

## Important Information for Further Processors 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. 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 further processor, NCRS registration enables you to buy 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 have to bill you at the higher class 1(a) price as end use cannot be verified.

### How to register for the NCRS

- If you wish to buy NCRS-designated products at their end use price, you will need to register to the NCRS and obtain a registration number for the purpose of tracking the end use of products.
- 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.
- On the registration page, you will be requested to enter the types of finished products made.
- 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 Further Processors

- Once your contract is finalized and you have your NCRS number, you will be required to submit a list of products being manufactured with the NCRS-designated products to ensure that their end use is not a dairy product.
- You will need to report any changes in the finished product types made.

## 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 Class7?

There is not a new class to replace Class 7. As required by CUSMA, Classes 6 and 7 were eliminated and the dairy products in 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. This means, for example, that MPC used to make cheese will now be invoiced in class 3.

To avoid large fluctuations in prices as of June 1, the method to set the price of components

in classes 1 to 4(d) has changed. The regional reference prices will be posted when CUSMA comes into effect, on July 1, 2020.

**5. What changes for Further Processors on June 1?**

You no longer have to report your purchases; however, you have to report the types of finished products that you manufacture.

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

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

**7. 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.

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

Yes. An NCRS number is necessary to purchase NCRS-designated products.

**9. 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.

For Further Processors, participation in the SMCPP program is contingent on the eligibility of the further processed product. However, the NCRS is open to all further processors manufacturing products other than dairy products and dairy beverages. Further processors wishing to access NCRS-designated products at class 4(a) prices will require an NCRS- registration number.

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

In addition to reporting their finished product types for NCRS-designated products, further processors 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.
- In case of unexplained discrepancies, agree to pay the CDC any price or volume adjustment through an audit adjustment for ingredient components used.

**For more information**

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