



February 19, 2021

Honourable Ernie Hardeman  
Minister of Agriculture, Food and Rural Affairs  
77 Grenville St., 11<sup>th</sup> Floor  
Toronto, ON M5S 1B3

Dear Minister Hardeman,

Re: Five-Year Review of the Ontario Feeder Cattle Loan Guarantee Program

The Ontario Feeder Cattle Loan Guarantee Program (OFCLGP) is an excellent program that helps to provide accessible, lost-cost financing to hundreds of feedlot producers across Ontario each year. BFO would like to thank you and your ministry colleagues for your continued support of this very worthwhile program. In November 2020, the OFCLGP reached its 30<sup>th</sup> anniversary since the first Order in Council was signed. Members have purchased over 2.2 million cattle since the beginning of the program, and the program has expanded from six Co-ops and a couple hundred members to 16 Co-ops providing accessible financing to close to 800 members.

As ministry and sector representatives begin to engage in discussions around potential program changes and improvements leading into the 5-year review, we ask that the following recommendations, which have been jointly developed and endorsed by the BFO Board of Directors and the Feeder Finance Executive Committee, be considered.

The items and proposals include:

- **Beneficial Ownership:** with respect to the legal, beneficial and/or equitable ownership of cattle, it's important that the financial interests of all members and Co-ops be protected. Based on the current ownership wording, there is concern that Canada Revenue Agency may interpret that a Co-op should claim the purchases and sales of cattle as income and expense. BFO recommends that OMAFRA seek a legal opinion on the tax implications for the beneficial ownership of cattle to confirm if a member should be considered the beneficial owner of purchased cattle.
- **Loan Limit:** the current loan limit of \$500,000 for both individuals and corporations has proven to be restrictive for many members given the current market prices for cattle, and the size of farm operations. To address this issue, BFO recommends that the loan limit per member be increased to \$1,000,000 and \$1,500,000 for individuals and corporations, respectively.
- **Number of Loans:** the number of loans a member is eligible to obtain has also proven to be restrictive for some members. Members are currently allowed to maintain up to four loans at one time. To provide additional flexibility BFO recommends that the number of loans per member be increased from four to 10.



- **Custom Feeding:** the program does not allow for a member of a Co-op to have his/her cattle custom fed by another member within a Co-op. Members have communicated that they would be more comfortable having a member within the same Co-op custom feed their cattle as they have an understanding of how the Co-op functions. The current provision restricts a Co-op's activity because there may not be another farmer in a particular area that can custom feed. To provide greater flexibility for the program, BFO recommends that the custom feeding provision be amended to allow for other members of a Co-op or a Corporation that a member holds shares of to feed for a Co-op member provided there is never more than 30% of the Co-op's business being fed by one custom feeder at the time of placement.
- **Eligibility to Join a Co-op:** to be eligible to join a Co-op, one needs to own or rent land in Ontario, but are not required to reside in Ontario. In the past, there have been applicants to a Co-op from out of the province or outside Canada who own or rent land in Ontario, which presents concerns. To allow for more certainty for program administrators and to provide a basis to deny applicants who do not reside in Ontario, BFO recommends that membership in a Co-op be restricted to only producers who reside in Ontario.
- **Memberships:** membership fees are collected on an annual basis. To reduce paperwork and streamline the membership approval and collection process, BFO recommends that an allowance be created to offer the option of a multi-year membership fee to a maximum of three years.
- **Identification:** Co-ops are interested in improving the process for tagging and identifying program cattle. Co-ops have been using the ear notching method for many years and would like to begin utilizing more modern, effective means of identification, such as RFID tags. To do so would require consent by the lenders, according to the current Order in Council. In light of this, BFO recommends that:
  1. changes be made to cattle identification requirements to allow Co-ops to utilize RFID tags or other new identification technology as it becomes available, and
  2. OMAFRA work with sector representatives to encourage lenders to allow other means of identification.
- **'State of Emergency' Clause:** the program allows members to receive loan extensions of up to 90 days. However, there may be instances in the future where emergency's that occur beyond a producer's control may limit their ability to ship cattle and payoff loans. The processing shutdowns and disruptions that have occurred during COVID-19 are a good example. As a result, BFO recommends that an emergency allowance provision be developed to allow for loan extensions beyond 90 days under extraordinary circumstances. BFO would be comfortable if this was left to the discretion of the Minister and/or Director responsible for the program.

Thank you for your consideration of our recommendations and for your continued support of the Ontario Feeder Cattle Loan Guarantee Program. We would be pleased to discuss these recommendations with you or your staff in further detail at your convenience.

Sincerely,



Rob Lipsett  
President

cc: Rob Lipsett, BFO President  
Don Badour, BFO Board of Director  
Cheryl Russwurm, Program Supervisor  
Ryan Puviraj, OMAFRA  
Marc LaBerge, OMAFRA

