

A move to a refundable check-off

With Bill 43, “The Marketing of Agricultural Products Amendment Act 2009 (Number 2)”, receiving third reading on June 2, 2009, ABP’s current non-refundable service charge will become refundable effective April 1, 2010. A system for refundable check-off is being developed, the draft amendments to the Cattle Marketing Regulation will be discussed with producers at the 2009 fall producer meetings and will be debated and voted upon by the delegate body at the 2009 Annual General Meeting. The amendments to the Cattle Marketing Regulation must be complete by January 1, 2010.

Payments to the Canadian Beef Cattle Research, Market Development and Promotion Agency (The National Agency) and the impact of a refundable check-off

ABP collects a \$3 Federal Levy on cattle sold in inter-provincial trade in Alberta (out of province cattle) and a \$3 Alberta service charge on cattle sold in intra-provincial trade in Alberta (Alberta cattle). Pursuant to the Agency Agreement and the Services Agreement with the National Agency, ABP collects and remits to the National Agency \$2 from every \$3 Federal Levy collected by ABP on behalf of the National Agency. ABP also remits to the National Agency \$1 from every \$3 Alberta service charge collected by ABP. Currently the \$1 remaining from the Federal Levy is retained by ABP and has been used to help fund the extra payments ABP has made to CCA and BIC as a result of BSE. When British Columbia and Saskatchewan raise their provincial levy to \$3 from the current \$2, all of the \$3 Federal Levy will be paid to the National Agency.

Of the \$2 from the Federal Levy remitted to the National Agency, the Agency retains \$1 and pays the other \$1 to the provincial cattle association in the province where the seller resides. The \$1 that the National Agency retains from the Federal Levy and the \$1 that ABP pays from its service charge is known as the “National Check-Off”. The Agency retains two cents of every dollar for operating expenses and distributes the balance to the Beef Information Centre, the Canada Beef Export Federation and the Beef Cattle Research Council based upon an allocation determined annually by the ABP Board of Directors. ABP continues to itemize the funding separately to inform producers of the level of funding being provided to each organization.

The amendments to the Cattle Marketing Regulation will reduce ABP’s commitments with respect to payment of \$1 of the ABP service charge to the National Agency by the amount of refund requests received. The organizations which would be directly impacted with reduced funding would include the Beef Information Centre, whose mission is to maximize demand and optimize the value of Canadian beef products in the domestic and US markets; the Canada Beef Export Federation, whose role is to develop and expand international markets outside the United States; and the Beef Cattle Research Council whose purpose is to sponsor research and technology development for the benefit of all Canadian beef producers.

The amendment to the Marketing of Agricultural Products Act and the Cattle Marketing Regulation will not change the collection of the Federal Levy on out of province cattle sold in Alberta or on Alberta cattle sold out of province. The Federal Levy collected on the interprovincial sale of cattle will continue to be non-refundable.

Budgeting in the Future

The Board of Director’s have recommended a change in the budgeting process for future years. The net revenue remaining from the amounts collected less refunds and payments to the National Agency in one year are to be used for expenses in the following year. This process of collecting net revenue one year for the following year’s expenditures will enable ABP to budget effectively and ensure there are funds available for the core operations.

For transition purposes, the Board of Directors passed a motion to reduce the current 2009 – 2010 budgeted expenses by \$1 million plus reduce the transfer to the Trade Advocacy Reserve by \$1 million.

This \$2 million in addition to the \$3 million excess of revenue over expenses from the 2008 - 2009 year end will provide \$5 million dollars for the Operating Fund for the 2010 – 2011 budget year.

The \$3 million excess is the result of the number of marketings being significantly higher than the budget of 4,000,000 marketings for the 2008 – 2009 year end. At the time this budget was struck the Board of Directors anticipated that a greater number of cattle would be exported to the United States for sale, in which case ABP would not receive a service charge. As a result of COOL and a number of U.S. plants closing to Canadian imports this expectation was not realized and the cattle were sold in Alberta which resulted in an increase in ABP's revenue. The refundable check-off legislative changes were proposed at year end and the Board of Director's passed a motion to create an Operating Fund for the 2010 – 2011 year end with the \$3 million of excess revenue over expenses.