

## **Important Information for Distributors on the National Centralized Registration System (NCRS)**

### **Background**

The new Canada-United States-Mexico Agreement (CUSMA) requires that milk classes 6 (in Ontario) and 7 be eliminated. Products in these classes have been reclassified in class 4(a) and their price is now aligned with the CUSMA pricing formula that is based on the USDA nonfat dry milk price.

Changes have been made nationally to the structure for milk classification and billing in Canada. Alongside these changes is the introduction of the National Centralized Registration System (NCRS) to track and ensure that ingredients initially sold in class 4(a) are billed according to their end use. Companies who buy and sell NCRS-designated products need to register in the NCRS and obtain a number to sell to other NCRS participant. This number will be used to track end use.

### **What is NCRS?**

NCRS is an online system designed to ensure that milk components are billed in accordance with their end-use. NCRS will track all transactions involving NCRS-designated products (a list of NCRS-designated products can be found below). The information collected through the NCRS will allow the Canadian Dairy Commission and the provincial milk marketing boards to audit the end-users of these products to verify that these are declared and billed appropriately. These end-users could be food processors, distributors or dairy ingredient users.

### **Why register for NCRS?**

As a Canadian distributor, NCRS registration enables you to buy and sell the following NCRS-designated products while ensuring correct end use: cream, concentrated milk as an ingredient in the food industry, concentrated milk protein, all types of powders, milk and milk components used to make infant formula, and rennet casein (dry or curd) used in unstandardized processed cheese.

### **What if I don't register in NCRS?**

If you do not have a NCRS registration number, your supplier will bill you at a price based on the highest price class given that end use cannot be verified.

### **How to register for the NCRS**

- If you wish to buy and sell NCRS-designated products to or from NCRS participants, you will need to register to the NCRS and obtain a registration number for the purpose of tracking your purchases and sales.
- Registration to NCRS is done by visiting [Milkingredients.ca](http://Milkingredients.ca) and filling out an application.
- Registration is available as of June 30, 2020.
- Once your application is reviewed and validated, a contract will be emailed to you for your review and signature.
- Your NCRS number will be activated once the CDC has received the signed contract.

## NCRS-designated products

- Bulk cream in totes or larger
- 4(a) ingredients
  - Concentrated milk as an ingredient in the food industry
  - Concentrated milk protein
  - All types of powders
  - Milk and milk components used to make infant formula
  - Rennet casein (dry or curd) used in unstandardized processed cheese

## Requirements for Distributors

- Once your contract is finalized and you have your NCRS number, you will be required to submit monthly reports of purchases and sales of NCRS-designated ingredients (dry) and cream to other NCRS registrants, as well as year-end inventories.
- You will also need to indicate on your invoices which transactions of NCRS-designated products are made. This can be done by adding the NCRS number of your client in the product description on the invoice.
- There will be a grace period during the initial NCRs registration phase (between June 30, 2020 and September 30, 2020) to allow your clients to register. You will only need to report your sales for the grace period after October 1<sup>st</sup>.

## FAQs

### 1. Why has the milk classification changed?

The classification needed to change because milk classes 6 and 7 were eliminated as required under CUSMA.

### 2. Which new class replaces Class 7?

There is not a new class to replace Class 7. As required by CUSMA, Classes 6 and 7 were

eliminated and the dairy products these classes have been reclassified into Class 4(a).

**3. When will the changes to the classification be in effect?**

Changes to the classification came in effect on June 1, 2020.

**4. What are the main changes?**

Classes 6 and 7 are eliminated and products formerly in these classes have been reclassified based on their end use.

**Distributors are not eligible to purchase and sell liquid ingredients under NCRS.**

**5. When can I register for NCRS?**

Registration for NCRS is available as of June 30, 2020.

**6. Which dairy products are affected by this change?**

Companies that participate in Special Classes must know that skim milk powder (SMP) and milk protein concentrates (MPC) are no longer eligible to class 5(c) (confectionery). The CDC has removed these products from 5(c) permits as of June 1, 2020. Those ingredients are now part of Class 4(a) and are priced based on the US price of SMP (more specifically, the USDA price for nonfat dry milk), as required by CUSMA.

Nothing changes for classes 5(a) and 5(b).

**7. I am already a participant of the Special Milk Class Permit Program (SMCPP), do I need register to the NCRS?**

Yes, an NCRS number is necessary to buy and sell NCRS-designated products to NCRS participants.

**8. What is the difference between the Special Milk Class Permit Program and the NCRS?**

The Special Milk Class Permit Program (SMCPP) which includes Classes 5a, b, c, provides eligible further processors with the means to access Canadian manufactured dairy ingredients at prices that will allow them to remain competitive in the marketplace.

NCRS is an online system designed to ensure that products are billed in accordance with their end-use. NCRS will track all transactions involving NCRS-designated products.

While participation in the SMCPP is subject to specific eligibility criteria, registration in the NCRS is available to eligible participants who purchase and sell NCRS-designated products. Distributors may wish to apply to participate in both the SMCPP and the NCRS to be able to service a wider client base.

**9. How can I ensure my client holds a valid NCRS registration number?**

Using the NCRS registration validation tool found on MILKIngredients.ca, your client's registration number can be validated.

**10. What are the conditions for using NCRS?**

In addition to reporting their purchases and sales for NCRS-designated products, distributors registered in NCRS will have to:

- Submit to periodic audits under the terms of their user registration contract.
- Following an audit, allow an auditor from a province whose eligible product was transferred to another province to submit the audit results to CDC and the auditor of the province in question.
- Agree to pay the CDC any price or volume adjustment through an audit adjustment for ingredient components used.
- Ensure the buyer of NCRS-designated ingredients holds a valid registration number.
- All unaccounted sales of NCRS designated products will be billed at class 1a price upon audit given that end use cannot be verified.

**For more information**

Please contact [ncrs-sinc@cdc-ccl.gc.ca](mailto:ncrs-sinc@cdc-ccl.gc.ca)