based strictly on shipped days.

Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	29	30	1	2	3	4
120	121	122	123	124	125	126
5	6	7	8	9	10	11
127	128	129	130	131	132	133
12	13	14	15	16	17	18
134	135	136	137	138	139	140
19	20	21	22	23	24	25
141	142	143	144	145	146	147
26	27	28	29	30	31	1
148	149	150	151	152	153	154

For example:

Each day in the dairy year is numbered (1 – 365); August 1 is Day 1 and July 31 is Day 365. (This is simply for numbering purposes here; *there is no dairy year end.*)

If the last pickup in December was on day 153 (Dec 31st), and the last pickup in November was on Day 121 (Nov 29th), then 32 shipped days becomes the monthly quota allocation for December ( $153 - 121 = 32$ ).

Following that example, if the last shipped day (31st) in December was cancelled, the shipped days would be reduced accordingly. Specifically, Day 151 (Dec 29th) then becomes the last shipped day of December. So, if you subtract 121 (Nov. 29th) from 151, the remaining shipped days are 30. Monthly quota allocation is therefore 30 days. The 2 shipped days 'reduced' in December would then be added to the shipped days allocated in January.

### 3. QUOTA PRODUCTION LIMITS / CREDIT DAYS

#### A. QUOTA PRODUCTION LIMITS

A producer has the flexibility to ship and accumulate up to a maximum of 5 credit days above quota allocation and the producer will receive full payment for those shipments.

A producer also has the flexibility to allow his production to drop, if necessary, to a limit of 15 days below quota allocation (-15 days) with no penalty. Any underproduction below -15 days will result in irrevocable lost credits (opportunity).

#### B. PRODUCER PENALTY: OVER QUOTA PRODUCTION

Any shipments in excess of the 5 credit day maximum will receive no payment, and will be subject to a 50% over-quota production penalty if BC is at or above 100% production.

The 50% over-quota production penalty will apply if BC's previous monthly continuous quota position is at or above 100% (0.0% as per the overall BC continuous quota provincial position). If provincial production levels are below 100% (0.0%), no penalty will be assessed to individuals however there will be no payment for over quota milk shipped and applicable freight charges will apply, as will all other relevant deductions.

The monthly Canadian Dairy Commission statistics will be used to determine BC's official continuous quota provincial position.

#### C. PROVINCIAL PENALTY: OVER QUOTA PRODUCTION

All producer penalty money collected less any provincial penalty money paid will be kept by the Board until the fund reaches a balance of \$1 million. All penalty money exceeding this limit will be added to the monthly pool and paid out to producers. Any provincial penalty money will be deducted from the pool on a monthly basis if there are no producer penalty funds available to cover the provincial penalty.

#### D. DEEMED QUOTA: UNDER QUOTA PRODUCTION

Any production that drops lower than 15 days below will be deemed to have been produced. There will be no opportunity to recover lost revenue.

#### 4. SCDQ (ORGANIC) CREDIT TRANSFERS

- i. Organic credits consist of CDQ + sleeve.
- ii. Organic producers are permitted access to transfer credits (kgs), limited to the months production. All transfers must take place within the organic pool.
- iii. Organic producers are not permitted to transfer credits (kgs) in/out the conventional pool without BCMMB approval.
- iv. Buying and selling credits does not change the amount of quota in a producer's name.
- v. The minimum amount of any credit transfer is fixed at 25 kgs.
- vi. Producers may buy or sell credits (kgs) as long as they stay within their lower and upper limits. Should credit transfers put a producer in an over quota or deemed quota position, the producer is responsible for any applicable penalties. (See Section 3.)
- vii. Credit Transfer Application deadline is at 1:00pm on the 25th day of the month,\* and the effective date is the first day of the current month or the first day of the following month.  
\*Please note: If the 25th day of the month is not a business day, then the application deadline is 1:00pm on the last business day prior to the 25th day of the month.



## 5. SCDQ (ORGANIC) QUOTA TRANSFERS

### A. CURRENT ORGANIC PRODUCERS WHO OWN MORE THAN ONE ORGANIC FARM

- i. Organic producers who own more than one organic farm, may transfer SCDQ among organic farms providing ownership on each of the farms is the same. Applications to transfer SCDQ must be provided to the Board on or before 1:00pm on the first business day of the month preceding the month in which the transfer is to occur.

### B. CONVERSION FROM ORGANIC TO CONVENTIONAL PRODUCTION

- i. Organic producers must give six months' written notice to the BCMMB for conversion from organic to the conventional pool. Non-Compliance penalties will apply if written notification is not provided to the Board: all organic quota allocated for organic production will be retracted at 100%.
- ii. All SCDQ (that was previously CDQ) will be converted back to CDQ for conventional production.
- iii. All SCDQ allocated or purchased for organic production will be sold within the organic production pool through an organic quota exchange as a priority sale.
- iv. 10/10/0 will be applied on all quota transfers.

### C. VACATING THE DAIRY INDUSTRY

#### 1) Organic Producer leaving the Industry with 90 Days' Written Notice:

- i. All SCDQ (that was previously CDQ) must be offered for sale within 60 days of their last milk statement.
- ii. All SCDQ allocated or purchased for organic production will be sold within the organic pool through a whole farm transfer or on the organic quota exchange as a priority sale. All conventional whole farm transfer policies apply.
- iii. 10/10/0 will be applied on all quota transfers.

#### 2) Organic Producer leaving the Industry without Written Notice:

- i. All SCDQ (that was previously CDQ) must be offered for sale following the first quota exchange that follows their last milk statement.
- ii. All SCDQ allocated for organic production will be retracted at 100%
- iii. 10/10/0 will be applied on all quota transfers.

### D. DECERTIFICATION

- i. If an organic producer is decertified, the producer must notify the Board immediately. *Please note- all organic certifiers will communicate all decertification's to the Board.*
- ii. All SCDQ (that was previously CDQ) will be converted back to conventional production effective immediately.
- iii. All SCDQ allocated or purchased for organic production will be suspended pending recertification.
- iv. Recertification:
  - a) The recertification process must be completed within a 120-day period. Once a producer is recertified, the Board must be notified.
  - b) If a producer is not re-certified within 120 days, the producer will be placed on the Organic Expression of Interest list. All quota allocated for organic production is no longer suspended, and will be sold as a priority sale, within the organic pool through the organic quota exchange. 10/10/0 will be applied on all quota transfers.

## 6. ORGANIC SLEEVE & QUOTA ALLOCATIONS

The Board reviews the organic industry production requirements for March and September every year. If production requirements change due to vendor forecasts in the organic industry, the Board will consider the following options (in priority order as below) to accommodate the market:

### A. INVITATION TO A NEW ORGANIC ENTRANT

- i. The Board will consider and select candidates for organic production from the Organic Expression of Interest list. (See Section 1 for more details)
- ii. The Board will review the business plans and certifications of producers on the Organic Expression of Interest list, and may invite one or more producers to participate in organic production at the Board's discretion and in line with processor requirements.

### B. CURRENT ORGANIC PRODUCERS WISHING TO PURCHASE ADDITIONAL CDQ

- i. Current organic producers who wish to purchase additional CDQ for the purpose of organic production are required to submit a written request to the Board.
- ii. The Board will review and approve requests for expansion within the existing organic production pool as appropriate, given market considerations.
- iii. If requests for additional SCDQ by organic producers exceeds available quota, requests will be filled by request date on a pro-rata basis up to a maximum of 30 kg per producer.

### C. ORGANIC SLEEVES

- i. Sleeves are temporary production amounts that are allocated by the Board to manage unexpected increases in market demand.
- ii. Sleeves are only allocated to pro-Action compliant producers.
- iii. Sleeves are issued at six-month intervals when required: March 1; September 1;
- iv. Sleeve allocations do not alter the amount of quota in a producer's name. However, producers are encouraged to participate on the quota exchange and purchase available quota up to a maximum of the allocated sleeve. If quota is purchased during the six-month sleeve period, the kgs purchased will be added to the existing sleeve allocation.
- v. If a sleeve is already being produced to fulfil industry requirements, the Board will review the sleeve and will advise organic producers, with as much advance notice as possible, if any increases or decreases to the sleeve will take place.

#### Calculation and Allocation

- vi. 100% of CDQ must be filled before any production is eligible as organic sleeve.
- vii. A producer's sleeve allocation for the current production period will be determined by the producer's previous period's sleeve production. The most recent available data will be used to calculate the sleeve utilization (i.e. the first 5 months of a 6-month period), since the sixth production month pool data is not available until the following month.
- viii. If a sleeve is issued by the Board, an organic producer must indicate (in writing) the intent to produce the sleeve to the BCMMB, if requested.  
If organic producers choose to decline sleeve allocation during a specific half and/or accept the sleeve allocation and fail to produce the sleeve, the following will be the maximum allowable allocation of sleeve:

Date	Scenario	Date	Maximum Allocation
March 1	No sleeve produced	September 1	50% of available sleeve
March 1	100% sleeve produced	September 1	100% + additional available sleeve
March 1	Partial sleeve produced	September 1	50% + sleeve utilization percentage over 50%

Please note: Any unexpected sleeve increase during a six-month period will not be included in this calculation.

#### D. DIFFERENTIAL ALLOCATIONS

- i. The Board has the authority to allocate quota and sleeve between and within the conventional and organic sectors.
- ii. Quota is only allocated to pro-Action compliant producers.
- iii. Organic producers will receive general allotments on total SCDQ (excluding temporary sleeve); general allotments will be subtracted from any existing organic sleeve to balance market requirements.
- iv. A licensed Organic Producer who has Transferred Continuous Daily Quota (other than as a consequence of a deemed Transfer) is ineligible to receive a general allotment from the Board for a period of 12 months following the date of transfer.
- v. A Producer may decline a general allotment; however, when declined the Producer's eligibility for that allotment shall irrevocably terminate.
- vi. If the organic sleeve is greater than 10% in the defined 6-month period of September -February or March -August, then 25% of the sleeve value that exceeds 10% sleeve will be allocated to organic producers as specialty quota. The allocation to individual farms will be pro-rated and based on that same periods sleeve utilization.
- vii. All allocations are subject to 10/10/0.

#### For Example:

If the sleeve for a defined period was equal to 25% and the current total CDQ in the organic pool was equal to 3,000kg (CDQ+SCDQ) the available quota for allocation would be 112.50kg of SCDQ

Total CDQ	Sleeve Amount at 25% (kg)	Amount of sleeve greater than 10% (kg)	25% available for crystallization
3,000.00	750.00	450.00	112.50

## 7. POOLING OF PRODUCTION AND TRANSPORTATION COSTS

### A. ORGANIC POOLING

- i. All organic milk is pooled.
- ii. If demand for organic milk declines:  
All organic producers' quota will be retracted on a pro-rata basis in the following priority order:
  1. Sleeve
  2. Daily allowable production limits (negative sleeve)
  3. Organic Quota Allocations
- iii. Specialty Producers who had previously agreed volumes and/or agreements to ship as of November 1, 2006 will maintain the November 1, 2006 production volumes for specialty production.

### B. TRANSPORTATION CHARGES

- i. All producers pay the provincial freight rate.
- ii. Any additional transportation costs will be applied, as required, to producers in a location where the cost of transportation exceeds the zone rate.

## 8. ORGANIC CERTIFICATION

### A. REQUIREMENT TO PROVIDE ORGANIC CERTIFICATION

i) All organic producers, processors and transporters are required to provide evidence of their organic certification on an annual basis and will immediately notify the Board (i.e. prior to the next milk pick – up) of any changes to certification.

(a) An organic producer must provide evidence of a valid certificate at all times. Should valid proof of a certificate not be provided prior to the expiration date on the current certificate, the organic premium will not be paid until such time that valid proof of certification can be provided to the Board.

ii) Certificates must be from an accredited organic certifying body recognized by the BC government and/or the Canadian government.

iii) Expired certificates will result in suspension of participation in the organic industry until such time as a valid certification is provided to the Board.

### B. LOSS OF ORGANIC CERTIFICATION - NOTIFICATION TO BOARD

#### ***(BCMMLB C.O. PART VIII - PRICES AND PAYMENT – Section 41)***

(1) Every Certified Organic Producer who produces Organic Production must immediately notify the Board of any decertification, or interruption or inability to produce Organic Production.

(3) Where a Producer has failed to notify the Board as required under subsections (1) (2) or (3):

- a. The Board may deduct from any future payment due to that Producer the amount of any premiums improperly paid by Pool Participant Vendors;
- b. The Board may suspend payment of any future premiums that may be due to that Producer for a specified or unspecified time;
- c. The Board may impose terms and conditions with respect to the production, transportation, packing, storage or marketing of milk by that Producer and will suspend or cancel the licence held by, or quota allotted to, that Producer;
- d. The Board will set and collect a charge or series of charges against that Producer to recover the expenses incurred by the Board in connection with the imposition of terms and conditions with respect to the production, transportation, packing, storage or marketing of milk, and/or the suspension or cancellation of the licence held by, or quota allotted to, that Producer.

### C. LOSS OF ORGANIC CERTIFICATION - NO WARRANTY OR REPRESENTATION BY BOARD

#### ***(BCMMLB C.O. PART VIII - PRICES AND PAYMENT-Section 42)***

1) No warrantee or representation is made by the Board with respect to milk received by a Pool Participant Vendor in furtherance of a request for organic Qualifying milk, except that:

- a. Each Producer from whom such milk has been sourced has represented that the milk is organic Qualifying Milk from a Certified Organic Producer; and
- b. At the time of shipment, the Board has not received notification of any decertification, or interruption or inability to produce organic Qualifying Milk by any such Producer.

## 9. ORGANIC VENDOR POLICIES

### A. SPECIALTY (ORGANIC) MILK EFFICIENT ORDER/DELIVERY POLICY (EFFECTIVE MARCH 1, 2013)

- i. Weekly Order/Delivery  
Specialty (Organic) Processor Orders submitted for the week, which includes proposed specific volumes and delivery days, with flexibility for discussions with BCMMB regarding the requested volume and delivery day(s) will not incur any additional charges for delivery.  
All weekly orders are subject to milk availability therefore discussion with BCMMB staff is required on all orders placed.
- ii. Convenience Order/Delivery  
Specialty (Organic) Processor Orders submitted for the week with specific volumes and specific days and with no flexibility regarding the requested volume and delivery day(s) will incur an additional charge of \$250/load to offset the additional costs for the transportation of milk. In order to support market development, convenience orders will have a 12 month transition period for developing products with no additional charges for delivery.  
All weekly orders are subject to milk availability, therefore discussion with BCMMB staff is required on all orders placed.

### B. PROCESSOR COMMITMENT TERMINATION

- i) Vendor commitments will be applied on a three month advance rolling basis.  
Decreases to processor commitments will be applied on a three month basis.  
Increases to processor commitments will be applied as soon as possible, based on milk availability to a maximum three month wait.
- ii) Vendors must confirm weekly volume commitments to the BCMMB on a monthly basis.
- iii) Vendors who do not confirm their volume commitments in writing to the BCMMB will be held to the previous month's commitment.

ORDER QUANTITY (LITRES)			
CURRENT DATE	CURRENT WEEKLY COMMITMENT (L)	COMMITMENT CHANGE / WEEK (L)	EFFECTIVE DATE OF CHANGE
JUN-12	100,000	90,000	SEP-12
JUL-12	100,000		OCT-12
AUG-12	100,000		NOV-12
SEP-12	90,000		DEC-12

**C. PROCESSOR ORGANIC PREMIUM OBLIGATION**

Consolidated Order (VIII, 40(2), PG 48, SEPT 2013)\*\*WILL CHANGE

Where organic production is not received by any Pool Participant Vendor in accordance with a Pool Participant Vendor's planned annual forecast of milk requirements as provided to the Board that Pool Participant Vendor shall pay to the Board the applicable premium on 95% of the Qualifying Milk so shipped and not received by that Pool Participant Vendor.

i) Individual processors will be charged the premium on all organic milk ordered and received where this volume is greater than 95% of their committed volume.

ii) If organic milk ordered and received is less than 95% of a processor's committed volume, the processor will pay the organic premium on 95% of their committed volume. If milk is not shipped to the PLR, the requirement to pay the organic premium on up to 95% of the committed volume will not apply.

iii) Processors are always required to pay the organic premium on all organic milk ordered and received.

Processor	Litres Committed	Shorted by BCMMB	95% of Commitment less Shorted Litres	Litres Received	95% of Committed Litres less Received	PLR Litres Charged to Processors up to 95% of Commitment
1	356,143	0	338,336	333,090	5,246	5,246
2	465,492	0	442,217	460,540	(18,323)	0
3	535,714	0	508,928	556,676	(47,748)	0
4	64,286	0	61,072	60,015	1,057	1,057
5	64,286	0	61,072	91,000	(29,928)	0
<b>Total</b>	<b>1,485,921</b>	<b>0</b>	<b>1,411,625</b>	<b>1,501,321</b>	<b>(59,768)</b>	<b>6,303</b>

## GLOSSARY OF COMMON TERMS

**CERTIFIED ORGANIC PRODUCER:** a producer who is the holder of a valid and subsisting certificate issued pursuant to the Agri-Food Choice and Quality Act, S.B.C. 2000, c. 20 and the Organic Agricultural Products Certificate Regulation, B.C. Reg. 200/93 or such other standard and regulation approved by the Board certifying that the Producer meets the standards applicable to organic farming;

**GENERAL ALLOCATION:** quota allocated to BC by the Canadian Dairy Commission that is used for the production of milk.

**OVER QUOTA FUND:** all producer penalty money collected less any provincial penalty money paid will be kept by the Board until the fund reaches a balance of \$1 million. All penalty money exceeding this limit will be added to the monthly pool. Any provincial penalty money will be deducted from the pool on a monthly basis if there are no producer penalty funds to cover the provincial penalty.

**PREMIUM:** funds set by the Board, paid by the vendor/processor to compensate for the higher cost to the specialty (organic) producer.

**SLEEVE:** additional production allocated to specialty (organic) producers to meet market requirements on a temporary basis.

**SPECIALTY ALLOTMENT:** quota provided to a specialty (organic) producer for the purpose of the production of organic milk. The quota is subject to 10/10/0 if sold, and can be used only for specialty (organic) production.

### SPECIALTY CONTINUOUS DAILY QUOTA (SCDQ)

- a. A concurrent quantity of Provincial Fluid Quota and Federal Fluid Quota expressed in kilograms of butterfat per day;
- b. A concurrent quantity of Provincial Manufactured Milk Quota and Federal Manufactured Milk Quota expressed in kilograms of butterfat per day; or
- c. An aggregate of (a) and (b); that is used for specialty (organic) production and includes a share of such Continuous Daily Quota when allotted to producers.

**SPECIALTY (ORGANIC) PRODUCTION:** organic Qualifying Milk produced by a Certified Organic Producer.

**SPECIALTY (ORGANIC) QUOTA EXCHANGE:** a Quota Exchange that is run only for organic producers.

**TOTAL ALLOWABLE PRODUCTION:** SCDQ+ Organic Sleeve + Organic Allocations.

**TRANSFERABLE QUOTA:** any quota converted by a producer from conventional to specialty (organic) and does not include specialty (organic) quota allocated by the Board