



April 28, 2009

New legislation brings choice to agricultural producers

Edmonton... New proposed legislation will bring consistent regulation to agricultural commodity commissions and provide more choice to producers.

Bill 43, *The Marketing of Agricultural Products Amendment Act, 2009*, was tabled in the Alberta Legislature April 28. It provides a consistent refund process to commissions that collect service charges from producers but do not set prices or function as marketing boards. The proposed amendments will require commissions to grant their members the option to seek refunds of mandatory service charges, commonly known as check-offs. These fees are collected whenever an agricultural commodity is sold or acted upon as specified in the regulations.

The proposed change will apply to the commodities of: beef, pork, lamb and potatoes. These currently exist as non-refundable, where producers are obligated to pay a service charge, but do not have the choice to request a refund.

“It is important to have consistent legislation. This ensures producers all have the same fundamental right to choose how their hard-earned money is spent,” said George Groeneveld, Minister of Agriculture and Rural Development. “If they feel their organization has not met their needs or provided value, they can ask for a refund. It is all about choice.”

These four commissions are among the 20 agricultural boards and commissions currently operating in Alberta under this legislation. Producers of nine commissions already have the choice to request a refund: barley, bison, canola, pulses, soft wheat, winter wheat, elk, bees and forage seeds. The remaining seven are either marketing boards that operate under a supply-managed system, or contract negotiating boards with authority to set the price to be paid to producers for their product. They include chicken, eggs, hatching eggs, turkey, dairy, sugar beets and processed vegetables.

If passed, the amendments are expected to be phased-in for each commission at the start of their 2010 - 2011 fiscal year, giving the commodity groups time to make administrative changes and respond to their members' wishes.

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Backgrounder: Industry Statistics

Media inquiries may be directed to:

Ag Media Line
780-422-1005

To call toll-free within Alberta dial 310-0000.



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Beef, pork, lamb and potato industry statistics

The changes proposed under Bill 43, *The Marketing of Agricultural Products Amendment Act, 2009*, would apply to beef, pork, lamb and potato producers and their respective industry commissions.

Alberta industry statistics (2008)

Farm cash receipts from cattle sales -- \$3 billion
Farm cash receipts from hog sales -- \$398 million
Farm cash receipts from lamb and sheep sales -- \$17 million
Farm cash receipts from potato sales -- \$150 million

Value of beef and live cattle exports -- \$1 billion
Value of pork and live hog exports -- \$342 million
Value of lamb and sheep exports -- \$164,000
Value of potato exports -- \$239 million

Value of red meat manufacturing -- \$4 billion

Size of the industry in Alberta

5.4 million cattle and calves
1.6 million hogs
127,000 sheep and lambs
54,750 acres of potatoes

28,750 farms produce cattle and calves
2,180 farms produce lamb and sheep
1,570 farms produce hogs
400 farms grow potatoes

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- There are approximately 49,500 farms in Alberta with close to 29,000 (58 per cent) being cattle farms.
- Alberta is the largest beef producing province in Canada.
- As of January cattle and calf inventories in Alberta were about 5 million head. This represents approximately 41 per cent of the national total of 13 million head.
- Alberta annual beef production, consisting of carcass and boxed beef, is about 740,000 tonnes. Albertans consume 17 per cent of production, with the majority of Alberta's beef shipped out of province. Shipments average 51 per cent to the Canadian market, 26 per cent to the US and six per cent to other countries, including Japan and Mexico.
- Alberta farm cash receipts (FCR) from the sale of cattle and calves is approximately \$3 billion. This is about 70 per cent of total receipts generated from the sale of livestock and livestock products (\$4.3 billion).
- Alberta is the leading exporter of beef and live cattle in Canada. During the past decade (1999-2008) beef and live cattle exports combined accounted for an average \$1.8 billion annually or 31 per cent of the province's total agri-food exports yearly.
- Alberta exports of live cattle (excluding purebred) declined by 23 per cent in 2008 in both value and quantity compared to 2007. The value fell to about \$540 million, from \$700 million in 2007. Over the same period, the quantity fell by 21 per cent to about 460,000 head.
- Alberta beef (fresh, chilled, frozen including offal) exports increased in 2008, both in value and quantity. The value increased by 20.4 per cent to \$1 billion, while the quantity rose 18 per cent to approximately 315,000 tonnes.
- The levy amount for service charges collected by Alberta Beef Producers is \$3 per head.

- There are approximately 49,500 farms in Alberta with about 1,600 (3 per cent) being hog farms.
- As of January 1, 2009, hog inventories in Alberta were estimated at 1.6 million head, a decrease of about 9 per cent from the previous year.
- Currently, Alberta ranks fourth in hog inventories, behind Quebec (3.9 million head), Ontario (3.1 million head) and Manitoba (2.7 million head). The province also accounts for 13 per cent of the national total of 12.4 million head.
- The total number of hogs slaughtered in federally-and-provincially-inspected plants in Alberta in 2008 was about 2.7 million head, down approximately 8 per cent from a year ago. The Alberta slaughter accounted for about 13 per cent of the national total (21 million head).
- In 2008, Alberta farm cash receipts (FCR) from hog sales totaled approximately \$400 million, down nearly 8 per cent from the previous year.
- International exports of live hogs from Alberta in 2008 totaled approximately 600,000 head, an increase of 1.4 per cent compared to 2007. However, the value of these exports fell 7 per cent to \$50 million, from \$53.8 million a year earlier.
- Alberta pork (fresh, chilled, frozen including offal) exports decreased in 2008 both in value and quantity. The value decreased by about 1 per cent to \$342 million, from 2007, while the quantity fell approximately 11 per cent to 115,000 tonnes.
- The levy amount for service charges collected by Alberta Pork Producers is \$1 per head.

- There are approximately 49,500 farms in Alberta with 2,000 (4 per cent) being sheep and lamb farms.
- Sheep and lamb inventories have generally been declining in Alberta since 2003. However, as of January 1, 2009, inventories increased, by 1.6 per cent. The total provincial flock is estimated at 127,000 head.
- Currently, Alberta ranks third in sheep and lamb inventories, behind Quebec (244,000 head) and Ontario (215,000 head). This represents approximately 40 per cent of the total western Canadian flock.
- The total number of sheep and lambs slaughtered in federally inspected plants in 2008 in western Canada was about 70,000 head, down 2.5 per cent from 2007. The 2008 slaughter also accounted for approximately 41 per cent of the national total of 171,000 head.
- In 2008, Alberta farm cash receipts (FCR) from the sale of sheep and lamb totaled \$17 million, down approximately 16 per cent from the record high of 21 million set in 2007.
- International exports of live sheep from Alberta are extremely small.
- In 2008, mutton exports (i.e. sheep cuts, boneless and bone-in, fresh/chilled/frozen) from Alberta increased in both value and quantity compared to 2007. The value increased by 37 per cent to \$150,000 (\$110,000 in 2007), while the quantity was up 4 per cent to approximately 140 tonnes (133 tonnes in 2007).
- The levy amount for service charges collected by Alberta Lamb Producers is \$1.50 per head.

- There are about 400 farms in Alberta planting a total of about 55,000 acres of potatoes.
- In 2008, total seeded area of potatoes in Alberta was estimated at 52,500 acres and harvested area at 52,000 acres, both ranking fourth nationally, and each accounting for 14 per cent of the national totals.
- The breakdown of the provincial total seeded area of potatoes in 2008 is: processing potatoes 74 per cent, seed potatoes 15 per cent, table potatoes 5 per cent, and market garden potatoes 6 per cent.
- Potato production in Alberta in 2008, was about 800,000 tonnes, the third largest in Canada.
- Alberta produces the highest potato yield in Canada thanks to irrigation efforts, and about 15-20 per cent higher than PEI and Manitoba in most years.
- Alberta's farm cash receipts from the sale of potatoes in 2008 were estimated at \$150 million. These receipts represented 3 per cent of total crop market receipts (\$4.6 billion), and 2 per cent of total provincial market receipts, which were about \$9 billion.
- In 2008, international exports of processed potatoes from Alberta were \$235 million, representing 25 per cent of the Canadian total (\$957 million).
- International exports of seed potatoes (and other potatoes) for Alberta fell in 2008 by 76 per cent to about \$4 million, from \$16 million in 2007. The sharp decline in exports was due to potato cyst nematode (PCN). Exports of Alberta seed potatoes are expected to improve in 2009.
- The levy for service charges collected by Alberta Potato Growers ranges from: 6 cents per 100-lb table potatoes; \$15 per certified harvested acre (increasing to \$30 per acre Aug. 1, 2009); 6 cents per 100-lb processing potatoes; 2 cents per 100-lb lower-grade potatoes.

Marketing of Agricultural Products Amendment Act - Bill 43

Issue: Bill 43 was introduced in the House Tuesday, April 28. It makes the service levies, or check-offs, which beef, potato, lamb and pork producers pay to their respective industry commissions, refundable.

- Producers of the four commodity groups-beef, pork, lamb and potatoes-lack the fundamental right of choice.
- Choice is something all producers, regardless of commodity group, deserve ... especially in choosing how their hard-earned money is spent.
- This amendment gives them that choice and is consistent with how other commodity commissions operate.
- This is not about the industry associations...It is about the future viability of the industry itself ... and the future success of all of Alberta's producers ... big or small ... regardless of commodity.

Background:

- 20 producer boards and commissions operate under MAPA.
- Seven of the 20 boards and commissions - poultry industry (chicken, eggs, hatching eggs, and turkey), dairy, sugar beets and processed vegetables - exist as marketing boards.
- Marketing boards have price setting ability and are subject to the *Agriculture Products Marketing Act* and various federal authorization order regulations governing supply management.
- Nine of the 20 boards and commissions - barley, bison, canola, pulses, soft wheat, winter wheat, elk, bees and forage seed - exist as refundable commissions.
- Under a refundable commission, producers are required to pay a check-off or levy fee to the commission upon sale of a commodity, but have the choice of requesting those fees be refunded upon request.
- The remaining four commissions - beef, pork, lamb and potatoes – are the only ones operating as non-refundable commissions where producers are required to pay check-off.
- If passed, the proposed changes would not go into effect until the 2010-2011 fiscal year.
- A refundable system does not mean that producers will necessarily ask for a refund of their money.
- On average, only about 7-10% of producers request refunds from the commissions that are operating with refundable check-offs.
- These organizations will still have the ability to operate as vibrant and effective organizations that will have the support of their membership.
- This government strongly believes that producers should have the right to freely decide where their hard-earned money is being spent.

Questions and Answers
Bill 43
Marketing of Agricultural Products Amendment Act, 2009

1. Why is the change being made?

Mandatory check-offs to commissions are being made refundable in order to give producers choice and create consistency across commodity organizations. Currently under the *Marketing of Agricultural Products Act*, or MAPA, four commodity groups (beef, pork, lamb and potatoes) are required by law to pay a mandatory per acre, per pound or per head levy to their commissions.

The nine current refundable commissions are barley, beekeepers, bison, canola, elk, forage seed, pulse, soft wheat and winter wheat. Since 1987, only refundable commissions have been permitted to establish under this legislation.

If producers are not satisfied with the representation they receive, they have no means to ask for their levies to be refunded. Producers paying check-offs to the other nine commissions in Alberta have the option of asking for a refund. By making the four other commissions' check-offs refundable, the rules are the same for everyone.

2. Why is this change being done now?

Many producers are willing to change how they produce and market their product, and want a choice for where their contributions are invested. Refundable check-offs are consistent with how other commissions operate. Under the proposed legislation amendment, this change would not come into effect until the beginning of the commission's 2010-2011 fiscal year. This will give the affected commissions time to align budgets, services and programs.

3. Who does this affect?

This change affects cattle, pork, lamb and potato producers, as well as their respective industry commission, which includes Alberta Beef Producers (ABP), the Alberta Lamb Producers (ALP), Alberta Pork (AP) and the Potato Growers of Alberta (PGA).

Alberta's marketing boards (chicken, eggs, hatching eggs, milk, sugar beets, turkey, processed vegetables) are based on a different business model and are not impacted by this amendment.

4. What will the impact be on organizations?

The impact of this change will depend on whether producers exercise their ability to request refunds. We expect that if producers see value and benefits, they will continue to fund their organization.

This change will help ensure that the organizations are being responsive and accountable to their producers. We encourage all organizations to continue to consult with their producers and ensure their objectives are being met. The consultation between the commission and

their producers leading into the implementation in 2010-2011 will be an important step in setting the stage for continued producer support.

5. If this is about choice, then why not let producers decide by way of a plebiscite?

A plebiscite would cause more division within the industry at a time when everyone needs to work together. Refundable check-offs provide producers with a **permanent** plebiscite. Each year, producers can ask for a refund, which gives each producer permanent choice.

Even if just one producer wants choice, they should have it. This gives them the means to have that choice by giving them control over how their hard earned dollars are being spent, rather than be required by law to support specific commissions.

6. Was this part of the long-term plan when the Alberta Livestock and Meat Strategy (ALMS) was announced?

No, this change is not part of ALMS and ALMA played no role in the decision to create a consistent policy for all commodity group commissions.

7. This will incur extra admin costs for organizations; will the GOA help offset these?

No. These are producer-funded organizations, in existence to promote and support the needs of their respective producers. The producer membership drives the policy and the financial stability of the commission.

8. Have you done any estimations of what this will mean financially to each organization?

On average, only about 7-10% of producers request refunds from commissions that operate with refundable check-offs.

9. What other funding resources exist for commodity organizations?

ALMA is not involved in MAPA or this legislation change. However, ALMA recently announced \$30 million worth of grant programs for producers, industry associations and agribusinesses. The programs are specifically designed to help achieve the goals outlined in ALMS by creating a more competitive industry. They include: international market development, value-added market development, research and development, industry development and on-farm technology adaptation. Recently, 21 programs were also announced under Growing Forward.

10. What is the process to apply for a refund? Can a producer request be denied?

The regulations will specify the refund process and likely use a process similar to the other refundable commissions where there is a “payment period” and a “refund period.” Refunds cannot be denied unless the producer fails to submit the proper request documents or fails to submit the request in the proper refund period. The commission will need to verify that the producer requesting the refund has paid the check-off.

The Agricultural Products Marketing Council will work with each commission to ensure regulations work for their producer associations.

11. Can a producer just opt-out permanently?

No. Check-offs will continue to be collected. They are mandatory, but refundable after payment is made. At the end of each fiscal year (or the period determined in the regulation which is sometimes less than one year), producers have the option of requesting a refund.

12. If a producer asks for a refund, what are the commissions' obligations to that producer? Do they still get a say in what the commission does?

Although the wording may vary in specific regulations between commissions, the regulations describe the producer as an "eligible producer" which means once they have paid their check-off they are eligible to participate in commission meetings, elections, etc. A producer does not lose their "eligibility" because of a refund request.

In our experience, producers who ask for refunds do so every year and they do not attend meetings or actively participate in the governance of the commission. If a commission offers specific services to producers, such as a newsletter, they would have their own policies on when a producer would no longer be on the mailing list.

13. Was industry consulted?

Yes. The issue is diverse and discussion has taken place over a number of years. The change is based on principles of choice, consistency and accountability.

14. When does this go into effect?

These changes will go into effect at the start of each commission's 2010-2011 fiscal year. Producers will be eligible to request a refund at the end of that fiscal year (depending on the refund period specified in the commission regulation). The commission will need to start budgeting for refunds at the beginning of the fiscal year.

15. Do producers/industry need to do anything different?

No. Check-offs will continue to be collected in the same manner. Producers may want to be involved in the commission's regulation amendment that will specify the refund process. Other industry stakeholders, such as auction markets and processors, will need to be involved in the development of the refund regulations, as they will have a role in check-off and information collection.

Starting in 2010-2011 fiscal year, producers wanting to request refunds will need to understand the refund process which will be defined in the regulations (e.g. when to apply, if a form is needed, etc.).

16. What role has the Alberta Agricultural Products Marketing Council played in this decision? What role will they play in helping the organizations deal with these changes?

This change reflects a policy decision and it is the role of elected officials to make legislation. Once the legislative change is proclaimed, the Alberta Agricultural Products Marketing Council will work with each commission to help them develop the necessary refundable commission regulations. The Alberta Agricultural Products Marketing Council would also help direct any producer who is seeking a refund to the correct commission contact.

17. How will this change affect changes in membership and involvement in national organizations and agencies?

Membership in national organizations is voluntary. Each commission will need to assess the value and benefits of continuing to support these organizations and choose where to invest producer's check-off dollars. Alberta's nine refundable commissions currently support many national organizations.

18. How are check offs handled in other provinces?

In other jurisdictions it is common for commissions to deem membership in producer organizations as voluntary, or to offer refundable check-offs to producers.

19. What are the benefits of changing the check-off process?

Producers benefit from the potential to bring all members of the commodity supply chain together to build a better future. There will be more opportunity to open global markets, diversify product, respond to change and stand as a strong united voice to deal with access and trade-barrier issues. Producers get more choice in shaping their future prosperity and growing their business away from reliance on shrinking traditional markets.



Member of the Legislative Assembly of Alberta

Speaking points for:

***Bill 43, The Marketing of Agricultural
Products Amendment Act, 2009***

**MLA Speech Module
MLA Package**

Check against delivery

- As many of you know, our government believes in choice.
- Under the Marketing of Agricultural Products Act, or MAPA, agriculture producers are able to form boards and commissions.
- A total of 20 producer boards and commissions operate under this legislation.
- However, producers of four commodity groups currently lack the fundamental right of choice.
- Beef, pork, lamb and potato producers are required under law to pay a levy, or check-off, to their respective commission.
- These producers are legally required to pay the check-off ...but have no means to ask for a refund if they do not feel they received value for their hard-earned money or that their needs were met.
- The government proposes through Bill 43, *The Marketing of Agricultural Products Amendment Act, 2009*, to give these producers the right and ability to choose...
- ... to have a voice if they feel their organization has not delivered value or met their needs ... By making the check-off for these groups refundable.
- This government believes all producers...regardless of commodity or the size of their operation...deserve to have a choice, especially over how their money is spent.
- For years in Alberta we have been pushing for wheat and barley producers to have choice.
- This situation is also about producers having choice.

- I believe as a government, we must do what is within our power to ensure producers have profitable and competitive industries.
- Making the check-offs refundable encourages the commissions to be responsive to their members' needs ... and ensures accountability.
- The commissions currently operating as refundable are examples of strong, vibrant organizations whose members strongly support their activities.
- Not all producers will ask for their money back, but some will.
- However, it is important to remember that this is not about the future of the industry associationsrather, it is about the future of the industry itself.
- For some of the commissions, this may even result in a more active and engaged membership...because producers are choosing to belong, rather than being told.
- This will allow new leadership...innovation and realistic market-based strategies to re-energize the industry.
- This change is about the future viability of the industry ... The future success of Alberta's agriculture producers depends on the ability to be profitable and competitive.
- Bill 43 is about one thing and one thing only: choice.
- And Bill 43 will ensure all producers in Alberta have choice.