

# Industry Governance and Funding

## Background

The beef industry is a complex production chain with various organizations and associations representing different aspects of that chain—cattle breeding, cow calf operations, auction marts, order buyers, cattle feeding, beef processing, and wholesale, retail, and export trade. While each beef industry association should represent the interests of their members, it is also important that they join together and work for the benefit of the entire industry. This has not always proven easy or straightforward.

In the 1960s and 1970s, governments enacted legislation establishing various agricultural marketing boards or commissions. The Alberta Cattle Commission—later to become Alberta Beef Producers (ABP)—was established in 1969. As a government commission, ABP was authorized to collect a mandatory service levy or “check-off” from each head of cattle marketed in Alberta.

The mandatory nature of this “check-off” was always contentious. Alberta’s cattle feeders, who have always paid a substantial portion of the mandatory check-off, did not feel adequately represented by ABP. In 1973, the Alberta Cattle Feeders’ Association (ACFA) was formed, to which cattle feeders paid a voluntary membership over and above the mandatory check-off to ABP. In 2009, the Government of Alberta passed Bill 43. This legislation made the \$3.00 per head check-off mandatory refundable—similar to agriculture boards in other provinces—and empowering producers with choice and accountability.

After passage of Bill 43, the province began a partial retreat on refundability, where \$1.00 of the \$3.00 provincial check-off would be a mandatory non-refundable national levy. ACFA objected, but agreed to sign a Memorandum of Agreement (MOA) with ABP allowing for a conditional and temporary \$1.00 mandatory non-refundable national levy. This constitutes Alberta’s portion of the national beef check-off.

While the advent of refundability was an important step forward for Alberta’s beef industry, it has not been embraced by all. At the same time, ACFA and other industry stakeholders remain firm on its benefits, especially choice and accountability. There remains, therefore, a lack of consensus on basic matters of governance and funding.

## Guiding Principle

ACFA believes that Alberta’s beef industry is strengthened when sufficient producer funding is made available for research, marketing, promotion, advocacy, and policy development. ACFA believes that producers will financially support industry organizations that are accountable, that effectively represent their interests, and that provide producers with value.

## Position

### 1) *Provincial Governance and Funding*

ACFA is opposed to any system where mandatory and non-refundable check-off funds accrue to only one industry organization. ACFA supports the intent and purpose of Bill 43. Refundability is a primary feature of all Alberta agriculture boards and commissions, and that is also the case with those in other provinces. At the same time, ACFA is open to considering a range of industry governance and funding models that go beyond refundability and the traditional approaches of the past:

- A directed mandatory check-off would give producers a choice to direct mandatory levies to the beef industry organization of their choice. A directed check-off would not necessarily include refundability, unless recipient organizations specifically enabled this feature. In order to achieve this outcome, the Government of Alberta would have to open up the enabling legislation, and be willing to make an exception for the beef industry.
- A Fed Cattle Commission is also a possibility. As a government-regulated commission, ACFA would be required to set up its own refund process, and also deal with a range of issues such as reporting and being held to account by the provincial government as well as commission members.

Before assenting to any change in governance or funding, the ACFA Board is committed to fully engaging its membership on the relevant issues, and the advantages and disadvantages of the various options. For example, refundability allows for choice and accountability, but it also allows some producers to “ride for free” if they withhold support to development of the industry. Also, it is unclear how a directional check-off or fed cattle commission could be structured to provide the benefits that come from a voluntary and membership-based organization. The ACFA Board believes that any decision on these matters requires the consent of the ACFA membership through an informed, open, transparent, and democratic process.

ACFA will encourage the Government of Alberta to allow industry to resolve its own internal issues by coming together around one industry plan that can be forwarded to the Minister for approval. ACFA believes that an agreed upon plan is a critical prerequisite to any discussion or decision over industry funding and check-off dollars.

## 2) National Governance and Funding

ACFA believes that good governance and adequate funding of Canada's national beef industry organizations is also critical to achieving future success. This is particularly the case with *Canada Beef Inc. (CBI)* and the new *National Beef Industry Strategy*. To secure better governance and accountability, ACFA has identified several options to consider with respect to the mandatory national check-off and related concerns:

- If Alberta's mandatory \$1.00 national check-off becomes refundable again (as per Bill 43), this would likely weaken CBI and diminish research funding. It does, however, place pressure on CBI to accommodate the concerns of the industry.
- ACFA could advocate for a US-style national check-off system that provides for a mandatory check-off for purposes of promotion and marketing but membership and funding for policy organizations and advocacy is voluntary.
- If Alberta's mandatory national levy of \$1.00 is to be extended, it should be done through an MOA with Alberta Beef Producers to keep accountability at the forefront and give CBI additional room to engage with stakeholders on a more contemporary, effective, and accountable governance model.

## 3) Increases in the National Check-Off

There has been significant discussion on increasing the national check-off by up to \$1.50 per head to provide additional industry funding and to implement the *National Beef Industry Strategy*. ACFA support for any increase is conditional on the following:

- ACFA will not support an additional \$1.50 in the National Check-Off until such time as a detailed plan on governance and budget is presented and accepted by the ACFA Board.
- Clawbacks of national funding by various provincial check-off organizations must be addressed in a satisfactory way such that all provincial beef associations are contributing to national industry development efforts.
- The National Check-off Agency (NCO) must be functionally separated from the general operations of CBI.
- The usage of funds generated by any increase in the national check-off should be clearly defined, allowing producers to determine value for dollars spent and hold accountable those with authority to expend the funds.
- ACFA support for any increase in the national check-off is conditional on the support of its membership, expressed through an informed, open, transparent, and democratic process.

## Actions

- ACFA will continue the dialogue with ABP on a new governance and funding model for Alberta's beef industry, keeping the values of producer choice and accountability in the forefront of these discussions.
- ACFA will continue to work with other industry partners to resolve shared concerns with CBI and press for improved accountability and a more contemporary and effective skills-based form of governance. ACFA will collaborate with other industry partners to help achieve its vision for CBI.

## Key Messages

- *Alberta's beef industry is strengthened when adequate funding is provided to robust organizations whose governance incorporates the fundamental principles of producer choice, freedom of association, and accountability.*
- *Industry must resolve its own internal issues on governance and funding, and the ultimate decision on these matters depends on the consent of the ACFA membership through an informed, open, transparent, and democratic process.*

Approved by the Board on: November 19, 2015

Subject to Review by: November 19, 2017