

PROPOSAL FOR VEAL MARKETING BOARD POWERS

Ontario Veal Association



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Submitted by:

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Ontario Farm Products Marketing Commission

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The OVA would like to acknowledge their industry partners, organizations, veal producers, OVA Board of Directors, OVA staff, OMAFRA, Commission staff and members and many others for their ongoing support and assistance in the development of this proposal. Without their insight and support this proposal would not have been possible.

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1.0 INTRODUCTION

Ontario's veal producers have clearly indicated that change is required in order to achieve an improved and orderly market for Ontario veal calves under the control of Ontario's veal producers. The Ontario Veal Association (OVA) Board of Directors and staff, in consultation with industry partners, have extensively researched a number of options with respect to this proposal.

The OVA is petitioning the Farm Products Marketing Commission for recognition as a marketing board with jurisdiction over all grain-fed and milk-fed veal produced and marketed in Ontario. The OVA has held extensive consultations with veal producers, processors, auction markets and other industry partners aimed at determining the appropriate functions and range of activities of the proposed veal marketing board.

In determining the range of powers appropriate for a veal marketing board, the OVA carefully considered the current situation of Ontario's veal industry and the impact the exercise of the proposed powers would have on the development and growth of the Ontario veal industry. The views expressed by both producers and other industry partners were instrumental in determining the directions that the OVA is now proposing to take as a marketing board.

This document serves as a compilation and summary of the work conducted on behalf of Ontario's veal producers to find solutions to challenges and barriers being faced while at the same time providing some measure of planning for a more profitable, viable and prolonged Ontario veal industry.

2.0 THE HISTORY OF THE OVA

The OVA was formally established in 1990 when it was incorporated as an association under the *Agricultural and Horticultural Organizations Act*. A copy of the certificate of incorporation as well as the OVA's Constitution and By-laws can be found in Appendix A. Prior to 1990 there were separate informal organizations representing the interests of both grain fed and milk fed producers. However, these two veal sectors saw merit in coming together as one organization in order to better serve the needs of all involved in the veal industry.

As stated in its Articles of Incorporation, the OVA's objects include:

- to represent the interests of veal producers in Ontario
- to make representations to all levels of governments, the media or the public generally on behalf of its members and veal producers and in all such matters to act jointly or in co-operation with the Ontario Cattlemen's Association
- to organize meetings, symposiums, technical exchanges and projects designed to inform veal producers on current production programs and new developments in production and marketing of veal and veal products
- to increase the membership of the organization and otherwise build up, encourage, and assist in promoting the organization
- to promote improvements in the quality of veal produced in Ontario and in the techniques of marketing veal in Ontario and to develop and implement programs for those purposes to assist producers
- to promote the consumption of veal
- to conduct programs of education and information directed at the general public including, but not limited to, education and information on the need to balance farm production requirements and the concern for the welfare of domestic livestock

Since its formation as a separate legal entity, the OVA has progressively established an independent identity for itself. The OVA Board of Directors are directly elected at large by the approximately 125 veal producers who pay a voluntary annual membership fee. A list of the current members of the OVA can be found in Appendix A.

In approximately 1995, the OVA began to sit as the Veal Committee of the Ontario Cattlemen's Association (OCA). The OCA was established in 1963 as the organization representing beef producers, with its powers set out under the *Beef Cattle Marketing Act*. It was at this same time that the OVA/Veal Committee was able to establish and negotiate an allocated annual budget that represented a portion of the check-off collected on veal

calves. Gradually, the OVA/Veal Committee were able to negotiate a higher budget amount with a calculated annual formula.

Veal producers are currently required by law to pay the mandatory check-off that is collected by OCA. Veal check-off represents approximately 10 to 12% of annual check-off revenues collected by OCA. The funding formula is far from ideal as it does not take into account all veal check-off transactions. This is due in part to the fact that OCA check-off is collected on a per head basis and not by class of the cattle being sold. The OVA establishes its own budgetary priorities, based upon the allocation of check-off granted by the OCA, but the OCA has ultimate authority and legal responsibility over the expenditure of all check-off dollars.

The OVA and OCA have worked very well together over the past several years in addressing the needs of the veal industry in relation to those of the beef industry. While the OVA is certainly not on an equal footing with the OCA in terms of number of producers, size of organization or budget, the OVA and OCA have a mutual respect for one another. That being said, the relationship between the OVA and the OCA is set out in a Memorandum of Understanding (MOU) entered into in April 2003, which replaced previous MOU between the two organizations signed in 1996 and 1999; prior to that, the relationship between the OCA and the OVA was based on informal agreements. A copy of the current OVA and OCA MOU can be found in Appendix A.

Following a comprehensive review of the OCA in 2003, it was recommended that the OVA initiate the process of petitioning the Ontario Farm Products Marketing Commission for the establishment of a plan governing veal as a separate commodity under the *Farm Products Marketing Act*.

At the OCA's 2003 Annual General Meeting, producers approved a resolution supporting the OVA in initiating the process of petitioning the Ontario Farm Products Marketing Commission for the establishment of a plan governing veal as a separate commodity under the *Farm Products Marketing Act*. At the same time, the OCA membership voted to eliminate the Veal Committee, among other OCA committees that were eliminated, due to the fact that the OVA was already operating on an autonomous basis.

Over the years, the OVA has been very successful in securing numerous government, both federal and provincial, funded grants for various market development, promotional and research priorities as set out by the OVA Board of Directors. The OVA has worked tirelessly on behalf of the entire veal industry with a small budget and has established itself as one of the four main commodity groups representing Ontario's red meat livestock producers.

3.0 VEAL IS A DISTINCT COMMODITY

The veal industry in Ontario has developed to a point where the formation of an entirely independent organization, with its own marketing board powers, is essential for the further development of the veal industry in this province.

Unlike Quebec, which has separate marketing boards for grain fed and milk fed veal, veal in Ontario is subject to the *Beef Cattle Marketing Act*. Over the past twenty years since the formation of the OVA, veal producers have developed production practices which significantly differentiate veal from beef production.

Different production practices are not, however, the main reason for the OVA seeking to establish an independent organization dedicated specifically to veal producers. Much more important is the fact that veal is generally recognized by both retailers and consumers as a premium commodity, distinct from beef, which competes for shelf space in the supermarket against other meats.

Producers of the other red meat commodities, notably pork and lamb, have formed separate marketing boards under the *Farm Products Marketing Act* to market their products and to regulate production practices, as have chicken and turkey producers. While all these commodities often collaborate with each other on issues of common concern, each has determined that the marketing of their unique commodity requires that strategic marketing plans specific to their commodity be developed and implemented. These other commodities have also all implemented different programs for regulating the production of their respective commodities, including programs aimed at ensuring that consumers receive products that are consistently wholesome through the establishment of on-farm food safety and quality assurance programs.

For Ontario veal producers to deal with the many challenges the veal industry faces today, the OVA has determined that it needs to enhance its organizational structure and obtain recognition as a marketing board under the *Farm Products Marketing Act*. Independent status as a commodity organization under the *Farm Products Marketing Act* would enable the OVA to structure and collect its own check-off and to obtain such powers as veal producers feel are appropriate. It would also enable the OVA to determine how best to market veal as a premium commodity, distinct not only from beef but other meat proteins.

4.0 CURRENT SYSTEM OF MARKETING VEAL CALVES IN ONTARIO

4.1 Finished Veal Calves

Ontario has a variety of methods for marketing both finished grain-fed and milk-fed veal calves. An estimated 35% of all finished veal calves sold in Ontario are marketed through auction markets, with the Ontario Livestock Exchange (OLEX), the Ontario Stockyards (Cookstown), and Brussels Livestock together accounting for an estimated 80-85% of all Ontario auction market sales. It should be noted that virtually all of the Ontario milk-fed veal calves marketed in Ontario, as well as most all of the Quebec grain-fed calves sold in Ontario, are sold directly to processors.

Direct sales from producers to processors represent approximately 65%-75% of all Ontario veal calf sales. Industry sources report that the percentage of direct sales has been steadily increasing over the past decade as auction market sales have declined.

Producers, processors, and auction markets have all noted the trend towards less competitive bidding at auction markets as the number of independent buyers has steadily declined with the decrease in the number of provincial packing plants. In addition, buyers at the auction markets frequently purchase calves for several processors, further limiting the competitive bidding process.

While prices at the auction market sales are recorded and generally available to producers and buyers both at the sale and on various internet sites, there is no established mechanism for recording the prices of most direct sales to processors. As the proportion of calves sold directly increases, producers' ability to discover the actual prices paid for calves declines.

At OVA consultations, producers often complained that many processors appeared to treat producers arbitrarily, sometimes discounting calves for quality problems, while at other times accepting the same quality of calves without discounts. Producers also expressed concerns about late payment by processors, incomplete information on their calves, or inconsistent and/or incomplete grading reports. Many producers noted that they had difficulty in determining what kind of calves would obtain the best prices in the market and felt that they were not fairly rewarded for producing quality calves.

Processors have also indicated a certain measure of dissatisfaction with the current system of marketing Ontario calves. Sourcing a sufficient volume of consistent quality Ontario calves, on a regular basis, has been mentioned by several processors as a significant concern and barrier to expansion. This concern has been particularly strong among processors who are currently purchasing grain-fed calves from Quebec through their electronic auction. Several processors indicated that they would prefer to purchase Ontario calves if they could be assured of the same consistency and volume as they stated is available in Quebec. Those processors noted that price was less of a factor in their

decision to purchase Quebec calves than quality, and the generally higher prices for calves in Quebec would tend to support that claim.

Although some processors continue to prefer to purchase calves at auction markets, an increasing proportion of veal sales occur as direct to processor. Many processors prefer to purchase calves directly and some pay on a rail weight basis. This method allows processors to reward producers for quality calves, while discounting calves which have lower yields. Of concern to the veal industry, however, is that there are some processors who are currently paying on a rail weight basis and are not permitted by OMAFRA to do so.

4.2 Veal Carcass Grading

Currently, veal carcass grading is not conducted in Ontario. Veal carcass grading is voluntary for veal purchased on a live weight basis which is the case with an the majority of the veal calves in Ontario. The federal *Livestock and Poultry Carcass Grading Act* stipulates the method on which veal carcasses are assessed and graded using a letter and a number scale.

The letter scale (A,B,C,D) is a measurement of the carcass conformation with an A being the most desirable score. The number scale (1,2,3,4) is a measurement of the colour of the carcass. The colour is measured using a specially calibrated colorimeter that attributes the meat colour to a number. The lower the number the better the colour. For example, an A1 veal carcass is the desired score for a milk-fed veal carcass and an A2 is the desired score for a grain-fed veal carcass.

4.3 Bob Calves and Preconditioned Calves

Bob calves is the generally accepted industry term for young newborn male dairy calves. These calves range in age from a few days old to about a week of age and are traditionally sold very soon after birth by the dairy farmer. There are a number of quality issues surrounding calves so young, including care received on the home farm, health status and lack of immunity. Unfortunately, there is a high mortality rate for bob calves with industry experts putting the mortality rate in the range of 15-20%.

Bob calves tend to be sold in one of three ways: directly from the dairy farmer to the veal farmer; via auction market sales specifically for bob calves; or through a dealer/drover. Currently, it would appear that there are more bob calves sold at auction than other systems. Preconditioned calves are sold by veal farmers who specialize in the rearing of veal calves that have been weaned from all milk and started on a grain fed veal diet. There are many advantages to this production system including, reduced mortality and morbidity and the potential for better performing finished calves as a result. This production practice is especially prominent in the Netherlands where biosecurity concerns as well as animal health and welfare have made it a standard practice. In Ontario,

“precons” are sold a number of ways. They can be sold directly between the precon veal farmer and the finishing veal farmer, through a sales barn, or through a dealer/drover.

5.0 SOURCES OF FUNDING FOR THE OVA

The OVA currently has three distinct sources of funding which it would continue to receive after becoming a marketing board:

- 1) License fees (check-off) collected on the sale of all veal calves. These fees, which are set at \$3.00 per calf, are currently collected by the OCA. As mentioned earlier, OCA and OVA jointly determine a veal project budget, administered by OCA, which reflects a proportion of check-off relative to veal marketings. The OVA would still continue to collect license fees on all veal calves but are proposing different points of collection for all veal calves.
- 2) Funds from the Toronto Stock Yards Land Development Board (TSYLDB). Under the formula established by the TSYLDB, the OVA is entitled to receive a basic annual distribution of \$25,000, plus an additional 11.5% of the surplus distributed each year by the TSYLDB to its founding members. In 2009, this amounted to approximately \$180,000.
- 3) Government grants and cost-sharing initiatives through various programs designed to promote the development of markets for Ontario and Canadian agricultural products, on-farm food safety, and similar objectives.

The OVA also receives a nominal amount of revenue from annual membership renewals from veal producers. This annual membership fee (\$20/farm) is a token amount established by the OVA in 1990 in order to determine who is actively engaged in the production of veal. Since this membership is voluntary, the OVA acknowledges that not all veal producers are currently members of the OVA. However, the OVA believes this is more due to the fact that there is confusion regarding representation, data collection and information; not an unwillingness to support the veal industry. Once the OVA is responsible for collecting its own check-off, this voluntary membership fee will be eliminated.

In Appendix C the 2009 OVA Financial Statement as well as the 2009 Veal Project Budget report can be found.

6.0 OUTSTANDING ISSUES SUPPORTING THE PROPOSAL

After much discussion and consultation (as demonstrated in Appendix D), the following list summarizes the outstanding issues currently impacting the Ontario veal industry. These issues provide substance and support for why marketing board powers are necessary to bring organization and orderly marketing to the Ontario veal industry. One collective, strong organization needs to address the following issues:

- Lack of a traceability/ food safety system.
- Lack of research and technology on veal specific issues.
- Lack of communication throughout the supply/value chain.
- Lack of reasonable returns to producers.
- Instability in the veal marketplace (ie. prices, supply).
- Inconsistent carcass quality.
- Lack of carcass feedback from buyers to producers to allow for production analysis and management decisions.
- Lack of a definition of veal that is equally enforced with all partners in the veal sector (ie. federal vs. provincial trimming standards, etc).
- Lack of price discovery and pricing information.
- Late payments by processors/buyers to veal producers.
- Defaulting of insurance coverage in the Livestock Financial Protection Program because payments are not received within prescribed period of time.
- Not knowing who is involved in the production of veal to better be able to communicate and work on behalf of these producers.
- Confusion for producers between the OCA structure vs. OVA structure.

It is because of all of these outstanding and unresolved issues that seem to perpetually plague Ontario veal producers, that the OVA has developed the proposal for marketing board powers. The goal has always been to find solutions that will benefit not only the individual veal farmer but the entire Ontario veal industry as a whole. A stronger and more clearly defined role for Ontario Veal is paramount to achieving this mandate.

6.1 Identifying Ontario Veal Producers

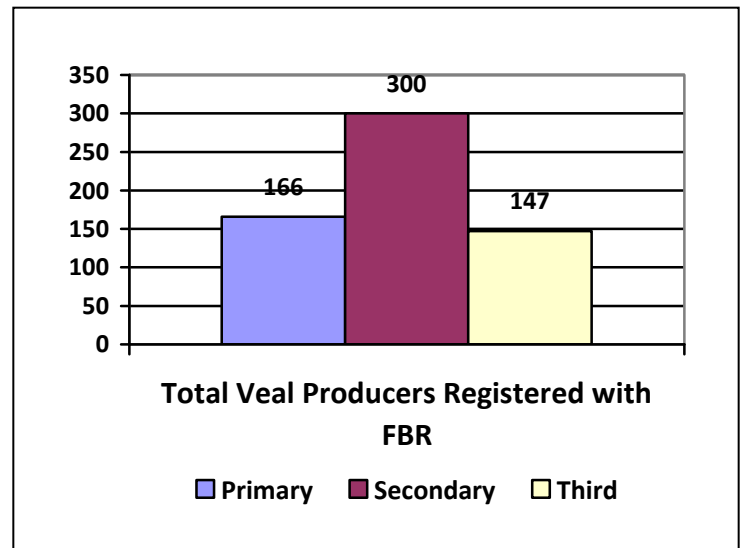
Over the course of this proposal development, every reasonable effort has been made to identify Ontario's veal producers. The OVA has taken out advertisements in the Ontario Farmer and other industry publications, has issued news releases about information meetings, has distributed mailings through the Farm Business Registration database, have been at various industry events (eg. Outdoor Farm Show) to connect with producers and has dedicated staff to visiting various sales barns and auction markets.

And yet, the OVA is still unclear as to who is actually producing veal in Ontario. The very nature of the industry currently allows for producers to "hop in and out" which means we can never truly know the scope of production. The lack of producer data is the primary reason why the OVA is asking for marketing board regulations. Regulations that would require veal producers to be licensed will help clarify organizational confusion, would simplify record keeping for license fees and would bring clarity to the industry composition.

Included in Appendix C is the current list of OVA's voluntary producer members.

Some of the challenges we have encountered include:

- The Farm Business Registration (FBR) database has varied over the years in terms of the number of veal producers it has registered or who report income derived from veal sales.
 - The 2010 FBR database accounts for 613 veal farms who report income derived from the production of veal. However, only 166 farms (27%) indicate that veal is their primary source of income.
 - It is unclear from FBR data how they are defining veal production or whether they are capturing the majority of production.
 - In 2002-03, the OVA worked in collaboration with the OMAFRA Veal Specialist on a targeted mailing through the FBR veal database to try and identify who is producing veal. This was not beneficial as the response rate was very low and did not yield the desired results.
- There is no federal census data or Farm Cash Receipts data specifically relating to veal production in Ontario.



- The Dairy Farmers of Ontario (DFO) have approximately 4,200 licensed dairy farmers. Each of these producers will also be considered a veal producer because this is where the bull calves are born and start veal production.
 - Currently, the OVA does not have any ability to acquire or duplicate this database. The DFO have been very helpful with ensuring information relating to veal production or this proposal is distributed to all dairy/veal producers on behalf of the OVA.

- The Ontario Cattlemen's Association (OCA) report that they represent approximately 19,000 cattle producers in Ontario. This number reflects veal producers, beef producers and dairy producers who sell cull cows. The OCA does not break this number down into industry segments.
 - The OCA, up until recently, only had the authority to collect data on the total number of cattle (per head) remitting license fees.
 - The OCA now has the authority to request the license fees be remitted based on the classification of the cattle (veal, cull cows, feeders, etc.). This is being done to some extent by industry but it is OVA's understanding that OCA currently does not have a management system in place to track this data. The OVA has requested data that reflects how many veal producers are currently remitting check off but OCA does not currently have the capacity to process this request.
 - The OVA has requested OCA to ask specific veal packers to remit their list of veal producers (under OCA's authority) so that we can better determine who is currently producing and selling veal. OCA has indicated that it is not in a position to execute this request.

- There is confusion by Ontario's veal producers with the voluntary membership fee of \$20/year for the OVA.
 - Many producers have indicated that they knew about the OVA and its activities and initiatives but that they did not know there was a separate membership fee for OVA.
 - They felt that they were already included in the organization when they paid their check-off.
 - Veal producers are not opposed to paying a yearly membership fee but many have indicated that it should be a higher amount as the low fee often gets forgotten about when it is time to renew.
 - Producers who raise veal on a part-time basis did not understand that they would also qualify for membership with the organization. Many believed that the OVA (and other commodity groups) are only for full time farmers,
 - A large percentage of veal farmers are considered part-time as they also have other employment off the farm. This makes communications with this group very difficult.

7.0 REQUESTED POWERS/REGULATIONS

Listed below is a summarized version of the requested powers being sought by the OVA in order to better the Ontario veal industry.

- Mandatory annual registration (license) of all veal producers in Ontario
 - Provide production data and emergency management information
 - Packer/processors who are also producers must also fulfill the requirements of both a packer/processor and a producer
- Mandatory collection of veal license fee (check-off) on all veal calves produced in Ontario regardless of where slaughtered or sold.
 - Veal producer is obligated to report production/sales and remit check-off accordingly on a monthly basis
 - Packer must remit monthly on all calves processed and bought outside of electronic auction. OVA to collect individual packer slaughter volumes from OMAFRA as a check and balance.
 - Dairy farmers are also considered veal farmers and will be required to pay a license fee on all calves sold either farm to farm, to a dealer or through a sales barn.
- Board of Directors will be comprised of eight Directors (as outlined in section 7.1) with rotating 2-year terms.
 - Must have marketed, and continue to be actively engaged in the production of veal in order to hold a seat on the Board
 - Contracted producers cannot vote or hold a seat on the Board but can participate on the Advisory Committee
 - Voting privileges are only extended to those producers who own their own calves and therefore are remitting license fees.
 - Name of the new organization shall be officially called “*Ontario Veal*”
- Creation of a Veal Industry Advisory Committee
 - Composition of committee to include representatives from processors, processors, dairy sector, feed suppliers, government, producers, veterinarians, truckers/dealers, etc.
 - To meet 1-2 times/year in order to provide the Ontario Veal with direction and feedback on industry issues

7.1 Proposed Governance Structure

The Ontario Veal Board of Directors will be comprised of eight Directors as outlined below. These Directors will represent their fellow producers and be duly elected at the organization's Annual General Meeting. The election process will be governed by a Nomination Committee comprised of those Directors not due for election (second year of their term). Producers will be elected to rotating two-year terms so that there remains a board succession and continuance plan in place.

In order to stand for nomination and election, producers must have marketed, and continue to be actively engaged in the production of veal, in order to hold a seat on the Ontario Veal Board of Directors. Contracted producers cannot vote and therefore cannot hold a seat on the Board, however, they can participate on the Veal Advisory Committee. Voting privileges will only be extended to those producers who own their own calves and ultimately pay the required license fees.

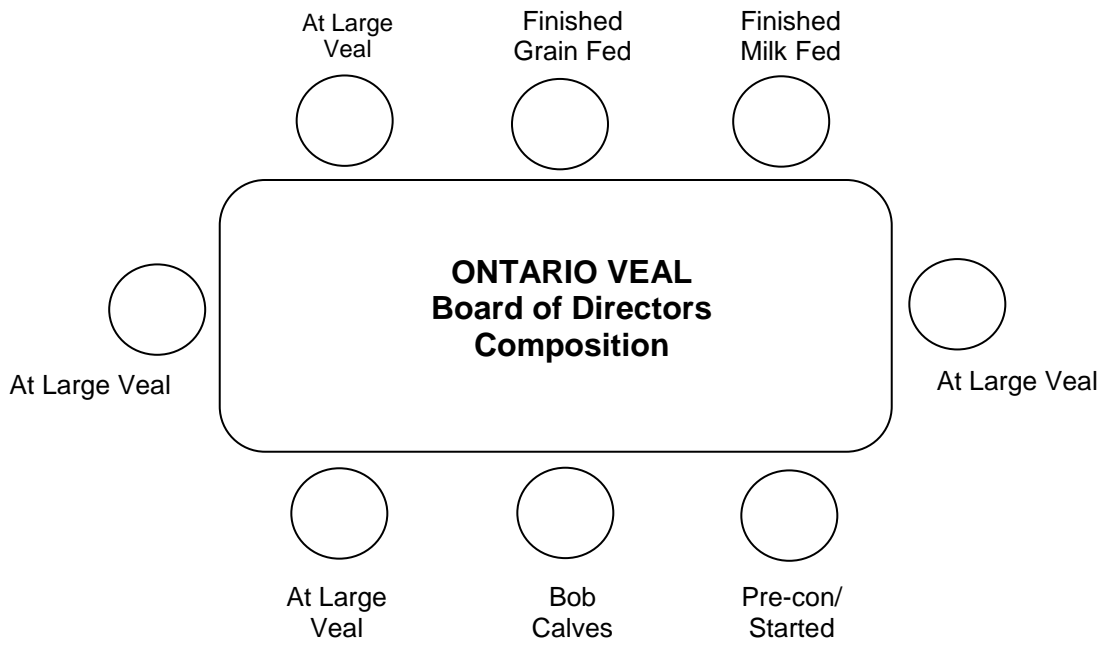
Given the disproportionate distribution of veal farms in Ontario, it is proposed that the Board of Director positions not be allocated based on zones or counties but that four of the eight positions remain "at large". It will become the duty of the Nominating Committee to ensure that producers are duly represented from across the province where possible.

The other four Board of Director positions will be elected to represent specific sectors within the veal industry. This will include a finished grain fed producer, a finished milk fed producer, a producer who starts or pre-conditions calves and a producer who raises bob calves. This will ensure a diverse group of producers actively engaged in all facets of the Ontario veal industry will comprise the Ontario Veal Board of Directors.

Where a pre-determined position cannot be filled by a suitable candidate, the Nominating Committee will fill this Board seat with an "at large" producer. From the Board of Directors, the President and Vice President will be elected annually. The President will preside over all meetings of Ontario Veal as the Chair and will be the recognized spokesperson for the Ontario veal industry.

While there may be some concern about the lack of a county or zone governance structure with this proposal, the OVA has taken into consideration the extra cost to administer another layer of representation. At the present time, it is not financially or geographically feasible to administer this extra layer. Veal producers are not proportionally distributed across the province making the task more difficult to build zones. As well, the industry is not interested in establishing zone committees or separate governance structures that would require even more volunteer commitment. The Ontario veal industry has thrived for twenty years with an "at large" representation.

Proposed Ontario Veal Governance Structure:



8.0 OVA STRATEGIC PLAN SUMMARY

As part of the consultation process, veal producers and industry partners have been able to provide input into the strategic philosophy and directions that the OVA will undertake as outlined in summary below.

Mission

The Ontario Veal Association is a producer organization dedicated to promoting and enhancing a viable and competitive Ontario veal industry through innovation, marketing, advocacy, and education.

Vision

To represent Ontario's veal producers as a progressive and dynamic organization that is dedicated to strategically and effectively addressing the needs of the industry through a responsible regulatory marketing system.

Values

The OVA's primary commitment, first and foremost, is to Ontario's veal producers. As such, the OVA's actions and decisions will be based upon:

- Providing proactive LEADERSHIP for the Ontario veal industry;
- Aiming for the highest standard of EXCELLENCE and providing VALUE in both service and performance;
- Ensuring ACCOUNTABILITY for all our actions;
- Pursuing opportunities for COLLABORATION with producers, industry partners, stakeholders, and government;
- Providing TRANSPARENT and open communications;
- Achieving our VISION through INNOVATION for the industry by pursuing new opportunities; and
- Ensuring we approach all that we do with INTEGRITY, HONESTY, and RESPECT.

8.1 Strategic Directions and Long Term Goals

The OVA has developed six key strategic directions which will benefit all Ontario veal producers and their respective sectors. It makes no difference whether it is a bob calf producer, a milk fed producer or a grain fed producer, the work of the OVA in the future is to address the needs of the Ontario veal industry and this will ultimately benefit all sectors.

A stronger finished veal market ensures stronger prices for bob calves. Healthier bob calves with reduced mortality ensures that there is a good supply for those finishing them, thereby reducing cost of production for the entire supply chain. The OVA will not portion out its overall budget to align with the representative percentage of license fees collected from specific segments of the veal marketplace. Rather, the strategic plan integrates all the sectors into one strong plan that will benefit the entire veal industry and where all projects and costs are allocated.

Included within each strategic direction section are examples of projects and initiatives that would be addressed to support the direction and long term goals.

Consumer Marketing

- Through promotion, increase awareness and demand for veal.
- Increase value chain knowledge about the benefits of veal through education.
- Create new opportunities for veal consumption through innovation.
- Collaborate with industry partners on marketing initiatives.

Example of Initiatives to Support this Direction:

- Targeted consumer marketing and promotions campaign aimed at increasing the demand for Ontario veal. This could include advertising, recipe cards, advertorials, public relations and communication initiatives
- Developing educational materials for retailers and foodservice operators in order to encourage increased sales of Ontario veal
- Work with industry partners (eg. processors or retailers) on product development, co-promotions

Organizational Development

- Obtain marketing board regulations under the Farm Products Marketing Act.
- Ensure the OVA has a robust membership with a database that reflects current and accurate information.
- Ensure that the OVA Board of Directors and staff are aware of proper governance policies and procedures and that the Board is representative of the membership
- Ensure that the OVA has the financial resources necessary to operate the association and engage in activities on behalf of its members.

Example of Initiatives to Support this Direction:

- Annual Board of Director training and orientation programs
- Review of policies, procedures, strategic plan and other board governance materials
- Develop financial policies to ensure the long-term well being of the organization
- Develop financial reporting tools to ensure Board has correct information in a timely manner

Producer Programs

- Develop, deliver and support programs and services that will assist the veal producer in the production of consistent, quality veal.
- Provide educational resources and information to the veal industry to address production related issues.
- Collaborate with producers and industry partners to address the needs of the veal producer and provide direct benefit at the farm level.
- Provide value to OVA members through the development and execution of exemplary member services.

Example of Initiatives to Support this Direction:

- Organize producer workshops and education programs such as quality assurance programs, cost of production management,
- Implementation and ongoing monitoring of on-farm food safety programs and best management practices
-

Industry Development

- Represent the veal industry on issues impacting veal production.
- Collaborate with industry partners to further the needs of the veal, livestock and agricultural industries.
- Develop programs that will address the viability and sustainability of veal production in Ontario.
- Improve veal production and processes through research, special projects and technology transfer.

Example of Initiatives to Support this Direction:

- Work with other livestock commodity organization on projects of mutual benefit such as biosecurity programs, livestock medicines education
- Work with the University of Guelph (and other research partners) to research feed efficiency issues to lower cost of production, carcass conformation and finish and in turn communicate the results to producers to effect change and/or adoption.

Communications and Public Relations

- Ensure that the OVA has consistent and timely communications across all of its programs and activities.
- Engage veal producers and industry stakeholders through effective internal and external communications using various tools and mediums.
- Advocate a positive image for veal production to industry stakeholder and the general public.

Example of Initiatives to Support this Direction:

- Respond to consumer and producer requests for information
- Produce and distribute The Alliance magazine
- Ensure veal producers are able to provide feedback and suggestions to the organization through annual review
- Use various communication tools such as email, internet and printed materials to ensure veal producers are aware of what the organization is doing on their behalf

Advocacy and Industry Relations

- Develop long-term industry partnerships and relations with key audiences and stakeholders.
- Ensure effective issue based lobbying on behalf of the veal industry to all levels of government.
- Develop policies and positions on behalf of the industry based on the primary needs of the veal producer.

Example of Initiatives to Support this Direction:

- Communicate and liaise with government representatives on veal issues
- Respond to proposed government policies with representation on how this might benefit or impact the veal sector
- Collaborate with Canadian Veal Association to ensure federal veal issues are addressed

9.0 FINANCIAL PROJECTIONS

In order to achieve our strategic directions and goals, the organization must have a robust and stable budget that provides the opportunity to conduct business on behalf of the Ontario veal industry. Currently, the OVA has twenty years of experience in managing budgets, association expenditures and prioritizing projects with funding derived solely from producer's funding through check-off collection.

It is not the intention of Ontario Veal to deviate from the established budget allocations and formats that it has established. While Ontario Veal will represent all facets of the Ontario veal industry- from bull calves to finished veal- it must be noted that a number of initiatives, while focused perhaps on the finished product, will benefit the entire veal sector. For example, Ontario Veal intends to continue to pursue marketing and promotions programs that seek to increase the awareness for veal and thereby demand for the product. While this may appear to benefit only finished milk-fed and grain-fed veal, it truly benefits the entire production chain by building demand for our product.

As well, Ontario Veal does not intend to distinguish its budgets between milk-fed and grain-fed veal or bull calves except in specific industry development areas such as research or producer education. There is no benefit in subdividing this small industry even further and diluting our efforts.

Budget Assumptions Made:

- Check-off (license fees) will be collected on finished calves as well as bob calves, dealer calves and pre-conditioned calves
 - Current OVA-OCA budget does not account for dealer calves, bob calves sold outside sales barns or preconditioned calves.
- Check-off to remain at \$3.00/head at this time
- Using the 2010 numbers of 152,000 x \$3.00/head as a conservative basis for budget projections= \$456,000.00
- OVA retains income from previously deducted expenses by OCA (eg. OFAC, check-off enforcement, salary/expenses) = ~ \$30,335.00
 - Ontario Veal, with its partners, already has an established office with all required infrastructure including computers, furniture, telephones, etc. Therefore there are no office set-up costs allocated that are typically associated with a new organization start up.

- Staff positions and general overhead expenses for the three organizations are allocated on a cost share basis.
 - 45% for veal, 45% for goat and 10% for rabbit

Overhead Expenses	2012	2013	2014
Total Office Overhead	\$ 71,688.50	\$ 73,480.71	\$ 75,317.73
Total Salaries	\$ 422,751.00	\$ 433,319.78	\$ 444,152.77
Staff Expenses	\$ 20,500.00	\$ 21,012.50	\$ 21,537.81
TOTAL	\$ 514,939.50	\$ 527,812.99	\$ 541,008.31

% share of expense	2012	2013	2014
Veal 45%	\$ 231,722.78	\$ 237,515.84	\$ 243,453.74
Goat 45%	\$ 231,722.78	\$ 237,515.84	\$ 243,453.74
Rabbit 10%	\$ 51,493.94	\$ 52,781.31	\$ 54,100.83

- Planned surplus for first 3 years of 10% of budget annually to put into reserve. The OVA will also come into the new organization with a reserve fund established due to funds existing in current OVA accounts.
- Staffing assumptions have been based on the following positions as part of the core overhead expenses for the partners of the OLA:
 - Executive Director
 - Industry Development Manager
 - Projects Manager
 - Communications Coordinator
 - Policy Manager
 - Financial Administrator (PT)
 - Administrative Assistant

Ontario Veal 2012-2014 Financial Projections:

	2012	2013	2014
<u>Revenue</u>			
Check-off	\$456,000.00	\$460,000.00	\$465,000.00
TSY Disbursement	\$180,250.00	\$180,500.00	\$180,500.00
Miscellaneous	\$5,000.00	\$5,000.00	\$5,000.00
Leveraged projects	\$100,000.00	\$100,000.00	\$50,000.00
Other	\$0.00	\$0.00	\$0.00
Total	\$741,250.00	\$745,250.00	\$700,250.00
<u>Expenses</u>			
OLA Overhead	\$231,722.78	\$237,515.84	\$243,453.74
Director Per Diems	\$20,000.00	\$20,000.00	\$20,000.00
Director/Meeting expenses	\$15,000.00	\$15,000.00	\$15,000.00
Office Expenses	\$20,000.00	\$20,000.00	\$20,000.00
Marketing and Promotion	\$175,000.00	\$175,000.00	\$150,000.00
Producer Programs	\$75,000.00	\$75,000.00	\$50,000.00
Communications	\$36,250.00	\$40,000.00	\$40,000.00
Industry Development	\$90,000.00	\$90,000.00	\$85,000.00
Total	\$662,972.78	\$672,515.84	\$623,453.74
Surplus(Deficit)	\$78,277.22	\$72,734.16	\$76,796.26

9.1 Industry Partnerships Lowering Overhead Costs

The OVA has recently entered into a long-term alliance with Ontario Rabbit and Ontario Goat Breeders Association to share in the costs associated with administering our respective organizations. Collectively, the three organizations will share in the human resource and office administration and overhead costs on a formula basis. This will lower the overhead burden for the OVA and return more funding to veal producer programs. The calculations provided in the above draft budget do not take this partnership into account.

Additionally, the OVA has entered into a partnership to administer the Canadian Veal Association, which in turn may lead to additional projects which can contribute to the overall cost of the overhead. These types of projects are important to the shared goals of the OVA and its project partners in order that we all be successful even though our individual budgets are low.

10.0 EXEMPTION FROM THE BCMA

The OVA certainly respects OCA's role as the designated association under the BCMA and do not want to interfere with this important role in the beef cattle industry.

As mentioned earlier, veal calves are currently subjected to the mandatory check-off collected under the authority of the Beef Cattle Marketing Act (BCMA) by the OCA. As part of the OVA's pursuit for designation as a marketing board, the OVA will also work to ensure that an exemption is granted from the BCMA check-off for all veal calves. This will ensure that veal calves are not subjected to both the beef and the veal check-off. This will also clarify responsibilities and accountabilities for both the OVA and OCA in the future.

The OVA recognizes the valuable inspection powers under the BCMA. These same powers cannot be found elsewhere in the FPMA and would complement the authority being requested for Ontario Veal under the FPMA. The OVA sees itself as having a role in the enhanced application and enforcement of the BCMA requirements and is looking for the ability to become involved in that process possibly through an Ontario Veal appointed inspector.

Essentially, the OVA are proposing to work in tandem with both the FPMA and the BCMA without imposing on OCA's authority.

11.0 BENEFITS OF PROPOSAL TO INDUSTRY

Ontario Veal feels that this proposal is an investment in the future of Ontario's veal industry. As one voice, the industry can come together and do more collectively than each individual producer could do on his/her own. The overall goals of obtaining marketing board regulations under the FPMA include:

- Raise the consistency and quality of veal calves produced in Ontario
- Bring order to the Ontario veal marketplace by developing practical regulations and tools for all involved in the industry
- To position Ontario Veal with the ability to respond to the needs of the Ontario veal industry.

However, there are specific benefits for each of the requested powers/regulations that will have a positive and direct impact on both the veal producer and the veal industry as a whole.

Strategic Priorities:

Being able to fulfill the strategic direction and long term goals of the organization is entirely reliant on the approval of this proposal. Stability in budgeting allows the organization to create an efficient, cost effective and manageable structure. With the continuation of a veal check-off fee, there will be stable, on-going funding for industry development activities and consumer awareness campaigns. Producers will feel that they are contributing to the investment of the overall industry and to their future.

Governance Structure:

The veal industry would greatly benefit from a representative and responsive governance structure that will be recognized by industry partners and government. Ontario Veal's participation with industry partners and government will keep veal at the forefront when initiatives or new funding opportunities are being developed. The governance structure ensures the producer organization remains cohesively focused on the needs of the veal sector.

Advocacy and Government Relations:

With a representative organization, Ontario Veal can better communicate with government on the many policy issues impacting the veal sector and livestock production. In turn, the government will have a recognized organization to approach in their consultations and discussions. With a clear voice, supported by its members, Ontario Veal can advocate for the needs of the veal sector and collaborate with both provincial and national organizations. While Ontario Veal has an already established track record and relationship with many government branches, it is sometimes confusing for government on when to consult with the veal industry given the confusion in veal's organizational structure.

Organizational Capacity:

While veal producers may not see any difference at the farm level between the OVA that currently works in partnership with the OCA and the Ontario Veal being proposed, one of the most significant benefits of this proposal is the clear organizational structure it will bring to both the OVA and OCA. With a clearly defined veal marketing board structure, the Ontario veal sector can better manage its resources with timely and accurate information. The benefit to the veal producer is that the organization is able to better represent them on the many issues in a more efficient and fact based manner. Ontario Veal has dedicated professional staff resources and has a partnership with the Ontario Livestock Alliance. This partnership brings overhead cost savings to Ontario Veal which are substantial meaning more producer funds can go into programs and projects benefitting the sector.

Investment in Ontario:

Improvements in the veal industry's infrastructure will also serve to strengthen Ontario's economy. With reduced costs of production, increased production and better profit margins, producers in turn will be able to invest in new equipment, expand facilities and participate in new services that in turn support their rural economies. Increased production also leads to new job creation in both the processing and value added sector. Expanded production can also lead to processor expansion of capacity and the development of additional national and international customers for our made in Ontario products.

Leveraging Funding for Research and Development:

Ontario Veal will continue to use its expertise to leverage government funding in order to conduct important on-farm and applied research. The priorities outlined in the strategic direction and supported by the governance structure will support this activity.

Improved Communication Channels:

Having reliable data on who is producing veal will allow the association to focus its energies in the right areas for lobbying, producer education, consumer awareness, research, etc. By knowing the producers of veal allows for a better communication process to all producers and conversely for producers back to the organization. Information can be more readily shared at all levels of the value chain.

Enhanced Traceability and Food Safety:

Knowing who is producing veal allows Ontario Veal to have better understanding of the traceability and food safety program requirements. With an enhanced understanding of where our producers are located and the size of their operations, Ontario Veal can be better prepared for emergency management and response in order to collaborate with government in times of crisis. Traceability permits processors to provide better feedback to producers on carcass quality. Producers can conversely adjust their management practices to achieve more desirable results, thus being more responsive to the needs of consumers.

Cost-Benefit:

The benefits of this proposal far outweigh the disadvantages and producers feel that the objectives of this proposal will solidify the industry's future as a viable commodity. This proposal is a win-win for all producers and industry partners because it allows the industry to self direct its future by charting a well planned out course.

12.0 INDUSTRY SUPPORT FOR PROPOSAL

As part of its due diligence, the OVA has spent an exorbitant amount of time and effort consulting with veal producers and industry partners over the course of preparing this proposal. Overall, the OVA believes that there is significant support for its proposal and a general agreement from industry that “something has to change”. The OVA acknowledges that there is some dissent from industry partners, however, the OVA believes that the concerns of the active veal producers and the progressive partners should far outweigh those that are not willing to discuss or engage in seeking solutions.

12.1 Producer Signed Petition of Support

Included in Appendix E are copies of the signed Producer Petitions by both finished veal producers as well as bob calf veal/dairy producers. The OVA has used all means of communications (mail, fax, email, trade shows) to obtain signatures for the petition. This extensive outreach to Ontario’s veal producers has resulted in a robust show of support by all veal producers.

The OVA believes that the petitions, as seen in Appendix E, bear witness to the fact that this support certainly exceeds the Commission’s minimum requirement of 15% of producer support for the proposal. Since there is no concrete number as to how many veal producers are actively producing veal in Ontario, the OVA feels very strongly that we have obtained well over the majority of dedicated veal producers representing approximately 85 to 90% of the total veal production supporting this proposal.

12.2 Letters of Support

Also included in Appendix D, are copies of letters of support that have been received by the OVA in response to its proposal. In particular, the OVA has kept in regular communications with the OCA as well as DFO regarding the specifics of the veal proposal.

Support letters have been received from the following organizations:

- Ontario Cattlemen’s Association
- Dairy Farmers of Ontario
- Ontario Independent Meat Processors
- Grober/Delft Blue
- Ontario Federation of Agriculture
- Christian Farmers Federation of Ontario
- Canadian Veal Association
- Quebec Grain-Fed Veal Farmers Association

The OVA had also distributed its proposal to the Ontario Livestock Market Association (OLAMA) and the Ontario Livestock Dealers Association (OLDA) but did not receive any response from these groups.

12.3 Concerns Expressed by Non-Supporters

It was difficult to collect and ascertain what the specific concerns producers or industry partners had regarding the OVA's proposal. Many have indicated that the Ontario veal industry "needs to be fixed" but when asked how this should take place they were not able to offer solutions.

There were a few industry partners (such as truckers or processors) who indicated that they did not support the OVA's proposal simply because they did not like any government regulation or "interference" in the marketplace. Again, these parties could give no specific concerns or alternative solutions.

Some processors and packers indicated that their support for the OVA's proposal was conditional upon the OVA obtaining a financial protection program for packers. This is clearly not within the scope or mandate of the OVA and therefore, the OVA does not believe that these are valid reasons for non-support.

Other processors believed that additional marketing fees would be put in place for veal, which would in turn drive up the cost for the product. This is not the case as the OVA is proposing to collect the current check-off already levied on veal calves by the OCA and not to duplicate or collect additional fees.

It is important to note that there has been very little opposition expressed by dairy farmers (who by definition are also veal farmers) to the OVA's proposal. Of the over 650 signed petition cards received back from the DFO mailing list of approximately 4,200 dairy farmers, there were only 2 cards returned with a "no". This would indicate the remaining ~3,600 dairy farmers are ambivalent towards this proposal in that they have not expressly opposed the concept. In fact, many dairy farmers have indicated to the OVA that they did not send back their cards because they thought "it was a done deal" already.

Similarly, it is important to note that the veal industry is also comprised of a significant Amish and Mennonite population. Our members from these groups have indicated their preference to not sign the petition or exercise a vote, not from lack of support but rather religious beliefs. Producers from this group have indicated their appreciation for the OVA's work and regularly attend industry meetings and workshops.

13.0 DEFINITIONS

Veal Calf:

A VEAL CALF is defined as a bovine animal raised for the intended production of veal meat, with a maximum hot carcass weight of 180 kgs (396 lbs) with the hide off. Included in this definition:

- Grain-fed veal calves are weaned from whole milk or milk replacer at about 6 weeks old and fed a grain based diet (usually whole corn) and concentrate until the calves reach market weights.
and/or
- Milk-fed calves are fed a milk based diet consisting of whole milk or milk replacer until calves reach market weights.
- Bob calves otherwise known as newborn dairy or dairy crossbred calves
- Precons or started calves otherwise known as calves who have been weaned from milk and started on a veal grower ration.

Definition of a Veal Producer:

A VEAL PRODUCER is actively engaged in the production of grain-fed and/or milk-fed veal calves in the province of Ontario. A VEAL PRODUCER owns the calves in question and is engaged in the management decisions and actual production of the calves. This may include:

- Raising a veal calf from a pre-weaned stage to a pre-conditioned (weaned) stage
- Raising the calf from a pre-conditioned stage to market weight
- Raising the calf from a pre-weaned stage to market weight

A VEAL PRODUCER can also be a person who is under contract to raise veal calves but they do not own the calves. This is referred to as a CONTRACTED VEAL PRODUCER and therefore do not hold any voting privileges.

14.0 SUMMARY

In summary, there has been an exhaustive amount of work conducted and compiled with respect to the OVA's pursuit of marketing board powers under the FPMA. Veal producers have clearly indicated that the current structure is not sufficient, efficient or representative of the Ontario veal industry.

Change is needed in order to continue the progressive momentum already established by the OVA. It is critically important to the organization, and as a result the many benefits that will accrue to veal producers, that Ontario Veal be able to identify all Ontario veal producers in order to build robust, comprehensive and responsive marketing board.

The OVA believes that its reputation of operating a representative association for the past twenty years should play a significant role in the assessment of this proposal, our ability to absorb the responsibilities of the new marketing board and to continue serving the Ontario veal industry. This is not a proposal for a new organization but rather a proposal for the next evolution or phase of Ontario Veal.