

**FEEDER ASSOCIATIONS
IN ALBERTA**

**MANUAL OF
DIRECTIVES
AND
PROCEDURES**



Table of Contents

CHAPTER 1: GLOSSARY	1
1.1 Acronyms.....	1
1.2 Glossary.....	2
CHAPTER 2: GENERAL DISCLAIMER	5
CHAPTER 3: FEEDER ASSOCIATION STAFF	6
3.1 Board of Directors	6
3.1.1 Checklist for Directors	7
3.2 Local Supervisor	7
3.3 Administrator	8
3.4 Staff Compensation.....	9
3.5 Goods and Services Tax (GST)	9
3.6 Conflict of Interest.....	10
3.6.1 Conflict of Interest Guidelines	10
CHAPTER 4: RISK MANAGEMENT.....	12
4.1 Credit Worthiness	12
4.2 Approvals and Maximum Contract Limits	12
4.3 Confirm Feeder Member Eligibility (See Glossary: Feeder Member)	13
4.4 Location.....	13
4.5 Livestock Purchases (Board Policy)	13
4.6 Eligible Individuals (See Glossary: Feeder Member)	14
4.6.1 Required Forms	15
4.6.2 Securing a Priority Financial Interest in Livestock Supplied by the Association	17
4.7 Guaranteed Loans	18
4.7.1 Monetary Obligation	18
4.7.2 Use of Guaranteed Loan Proceeds	19
4.8 Approved Projects	19
4.9 Process for Application for Pilot Project.....	20
4.10 Prohibitions.....	20
4.11 Animal Welfare Guidelines for Local Feeder Associations	20
CHAPTER 5: REPORTS.....	22
5.1 Monthly Statement of Purchases.....	22
5.2 Monthly Bank Statements	22

5.3	Year End Summary	22
5.4	Overdue Accounts	22
5.5	Local Supervisor’s Report/Logbook	22
5.5.1	Local Supervisor’s Report to the Board	23
5.6	Motion Through the Board	23
5.7	Annual Return for Listing of Directors	23
5.8	Financial Statements (Annual)	24
5.8.1	Financial Statement - Requirements.....	24
5.9	Advances (Equity Loans)	25
5.10	Schedule of Required Reports	26
CHAPTER 6: ADMINISTRATION OF CONTRACTS.....		27
6.1	Contract Administration	27
6.1.1	Supply of Livestock	27
6.1.2	Supplying Livestock to the Member	28
6.1.3	Land Location.....	33
6.1.4	Security Deposit Requirements	33
6.1.5	Custom Feeders	34
6.1.6	Signing Documents.....	34
6.1.7	Co-Signature	35
6.1.8	Contracts	35
6.1.9	Indemnity.....	35
6.2	Contract Extensions	35
6.3	Contract Transaction Documentation	35
6.4	Managing Multiple Family or Group Account Situations	36
6.4.1	Separate Individual Accounts.....	36
6.4.2	Group Accounts	37
6.5	Investment Alternatives for Security Deposit Funds	38
6.5.1	Chequing Accounts	38
6.5.2	Saving Accounts	38
6.5.3	Term Deposits	39
6.5.4	Treasury Bills (T-Bills).....	39
6.5.5	Guaranteed Investment Certificates (GICs)	39
6.6	Selling Livestock or Livestock Products	39

6.6.1	Sales to Members	40
6.6.2	Sales to Others	41
6.6.3	Partial Sale Proceeds	41
6.7	Equity Loans or Advances	44
6.7.1	Process for Equity Loans or Advances	45
6.7.2	Equity Loan Promissory Note	46
6.8	Overdue Accounts	46
6.9	Shortfall Procedures	47
6.10	Income Tax - Members	48
6.11	Taxation - Associations	48
6.12	Feeder Associations and the <i>Personal Property Security Act</i> (PPSA)	48
6.13	<i>Livestock Identification and Commerce Act</i> AND <i>Livestock Identification and Commerce General Regulation</i>	49
CHAPTER 7: PROGRAMS FOR RISK MITIGATION		51
7.1	Livestock Indemnity	51
7.2	Livestock Indemnity Trust Program (LIT)	51
7.3	Forward Contracting	51
7.4	Livestock Price Insurance (LPI)	51
CHAPTER 8: SUPERVISION OF CONTRACTS		52
8.1	Branding, and RFID as Branding Alternative	52
8.1.1	Branding	52
8.1.2	Radio Frequency Identification (RFID)	52
8.2	Branding Before Paying	54
8.3	Branding at Livestock Markets	55
8.4	Brands: Location Versus Numbers	55
8.5	Alberta Livestock Manifest	55
8.6	Brand Releases	56
8.7	Selling Livestock through a Licensed Alberta Livestock Dealer or Transporting Livestock Out of the Province	56
8.8	Livestock Dealer Letter of Authorization: Notation of Change	57
8.9	Protocol for Sales through Licensed Alberta Livestock Dealers Acting as Seller's Agents	57
8.10	Custom Feedlots	62
8.11	Animal Keepers Act	63

8.12	Livestock Feeding Risks	63
8.13	Custom Feeding Agreements	63
8.14	Cow Contracts	63
8.15	Bred Heifers	64
8.16	Financing Members' Self Purchased Livestock	64
8.16.1	Procedure.....	65
8.17	Private Treaty Purchases.....	65
8.17.1	Procedure for Private Treaty Purchases	65
8.18	Feeder Lamb Contracts	66
8.18.1	Contracts for Feeder Lambs	66
8.18.2	Administration	66
8.18.3	Identification of Lambs	66
8.18.4	Self-Purchased Lambs.....	66
CHAPTER 9: ALBERTA AGRICULTURE AND IRRIGATION (AGI)		67
9.1	Government Involvement.....	67
9.2	Provincial Supervisor	67
9.3	Association Staff Approvals	69
9.4	Appointment of Local Employees by Provincial Supervisor	69
9.5	New Guarantee Requests	69
9.6	Increase in Existing Guarantee Requests	69
9.7	Processing New Guarantees / Lender Change	70
9.8	Processing Increases or Decreases	70
9.9	Inspections	71
9.10	Initial Steps – Process and Protocol for the AGI Feeder Inspector	71
9.11	Feeder Association Support Response Team	72
9.12	Feeder Association Guarantee Allocation Adjustment	73
CHAPTER 10: LENDER SECURITY AND IMPLEMENTATION OF LOAN GUARANTEE		75
10.1	Lenders Security.....	75
10.1.1	Identified Livestock.....	75
10.1.2	Assignment of Book Debt	75
10.1.3	Pooled Security Deposits	75
10.1.4	Government Loan Guarantee	76
10.1.5	Other.....	76

CHAPTER 11: FEEDER ASSOCIATIONS OF ALBERTA LIMITED (FAA)77
CHAPTER 12: FORMS78
CHAPTER 13: RELEVANT WEBSITES.....78

CHAPTER 1: GLOSSARY

1.1 Acronyms

AFSC: Agriculture Financial Services Corporation

AGI: Agriculture and Irrigation

AKA: *Animal Keepers Act*

ALPAP: All Present and After Acquired Personal Property

CRA: Canada Revenue Agency

EFT: Electronic Fund Transfer

FAA: Feeder Associations of Alberta Limited

FAGA: *Feeder Associations Guarantee Act*

FAGR: Feeder Associations Guarantee Regulation

FALGP: Feeder Associations Loan Guarantee Program

GoA: Government of Alberta

IIS: Inspection and Investigation Section

LFA: Local Feeder Association

LICA: *Livestock Identification and Commerce Act*

LIS: Livestock Identification Services Ltd.

LPI: Livestock Price Insurance also known as Western Livestock Price Insurance

LSF: Livestock Supply Form

PIPA: Personal Information and Privacy Agreement

PPR: Personal Property Registry

TBF: Treasury Board and Minister of Finance

1.2 Glossary

Administrator: An administrator for a local feeder association appointed under Section 8 of FAGR and duties described in Section 3.3 of the Feeder Associations in Alberta Manual of Directives and Procedures.

Arm's Length: Unrelated person or entity; a transaction that has no conflict of interests of any kind.

Alberta Livestock Manifest: Formerly known as Manifest; pursuant to Section 1(2)(c) of the Livestock Identification and Commerce General Regulation.

Bonding: See Security.

Clear Title: No liens or encumbrances, or if so, the security has interest been released (as searched under Personal Property Registry and the *Bank Act*). See Section 8.16 and 8.17 of Feeder Associations in Alberta Manual of Directives and Procedures.

Common Due Date: Two or more feeder association members that have the same due date and livestock are managed as a group/family account.

Contract: All LSF that have the same due date and identification (for a member).

Corporation: A corporation that is:

- registered in Alberta, and
- owns or leases a farm in Alberta at which the Corporation directly carries on the business of farming for gain or reward; and cannot be in a partnership or joint venture.

Director:

- i. a member of the board of directors of a cooperative by whatever name the director or board is called
- ii. the Director of Cooperatives appointed under the *Cooperatives Act*
- iii. the Director of Animal Health and Assurance Branch

Due Date: In respect of a LSF, the date by which the livestock covered by that LSF must, in accordance with the terms of the LSF, be sold by the feeder on behalf of the feeder association.

Family Contract: Two or more feeder association members related by blood or marriage whose contracts have the same identification and due date.

Feeder Member: Section 11 of the FAGR requires individual members to be 18 years of age or older and to own or lease land in Alberta on which they directly carry on the business of farming for gain or reward; or is an active shareholder of a corporation, an active member of a partnership or joint venture that conducts farming for gain or reward.

Additional Eligibility Requirements:

1. Lease of Land

- Individual feeder association members must lease a specific piece of land for the purpose of directly carrying on the business of farming.
 - rent must be paid for the lease
 - paying a feedlot to house livestock is fee for service, not a lease
 - the land must be directly used by the individual for the business of farming and cannot be subleased
- The feeder association is responsible for verifying the information provided in advance of approving membership.

2. Directly Carries on the Business of Farming for Gain or Reward

- Individual feeder members must be directly engaged in farming activities for the purpose of earning profit.
 - This includes physical work and/or management responsibilities related to livestock production
 - The member must have a goal of earning a profit, not merely a wage or service fee
 - Members must exercise decision-making authority over livestock care, purchasing, sales, and placement
 - Employees of feeder members or service providers (e.g., accountants, lawyers) do not qualify unless they independently meet eligibility criteria
- CRA T2042 Statement of Farming Activities form may be submitted to verify active engagement in farming. LFAs may also use this to assess financial risk and loan capacity.
- Other CRA forms or documents may be required to verify farming such as land titles, lease agreements or MD maps. A T1163 Ag Stability Form may be required.
- T2042 is part of the T1 individual tax return.
- T2 tax return for a corporation may require related schedules or documents to verify farming activities.
- All related schedules pertaining to the T1 and T2 may be required.
- A Notice of Assessment may be required for proof of tax filing.

Feeder Association also known as Local Feeder Association or Association: An association that enters into agreements with its members for the members to grow, finish or otherwise deal with livestock or livestock products owned by the feeder association.

Group Accounts: (common identification, common due dates). All security deposits should be allocated to the overdue account of any member of the group.

Guarantee: A guarantee given under the FAGA.

Guaranteed Loan: A loan to a feeder association in respect of which a guarantee is given.

Joint Venture: Is a business agreement in which two or more parties join for the common purpose of feeding cattle within the feeder association program.

In-Camera: Describes closed board meetings that cover information not recorded in the minutes or divulged to the public. Such sessions may discuss personnel, financial, or other sensitive decisions that must be kept secret. No staff are present for an in-camera session.

Lender: A person who makes loans to a feeder association.

Livestock: Cattle and feeder lambs.

Livestock Inspector: LIS Inspector formerly known as Brand Inspector; under section 77(1) of the LICA.

Livestock Supply Form (LSF): The LSF set out in the Schedule.

Local Board: Elected representatives of the local feeder association.

Local Supervisor: A local supervisor appointed under Section 8 of the FAGR and duties are described in Section 3.2 of the Feeder Associations in Alberta Manual of Directives and Procedures.

Management Group: Local board, provincial board, or sector head.

Manifest: See *Alberta Livestock Manifest*

Multi-Contract: Where more than one feeder association member's livestock are located in the same physical location.

Multiple Contract: Where a member has more than one due date with separately identifiable livestock.

Partnership: The relationship that subsists between persons carrying on a business in common with a view to profit.

Provincial Supervisor: An employee from AGI, who is designated by the Minister as the Feeder Associations' Provincial Supervisor pursuant to section 2(1) of the FAGR.

Rolling a Contract: Initiating a new contract with a new due date and including shortfalls or losses of a previous contract or removal of equity.

Security: Ministerial approved funds that are available to cover malfeasance of specific acts by signing authorities. Security can also be used to cover overdue accounts. See section 6.8 and 6.9 of the Feeder Associations in Alberta Manual of Directives and Procedures.

Supply Period: A period of time during which livestock are supplied under one or more LSFs that specify the same due date.

CHAPTER 2: GENERAL DISCLAIMER

This publication is intended to provide general information on the FALGP only, does not constitute legal advice, and should not be relied upon in place of legal advice or as the sole source of information relating to its content.

Users are urged to consult the appropriate legislation or contact a lawyer for legal advice. None of the information contained in this publication amends or supersedes any statute or regulation. No warranty, either express or implied, is made with respect to the information contained herein and the GoA, its officials and employees are not responsible for loss, cost or inconvenience of any kind arising out of the use of the information contained in this publication.

CHAPTER 3: FEEDER ASSOCIATION STAFF

3.1 Board of Directors

The board of directors of a feeder association directs the activities of the cooperative according to the [Feeder Associations Guarantee Act](#) and [Feeder Associations Guarantee Regulation](#), the [Cooperatives Act](#) and [Cooperatives Regulation](#).

Although the main functions of a board of directors are to set policy and advise management, the board is ultimately responsible for all decisions and actions of a cooperative.

Directors (minimum three, or as set out in local by-laws) are elected at annual meetings for a three-year term with one third of the directors being elected each year or as set out in the *Cooperatives Act*.

The main responsibilities of directors are:

- a. Set and run the annual meeting
- b. Elect a chairman, vice-chairman, and appoint an administrator and a local supervisor
- c. Set policy related to:
 - membership approvals
 - loan limits
 - financial management
 - staff duties and remuneration
- d. Review all applications for membership. Directors must approve or reject members. (**This function must not be delegated to staff.**)
- e. Meet a minimum of four times annually to conduct affairs of the association according to the *Cooperatives Act*, the FAGA and the association's own by-laws. For larger associations monthly meetings are advised. It is recommended an in-camera session should follow each meeting of the board.
- f. Delegate responsibilities for:
 - maintaining financial records
 - day-to-day business transactions
 - signing authorities
- g. Use authority only within a properly convened board meeting and not as individuals.
- h. Act in a position of trust, good faith, loyalty, and in a reasonable manner.
- i. Not act on privileged information for personal gain.
- j. Reveal any conflict of interest relative to situations presented to the board.
- k. Make decisions as a board relative to staffing prior to starting a new fiscal year. Decisions should be reported to the membership at annual meetings; however, a vote on staffing should not be heard at annual meetings.
- l. Members can make motions of recommendations to the board relative to staff, but they cannot hire or fire staff.
- m. Directors' positions are volunteers and as such, payment of fees is not appropriate. However, an honorarium or payment of expenses related to meeting (e.g. mileage) may be provided.
- n. Communicate in a positive manner between the chairman, local supervisor and administrator.

3.1.1 Checklist for Directors

- a. Understand your responsibilities before agreeing to become a board member.
- b. Be familiar with the FAGA and FAGR, and the *Cooperatives Act* and Cooperatives Regulation.
- c. Be familiar with the associations by-laws and ensure that the by-laws are up to date and filed as per the *Cooperatives Act*.
- d. Require that clear minutes be kept of all meetings. Minutes should be signed by the local chairman and copies circulated to each director following the meeting.
- e. Although staff carries out most day-to-day activities, the board is ultimately responsible for all association activities.
- f. Attend meetings regularly; exercise your right to express your opinion.
- g. Declare any potential for conflict of interest relative to situations presented to the board.
- h. Ensure that all staff are adequately trained, clear job descriptions and staff employment contracts are reviewed and evaluated annually.
- i. Ensure that there are correct procedures in place for disbursement or receipt of funds.
- j. Ensure that regular evaluations of the association's activities take place. At each board meeting, staff must provide at least the following:
 - latest bank statement
 - a current financial statement
 - all purchases and sales since the last meeting
 - a list of upcoming or overdue accounts
 - a written report from the local supervisor detailing association activities since the last meeting
- k. Association loan guarantee amounts hinges on fiduciary responsibility being understood (as provided by governance training) and maintained by the board.
- l. Ensure that all feeder members qualify for a feeder association guarantee loan pursuant to Section 11 of the FAGR.

3.2 Local Supervisor

The local supervisor is responsible directly to the board of directors and must fulfill requirements of the FAGA. Although local supervisors are appointed by the board, their appointment must be approved by the Provincial Supervisor and they must be bonded, or have in place, a security as approved by the Provincial Supervisor, if they have signing authority.

Main Duties Are:

- a. Administering contracts to members according to the FAGR and ensure the feeder member is following the Feeder Associations in Alberta Manual of Directives and Procedures.
- b. Administering association by-laws and directives/procedures.
- c. Verifying that all livestock are accounted for, properly identified, and facilities are adequate.
- d. Verifying the number of livestock purchased matches the number of livestock on site and what is stated on the LSF.
- e. Local supervisors should make more than one visit to the feeder member or feeding location during the contract period and record details in the local supervisor's logbook specific to member(s) involved.

- f. Documenting any information as required in the local supervisor's written report that is to be submitted at the next board meeting and in urgent situations, immediately.
- g. Maintaining a written logbook and submit written local supervisor's reports at board meetings.
- h. Written reports to the board must include:
 - livestock bought and sold
 - dead livestock
 - inspections
 - concerns raised by membership
 - problem areas/situations
- i. Verifying death losses in accordance with Livestock Indemnity Program, if applicable.
- j. Participating in discussions with members relative to board directives/procedures, FAGR and the Feeder Associations in Alberta Manual of Directives and Procedures.
- k. Investigating member concerns or problem situations.
- l. Recording daily activities in the logbook to be available to the local board upon request.
- m. Communicating in a positive manner with the administrator on all issues pertaining to the association.
- n. Reviewing and approving any sale or purchase by a feeder member that is not done in a common market price discovery mechanism (livestock market).
- o. Attending board meetings and discussing directives and procedures as well as problem situations.
- p. A copy of the logbook should be on file at the end of the contract.
- q. Advising the feeder association, if in their opinion, the feeder member cannot be adequately supervised, or the feeder member does not have suitable feed and facilities for livestock.
- r. Ensuring any heifer bred on pasture is sold **prior to January 5th** of the following year.

3.3 Administrator

The administrator with a feeder association is appointed by, and reports to, the board of directors. The Provincial Supervisor must approve the appointment. An administrator must have signing authority and therefore must be bonded, or have in place, a security as approved by the Provincial Supervisor.

Main Duties Are:

- a. Administering contracts to members according to the FAGR and the Feeder Associations in Alberta Manual of Directives and Procedures.
- b. Maintaining financial records and controlling bank accounts, member contracts, security deposits, payments, and receipts.
- c. Administering association by-laws and directives/procedures.
- d. Preparing regular reports for the Provincial Supervisor and the local board (monthly purchases, bank statements, equity loans and annual reports). See chapter five in the Feeder Associations in Alberta Manual of Directives and Procedures for reports.
- e. Preparing other reports as required by the local board and the Provincial Supervisor.
- f. Processing LSFs.
- g. Attending director's meetings and keeping minutes, processing correspondence, and other related duties.

- h. Maintaining computer records as required.
- i. Preparing reports as required by the *Cooperatives Act*.
- j. Assisting the auditor in preparing the annual financial statement.
- k. Communicating in a positive manner with the local supervisor on all issues pertaining to the association.
- l. Primary contact for association business.
- m. Maintaining and controlling association files.
- n. Presenting risk mitigation programs available to members when they purchase livestock through their association.
- o. Other duties as prescribed by the board.

Administrators should have a complete and solid understanding of FAGA, FAGR, the Alberta Feeder Association Member Agreement and the Feeder Associations in Alberta Manual of Directives and Procedures.

3.4 Staff Compensation

A great deal of variation exists in the methods and amounts that boards compensate administrators and local supervisors. Examples of compensation levels for livestock, feeder associations follow:

- amount per head charge
- percentage of the contract amount, ranging from 0.79% to 1.75% with the average being 1%

In addition, some boards also pay mileage and office expenses.

On average, boards of feeder associations pay their administrators 0.5% of contracts or 50% of per head charges plus direct related office expenses (e.g. rent, telephone, supplies). This amount may be higher depending on the responsibilities assigned, the duties performed, and the competency of the individual. For example, a professional who has the responsibility in conducting the association affairs (invests security funds, negotiates bank rates, collects bad debts) may require a higher fee. This is justified because members' equities are more secure due to less conflict of interest, better records, lower audit costs, and fewer problems.

On the other hand, fees may be lower for administrators who facilitate transactions and maintain records but have a limited role in overall management.

Staff appointments and compensation are the responsibility of the board of directors and not the general membership. The local supervisor and administrator must be approved by the Provincial Supervisor under Section 8 of the FAGR.

Written staff contracts which include a job description and financial compensation are strongly recommended. These should be reviewed by the board of directors on an annual basis.

3.5 Goods and Services Tax (GST)

Employees who receive T4s from the association are not required (or eligible) to register for GST regardless of their tax earnings.

Sub-contractors of the association are required by law to register for GST when their gross earnings exceed \$30,000. They are required to collect the applicable GST on their gross earnings and remit to Revenue Canada on a timely basis.

It is the responsibility of the sub-contractor to monitor their earnings and bill for GST (if registered). The association must have GST numbers of all sub-contractors who collect GST from them.

[Canada Revenue Agency's](#) (CRA) website has all necessary information and forms required for GST registration.

3.6 Conflict of Interest

Conflicts of interest can create problems for associations due to a reduction in control over financial transactions. This may occur when the directors, administrator or local supervisors are not operating at arm's length, either with themselves or members. The potential for fraudulent activity increases as controls are lessened. It is proper business practice to address and manage conflict of interest situations.

When staff changes are made, boards should attempt to avoid conflict of interest situations, such as those outlined in the conflict of interest guidelines listed below. All appointments of administrator and local supervisor are subject to the approval of the Provincial Supervisor.

Where conflicts of interest currently exist in an association, the situation can be managed by introducing appropriate procedures to ensure proper financial control. Board members who have a conflict of interest should leave the meeting and avoid participating in discussions and motions in areas where the conflict exists. If the chairman has a significant conflict of interest, the board should elect a new chairman; however, the chairman who has a conflict can appropriately remain on the board as a director. The important point is that the conflict of interest be identified and managed.

The *Cooperatives Act* and Cooperatives Regulation will supersede association by-laws on the procedure and authority to remove directors from a feeder association board (see Section 66 of the *Cooperatives Act*). Section 3.5 of the FAA by-laws outlines the procedure to remove a director from a board.

3.6.1 Conflict of Interest Guidelines

The following recommendations should be considered when electing board members or hiring new staff. In addition, boards that have a conflict of interest situation should discuss with their Provincial Inspector or Provincial Supervisor whether further procedures are required to manage the conflict.

In General:

- a. Individuals and their spouses whose livelihood depend in part upon the sale of goods and services to feeder association members should not hold staff or executive positions. Examples include livestock dealers, custom feeders and management staff.
- b. Board members and/or their spouses must not hold the position of administrator or local supervisor in the same association. Note: AGI and FAA understand that there will be occasion where the position of local supervisor or administrator will have a vacancy of a paid employee. In those circumstances, the local board may request, in writing, authority of the Provincial Supervisor to allow board members to fulfill these roles on a short-term basis. The

Provincial Supervisor may approve this on a short-term basis if the local board has a written conflict of interest guideline to ensure all LSFs are supervised at arm's length.

- c. All appointments of staff are subject to prior approval of the Provincial Supervisor.
- d. An individual must not be both the local supervisor and administrator.
- e. The local supervisor and administrator must not be husband and wife, living common-law, or cohabitating partners. Extenuating circumstances can be reviewed by Provincial Supervisor.
- f. Association offices should not be located at a livestock market or share offices with other feeder financing operations. Extenuating circumstances can be reviewed by Provincial Supervisor.
- g. Should an administrator or local supervisor have contracts with the association, the staff member's contract and certification of livestock inspection for purchase and branding must be completed and signed by a staff or board member, who do not have a conflict of interest.
- h. All board and staff contracts will be inspected by GoA staff during annual inspections.
- i. Board members cannot sign for direct family members and must alternatively be signed by an arm's length board member, unless it is a corporation.
- j. Any sale or purchase by a feeder member that is not in a common market price discovery mechanism must be reviewed and approved by the local supervisor.
- k. All existing staffing situations can be grand-fathered recognizing there is risk, and it must be managed. All new appointments will follow conflict of interest guidelines as indicated in the Feeder Associations in Alberta Manual of Directives and Procedures.
- l. Board members must review and sign off on the financial statements.
- m. Chairman/president/directors and executive must be supervised by the same rules as non-executive feeders i.e. the same as non-board/staff members.
- n. The value of contracts by the association staff and board of directors and their related parties (as family or contracts they influence) should be identified as per Section 5.8.1 in the Feeder Associations in Alberta Manual of Directives and Procedures under financial statement requirements.
- o. Economic dependence percentage (the degree to which the operations of the associations are reliant on the board of directors and staff) should be identified as per Section 5.8.1 in the Feeder Associations in Alberta Manual of Directives and Procedures under financial statement requirements.

CHAPTER 4: RISK MANAGEMENT

The associations are required to comply to the FAGA, FAGR, the *Cooperatives Act* and Regulation as well as local association bylaws. The Feeder Associations in Alberta Manual of Directives and Procedures is intended as a supporting guideline to ensure proper business practices. However, boards may set more restrictive directives and procedures than outlined in this manual.

4.1 Credit Worthiness

Feeder member applicants who are having financial difficulty may be acceptable as members provided the board is confident that the proposed member is responsible, has sufficient farm management skills, and the facilities to properly care for the livestock and control finances.

The board should ensure that the member has a feed arrangement in place and the facilities to handle the proposed number of livestock. It is also important to be aware of what other financial obligations are held by the member. This is relative to limits of the facility and to operating credit requirements; but most importantly, to ensure that there is no competing security interests in the livestock financed. Members must have proven farm management ability and should have demonstrated the ability to handle the number of livestock proposed.

- Use local credit references.
- Include an information release in the new membership application allowing the present feeder association to communicate with the previous feeder association on member standing as per [Protection of Privacy Act \(POPA\)](#) requirements.
- A credit history may not be as important as a board knowing the current situation. Good credit history can still lead to trouble. The board's awareness and understanding of each member's situation is critical.
- Complete PPSA and bank searches. See section 6.12 in the Feeder Associations in Alberta Manual of Directives and Procedures.

4.2 Approvals and Maximum Contract Limits

Purchase limits for livestock are legislated in the FAGR, current loan limits are located in the FAGR. This does not include advances. The maximum contract length is up to one year and starts from the date the member signs their first LSF. Maximum monetary obligations are covered in Section 31 of the FAGR.

- Any increase in the members' contract limit must be with board approval and passed by motion at a board meeting.
- The maximum amount that a feeder member may owe at any time for livestock supplied by the feeder association determined by the FAGR.
- Boards may set contract limits lower than allowed for in the FAGR.
- Boards may also limit the contract amount/livestock in any one location.
- Proper care, supervision, and due diligence must be exercised in multiple account situations where family members have contracts.

The following are examples of questions the board should ask:

- Does the member qualify for a guaranteed loan under Section 11 FAGR?
- Does the member have the financial strength to handle a loss on the livestock?
 - Is there a marketing plan in place?
 - Is the member providing their own security deposit?
 - Who will be receiving the profit or gain on the contract?
 - Does the member have some type of security that would help mitigate any losses per head (land, equipment, bonds, GIC etc.)

4.3 Confirm Feeder Member Eligibility (See Glossary: Feeder Member)

Boards should not accept, as members, individuals with no experience or involvement with farming. Additionally, feeder associations should not sign up relatives, friends, or investors solely to expand the loan base, and boards and their staff should neither condone nor encourage this practice.

Employees of members are excluded unless they meet membership requirements and are not receiving membership, an extension of credit from their employer, or as a benefit package.

A feedlot agreement “in itself” does not constitute owning or leasing land, nor does it constitute active farming. Feeder membership is defined in Section 11 FAGR.

4.4 Location

Although there are no formal boundaries for a feeder association, boards should take into consideration applications for membership from producers who live outside of the district or keep livestock too far away to be properly supervised. The livestock must remain at a permitted location in Alberta.

Permitted location for livestock is stated in Section 6(1)(b) of the Alberta Feeder Association Member Agreement and must be in Alberta. This location is to be completed on the Alberta Feeder Association LSF; Section 6.

Feeder association livestock are not permitted to leave Alberta for out of province grazing.

Livestock destined for slaughter are permitted to leave Alberta provided the LIS Feeder Association Livestock Permit Authorization for out of province slaughter is completed and a Livestock Inspector has inspected the livestock.

4.5 Livestock Purchases (Board Policy)

Boards should have a policy regarding the type and weight of the livestock that members may purchase, questionable livestock should not be contracted with the association.

The board should also review price caps or formulas for livestock on a regular basis if they are used.

4.6 Eligible Individuals (See Glossary: Feeder Member)

A feeder association may accept only the following as feeder members pursuant to Section 11 FAGR:

- a. An individual, who is 18 years of age or older and who
 - (i) owns or leases a farm in Alberta on which the individual directly carries on the business of farming for gain or reward, or
 - (ii) is an active shareholder of a corporation referred to in clause (b) or an active member of a partnership or joint venture referred to in clause (c)
- b. A corporation
 - (i) that is Registered in Alberta, and
 - (ii) that owns or leases a farm in Alberta on which one or more of the active shareholders of the corporation directly carry on the business of farming on behalf of and for the gain or reward of the corporation
 - (iii) a corporate registry search must be completed to identify eligible shareholders for membership
- c. A partnership or joint venture whose partners or members own or lease land Alberta on which one or more active members of the partnership or joint venture directly carry on the business of farming for gain or reward of the partners or members

Joint Ventures vs. Partnerships

- the main difference between a joint venture and a partnership is the members of a joint venture have teamed together for a particular purpose or project, while the members of a partnership have joined together to run *a business in common*
- each member of the joint venture retains ownership of his or her own property
- each member of the joint venture shares only the expenses of the project or venture

A feeder member shall not be a member of more than one feeder association at a time unless otherwise authorized in writing by the Provincial Supervisor per Section 11(4) FAGR.

Every person shall, before entering into a member agreement with a feeder association, disclose in writing:

- a. any membership that the person holds in other feeder associations
- b. any interest that the person has in a corporation, partnership or joint venture that holds a membership in that or any other feeder association, and
- c. any other corporations, joint ventures, partnerships, or personal name variations the person does business as

Membership in a local feeder association is a privilege, not a right. Boards can reject applicants without having to provide a reason. If the applicant appears uncooperative or has a reputation of being unreasonable to deal with, may not be an asset to the rest of the members of the co-operative. Boards and staff are expected to practice prudent business management practices.

4.6.1 Required Forms

New and existing members who have not already completed the Membership Information, Alberta Feeder Association Member Agreement and Personal Information and Privacy Agreement (PIPA) forms must do so in full. These documents are reviewed and information confirmed and/or clarified by the association to participate in the FALGP. The documents will be retained in the member's file.

These forms typically need to be completed only once and remain valid for the duration of the member's membership, unless changes are required in how the member conducts business with the association, the member's current situation, or updates in Government Acts and Regulations. The FAGR allows for several types of memberships.

All feeder members must qualify under Section 11 FAGR.

All forms are located on the FAA website: Programs → Feeder Loan Guarantee Program → Downloads.

The FAA offers several programs, however, only the FALGP applies to the feeder associations delivered by the GoA under the FAGA and the FAGR.

UNDERSTANDING FORMS: READ FORMS TO UNDERSTAND WHAT THE FORM IS STATING AND WHAT IT MEANS. SEEK CLARIFICATION FROM A PROVINCIAL INSPECTOR OR PROVINCIAL SUPERVISOR IF REQUIRED.

4.6.1.1 Individual Feeder Member (See Glossary: Feeder Member)

Once the local feeder board has approved a new feeder member and documented the approval in the board minutes, the following forms must be completed as part of the application process:

- Membership Information Form 1A for Individuals
- Personal information and Privacy Agreement (PIPA)
- Alberta Feeder Association Member Agreement (once this is signed the person is now a feeder member).

Complete full legal names are required on all forms. Once the forms are completed and confirmed as accurate, the administrator completes a Service Request. This request outlines the available checks for a fee, including Personal Property Registry (PPR Searches and Registrations), PPR Discharge or an Equifax credit check. When the necessary information and checks are completed, the member is eligible to purchase livestock through the association under the FAGR.

4.6.1.2 Partnerships and Joint Ventures Members (See Glossary: Feeder Member)

Section 11 FAGR requires members in a partnership or a joint venture to be 18 years of age or older, own or lease land in Alberta on which one or more active members of the partnership or joint venture directly carry on the business of farming on behalf of and for the gain or reward of the partners or members.

Once the local feeder association board has approved a new feeder partnership or joint venture and documented the approval in the board minutes, the following forms must be completed as part of the application process:

- Membership Information Form 1B for Partnerships and Joint Ventures
- Personal information and Privacy Agreement (PIPA)
- Alberta Feeder Association Member Agreement (once this is signed the person is now a feeder member).
- Power of Attorney (as required)

Complete full legal names are required on all forms. Full names and signatures of all persons involved in the partnership or joint venture are required on the Alberta Feeder Association Member Agreement form even if they have delegated a representative by Power of Attorney.

Once the forms are completed and confirmed as accurate, the administrator completes a Service Request. This request outlines the available checks for a fee, including Personal Property Registry (PPR Searches and Registrations), PPR Discharge or an Equifax credit check. When the necessary information and checks are completed, the member is eligible to purchase livestock through the association under the FAGR.

The partnership or joint venture may also designate one or more authorized representative(s) to carry out the day-to-day business with the association including signing documents and conveying decisions of the partnership or joint venture. The designation is made by completing the Power of Attorney.

4.6.1.3 Corporations (See Glossary: Feeder Member)

Section 11 FAGR requires a corporation to be registered in Alberta and owns or leases land in Alberta on which one or more active shareholders of the corporation directly carry on the business of farming on behalf of and for the gain or reward of the corporation.

Once the local feeder board has approved a new corporation and documented the approval in the board minutes, the following forms must be completed/received as part of the application process:

- Membership Information Form 1B for Corporations
- Personal information and Privacy Agreement (PIPA)
- Alberta Feeder Association Member Agreement (once this is signed the person is now a feeder member)
- Guarantee for individuals in a corporation and Certificate of Notary Public
- Certificate of Incorporation
- Resolution of the board of directors

Complete full legal names are required on all forms. Full names and signatures of all persons involved in the corporation are required on the Alberta Feeder Association Member Agreement form even if they have delegated a representative by Power of Attorney.

Once the forms are completed and confirmed as accurate, the administrator completes a Service Request. This request outlines the available checks for a fee, including Personal Property Registry (PPR Registration), PPR Discharge or an Equifax credit check. The service request should be completed for the company name as well as all the shareholders. When the necessary information and checks are completed, the member is eligible to purchase livestock through the association under the FAGR.

Complete the **Shareholder Guarantee** (FAA website under Programs → Feeder Loan Guarantee Program → Downloads) to ensure all individual shareholders are responsible for the actions and liabilities of the corporation. Instruct the directors or the corporation's representatives that it is their responsibility to ensure every shareholder in the corporation completes and signs one of the guarantees and has the Certificate of Notary Public completed and signed. An association cannot do business with a corporation until all shareholders have provided a Guarantee. Check the director signatures against the list of directors from the corporate search as **all directors of the corporation must sign**.

Resolution of the Board of Directors form (FAA website under Programs → Feeder Loan Guarantee Program → Downloads) is a designation for one or more people to carry out the business of the corporation and have signing authority. **All directors of the corporation must sign**.

4.6.2 Securing a Priority Financial Interest in Livestock Supplied by the Association

The association's member deposits and government guarantees are all at risk if the association has not secured a priority financial interest in the livestock they supply to their members. Disputes over financial interests often lead to court proceedings, which can be time consuming and expensive.

It is important to realize that the feeder association's registered brand and approved RFID provides identification of ownership when properly used and paper trails are maintained. However, ownership is not the same as priority financial interest.

4.6.2.1 Registering and Financial Interest

The Personal Property Registry is a data base established under the [Personal Property Security Act](#) of Alberta. This Act and Registry provide a method for orderly registration of financial security interests for lenders. The official term for a registered financial security interest is PPSA Security Agreement. Registrations of financial security interest in the registry are public information and are intended to protect lenders when they provide financing to a wide variety of individuals and businesses in Alberta. Use Financing statement to register a PPSA Security Agreement through the registry office, or a service request form to register through the FAA office. Priority of registered financial interests are based on chronological order of filing.

4.6.2.2 Obtaining Priority over Competing Financial Interests

Registering a PPSA Security Agreement for feeder association branded livestock still leaves the door open to potential disputes over proceeds of sale. There may also be a registered financial interest in other feeder livestock on the farm, which may complicate the settlement of sales proceeds. This can be mitigated with the following steps:

Step 1: Conduct a search for any competing security agreements for livestock that may be registered on the member. This may be done by using a private registry service provider or by submitting a service request through the FAA. A search of the Alberta [Personal Property Registry](#) (PPR) will indicate whether a security agreement has been registered on the member. A search of the [Bank Act Security Registry](#) is also recommended where corporations or partnerships are involved or if the member indicates they have given security under the [Bank Act](#).

Step 2: Carefully review the search result report to determine whether livestock have been named as collateral for any security agreements. Livestock may be specifically described as collateral for the agreement but would also be included in the statement “all present and after acquired property”.

Step 3: If there are no security agreements naming livestock as collateral, the association’s registered security agreement will have priority. If the association doesn’t release the registration, or let it lapse, it will have priority over any registrations that occur after theirs. Nothing further is required.

Step 4: If security agreements naming livestock as collateral are detected, each identified hold of security interest (lender) holding a current security agreement must be contacted and asked to sign a Feeder Association Priority Agreement. The lender’s address will be on the search result as per the Secured Party. The priority agreement only asks the lender to give priority to the feeder association for feeder association branded livestock and related sale proceeds and deposits (see Priority Agreement). The member can take a copy of the priority agreement to their lender and request signature. This is the quickest and easiest way to accomplish priority over feeder association livestock supplied to the member. Alternatively, the administrator may go directly to step 5.

Once all identified holders of a security interest (lenders), the member and the association have signed a priority agreement, the association will have a priority security agreement for all association branded livestock supplied to the member. Nothing further is required. If the lender will not sign the priority agreement proceed to step 5.

Step 5: If the lender will not sign the priority agreement, a priority security position for the registered security agreement can be obtained by sending the lender (by registered mail) the “Subordination Package”. The Subordination Package consists of the Subordination Letter the Feeder Association Priority Agreement and the Notice of Purchase-Money Security Interest in Inventory (PMSI). Upon reading the “Subordination Package”, the lender may have a change of mind and return a signed Priority Agreement. If not, as the Subordination Letter describes, the lender will have been served the Notice of Purchase-Money Security Interest in Inventory. Either way, nothing further is required.

Private Treaty purchase and Self Purchases are purchases outside a licensed Alberta livestock dealer therefore they require a search to be completed. Conduct a search for any competing security agreements for livestock that may be registered on the seller of the livestock. Should a security agreement be detected then a Feeder Association Security Interest waiver must be completed.

4.7 Guaranteed Loans

4.7.1 Monetary Obligation

Total monetary obligations are subject to ministerial approval and subject to change. Section 31 of the FAGR will provide the current monetary obligation limits excluding advances. It is important to

note that the current monetary obligation limit is the same for an individual, joint membership, corporation, partnership or joint venture, is not cumulative to all individuals involved.

NOTE: A member's total monetary obligation across all combined entities in which they hold membership as per Section 31 FAGR. However, regardless of how the obligation is distributed, a member cannot exceed the specified total maximum monetary obligation outlined in Section 31 FAGR, excluding advances.

4.7.2 Use of Guaranteed Loan Proceeds

No feeder association shall use any portion of proceeds of a guaranteed loan for a purpose other than:

- a. the purchase of livestock for supply to its feeder members for growing or finishing or both
- b. giving equity loans/advances
- c. funding or participating in projects approved under Section 12 and 13 FAGR
- d. the purchase price of insurance in respect to livestock referred to in clause (a) from the AFSC established by the *Agriculture Financial Services Act*. This purchase protects both the member and the feeder association. A separate LSF can be completed for the LPI or the indemnity trust, or
- e. paying administrative costs, if any, associated with a purpose described in clause (a), (b) or (c)
- f. the purchase of production animal medicines and/or vaccines for use in association livestock.
 - the Member must make this request at the time of the initial purchase of livestock and
 - the maximum amount of up to \$40 per animal may be added to the original LSF under the heading Other Costs
 - this drug funding will be reimbursed on paid invoices only, provided by the member and cannot exceed \$40 per head
 - paid invoices must be attached to the pertinent supply form as proof of purchase

4.8 Approved Projects

The Minister may, if authorized by an order under section 2(1) of the FAGA, guarantee a loan made to a feeder association for the purpose of funding or participating in a project approved by order under subsection 2(2)(b) of the FAGA.

Section 12 and 13 FAGR allow the Minister of Agriculture and Irrigation to approve projects for research and development activities aimed at increasing the profitability of feeder associations and their members, including, without limitation, projects for developing or testing procedures respecting:

- the feeding of livestock
- the transportation, processing, or marketing of livestock or livestock products
- the storage of livestock products or
- the provision of equity loans

An order under Section 12 FAGR may include any other terms and conditions the Minister of Agriculture and Irrigation considers appropriate. A consultation with the FAA and a letter of support is required. Approved pilot projects will require livestock price insurance as a risk mitigation tool, if applicable.

4.9 Process for Application for Pilot Project

Any group that wishes to apply for a pilot project must do so in writing to the Provincial Supervisor.

Considerations:

- a. Details of the pilot project
- b. Business Plan, including
 - Identity of group / association
 - Cost
 - Partnerships
 - Grants from other agencies
 - Legal representation
 - Consultants
 - Start to completion time frame
 - Location(s)
- c. Lender / Financier
 - Letter of support and written conditions. i.e. guarantee amounts
- d. Consultation with the FAA

4.10 Prohibitions

Feeder associations WILL NOT:

- a. Purchase livestock on behalf of a member or give an equity loan to a member who is the subject of a prohibition by the Provincial Supervisor.
- b. Supply livestock purchased with proceeds of a guaranteed loan or give an equity loan out of proceeds of a guaranteed loan to a feeder member if the feeder association is aware, or should reasonably be aware, that:
 - the feeder member is in default of a member obligation to any feeder association
 - the feeder member is in contravention of the FAGA or any other provision of the FAGR
 - in the opinion of a local supervisor, the feeder member cannot be adequately supervised by a local supervisor, or
 - in the opinion of a local supervisor, the feeder member does not have suitable feed and facilities for livestock feeding
 - no feeder association or feeder member shall use or permit the use of the livestock for competition purposes except in accordance with a written authorization issued to that feeder association or feeder member by the Minister per Section 15 FAGR

The Minister may give authorization on any terms and conditions considered appropriate.

4.11 Animal Welfare Guidelines for Local Feeder Associations

When a local feeder association becomes aware of an animal welfare issue relating to one of their members and the association livestock, they must act swiftly to minimize the distress and suffering of any livestock.

The following process must be followed in these cases:

- a. The local supervisor will immediately attend and inspect the livestock in question, making notes on the condition of the livestock and facilities. If possible, this is to be done in consultation with the member(s) in question.
- b. The local supervisor will immediately inform the chairman of the local board of their findings.
- c. If there is an animal welfare issue, the chairman will notify the Zone Director of the FAA, the AGI feeder inspector for the feeder association and the designated AGI Provincial Supervisor.
- d. Once the severity of the problem is known the local board will develop an action plan in consultation with the Zone Director, AGI inspector, AGI Provincial Supervisor, and the association member.
 - If the situation is severe, a veterinarian will be consulted immediately to determine the best course of action moving forward for the animal's benefit.
 - At this time, the Alberta SPCA will be notified by the local board. If they fail to do so, the Inspection and Investigation Section (IIS) of AGI will do so.
 - Contact information for the Alberta SPCA is: 1-800-455-9003 or www.albertaspca.org
- e. Through this process, the member(s) will hopefully be cooperative and assist in dealing with the problem. However, if they are not, it is within the feeder association's rights to remove the livestock to better look after their needs. The action plan should consider all available options such as:
 - Feed and care for the livestock at their present location
 - Removal of all association livestock for care or sale
- f. These feeder association rights are described in Section 6 of the Alberta Feeder Association Member Agreement.
- g. Once the issue has been dealt with and the contracts finalized, the member(s) involved will be suspended by the local board from further participation in the program for a period of one year or have their feeder association membership terminated.
- h. It is very important if livestock are fed at a third-party location that a feedlot agreement be in place in order for the feeder association to have direct access and control over their livestock. Third party locations include commercial feedlots and any other place (relatives, neighbours and friends) not owned or leased by the feeder member.

CHAPTER 5: REPORTS

5.1 Monthly Statement of Purchases

By the 20th day of the following month, the administrator must submit a statement of purchase of livestock and copies of the LSFs to:

Inspection and Investigation Section
Agriculture and Irrigation
201, 5030-50 Street
Olds AB T4H 1S1

This report must include accurate information on the number and kind of livestock purchased. Livestock must be categorized by sex, brand location, purchased from, total head and total loan, and due date. If there are no purchases during the month, a NIL report for the month must be submitted. The GoA may request additional information or documentation.

5.2 Monthly Bank Statements

The administrator must submit or have the association's lender submit, by the 20th day of the following month, a bank statement that lists outstanding contracts, accrued interest and due dates of members. The monthly statement should be prepared by the bank representative. Monthly statements are submitted to:

Inspection and Investigation Section
Agriculture and Irrigation
201, 5030-50 Street
Olds AB T4H 1S1

5.3 Year End Summary

The administrator must submit to the Provincial Supervisor a December 31st Year End Summary of Security Deposits. This report is to be submitted by January 20th of the following year.

5.4 Overdue Accounts

The administrator must submit a monthly detailed list of overdue accounts to the Provincial Supervisor. Guidelines for handling overdue accounts can be found in Section 6.8 of the Feeder Associations in Alberta Manual of Directives and Procedures.

5.5 Local Supervisor's Report/Logbook

A report must be completed on each inspection that should contain the following:

- a. date
- b. member's name
- c. number of livestock
- d. brands or RFID (see chapter 8)

- e. brand location
- f. feed
- g. facility
- h. bedding
- i. health of livestock inspected
- j. dead livestock (all livestock that died in this reporting period)
- k. other comments as deemed appropriate by the local supervisor

The section on facilities is optional provided the facilities have been inspected and received written approval within the past three years.

The inspection report is designed as a logbook page to be used on an ongoing basis throughout the term of the feeder contract. The logbook can be used to document a continual chronological record of the inspections and sales. This is the preferred way to document activities for the individual feeder member. As pages are filled, they can be filed directly into the member's feeder file at the association for retention. (Local supervisor's logbooks are located on FAA website under Programs → Feeder Loan Guarantee Program → Downloads).

5.5.1 Local Supervisor's Report to the Board

A summary report of issues/concerns or any relevant information that have occurred since the last board meeting must be submitted for each board meeting or immediately in urgent situations. Submissions should be in a written format and include and all concerns and problems.

5.6 Motion Through the Board

This report must:

- a. be moved and adopted at the board meeting, and
- b. must be filed with the minutes of the meeting

5.7 Annual Return for Listing of Directors

Each year, the administrator of the association is required to submit to Service Alberta an annual return (Form REG13164). Form REG13164 is sent annually by Service Alberta directly to the feeder association.

For information regarding the filing of reports to Service Alberta and information on the *Cooperatives Act*, please contact:

Phone: 780-427-7013
Fax Number: 780-422-1091
Email: SA.Cooperatives@gov.ab.ca

If you require assistance outside of Edmonton (in Alberta only), call 310-0000 to be connected toll free.

The forms should be sent directly to:

Corporate Registry
Service Alberta and Red Tape Reduction
Box 1007 Station Main
Edmonton AB T5J 4W6
Email: SA.Cooperatives@gov.ab.ca

The Annual Return (Form REG13164) is available on the Service Alberta website.

Form REG13164 information: [Annual returns for corporations, cooperatives, and organizations](#)

Form REG13164: [Annual Return](#)

Link <https://www.alberta.ca/corporations-cooperatives-organizations-annual-returns>

The Provincial Supervisor may request a copy of the Annual Return.

5.8 Financial Statements (Annual)

The directors and staff of a feeder association are required by Section 228 of the *Cooperatives Act* to place a financial statement relating to the preceding fiscal year before their membership at every annual meeting. A copy of the board approved annual financial statement must also be sent to:

Inspection and Investigation Section
Agriculture and Irrigation
201, 5030-50 Street
Olds AB T4H 1S1

It is required that only members of CPA (Chartered Professional Accountants) Alberta, are entitled to conduct audits or reviews for feeder associations.

An association is advised to have an auditor or chartered accountant complete a review engagement as a minimum standard. The association is advised to acquire a quote from an accounting firm prior to making a commitment.

5.8.1 Financial Statement- Requirements

- a. An audit or review engagement is required. A “Notice of Reader” is not an acceptable financial reporting.
- b. The financial report should include the following:
 - statement of net income or loss
 - balance sheet
 - cash flow statement
- c. The Notes to Financial Statements should include:
 - scope of statement
 - nature of operation
 - accounting policies
 - security deposits
 - property and equipment

- either contracts receivable as written off as bad debt or a statement on overdue accounts as of year-end
- the value of contracts by the association staff and board of directors and their related parties (as family or contracts they influence)
- a statement on good standing or overdue status, reported in a percentage or value
- economic dependence percentage (the degree to which the operations of the associations are reliant on the board of directors and staff)
- accrued interest payable
- financial instruments
- cash-indemnity funds – if an association is maintaining their own “indemnity” fund, then a statement of that account should also be presented
- other matters

5.9 Advances (Equity Loans)

- The administrator must submit a statement that lists the current equity loan amounts for each feeder member involved in the equity loans program.
- The active equity loans statements must be submitted monthly. Equity loan statements are submitted to:

Inspection and Investigation Section
Agriculture and Irrigation
201, 5030-50 Street
Olds AB T4H 1S1

5.10 Schedule of Required Reports

REPORTING SCHEDULE			
Report	To	By	Refer to Feeder Associations in Alberta Manual of Directives and Procedures
Statement of Purchase and copies of LSFs	Provincial Supervisor	the 20 th day of the following month	Section 5.1
Monthly Bank Statements	Provincial Supervisor	the 20 th day of the following month	Section 5.2
Statement of Equity Loans	Provincial Supervisor	Monthly	Section 5.9
Monthly Detailed List of Overdue Accounts	Provincial Supervisor	Monthly	Section 5.4
Local Supervisor's Report/Logbook	Board	Board Meeting	Section 5.5
Annual Return	Service Alberta and, if requested, by the Provincial Supervisor	Within six months of the end of their fiscal year	Section 5.7
Financial Statements (Annual)	Feeder association and Provincial Supervisor	Annual Meeting	Section 5.8
December 31 Summary of Security Deposit	Provincial Supervisor	The 20 th of January the following year	Section 5.3
FAA Monthly Submission form	FAA Office via email: info@feederassoc.com	The 5 th of the following month	N/A

NOTE:

- A per head check off fee plus GST is submitted to the FAA Office after reporting.
- Rates for cattle and sheep per head can be found on the FAA website under downloads.

CHAPTER 6: ADMINISTRATION OF CONTRACTS

6.1 Contract Administration

Once a member has been approved by the board, the member must read, understand and sign the Alberta Feeder Association Member Agreement prior to purchasing any livestock.

- a. The board approves the purchase limit for each member.
- b. Staff must complete the financing statement (see FAA website Programs → Feeder Loan Guarantee Program → Downloads and register the member in Personal Property Registry System, found on the Government of Alberta web site: <https://www.alberta.ca/personal-property-liens> or you can contact the FAA to complete the search and Registration with a service request form.
- c. Approval shall not be given to purchase livestock where clear title is questionable. (See clear title definition).
- d. A purchase order may be supplied if required see FAA website Programs → Feeder Loan Guarantee Program → Downloads for a sample copy of a purchase order.
- e. The member then arranges for the livestock to be purchased and gives the seller or agent the purchase order.
- f. When a proper invoice is received and verification of purchased livestock by the local supervisor is completed, the administrator completes the LSF and issues a cheque or Electronic Funds Transfer (EFT) on their current account after the LSF is given to the financial institution. Funds are drawn directly from the financial institution on account of the member. These funds (which may include association fees, insurance, and processing fees or costs associated to the purchase) are transferred to the association's current account.
- g. The purchase invoice received must be in the association's name, on account of member, to ensure documentation that the sale has been made to the association.
- h. Should a member only partially utilize their approved purchase amount, the association should issue new LFS each time additional livestock are purchased.
- i. When a cheque or EFT for the sale of livestock is received, the administrator will process the funds in the association's account. The monies are then applied against the member's loan with the financial institution on account of the member. Any surplus is kept in the current account and a cheque or EFT for same is issued directly to the member, unless using partial sale proceeds protocol. See Section 6.6.3 in the Feeder Associations in Alberta Manual of Directives and Procedures.
- j. Surplus monies must only be released to the contract holder. This authorization to release money to anyone, other than the contract holder, must be retained on member's file.

6.1.1 Supply of Livestock

Livestock purchased by the association is covered in chapter 2 of the Alberta Feeder Association Member Agreement and Section 17 FAGR. The livestock supplied by the association will be purchased by the association from a livestock market, licensed Alberta livestock dealers, private treaty or a self-purchase.

When livestock are purchased with proceeds of a guaranteed loan the association shall obtain sale documentation as per Section 17 FAGR before making payment of livestock. The purchase documentation must be kept for seven years.

The association shall have no obligation to supply any livestock to a member; it is the association's sole discretion to supply livestock to a member.

6.1.2 Supplying Livestock to the Member

When supplying livestock to the member keep the following process in mind:

- Service Request: this can be completed to do a search on the member as well as a Registration.
- A verification Statement is created from the Registration and must be kept on file.
- Priority Agreement: this is completed when a security interest is detected by the lender.
- Should a lender refuse to sign a Priority Agreement then a subordination letter is sent to the lender by registered mail. The subordination letter is sent along with the Priority Agreement and the Notice of Purchase-Money Security Interest in Inventory (PMSI).
- If there is going to be a Self Purchase or Private Treaty Purchase, see Sections 8.16 and 8.17 in the Feeder Associations in Alberta Manual of Directives and Procedures. These steps are not required if the purchase goes through a licensed Alberta livestock dealer or livestock market.
- Feedlot agreements are required at all third-party feeding locations (including a custom feedlot). See Section 6.1(d) of the Alberta Feeder Association Member Agreement and Section 22 FAGR.
- Now that the forms have been completed then purchasing starts.

6.1.2.1 Livestock Supply Process

Supplying livestock to the member must be a controlled process so that the total member's obligation is recorded and properly secured.

Note: The administrator and/or local supervisor must be aware of the member's approved supply limit, the member's outstanding obligations (contracts) and the member's security deposit balance before proceeding to supply livestock to the member. The member's full and complete legal name should be used on all supply process documents.

Step 1: Optional - issue a Purchase Order to indicate that the member is in good standing with the association and that the association is willing to purchase livestock for the member to feed and manage. While use of purchase orders is optional currently, it is a recommended business practice. Purchase orders start the paper trail that shows the association's ownership of the livestock.

Step 2: The supplier of the livestock must provide a bill of sale or invoice for the livestock obtained. Section 17 FAGR states what information must be contained on the bill of sale or invoice for the purchase of livestock.

Step 3: LSF must be fully completed and signed, including the promissory note section. This form serves as a legal acknowledgment of the member's obligations regarding the livestock supplied.

If a member has opted to provide the association with pre-signed copies of the LSF, please refer to Sections 2.11 and 4.4 of the Alberta Feeder Association Member Agreement. These sections outline the specific circumstances under which an LSF may be signed in blank or pre-signed.

As a legal document, the LSF is signed by both the feeder member and the association to ensure proper repayment of association funds. It is therefore critical that the form is completed accurately and in full.

The reverse side of the LSF includes a local supervisor's certificate and an administrator's certificate, both of which must be completed before submission.

Step 4: The local supervisor must verify the information on the LSF, and that the livestock have been branded (with the association's registered brand for livestock) or identified in other means acceptable. The local supervisor's and administrator's certificate on the back of the last page must be completed and signed.

Step 5: After the LSF is completed, including the promissory note, the association may then pay the seller for the livestock as per the invoice or bill of sale. The total cost on LSF may include other items that can be financed by the association. See section 4.7 in the Feeder Associations in Alberta Manual of Directives and Procedures for items that can be included in the purchase of livestock. Copies of the LSF are provided to the member, the association's lender, and the GoA feeder inspector. A copy is retained in the association's files. Also see Section 2.7 of the Alberta Feeder Association Member Agreement.

If the livestock were purchased by the association from a licensed Alberta livestock dealer or livestock market, the process of supplying livestock to the member is now complete.

6.1.2.2 Purchases from Licensed Alberta Livestock Dealers and Livestock Markets

Livestock purchased by an association must come with clear title or free from any financial security interests or liens. Purchasing livestock from licensed Alberta livestock dealers and livestock markets is the most reliable way for an association to obtain clear title for purchases. Ensure the licensed Alberta livestock dealers and livestock markets provide a detailed bill of sale or invoice, as per Section 17 FAGR, for all livestock sold to the association. If the livestock is purchased from a licensed Alberta livestock dealer, the original invoice must also be included. Invoices must be in the association's name on the account of the member.

6.1.2.3 Private Treaty Purchases and Self Purchases

It is permissible to purchase livestock directly from producers, including the member. These are referred to as private treaty or self-purchases. Ensuring that livestock purchased from these sources have clear title requires the following steps:

Step 1: Member requests that the association purchases livestock as private treaty or self-purchase.

Step 2: The administrator conducts a search of the Alberta Personal Property Registry (PPR) and the Bank Act Security Registry to determine if there are any financial security interests registered against the livestock being obtained from the seller. This will require the seller's full legal name,

address, and birth date to be accurate. The search can be done through a private registry service provider or through FAA using the service request form.

Step 3: If the search results indicate there are no registered financial security interests (security agreements) covering the livestock, then livestock can be supplied to the member.

Note: Security agreements may be detected that are unrelated to livestock. An example would be a security agreement for farm or personal vehicles and equipment with a serial number. These are not of interest to the association and can be ignored, except for an All Present and After Acquired Personal Property (ALPAP) listed as security.

Step 4: If the search results indicate that one or more registered security agreements do exist over the seller's livestock, then each secured party (holder of a security interest) must have the Feeder Association Security Interest Waiver completed.

Step 5: Once the association has obtained a completed and signed security interest waiver from each secured party, the livestock supply process can be completed. If any secured creditor refuses to sign the security interest waiver the association cannot purchase the livestock as it will not have clear title. Also see chapter 8 in the Feeder Associations in Alberta Manual of Directives and Procedures on private treaty purchases and self-purchases.

Note: The security interest waiver informs the secured party that the association wishes to purchase livestock identified in the bill of sale attached to it. By signing the security interest waiver where indicated, the secured creditor waives, releases, and discharges all security interests in the livestock being purchased by the association. In return the secured creditor can indicate how the payment for the purchase is done. The secured creditor is not waiving, releasing or discharging security interest in the receivables or proceeds of sale related to the livestock.

6.1.2.4 Managing Multiple Contracts (Supply Periods)

Under the FAGR, each member may hold up to six concurrent contracts (supply periods). A contract may be identified by the due date on the LSF, however, there could be situations where the due dates end up the same and separate contracts. (i.e. heifers and steers bought at the same time).

Standard Contract Structure

- The due date for a contract is typically the anniversary of the date the first livestock were placed.
- Any additional LSFs added to the same contract must share this due date.
- Per Section 21(4) FAGR, a member may have up to six distinct contracts.

Optional Multi-Contract Arrangement

- Upon request and at the association's discretion, a member may be permitted to hold six separate contracts.
- The association's board may limit the number of contracts per family or feeding location.

Contract Terms and Conditions

- Maximum contract durations:
 - Feeder cows: 120 days

- Feeder lambs: six months
- Other livestock: one year
- Extensions of up to three months may be granted (see Section 2.9(d) of the Alberta Feeder Association Member Agreement). The association must notify both its lender and GoA inspector.
- A new contract may begin only if the member has available room within their approved loan limit or if existing contracts are separate.

Identification and Management

- Livestock in each contract (supply period) must be distinctly identified:
 - By brand location and gender, or
 - A brand character assigned by the association.
 - Feeder lambs must have a small dangle ear tag and a painted number.
- No substitution of livestock between contracts is permitted.
- Each contract must have identifiable livestock, and branding must differ per contract (except for heifer and steer contracts, which may share branding).
- Security deposits are not split; one deposit and one total loan limit apply per member.
- When six contracts are used, they are treated as if they were with different feeders.
- The total value of all contracts must remain within the member's board approved limit.

Administrative Requirements

- Members must inform the association of the intended contract before entering into a LSF,
- Upon sale, members must provide the Alberta Livestock Manifest to assist with proper allocation of sales proceeds.
- Staff must verify livestock inventories across all contracts before processing payments or surplus.

For further details, refer to:

- Section 21 FAGR
- Section 2.9 of the Alberta Feeder Association Member Agreement

6.1.2.5 Custom Feeding Arrangements – Feeder Association Feedlot Agreement

Members are allowed to utilize the service of custom feedlots for feeding and caring for the livestock supplied to them if they:

- Inform the association of their desire to do so.
- Ensure that the Feeder Association Feedlot Agreement is completed and signed before the livestock are placed or paid for.
- Livestock in the care of a third party (including a custom feedlot) is covered in Section 22 FAGR as it pertains to the [Animal Keepers Act](#) (AKA). See Section 6 of the Alberta Feeder Association Member Agreement.

NOTE: Leasing feedlot pen space in itself DOES NOT constitute leasing land and farming. A feedlot agreement is a fee for service.

The feedlot agreement provides a balance of protection for both the association and the custom feedlot. The feedlot retains limited rights under the AKA if it invoices the member at least once a month for feed and related costs and informs the association if the invoice is not paid within seven days of invoicing.

CHECKLIST FOR SUPPLYING LIVESTOCK

- a. Purchase Order issued
 - b. Invoice / Bill of Sale received
 - c. LSF
 - d. Membership signatures obtained on LSF:
 - Acknowledging receipt of livestock
 - On promissory note:
 - e. Supervisor verified count and branding of livestock or tags and painted number for lambs
 - f. Supervisor and administrator signed certificate
 - g. Payment (Cheque # or EFT) _____ to seller
-

For Private Treaty or Self Purchases

- a. Search result for security agreement(s) on seller's livestock received
 - b. Security Interest Waiver received from:
 - Secured Party #1: _____
 - Secured Party #2: _____
 - Secured Party #3: _____
 - c. Payment (Cheque # or EFT) _____ to seller
 - d. Recommend LIS Inspection
-

Comments:

6.1.3 Land Location

The exact location of the livestock must be recorded with the feeder association. The permitted location stated in Section 6 on the LSF form must be in Alberta and remain in Alberta. Feeder associations cannot authorize producers to transport financed livestock out of Alberta. There is one exception, livestock destined for slaughter outside the province requires the LIS Feeder Association Livestock Permit Authorization for out of province slaughter. If livestock are being moved to a different location that is not in the immediate vicinity of what was recorded on the LSF, the accurate information as to where the livestock are being/have been moved to must be provided to the association and information should be documented and kept with the appropriate LSF.

The member shall, always, notify the association of any changes. See Section 6.1(b) in the Alberta Feeder Association Member Agreement and Section 28 FAGR.

6.1.4 Security Deposit Requirements

The security deposit is a mandatory contribution from the member and cannot be financed as part of any LSF, loan, or equity draw. This includes equity payments. Refer to Section 33(1) FAGR.

Member Responsibility

- The deposit must be provided by the member and will be returned to the member upon withdrawal or termination of membership, as per Section 33(4) FAGR.
- If the deposit is not coming directly from the member, the association should assess the member's creditworthiness (see Sections 4.1 and 4.2 of the Feeder Associations in Alberta Manual of Directives and Procedures).

Deposit Amounts

Before executing a LSF:

- The member must provide a deposit equal to at least 5% of their total current debt and any new loan amount (excluding interest).
- For equity loans, the member must provide 5% of the equity loan amount, also excluding interest.
- These funds are held in the same manner as the rest of the member's security deposit.

Security Deposit Account

Feeder associations must maintain a separate security deposit account with their lender (see Section 32 FAGR). This account:

- Must be kept separate from all other accounts.
- Cannot be used for operating expenses.
- May only be used in accordance with the FAGR.

Use of Security Deposit Funds

Unless authorized to carry the debt, the association must use the security deposit account to pay overdue debts to the lender in cases where:

- A member's account for livestock is overdue.
- An equity loan is overdue and the association cannot otherwise pay.

When using these funds:

- The association must first apply any funds held specifically for the member with the overdue account.
- If those funds are insufficient, the association may apply funds pro rata from other members' deposits.
- If another member's deposit is used, the original member must replenish the amount before receiving additional livestock.

Return of Funds

Funds held on account for a member:

- Cannot be returned until at least three months after the member has fully discharged their obligations.
- Cannot be returned while any member has an overdue account with the association (see Section 33(5) FAGR).
- Do not include any amounts used from other members' deposits.

Special Authorization

The Provincial Supervisor may authorize, in writing, a feeder association to carry a debt with a lender for an overdue account under a specified member agreement.

6.1.5 Custom Feeders

If livestock are located with a custom feeder, the approved Feeder Association Feedlot Agreement between the member and the custom feeder must be on file prior to any livestock purchases being placed in the custom feedlot, see FAA website Programs → Feeder Loan Guarantee Program → Downloads.

Feedlot agreements are required at all third-party locations. Third party locations include commercial feedlots, and any other place (relatives, neighbours and friends) not owned or leased by the feeder member. See Section 22 FAGR and Section 6 Alberta Feeder Association Member Agreement.

6.1.6 Signing Documents

The association's signing authority for LSF must be the same individual as it is for association cheques or banking. This should be the administrator or a director. It is recommended to have the administrator with one of several directors appointed with signing authority.

6.1.7 Co-Signature

The board, when applicable, may request co-signatures. Anyone co-signing should have the financial ability to cover all contracts they have co-signed, including their own, in the event of a default or catastrophic situation, as the livestock are likely located at the same facility.

6.1.8 Contracts

A LSF must be prepared each time the association buys livestock for a member. Multiple LSFs can make up the entirety or part of a member's contract(s) if the contract (e.g. all LSF) becomes due on or before the anniversary date of the first LSF except for when a member has the multiple due dates. A feeder association shall not allow a feeder member to have more than six supply periods (due dates) at any one time.

6.1.9 Indemnity

Should an association not offer their own indemnity coverage, their LFA (membership / board) can elect to participate as an association in the FAA Indemnity Trust Program. Another option is individual members can be referred to AFSC for their LPI Program.

6.2 Contract Extensions

LSF due dates are legislated in the FAGR. Members have up to:

- 120 days, if the livestock are feeder cows, or
- one year from the date they first purchased the livestock to repay their contracts to the association

A member may request up to three month's extension from the board. The board also must notify the lender, the provincial feeder inspector assigned to their association and the Provincial Supervisor upon approving an extension. See Section 21 FAGR and Section 2.9 in the Alberta Feeder Association Member Agreement.

Extensions can be approved for extenuating circumstances such as livestock not ready for market, processing, etc.

6.3 Contract Transaction Documentation

Administrators must maintain adequate documentation to verify details of all livestock purchases and sales. During inspections the Provincial Feeder Inspector will check to see if proper documentation is maintained.

Prior to making payment for livestock, a copy of the original invoice from the seller must be acquired and maintained. The invoice must specify the number and description of the livestock. Livestock must not be described as mixed; the specific sex and weight must be included. The invoice must be issued in the name of the association on account of the member. It is the member's responsibility to ensure the proper sales documents are provided to the association.

If the livestock have been purchased by a licensed Alberta livestock dealer, the licensed Alberta livestock dealer or the member themselves must provide the association with a copy of the invoice from the original point of purchase which must also provide the above information. The administrator can then confirm that the livestock numbers and prices are accurate before completing the LSF and paying for the livestock.

When livestock are sold, the Alberta Livestock Manifest must be made out in the association's name on the account of the member, and the cheque or EFT must be in the association's name.

When funds are received for the sale of livestock, a copy of the sales invoice as to the members name, number of livestock sold and identification associated, is required to ensure funds are directed to the proper account. Any irregularities of transactions should be brought to the board's attention.

6.4 Managing Multiple Family or Group Account Situations

Within each association, there may be situations where two or more members maintain livestock at the same feeding location. If these accounts are not managed properly, considerable potential for problems exist. The main abuse occurs when the accounts with individual members are established as if they were separate (e.g. separate animal identification and due dates) and then the livestock are marketed as a unit without regard to the separate identification and members. This is not an acceptable practice for feeder association allocation.

Where multiple contracts exist, the account should be administered either as **separate individual accounts** or as **group accounts**.

Separate accounts require that each member's account be administered independently and in an arm's length manner. The following guidelines must be met.

6.4.1 Separate Individual Accounts

- a. Livestock are purchased from a recognized source or market in the name of the association on account of the member signing the LSF.
- b. Livestock are identified with the association brand or another approved method for that member, which is different from any other member at the feeding location or in the multi-contract situation.
- c. Livestock are Alberta Livestock Manifested separately at time of marketing according to the contracts of individual members.
- d. Livestock are Alberta Livestock Manifested and sold in the name of the association on account of the member.
- e. Funds are applied to individual member's contract. Any surpluses are paid to individual members unless written authority to do otherwise is provided by the member.
- f. A member cannot receive surpluses (unless using partial sales proceeds protocol) or start a new contract until his individual contract is paid in full (unless using approved multiple due dates).

Security deposits for individual members must be handled independently.

6.4.2 Group Accounts

Group accounts are those where two or more members have contracts on livestock that are administered or partially administered as a common group. Group accounts are usually in family situations and with custom feeder situations. An example of a group account is livestock from different members located in the same feeding location with a common identifier (brand) and same due date.

Group accounts are administered as follows:

- a. All livestock must be assigned with the same brand and due date.
- b. All proceeds from the sale of livestock must be applied on a pro-rata basis to all member accounts in the group.
- c. No surpluses are returned to any member in the group situation until all related accounts are paid off.
- d. No member in the group can start a new contract until all the accounts are paid off, with the exception of multiple due dates.
- e. Once all the accounts are paid, surpluses should be returned to each member of the group on a pro-rata basis unless the member has provided written authority to have his or her surplus paid elsewhere.

Associations have increased responsibility in terms of administering and supervising contracts in multi-contract situations. It is recommended to use the month-end summary of family/feedlot account form FA-01(09/07) as shown below to assist in keeping track of accounts where three or more feeders feed at the same feeding location. This form should be maintained by the administrator and be submitted to the Provincial Supervisor at the end of each month. The local supervisor should verify information through regular inspections. The identification and due dates will identify whether contracts are being handled as individual or group accounts.

If individuals have LSFs with the same due date, then a group account can be considered. This means livestock will have the same identification.

The Feeder Associations in Alberta Manual of Directives and Procedures demonstrate how the following two styles of accounts differ:

	Separate Individual Account	Group Account
Branding	Must be different for each member	Must be the same brand and due date
Proceeds	Paid to the individual member account	Must be applied on a pro-rata basis to all member accounts
Surplus	Paid to individual member	No surplus returned to any member in the group until all accounts are paid in full

6.5.3 Term Deposits

Term deposits can be obtained for a specified length of time. Once the association commits to a term deposit, they are guaranteed a certain rate of interest; however, they cannot withdraw the money for the designated period.

6.5.4 Treasury Bills (T-Bills)

- a. T-Bills are sold to investors by the Federal Government as one method of financing debt.
- b. T-Bills are considered safe, flexible investments that offer attractive rates of return.
- c. T-Bills have a term of 30 days to one year and can be bought and sold at any time.
- d. As most banks do not trade in T-Bills, a third party (e.g. Broker) must be involved which creates extra charges. On small T-Bills, the service charges may outweigh any advantage in interest rate.
- e. Although T-Bills are assignable, most banks/lending institutions discourage the purchase of T-Bills. The lenders argue that they give attractive interest rates on loans in part because they expect to have security deposits to invest.
- f. The returns from GICs, which the banks operate, are usually comparable to T Bills. However, whereas T-Bills can be sold for cash at any time, GICs cannot be cashed in before their due date.

6.5.5 Guaranteed Investment Certificates (GICs)

GICs often provide the best rate of return; however, they are for longer specified terms. GICs cannot be withdrawn prior to maturity, so an association should be careful when deciding on the term length of a GIC Investment. Additionally, if GICs are used, their terms should be staggered so that funds become available at least every three months. Three months is the current policy for the return of a member's security deposit.

6.6 Selling Livestock or Livestock Products

While members retain the right to decide when, where, and to whom they sell their livestock, they are required to notify association staff in advance. This ensures proper documentation, legal compliance, and timely processing of payments.

Sale Notification and Documentation

Members must inform the association of the sale details: date, location, and buyer (see Section 5.4 of the Alberta Feeder Association Member Agreement and Section 28 FAGR).

Livestock must be manifested in the name of the association (on account of the member) on the Alberta Livestock Manifest.

Sale documentation (e.g., bill of sale, invoice, or settlement statement) is required before payment for livestock (see Section 17 FAGR).

All sale records must be retained by the association for seven years (see Section 6.1.1 of the Feeder Associations in Alberta Manual of Directives and Procedures and Section 17(6) FAGR).

Sale Proceeds

- All proceeds from the sale of feeder association livestock must be paid to the association (on account of the member).
- Once a contract is paid in full, surplus funds are returned to the member, unless partial sale proceeds are applied.
- Security deposits are only eligible for return three months after the member has discharged all obligations (see Section 33(5) FAGR).

Special Cases

- Out-of-province slaughter requires a LIS Feeder Association Livestock Permit Authorization.
- A limited brand release may be issued if a contract is paid out, but livestock remain. The release must include:
 - A description and count of the livestock.
 - A specified time limit for the release.

Livestock Market and Licensed Alberta Livestock Dealer Restrictions

- Livestock markets and licensed Alberta livestock dealers cannot withhold sale proceeds (except for selling charges) for livestock under an active feeder association contract.
- If a member owes money to the livestock market or purchases livestock on the same day as a sale, and funds are withheld, the association should contact the Provincial Supervisor for guidance.

Compliance Enforcement

- Members who manifest feeder association livestock in their own name will be suspended.
- Per Section 27(1) FAGR, feeder members do not own the livestock under contract; ownership remains with the association.

6.6.1 Sales to Members

If not in default, members have the right to purchase all the livestock supplied to them by the association under the following terms: see the Alberta Feeder Association Member Agreement chapter 5.

- The purchase price shall be the amount of the member's obligations for the supply period (contract).
- The payment shall be by means acceptable to the association.
- The association shall provide the member with a bill of sale transferring the livestock free and clear of the associations and lender's security interest.

If the member wishes to purchase some of the livestock on a contract, the following steps must be taken; see the Alberta Feeder Association Member Agreement Section 5.2 for and section 6.6.3 in the Feeder Associations in Alberta Manual of Directives and Procedures for partial sales.

Step 1: Member notifies the association that they want to purchase a specific number and type of livestock from the total contract.

Step 2: The association establishes a value for the selected livestock. Approval of the local supervisor and the board of directors is required. The board may refuse the sale of any livestock if the board believes the sale will prejudice the association's ability to recover the member's financial obligations.

Step 3: The member and association agree on a method of identifying the livestock to be purchased by the member so their future respective financial interests, in both groups, can be honored.

Step 4: The member tenders the agreed upon amount of funds to cover the purchase.

Step 5: The association provides a bill of sale to the member and applies the funds to pay down the member's contract (supply period).

6.6.2 Sales to Others

Members can sell the livestock on contract for sale through a licensed Alberta livestock dealer or a livestock market after giving proper notice to the association. They may also sell the livestock to a private party with prior approval of the association. In all cases the livestock must be consigned or sold in the name of the association on account of the member. All sale proceeds must go to the association. See the Alberta Feeder Association Member Agreement Section 5.4 and Section 27 FAGR.

6.6.3 Partial Sale Proceeds

Feeder associations may allow members to sell a portion of their contracted livestock and receive up to 80% of the net surplus proceeds, provided specific conditions are met. This process must be carefully managed to ensure financial and regulatory compliance.

Eligibility for Partial Sale Proceeds

A member may request a portion of the equity from the sale of livestock under contract. Proceeds may be paid to the member only if:

1. Selling price exceeds the average purchase price plus accrued interest.
2. Up to 80% of the surplus (i.e., selling price minus purchase price and interest) may be paid to the member.
3. The remaining proceeds must be applied to the principal balance of the contract associated with the sold livestock.

Remaining Livestock Valuation

- The fair market value of the remaining livestock under the same contract must be greater than the remaining contract balance.
- This valuation is determined by the local supervisor.
- If the remaining livestock value is less than the outstanding balance, no sale proceeds will be returned to the member.

Refer to Section 29 FAGR and Section 5 of the Alberta Feeder Association Member Agreement for regulatory guidance on partial sales.

Step 1: Member informs association that they will be selling a portion of the livestock under a specific contract (provides the due date for the specific supply period) and requests payment of net proceeds for the partial sale.

Step 2: Association receives the total sale proceeds for the livestock sold.

Step 3: Calculate the amount of net proceeds from the total proceeds of the partial sale of livestock as follows:

- Total amount of advanced loan + accrued interest ÷ the number of head left on the loan = average cost per head.
- The number of head sold x the average cost per head = association portion to be paid directly to the loan.
- The total sale proceeds (amount received) - the cost amount being applied to the loan = net proceeds
 - Split the net proceeds as below:
 - Total net proceeds x by 80% = member amount
 - The final 20% of the net proceeds will be applied to the loan.

NOTE: If the sale proceeds per head do NOT cover the average cost per head, ensure that the total sale proceeds are sufficient to cover the cost per head multiplied by the number of head sold. As a result, the member may not receive the full 80% payable.

Step 4: The local supervisor determines that the fair market value of the remaining livestock on the contract exceeds the remaining loan balance.

Step 5: The administrator can then provide the member with up to 80% of the net proceeds of the partial sale. The remainder is used to pay down the remaining balance for the supply period.

Note: The association may elect to provide less than 80% of net proceeds of a partial sale, either as a general policy or in a specific situation. See Alberta Feeder Association Member Agreement Section 5.6.

CHECKLIST FOR SELLING LIVESTOCK

1. Sale of all livestock to the member
 - a. Member paid out original cost + interest:
 - b. Bill of Sale written to the member:

2. Partial sale of livestock to the member
 - a. Member identified livestock to be purchased by:

 - b. Board has set value on livestock to be sold:

 - c. Member has paid for the livestock
 - d. Bill of Sale provided to the member

3. Partial sale of livestock
 - a. Association has received total proceeds of sale:
 - b. Calculation of net proceeds recorded on file:
 - c. Supervisor confirms value of remaining livestock exceeds remaining loan balance
 - d. Cheque # or EFT _____ to the member for share of net proceeds:

Comments:

6.7 Equity Loans or Advances

Equity loans are an optional feature that can support member cash flow but must be carefully managed due to the financial risk they pose to the association. These loans are not part of the member's total monetary obligation and require board approval for both the program and individual participants. All decisions and approvals should be documented in board meeting minutes.

Eligibility and Conditions

A feeder association may advance funds to a member based on the equity in livestock under the Alberta Feeder Association Member Agreement; see Section 30 FAGR before advancing funds. The association must:

- Determine the member's equity in the livestock.
- Ensure the livestock have been on feed for at least 30 days.
- Local supervisor conducts an inspection to assess weight gain and value using CanFax averages.
- Weigh a representative sample of the livestock.
- Complete an equity loan calculation worksheet.
- Obtain a signed equity loan promissory note in a form acceptable to the Minister.

Advance Limits

- Standard equity loans (no price protection):
May not exceed 50% of the member's equity in the livestock.
- Forward contracted or price insured livestock:
May not exceed 75% of the member's equity (i.e., the difference between purchase price and contracted/insured value, less interest).
These advances must be returned on a monthly or less frequent pro-rata basis—no lump sum payments.
- Feeder cows are not eligible for equity draws.
- Livestock on pasture:
 - Eligible for equity draws every 90 days.
 - Must be weighed before going to pasture unless previously weighed for an equity draw.
 - Subject to local board discretion.

Insurance and Contracts

- If livestock are forward contracted or insured under the Livestock Price Insurance (LPI) Program through AFSC:
 - The contracted or insured price is considered the fair market value.

- The feeder association must be the beneficiary of the insurance or contract.
- Contracts must be with reputable, licensed, and bonded dealers or processors.

Security Deposit Requirements

- A 5% security deposit must be maintained and topped up as needed when equity loans are issued (see Section 33 FAGR).

Equity Loan Intervals

- Loans must be issued no more frequently than monthly.
- Members are strongly encouraged to use risk mitigation strategies (see chapter 7 of the Feeder Associations in Alberta Manual of Directives and Procedures).

Equity Loan Checklist

Before issuing an equity loan, ensure the following are completed and on file:

- Member approved by the board
- Local supervisor's inspection report
- CanFax pricing used for valuation
- Completed equity loan worksheet
- Signed equity loan promissory note(s)
- Documented risk mitigation strategy

6.7.1 Process for Equity Loans or Advances

The risks of providing equity loans or advances can be managed appropriately using the following steps:

- Step 1:** Ensure that the board of directors of the feeder association has approved the member for the equity loan option; see FAGR Section 30 Advances and chapter 4 in the Alberta Feeder Association Member Agreement. Advances and equity loans are one in the same.
- Step 2:** Ensure that the member has been signed up and a priority security interest has been obtained on livestock supplied to the member.
- Step 3:** Ensure livestock have been on feed for at least 30 days from the date of the last advance; the entire group of livestock must have been on feed for at least 30 days. Livestock on pasture are only eligible for a draw every 90 days; they must also have been weighed prior to being put out. Feeder cows will not be eligible for equity draws.
- Step 4:** Inform the local supervisor that the member has requested an equity loan. Provide the local supervisor with information on:
- the contract (supply period) due date
 - the number and kind of livestock on the contract
 - the date of purchase and the purchase weight

- any specific identification, if applicable

Step 5: Administrator or local supervisor schedules a visit to inspect and weigh the livestock, use a representative sample.

Step 6: Equity Draw Inspection Report, found on the FAA website, to be completed. This form must contain the following information and be completed with each equity draw:

- date of the visit
- the number of head of livestock
- sex of livestock
- average weight of the livestock
- comments about health and management of the livestock

Step 7: Administrator or local supervisor calculates the amount of equity in the livestock using the Equity Draw Calculation Worksheet found on the FAA website.

Step 8: Check that the member has sufficient security deposit to cover the amount of the equity loan plus the original value of the contract.

Step 9: Obtain member's signature on the Equity Loan Promissory Note.

Step 10: Send the Equity Draw Promissory Note to the lender to obtain necessary funds.

Step 11: When requested by a producer, equity may be paid, however it must not exceed 50% of the difference between the purchase price and the fair market value to the producer. The producer can request equity more than just a one-time advance; there may be multiple requests.

Forward contracted or price insured livestock are permitted up to 75% equity on a monthly pro-rata basis.

Remember approval of equity draws is at the sole discretion of the feeder association, which has no obligation to grant an equity loan to any member.

6.7.2 Equity Loan Promissory Note

An Equity Loan Promissory Note must be completed for each equity loan or advance that is made to the member. If three equity loans are made on a contract, then three promissory notes, plus the original promissory note on the LSF must exist and be paid out of sale proceeds at the end of the contract. When calculating the equity of the livestock, CanFax prices should be used to determine the value on that given day.

See chapter 6 Administration of Contracts for information on how to administer equity loans. Also Section 4 in the Alberta Feeder Association Member Agreement covers equity loans.

6.8 Overdue Accounts

Boards need to have a system in place to identify potential overdue accounts prior to them becoming overdue. When a potential overdue account is identified, boards will address the overdue accounts as quickly as possible and will deal with each case on its personal and individual merits. The member's accounts should be inspected to ensure sufficient livestock and equity exists in the livestock and to

determine the reason for the overdue account. If insufficient equity exists and/or if the account is overdue, the member is in default. The member must declare in writing indebtedness to the association.

The board must first use the member's security deposits against the outstanding balance. The member is responsible for repayment of shortfall and subject to suspension.

Should a board wish to carry the overdue account, the board will make a recommendation in writing to the Provincial Supervisor, copying their provincial feeder inspector, requesting authority to carry that overdue account. This should be done prior to the account becoming overdue. Attached to this recommendation will be a written plan from the member and approved by the board outlining how and when the overdue account will be paid. The Provincial Supervisor may authorize in writing the carrying of the overdue account based on the local board's recommendation. See Section 34 FAGR.

New contracts cannot be issued to help pay off a previous shortfall, or removal of equity commonly referred to as rolling a contract.

6.9 Shortfall Procedures

In the case where a member's account becomes overdue and all livestock relating to the contract have been sold, it is imperative to take immediate action to prevent jeopardizing other feeder members' accounts.

- The security deposit account will be frozen immediately. No withdrawals for any member will be permitted until the member's overdue account is settled.
- The board must have the member sign an acknowledgment that they owe a debt to the feeder association. The board may wish to work with the member to determine if the member will be able to payout the debt on their own.
- If the member is unable to pay off the outstanding balance, the member's security deposit will be applied to the debt. If the member is part of a group account or corporation, the security deposit for the group or corporation account will also be debited.
- It is essential to determine which additional contracts and accounts will be affected (group accounts, additional family members, custom feeders).
- The association should undertake an inventory inspection.

It may be necessary to pro-rate the pooled security deposits to cover the residual debt. The board has the discretion to choose whether to use other resources to minimize the debt owing on the contract, this would then reduce the amount to be pro-rated from the security deposits. Membership must be given written notice of any reduction in their security deposits.

The association or Provincial Supervisor will lift the freeze on the security deposit account, and the administrator will transfer sufficient funds to drop the overdue account balance to zero. The difference between the defaulting member's security deposit and the total is determined (X).

This amount (X) is converted to a percentage of deposits (i.e. 15 percent). Every member with security deposits would then have 15 percent of their security deposit used to pay the debt.

Members are required to top-up their security deposits when they choose to finance livestock again. For example, if a member's \$10,000 deposit is reduced to \$8,500, the member must replenish the \$1,500 for a \$200,000 contract or borrow at the level that \$8,500 will cover.

A record of reduction to individual members must be maintained so that those members can be refunded if the delinquent account is ever collected.

Should there be a situation when there is complete bankruptcy where livestock are sold, all security deposits and financial assets are used and any remaining debt with the lender, the government guarantee shall cover the amount outstanding, up to the maximum guarantee amount allocated to the feeder association.

Future contracts of the defaulting member are at the discretion of the board; however, the member may be suspended from the program for one year.

6.10 Income Tax- Members

For income tax purposes, individual members can either report revenue from, and purchases of feeder association livestock as they occur or the gross return (sales – purchases). Livestock transactions should be handled in a similar manner, as if the money was borrowed from the bank. Although the feeder association retains legal ownership of the livestock for security purposes (similar to a bank's chattel mortgage), the member is responsible for their purchase, care, sale, and profit or loss.

6.11 Taxation- Associations

Surplus funds earned by the feeder associations are taxable, either through the association or the members, depending on how the funds are managed.

Associations are advised to maintain some reserve funds. Reserves may be required for a year when a loss occurs or for extra expenses incurred for lawyers, etc. when trying to collect overdue accounts or resolve a problem.

A rebate on a portion of the interest earned on security deposits is one method used to return surplus funds to members. This system is simple and encourages members to leave their security deposits in place. The appropriate income tax form should be sent to members, as interest earned may be taxable.

6.12 Feeder Associations and the *Personal Property Security Act (PPSA)*

This information is included to provide a general overview only. PPSA matters are very complex and require specialized knowledge to ensure the relevant requirements are met and that legal risks are adequately addressed. Associations are urged to contact their legal counsel and FAA for further information.

The PPSA provides the legal mechanism for registrations and searches in the Personal Property Registry System. The PPSA regulates the relationship between secured parties and debtors when personal property is used as collateral to secure payment of a debt or performance of an obligation. It is recommended to search related companies, all members of joint ventures/corporations and other names used by the member.

A feeder association must register all their members in the Personal Property Registry System. All information that is stored in Personal Property Registry System is public. Forms, services, and information about registrations and searches are available at registry agent offices throughout Alberta. These services are also available through the FAA office.

There are two options in security interest being registered in the Personal Property Registry System. One being by completing a financing statement and submitting it to a registry agent. The registry agent will review the financing statement submitted. If the information is complete and acceptable for entry, it will be added to the Personal Property Registry System, and a registration number will be generated. A second option is filling out a service request form and submitting to the FAA office.

The information on any forms submitted to a registry agent must be accurate. See FAA website Programs → Feeder Loan Guarantee Program → Downloads for the forms, service request and the financing statement.

Once the security interest is registered in the Personal Property Registry System, the registry agent will provide a verification statement confirming the registration information. The verification statement should be checked carefully to make sure all the information has been recorded accurately. Any errors should be corrected immediately. The verification statement can be used to renew or discharge the registration.

Changes to registrations on the Personal Property Registry System can be done through a registry agent or the FAA office. Changes include discharge, renewal, and amendment by deleting and or adding information to a registration.

Feeder associations must ensure staff are properly trained to complete and understand the results of PPSA searches and registrations. If they are not, the association must hire a qualified person or agency to do these steps.

6.13 *Livestock Identification and Commerce Act* AND Livestock Identification and Commerce General Regulation

The [*Livestock Identification and Commerce Act*](#) (LICA) and [*Livestock Identification and Commerce General Regulation*](#) facilitates fair commerce, protects personal property, and promotes the integrity of marketing within the livestock industry.

A person who sells livestock or deals in livestock must disclose whether that person is the owner of the livestock or a licensed Alberta livestock dealer or livestock dealer's agent acting on behalf of the owner of the livestock.

Further, when livestock are sold, the owner must provide a written livestock security interest declaration to the person who owes the sale proceeds to the owner of the livestock as follows, See Section 15 LICA, Section 27 LICA General Regulations:

- If the livestock or the dam of the livestock being sold is subject to a livestock security interest, a declaration declaring the name and address of every holder of a livestock security interest in the livestock or in the dam of the livestock.

- If neither the livestock nor the dam of the livestock being sold is subject to a livestock security interest, a declaration stating that there is no livestock security interest in the livestock or the dam of the livestock.
- A livestock security interest declaration is not required on the sale of livestock by a feeder member as the feeder association is the owner and the Alberta Livestock Manifest are in the name of the feeder association on the account of the member.
- Livestock security interest declarations are required for self-purchases and private treaty purchases.

The livestock security interest declaration available on the FAA website Programs → Feeder Loan Guarantee Program → Downloads may be provided on the bill of sale, the Alberta Livestock Manifest or on a separate document.

A buyer or licensed Alberta livestock dealer who has actual knowledge of the seller's livestock security interest in the livestock or who did not issue payment according with the bill of sale or the Alberta Livestock Manifest and the livestock security interest declaration will not be eligible for protection under LICA. Also, if LICA requires the livestock to be inspected, the inspection must occur to be eligible for the protection.

In the case of feeder associations, the sale proceeds are to be made payable to the feeder association on account of the member.

CHAPTER 7: PROGRAMS FOR RISK MITIGATION

There are presently four programs available to feeder members for risk mitigation:

7.1 Livestock Indemnity

- A death loss program with local feeder association

7.2 Livestock Indemnity Trust Program (LIT)

- Available through the FAA

7.3 Forward Contracting

7.4 Livestock Price Insurance (LPI)

Available through AFSC, Livestock Price Insurance (LPI) is a risk management tool available to producers to purchase price protection on livestock in the form of an insurance policy. Coverage is available for calves, feeder, and fed cattle. The LPI program is administered by AFSC and is available to cattle producers in Western Canada.

See the Program Guide on the AFSC web site: <https://afsc.ca/livestock-price-insurance> for more information and details regarding eligibility requirements.

- a. The cost of the LPI may be added to the LSF as this cost is associated to the purchase of livestock for growing or finishing, or both, by a feeder member.
- b. Members must purchase and bring the policy to their association before it can be added to the LSF.
- c. The LPI must be in the name of the feeder association as they are the owner of the livestock.
- d. Members must not exceed individual approved loan limits including the cost of the LPI.
- e. An LPI purchased for a group of livestock partway through the contract will result in the original LSF being amended by adding the cost of the LPI. The amendment will be signed off by the member and the association. The lender will deposit the appropriate funds to the association's account who will in turn reimburse the member.
- f. Should a member purchase an LPI for cattle on multiple contracts, a separate policy will be required for each group of livestock identified by contract due date.
- g. The purchase of an LPI can be done at any time during the member's contract. This purchase protects both the member and the feeder association. A separate LSF can be completed for the LPI.
- h. A livestock indemnity with your local feeder association or the Livestock Indemnity Trust Program (LIT) through the FAA are separate from AFSC's LPI. The indemnity programs are for death or loss. The lender may want an amended LSF or may want a separate LSF for the purchase of LPI. LIT is on the supply form directly involved with the cattle it is purchasing as the admin fees come out of the LIT premium.

CHAPTER 8: SUPERVISION OF CONTRACTS

8.1 Branding, and RFID as Branding Alternative

8.1.1 Branding

The intent of branding is to leave a permanent, easily identifiable brand. Hair brands and poor branding are not acceptable, and livestock should be re-branded.

8.1.2 Radio Frequency Identification (RFID)

Radio-frequency identification (RFID) uses electromagnetic fields to automatically identify, and track tags attached to dangle tags on livestock. An RFID system consists of a tiny radio transponder, a radio receiver and transmitter. When triggered by an electromagnetic interrogation pulse from a nearby RFID reader device, the tag transmits digital data, usually an identifying inventory number, back to the reader. This number can be used to track inventory of individual livestock.

A. LFA Requirements:

1. The LFA must be in compliance with all applicable legislations.
2. The LFA must be operated in a sound manner.
3. The LFA must have the technological capabilities to capture, record, and manage the RFID data for each purchase/member.
4. LFA will only approve members or feeding locations who have the necessary hardware and software to capture, record, and share the data with the LFA.
5. Only feeder members that meet the criteria can enter the RFID livestock identification program.
6. The following is compiled and sent to the LFA feeder inspector who will then send to Provincial Supervisor.
 - Letter of intent from LFA to enter the program.
 - A letter of support must be obtained by the financial lender of the LFA.
 - A letter of support must be obtained from the Zone Director of the FAA.

B. Criteria for LFA to enter the RFID livestock program:

1. An interested feeder member must provide a written letter showing interest in entering the program to utilize the RFID livestock program to the LFA board.
2. LFA board will only approve feeder members that meet the obligations of the RFID program as set out in the Feeder Member criteria below.
3. The LFA board must have written protocols identifying their processes, auditing, and compliance processes, and the management and retention of RFID tags and records.
 - RFID tag management is required from the time of attachment of the RFID tag to the feeder livestock to the end life of the identified feeder livestock, either at slaughter or pre-slaughter death.
4. A description of the resources (employee and technology) used to maintain the tracking and administering of RFID identified feeder livestock.
5. Records and maintenance of written policies which determine the LFA feeder members eligible to participate in the RFID program.
 - competency with the technology (software and hardware)
 - ability to manage the application and maintenance of RFID tags.

- ability in the tracking, locating, and identifying of the RFID identified livestock
 - RFID tag management for the life of the animals; from attachment to death, either slaughter or pre-slaughter
6. The LFA feeder members must be in FULL compliance with all the Alberta Feeder Association Member Agreement, FAGA and FAGR as well as Feeder Associations in Alberta Manual of Directives and Procedures.
 7. All livestock on the RFID identification program must be kept in a closed confined facility (feedlot).
 - no pasture feeding
 - no comingling of livestock outside of the RFID program
 - no comingling with livestock not owned by the LFA
 8. All livestock on the RFID identification program must always have a functioning RFID tag with the following:
 - data which identifies the livestock as property of the LFA
 - ability to transmit the unique digital data identification to an ISO compliant tag reader
 - attached to the ear of each LFA feeder livestock
 - must be the same color for all livestock purchased in a supply period by the individual member
 - lost, damaged, non-functioning, or destroyed tags must be replaced immediately
 - have a management dangle tag, the same colour as the RFID tag and including the LFA brand, must be applied to each animal
 9. The administrator must specify all purchases, and feeder members purchasing livestock under the RFID identified livestock program in monthly reports to Agriculture and Irrigation.

C. Criteria for Feeder Member to participate in the RFID livestock program:

1. A written letter to the LFA advising interest in entering the program.
2. Feeder member must be in good standing.
3. Ensure Feeder Member's RFID livestock are at a designated confined feeding facility (feedlot).
4. Feeder Member's livestock, on the RFID identification program, must, at all times, have functioning RFID tags with the following:
 - data which identifies the livestock as property of the LFA
 - ability to transmit the unique digital data identification to an ISO compliant tag reader
 - attached to the ear of each LFA feeder livestock
 - must be the same color for all livestock purchased in a supply period
 - lost, damaged, non-functioning, or destroyed tags must be replaced immediately
 - have a management dangle tag, the same colour as the RFID tag and including the LFA brand, must be applied to each animal
5. Has the competency with RFID technology (software and hardware),
 - ability to manage the application and maintenance of RFID tags
 - ability in the tracking, locating, and identifying of the RFID identified livestock
 - RFID tag management for the life of the animals; from attachment to death, either slaughter or pre-slaughter

D. Agriculture and Irrigation (AGI) Processing LFA Request

1. The following is compiled and sent to the LFA feeder inspector. LFA feeder inspector to package and send to Provincial Supervisor.
 - Letter of Intent from LFA to enter the program
 - A letter of support must be obtained by the financial lender of the LFA.
 - A letter of support must be obtained from the Zone Director of the FAA.
2. The LFA feeder inspector will complete the eligibility criteria investigation, and record all findings on an AGRIDAM file based on the following:
 - Criteria for LFA to enter the RFID livestock program, and
 - Criteria for Feeder Member to participate in the RFID livestock program
3. If the criteria has been met, the LFA feeder inspector will forward the results of the investigation to the Provincial Supervisor.

E. Provincial Supervisor Review

1. If in agreement with the LFA feeder inspector investigation, the Provincial Supervisor will forward a letter of confirmation to the LFA, their financial lender, and the FAA.
2. The letter shall state (but not limited to the following):
 - LFA agrees to follow all protocols
 - member approvals
3. The following restrictions and requirements made as set below by the Provincial Supervisor.

Restrictions and Requirements:

- i. no comingling of livestock outside of the RFID program
- ii. a visible dangle tag must be secured to every animal identifying the specific feeder association
- iii. no livestock on pasture are eligible
- iv. members must apply in writing to the local association and be approved by the board. A record of the approval process must be secure and available for auditing purposes
- v. every feeding location must be individually approved by the board

8.2 Branding Before Paying

Associations must NOT pay for livestock until they are branded with the association's registered brand or are identified in another manner approved by the Minister. See Section 16 FAGR.

The reasons are:

- a. the association does not have visible ownership of non-branded livestock and banks, or other creditors may repossess unbranded livestock from a member
- b. once livestock are paid for, there is no pressure for a member to brand livestock
- c. there is no good reason not to brand newly purchased livestock immediately

The branding before paying policy, of most associations, results in many livestock markets insisting on branding feeder association livestock prior to them leaving the market.

8.3 Branding at Livestock Markets

Boards may wish to have a policy whereby members who purchase small quantities of livestock over an extended period have the livestock branded at the livestock market. This will allow the livestock market to be paid promptly while ensuring livestock are branded. It may also reduce the need for additional supervision costs associated with multiple inspections. An invoice from the livestock market listing branding still requires the local supervisor to inspect the livestock.

The association should endeavor to have the livestock branded, inspected for brands by the association's local supervisor, and paid for as soon as possible after delivery. Livestock Markets and sellers should be paid within two business days of price discovery or possession, whichever occurs first pursuant to Section 16(1) LICA.

8.4 Brands: Location Versus Numbers

Each association has up to six locations to use their brand. The locations are left and right shoulders, ribs, and hips. The brand in its location is a legal brand and will be identified as such by a Livestock Inspector. For example, if a member sells livestock with two brand locations, the member must list both.

It is recommended that when livestock from more than one member are kept on the same feeding location or in proximity, that each member have brands unique to them. Some associations use numbers and locations so that lost livestock can be returned to the proper owner. (Refer to Section 6.4 Managing Family and Group Accounts). Keep in mind Section 4(2) LICA states an individual brand must be applied on the same side as the side on which the registered brand is applied but not in the same location.

Members should record the number of livestock with different brands on a separate Alberta Livestock Manifests.

8.5 Alberta Livestock Manifest

When livestock are sold in Alberta, they must be on an Alberta Livestock Manifest in the name of the owner of the livestock or Livestock Inspectors will put a hold on the funds. The member must supply a copy of the Alberta Livestock Manifest along with all sales documentation to the administrator prior to any surpluses being paid.

Feeder association livestock must be sold in the name of the feeder association on account of the member. If branded and entered on an Alberta Livestock Manifest in the name of the feeder association, no creditor of a member can claim receipts from sales for those livestock. Members who attempt to sell livestock in their own name may be suspended.

Where multiple contracts exist, a separate Alberta Livestock Manifest must be used for each member. If groups of livestock are sold and separate cheques are NOT issued, the proceeds must be pro-rated, and the members treated as one contract.

Livestock destined for slaughter are permitted to leave Alberta provided the LIS Feeder Association Livestock Permit Authorization is completed.

8.6 Brand Releases

Once a member has paid out their contract, they may request a brand release covering the balance of the livestock.

An association may provide a limited brand release. The brand release must be limited to cover only the livestock in question to avoid the use of the release for future feeder association livestock. The number should be identified and instructions to the Livestock Inspector should be included. In addition, the association should accurately describe the livestock and specify the dates for which the brand release is valid.

Associations have no obligation to give a brand release. Brand releases must not be given if the member has a group, joint, or corporation contract until all related contracts are paid out.

LIS requires the following information on a brand release:

- be received directly from the feeder association
- be dated and signed by a representative of the feeder association
- identify the owner of the livestock (association member), which must match the owner information on the Alberta Livestock Manifest presented to the Livestock Inspector for the inspection (name, address and phone number)
- contain a proper description of the livestock
 - include the number of head, kind, colour, brand and location of brand; and
 - match the description of the livestock on the Alberta Livestock Manifest presented to the Livestock Inspector for the inspection
- contain a statement acknowledging that the feeder association no longer has a livestock security interest in the livestock described on the Brand Release Form

8.7 Selling Livestock through a Licensed Alberta Livestock Dealer or Transporting Livestock Out of the Province

All livestock leaving the province require a Livestock Permit issued by a LIS Livestock Inspector.

When livestock leave the province, and especially the country, payment to the Alberta brand owner is not assured. As a result, Livestock Inspectors have been directed that all livestock being exported by anyone other than a licensed Alberta livestock dealer with feeder association brands will require written brand release and a bill of sale

It is the responsibility of feeder members to ensure that the brand release and a bill of sale have been obtained prior to contacting a Livestock Inspector. Associations will require that the member's account be paid in full before a brand release or bill of sale is provided.

8.8 Livestock Dealer Letter of Authorization: Notation of Change

Livestock Identification Section (LIS) has [discontinued](#) using the “Livestock Dealer Letter of Authorization” therefore this letter is no longer required.

8.9 Protocol for Sales through Licensed Alberta Livestock Dealers Acting as Seller’s Agents

Policy Goal

To support a broad range of marketing options for members to increase the sale price of livestock while, at the same time, protecting the program against non-payment.

Description of Transaction

Feeder association livestock are sold through a licensed Alberta livestock dealer to a buyer. The livestock market’s title on the livestock does not pass to the licensed Alberta livestock dealer at any time. Order buyers may take title depending on the arrangement between the member and the licensed Alberta livestock dealer. In either case, all licensed Alberta livestock dealers are required to pay for the livestock within two business days, whether they themselves have been paid by the ultimate purchaser.

The buyer issues payment to the licensed Alberta livestock dealer; however, the buyer’s cheque must refer to the feeder association and its member (or contract number) in the payee line.

The licensed Alberta livestock dealer deposits the cheque into their dealer trust account. The licensed Alberta livestock dealer then issues a cheque payable to the feeder association on account of the feeder member.

Since the licensed Alberta livestock dealer is acting as a sales agent for the association and its member, the licensed Alberta livestock dealer is obligated to disclose the details of the sale and pricing.

It is recognized that there may be livestock from multiple feeder association members or other sellers in a shipment organized by the licensed Alberta livestock dealer. In such cases, the licensed Alberta livestock dealer is responsible to ensure that the buyer properly issues separate payment or accounting to the licensed Alberta livestock dealer for each feeder association member who has livestock in the shipment.

Mandatory Requirements

To be a valid and permitted transaction under the feeder association program, the following must occur:

- a. The livestock dealer must have a valid livestock dealer’s licence under LICA.
- b. The livestock being sold must be shipped under an Alberta Livestock Manifest properly completed.
- c. The licensed Alberta livestock dealer must have a trust account. The licensed Alberta livestock dealer is only required to pay the sale proceeds into their trust account if the licensed Alberta livestock dealer does not pay for the livestock before the licensed Alberta livestock dealer receives payment from the purchaser.

- d. The buyer must issue payment on the account, clearly specifying the payment is being made payable to the licensed Alberta livestock dealer in trust for the association and its member.
- e. The licensed Alberta livestock dealer is not authorized to agree to the buyer delaying payment and to extend credit to the buyer or the seller's agent.
- f. The licensed Alberta livestock dealer is required to pay for the livestock within two business days of price discovery or possession, whichever is earlier. The licensed Alberta livestock dealer is not allowed to wait for payment from the purchaser before paying the feeder association.
- g. If there are livestock from multiple members or sellers in the shipment, the licensed Alberta livestock dealer is required to provide separate accounting to the feeder association for each member with livestock in the sale.
- h. The feeder association, member, and licensed Alberta livestock dealer are required to follow the rules and requirements of the FAGR and LICA.
- i. The feeder association and its members are responsible to ensure that the licensed Alberta livestock dealer is aware of, and complies with, this protocol.

Sample Documents:

Livestock Bill of Sale

LIVESTOCK BILL OF SALE						
DATE OF SALE YYYY/MM/DD						
SELLER – OWNER OF THE LIVESTOCK						
Name						
Address						
Phone #				PID#		
PURCHASER OF THE LIVESTOCK						
Name						
Address						
Phone #				PID#		
DESCRIPTION OF THE LIVESTOCK						
Number	Colour	Kind	Brand(s)/Identifier	Loc	Weight, if sold by weight	Other Information
Total					Total	
CALCULATION OF THE SALE PROCEEDS						
Purchase Price					\$	
Deductions:			Livestock inspection fee		\$	
			ABP Service Charge		\$	
			Insurance		\$	
			Assurance Fund		\$	
			Other		\$	
Sale proceeds					\$	
LIVESTOCK SECURITY INTEREST DECLARATION						
NAME AND ADDRESS of the Holder of any Livestock Security Interest in the Livestock or the Dam of the Livestock or if None so indicate by writing "None"						
I CERTIFY THAT THE ABOVE INFORMATION AND THE ABOVE LIVESTOCK SECURITY INTEREST DECLARATION ARE TRUE.						
X Signature of Owner			Date: YYYY/MM/DD			
Check if Livestock Security Interest Declaration is by separate document <input type="checkbox"/>						

PURCHASER COPY

LIS Standalone Livestock Security Interest Declaration

LIVESTOCK SECURITY INTEREST DECLARATION						
OWNER OF THE LIVESTOCK						
Owner Name						
Owner Address						
DECLARATION PROVIDED TO						
Name						
Address						
DESCRIPTION OF THE LIVESTOCK						
Number	Colour	Kind	Brand(s)/ Identifier	Loc	AV	Other Information
					Y/N	
					Y/N	
					Y/N	
					Y/N	
					Y/N	
LIVESTOCK SECURITY INTEREST DECLARATION						
Name of the Holder of any Livestock Security Interest in the Livestock or the Dam of the Livestock or if None Indicate "None"						
Address of the Holder of any Livestock Security Interest named above						
I CERTIFY THAT THIS DECLARATION IS TRUE						
X Signature of Owner				Date: YYYY/MM/DD		
PERSON OWING THE SALE PROCEEDS TO THE OWNER						
Received by: (print name)		Signature		Date YYYY/MM/DD		

Alberta Livestock Manifest

<small>This information is collected under the Livestock Identification and Commerce Act and is subject to the Protection of Privacy Act and the Access to Information Act. Contact LIS at (866) 509-2008</small>					
LIVESTOCK IDENTIFICATION SERVICES LTD. ALBERTA LIVESTOCK MANIFEST				AM 000000	
Part A – Purpose of Manifest				LIS USE	
<input type="checkbox"/> Transport Only	<input type="checkbox"/> Transport For Sale -	<input type="checkbox"/> By Owner	<input type="checkbox"/> By Dealer on behalf of owner	<input type="checkbox"/> Inspection Only	
Part B – Transportation and Sales Details				DATE YYYY/MM/DD	
Owner or Dealer Name			Phone #		
Owner or Dealer Address					
On Account of					
Livestock Location Before Transport, Sale, or Consignment				Premises ID #	
<input type="checkbox"/> Check One	<input type="checkbox"/> Transport to	<input type="checkbox"/> Sold to	<input type="checkbox"/> Consigned to	<input type="checkbox"/> Other specify	
Name					
Address					
Description of the Livestock				Lot or Pen #	
Number	Colour	Kind	Brand(s)/Identifier	Loc	Other Information
Total	Part C – I CERTIFY THAT PARTS "A" AND "B" ARE TRUE				
	<input checked="" type="checkbox"/> Signature of Owner (or if permitted Owner's agent)				
Part D – Inspector					
Adjusted Total	Inspector Signature	Inspector #	Client #		
	Date: YYYY/MM/DD	Permit / Hold Form #			
Part E – Transporter					
Transporter's Name (Print)			Trailer or Conveyance Licence #		
Transporter's Signature		Phone #	Trucking Charges		
Part F – Livestock Security Interest Declaration					
NAME AND ADDRESS of the Holder of any Livestock Security Interest in the Livestock or the Dam of the Livestock, or if None, so indicate by writing "None"					
I CERTIFY THAT THIS DECLARATION IS TRUE.				Date	
<input checked="" type="checkbox"/> Signature of Owner				YYYY/MM/DD	
Check if Livestock Security Interest Declaration is a separate document <input type="checkbox"/>					
Part G – Destination				Placed in Pen #	
Destination Name	Date Received	Time received	Count		
	YYYY/MM/DD				
Received and counted by - Print name and signature				Premises ID #	
HEAD OFFICE COPY				AM 000000	

Sample Cheque from Buyer

XYZ Packers Ltd. will issue payment for the cattle on a cheque as follows:

XYZ Packers Ltd. Box 213 XYZville, AB T8S 3J1	Royal Bank of Canada	No. 0268 February 2, 2007
Pay To the Order of		
Alta. Dealer Inc. "on account of" for High Level Feeder Association o/a Jim Smith		
One Hundred and Forty Two Thousand and 00/100 *****DOLLARS		\$ 142,000.00
Alta. Dealer Inc. Box 19 Red Deer, AB T2G 5K6	XYZ Packers Ltd.	PER _____

8.10 Custom Feedlots

Members may feed livestock financed by a feeder association in a custom feedlot (third-party) provided the approved Feeder Association Feedlot Agreement is signed by the member, the feedlot representative, and the feeder association representative and is on file with the administrator.

The purpose of this procedure is to ensure that, if the feedlot representative must invoke the AKA, the association has a reasonable chance of recovering the purchase price of the livestock financed.

Prior to approving the custom feeding of livestock, associations should consider Section 8.11, 8.12, and 8.13 below.

It is very important if livestock are fed at a third-party location that a feedlot agreement be in place for the feeder association to have direct access and control over their livestock. Third party locations include commercial feedlots, and any other place (relatives, neighbours and friends) not owned or leased by the feeder member.

A feedlot agreement "in itself" does not constitute owning or leasing land, nor does it constitute active farming. See Section 11 FAGR.

8.11 Animal Keepers Act

Under the AKA, feedlots may sell livestock to recover overdue accounts.

There is a process that must be followed under the AKA. This process is outlined to the feedlot in the Feeder Association Feedlot Agreement.

Also see the LIS web site for information on the AKA: <https://lis-ab.com/>

<https://lis-ab.com/information/animal-keepers-act/>

8.12 Livestock Feeding Risks

Selling prices of livestock may not be sufficient to cover custom feeding charges plus the original cost of the livestock. Associations must ensure that members who plan to custom feed livestock have the resources to pay custom feeding charges as they occur. Controls must be in effect to ensure that feed bills are kept current. The situation is comparable to many of the members who receive contracts based on having sufficient feed on hand. The risk of loss to associations is low if only the purchase price of livestock is financed, and the feed is either available at home or paid for in a custom lot. Having feedlots inform the association after the first feed bill is not paid will enable the association to help the custom feeder. See Section 3 of the Feeder Association Feedlot Agreement for limitation lien rights.

8.13 Custom Feeding Agreements

It is the responsibility of both the local supervisor and the administrator to ensure that a Feeder Association Feedlot Agreement is fully signed and on file. A copy of the Feeder Association Feedlot Agreement can be found on the FAA website Programs → Feeder Loan Guarantee Program → Downloads. This is the only Custom Feeding Agreement to be used.

8.14 Cow Contracts

The regulation allows members to feed cows under the following conditions:

- Cows are to be on full feed.
- Cow contracts are for a maximum of 120 days. See Section 21(2)(a) FAGR and Section 2.9(a) in the Alberta Feeder Association Member Agreement.

The intent of the feeder cow program ensures that cows are purchased for feeding as opposed to calving or breeding and are **destined for slaughter only**. Experience has proven that attempts to limit the use of the program for breeding livestock are worthwhile, as this is one of the main causes of bad accounts.

Members who wish cow contracts and calf contracts must use two due dates. The purpose of this condition is to ensure calves are not sold to pay out the cow contract and the cows kept for calving and rebreeding. Further stipulations include:

- Bred cows and cows with calves at side must not be financed under feeder cow contracts.
- **Feeder cows will not be eligible for equity loans.**
- Members, who sell cows financed on feeder cow contracts as bred cows, may be suspended from receiving association loans for at least one year.

8.15 Bred Heifers

The feeder associations' program is not intended for breeding livestock. A firm policy has been developed because breeding heifers are still the major cause of problems that associations have with overdue accounts.

In general, members using feeder association funds to finance breeding livestock will be suspended from receiving feeder association contracts for at least one year. Members cannot purchase bred heifers, bred cows, breeding bulls, or cows with calves at any time. Obviously, the odd heifer may be pregnant at time of purchase. This is acceptable provided the percentage is small and the heifers are being finished.

Any heifer bred on pasture during the year must be sold **prior to January 5th** of the following year.

Providing bred heifers are sold prior to January 5th each year, members may advertise bred heifers for sale and sell in bred heifer sales. However, after January 5th, members will be suspended for retaining bred heifers under feeder association contracts. A member with heifers and steers on contract may continue with open heifers and any steers for the duration of the contract, if the bred heifers are sold by January 5th and the contract paid down.

If a board is not convinced that they have control over the bred heifers' situation, contracts that include heifers should have a due date of January 5th.

Local supervisors should not approve the financing of heifers that are being purchased by a member for a substantial premium over the feeder market price. The heifers are obviously intended for breeding, and the market risk is increased.

Boards may wish to consider financing caps on purchase price of heifers each year to minimize market risk to other members in the association.

8.16 Financing Members' Self Purchased Livestock

Due Diligence

It is essential that associations obtain clear title on any self-purchases. The following due diligence needs to be completed:

- a. If the livestock are purchased from the member, the feeder association must also do searches and obtain a Feeder Association Security Interest Waiver.
- b. Associations need to search [Personal Property Registry](#) and the [Government of Canada Bank Act](#) to ensure proper payment and clear title.
- c. Lender may sign the Feeder Association Security Interest Waiver.
- d. If the livestock have been inspected by LIS, the Alberta Livestock Manifest must be fully completed, including the declaration of any livestock security interest. An LIS inspection does not provide clear title. It is up to the feeder association to ensure a self-purchase has clear title.
- e. Cheques are paid to the seller when the lender has released security or jointly when a security interest has been declared.
- f. Each association should have a minimum purchase weight on all livestock.
- g. Boards should have a policy regarding the type of livestock that members may purchase.

- h. LIS livestock inspections are recommended.
- i. See Section 6.12 in the Feeder Associations in Alberta Manual of Directives and Procedures for PPSA procedures.
- j. LIS livestock inspections are required when livestock enters an inspection site. Any inspection of self purchased livestock would be voluntary and would be subject to LIS policy and procedures.
- k. If an LIS livestock inspection is done the feeder association must understand that the inspection does not provide clear title. Clear title is the responsibility of the feeder association.

8.16.1 Procedure

On occasion, a feeder member may wish to purchase their own livestock on a feeder association contract. This alternative allows cash injection into the member's operation while still allowing that member to feed their own livestock.

In such situations, the local supervisor estimates the value of livestock and the association finances up to 100 percent of the livestock value.

The feeder association must obtain a proper bill of sale or vendor's statement from the feeder member, and the livestock must be branded prior to payment.

8.17 Private Treaty Purchases

Due Diligence

It is essential that associations obtain clear title on any private treaty purchases. The following due diligence needs to be completed:

- a. If the livestock is purchased from a third party, the feeder association need to search the Personal Property Registry and the *Government of Canada Bank Act* and obtain a Feeder Association Security Interest Waiver should a livestock security interest be identified.
- b. Lender may sign the Feeder Association Security Interest Waiver.
- c. Cheques paid to the seller when the lender has released security or jointly when a security interest has been declared.
- d. Boards should have a policy regarding the type and weight of livestock that members may purchase.
- e. LIS livestock inspection is recommended.
- f. LIS livestock inspections are required when livestock enters an inspection site. Any inspection of private treaty would be voluntary and would be subject to LIS policy and procedures.
- g. If an LIS livestock inspection is done the feeder association must understand that the inspection does not provide clear title. Clear title is the responsibility of the feeder association.

8.17.1 Procedure for Private Treaty Purchases

- a. A proper bill of sale and a signed Alberta Livestock Manifest with description of livestock must be provided. If the livestock have been inspected by LIS, the Alberta Livestock Manifest must be fully completed, including the declaration of any livestock security interest in the livestock.
- b. Transaction made at arm's length.
- c. The value and purchase are approved by the local association board or local supervisor.

- d. The livestock are branded or identified in accordance with the FAGR.
- e. See Section 6.12 in the Feeder Associations in Alberta Manual of Directives and Procedures for PPSA procedures.

8.18 Feeder Lamb Contracts

The FAGR allows for the feeding of feeder lambs with conditions.

8.18.1 Contracts for Feeder Lambs

- maximum contract of six months with no extensions
- must be feeder lambs intended for slaughter only
- no animals are to be purchased for the purpose of breeding stock
 - Chinook Breeder Co-op (for south-west Alberta) has a program for breeder sheep
- no death loss coverage on lambs
- self purchases are treated like cattle loans with the requirement of the Security Interest Waiver (and related PPR Searches)

8.18.2 Administration

- A per head checkoff fee of \$.05 per head plus GST will be added to each contract as an FAA administration fee. This is submitted along with the cattle fees to FAA the end of each month.

8.18.3 Identification of Lambs

- Each feeder lamb must have a small dangle ear tag, marked with the local feeder association split end bar brand, as well as a paint branded number applied to the back of each animal. The paint brand will likely fade or wash out depending on the weather. However, it is the initial identification, with numbers of livestock.
- The paint brand and ear tag must be the same colour (i.e. red tag, red paint) and are the member's choice. The local supervisor will assign the number to use, especially when there are other members financing lambs, in proximity. If multiple contracts are being utilized, a different colour needs to be used for each separate contract, to properly identify lambs related to each individual contract.
- It is the responsibility of the feeder member to supply the dangle tags.
- RFID information should be available for inspection by the local supervisor.
- A minimum weight of 70 pounds per animal is required, or if lighter, approval must be obtained from the LFA board prior to purchase.

8.18.4 Self-Purchased Lambs

- All lambs must be separated, inspected, and approved prior to any co-mingling.
- Should meet the required weight standards.

CHAPTER 9: ALBERTA AGRICULTURE AND IRRIGATION (AGI)

9.1 Government Involvement

The FALGP is a legislated program established under the FAGA and its associated FAGR. Oversight is provided by the GoA through the Department of Agriculture and Irrigation (AGI).

Oversight and Administration

- The program is administered by the Inspection and Investigation Section (IIS) within AGI.
- Provincial feeder inspectors, appointed under Section 3 FAGR and Section 9 FAGA, are responsible for:
 - Supporting feeder associations and members.
 - Responding to inquiries.
 - Ensuring compliance with legislative requirements.
- The Provincial Supervisor, along with designated feeder inspectors, oversees the proper administration of the program and ensures:
 - Loans are managed in accordance with legislation.
 - Member deposits are protected.
 - Risks to the province's loan guarantee are mitigated through due diligence.

The activities of the provincial office include the following:

- a. monitoring LSFs and monthly bank statements
- b. meeting with boards and their staff to discuss inspections
- c. conducting formal inspections of associations in conjunction with boards
- d. approving local supervisors and administrators as per the legislation
- e. facilitating approval of new associations
- f. facilitating revisions to loan guarantees of associations and the regulations in general
- g. disciplining associations or members who abuse the regulations
- h. provide governance training to AGI staff that then provides training to local boards.
- i. provide in written form, feeder association member expectations and protocol requirements, which are located in the Alberta Feeder Association Member Agreement, FAGA, FAGR and Feeder Associations in Alberta Manual of Directives and Procedures along with AGI contact information and website address.

9.2 Provincial Supervisor

The Minister may designate an Agriculture and Irrigation (AGI) employee as the Provincial Supervisor.

To ensure compliance with the FAGA and the FAGR the Provincial Supervisor may do one or more of the following:

- a) Prohibit a feeder association that has failed to comply with a requirement of the Act or the Regulation from using funds in its security deposit account.
- b) Terminate, suspend, or impose terms and conditions respecting the membership of any feeder member who fails to comply with a requirement of the FAGA, the FAGR or a term or condition previously imposed under this clause on the feeder member's membership.
- c) Direct or allow a feeder association to reinstate, on any terms and conditions the Provincial Supervisor considers appropriate, the membership of any person whose membership is terminated or suspended under Feeder Associations in Alberta Manual of Directives and Procedures 9.2 Provincial Supervisor clause b.
- d) Prohibit a person whose membership is terminated or suspended under Feeder Associations in Alberta Manual of Directives and Procedures 9.2 Provincial Supervisor clause (b) from becoming a feeder member of any other feeder association.
- e) Prohibit, for a period not exceeding 12 months or until a specified event occurs, a feeder association from supplying livestock to a specified feeder member who has failed to comply with a requirement of the FAGA or FAGR or with a term or condition of the feeder member's membership (see Section 2 FAGR).

The Provincial Supervisor may rescind a suspension, term or condition imposed under Feeder Associations in Alberta Manual of Directives and Procedures 9.2 Provincial Supervisor clause (b) or (c) or a prohibition imposed under Feeder Associations in Alberta Manual of Directives and Procedures 9.2 Provincial Supervisor clause (a), (d) or (e) at any time if the Provincial Supervisor is satisfied that the circumstances that led to its imposition have been rectified.

Despite the Alberta Feeder Association Member Agreement where the membership of a feeder member is terminated under Feeder Associations in Alberta Manual of Directives and Procedures 9.2 Provincial Supervisor clause (b), the Provincial Supervisor may give directions for the winding up of matters between the feeder association and the feeder member.

The Provincial Supervisor may disclose the following information to one or more feeder associations, to FAA or to any or all of them. Disclosure of information is covered in Section 36 FAGR.

- information identifying a person as a feeder member
- information about a feeder member's performance or non-performance of obligations under a member agreement (Alberta Feeder Association Member Agreement)
- information about any failure by a feeder member to comply with the FAGR or with an order of the Provincial Supervisor or
- any other information reasonably required for the purposes of administering the FAGR
- any information, including personal information in respect of one or more feeder members, to a lender if the information is reasonably required for the purpose of administering a guarantee loan

The books and records of a feeder association must be available for inspection at all reasonable times by the Provincial Supervisor, the Minister, or an authorized person. The sales documentation must be retained for at least seven years after the due date applicable to the livestock as per Section 17(6) FAGR. The feeder association must retain association records as per Section 28 of the *Cooperatives Act of Alberta*. Section 9 FAGA identifies powers for the purpose of administering this act and FAGR.

9.3 Association Staff Approvals

The FAGR Section 8(2) specifies that before appointing an individual as a local supervisor or an administrator, the feeder association shall obtain the Provincial Supervisor's approval to appoint that individual.

To help associations operate in a sound manner protecting the Government's loan guarantees and the members' equity, it is essential that boards have reputable and competent staff.

9.4 Appointment of Local Employees by Provincial Supervisor

- a. resume of applicant
- b. board letter of support
- c. initiation of appropriate GoA file
- d. AGI Inspector's recommendation
- e. Provincial Supervisor will send appointment letter to local board with copy to applicant and the local inspector

9.5 New Guarantee Requests

Eligibility Criteria FAGA

- a. Is the feeder association incorporated?
- b. Is the objective of the association appropriate?
- c. Will the guarantee be used by the feeder association to finance the acquisition of livestock for growing or finishing by members?
- d. Are there funds available within the allowable government loan guarantee?
- e. Is there a prescribed maximum for this feeder association?
- f. Has a local supervisor and an administrator been appointed?
- g. Are the original certified resolutions of the board of directors of the local association appointing these individuals available for review to confirm that they have been duly appointed?
- h. Have the appointments been approved by the Provincial Supervisor?
- i. Does the feeder association have a registered livestock brand with a split end bar?
- j. Are the signing authorities bonded or have security?
- k. Is the guarantee amount appropriate for the number of members?
- l. Has a written request been received?
- m. Is the lender specified in writing?
- n. Is the lender unregulated (lenders that are not either chartered banks, regulated credit unions or regulated financial institutions)?
- o. Is the amount of the loan specified in writing?
- p. Are there extenuating circumstances that impact the request for a guarantee?
- q. Does the Provincial FAA board recommend approval?

9.6 Increase in Existing Guarantee Requests

The following eligibility criteria must be answered for an increase in existing guarantee requests - FAGA.

- a. Are there funds available within the allowable government loan guarantee?
- b. Is the feeder association in compliance with the legislation?
- c. Is the feeder association being operated in a sound manner?
- d. Has a local supervisor and administrator been appointed?
- e. Are the signing authorities bonded and up to date through the FAA?
- f. Is the guarantee amount appropriate for the number of members?
- g. Is the amount on deposit appropriate (five percent or greater)?
- h. Is the amount on deposit held in a security deposit account?
- i. Has the feeder association submitted a written request to provincial feeder inspector and what is the requested guarantee amount?
- j. Is the lender specified in writing?
- k. Are there extenuating circumstances that impact the request for a guarantee?
- l. Has a letter of support from the lender been received and attached to written request?
- m. Has a letter of support from the appropriate FAA Zone Director been received and forwarded with the written request?

9.7 Processing New Guarantees / Lender Change

The new guarantee agreement or lender change is processed by AGI as follows:

- a. Once a written request and required support letters have been received, the responsible feeder inspector will complete the eligibility criteria investigation, forwarding the results to the Provincial Supervisor. The feeder inspector will make a recommendation to either approve or deny the request.
- b. If the request is approved the Provincial Supervisor will recommend approval (TBF does the actual approval) and forward the new Guarantee Agreement. Three signatures are required in triplicate: association, lender, and province (HIS/HER MAJESTY THE KING/QUEEN IN RIGHT OF ALBERTA, as represented by the President of Treasury Board and Minister of Finance (TBF)).
 - First, the agreement is signed by GoA/TBF representative (first signature required).
 - The agreement is signed by the association (second signature required).
 - The association will arrange for lender signature (third signature required).
 - The association then returns fully signed agreement to the Provincial Supervisor.
- c. Provincial Supervisor will email a copy to TBF representative responsible for FALGP.
- d. Once all three signatures have been obtained and document returned to the Provincial Supervisor the new guarantee is in place and can be used by the association.
- e. The previously existing agreement on file with the lender is now voided.

9.8 Processing Increases or Decreases

The increase or decrease to existing guarantees is processed by AGI as follows:

- a. Once a written request has been received, the responsible feeder inspector will complete the eligibility criteria investigation and forward the results to the Provincial Supervisor. The feeder inspector will make a recommendation to either approve or deny the request.
- b. The Provincial Supervisor will review and, if in agreement, will request a memo be sent to TBF recommending the increase or decrease and seeking their approval.

- c. Upon approval from TBF the Provincial Supervisor will complete the amending letter indicating the new guarantee amount.
- d. The amending letter now requires three signatures.
 - First, the Provincial Supervisor will send the amending letter to Animal Health and Assurance Branch's Executive Director for sign-off (first signature).
 - Provincial Supervisor will send the amending letter to the association (second signature).
 - The association will take the amending letter to its lender (third signature) and then return the fully signed amending letter to the Provincial Supervisor.
- e. The association will keep copy and deliver a copy to their lender.
- f. The Provincial Supervisor will send a photocopy of the signed amending letter to TBF.
- g. Once all signatures have been obtained and document returned to the Provincial Supervisor the new guarantee is in place and can be used by the association.

9.9 Inspections

The Department of Agriculture and Irrigation (AGI) conducts formal inspections of associations. The main purpose of on-farm spot checks and procedural audits of association offices is to monitor the activity of associations and to evaluate how effective local supervisors and the administrator administer contracts to members. See Section 9 FAGA for powers pertaining the FAGA and FAGR.

Feeder inspectors will adhere to the minimum internal bio-security policies developed by AGI.

The feeder inspector will contact the local association staff to arrange a time that is suitable. It is preferred that the local supervisor accompany the feeder inspector; however, if that is not possible, the chairman or another board member(s) may be asked to assist. As well, cooperation from the administrator is expected, as the feeder inspector will require current information on the contracts for those members visited and is required to review contract documentation. The inspection results will be reviewed with staff and the board.

Following completion of the inspection, the feeder inspector will provide a written report to the chairman of the feeder association, administrator, Provincial Supervisor, and FAA Zone Director.

9.10 Initial Steps – Process and Protocol for the AGI Feeder Inspector

- a. The association to be inspected is identified based upon a risk analysis of previous inspection reports or twice per year.
- b. Contact is made with the association to set up a date for the inspection.
 - ensure the administrator is available
 - ensure the local supervisor is available. In their absence, a board member(s) must be present
- c. Pre-Inspection: Review the following documents:
 - most recent bank statement
 - monthly purchases for the last year
 - previous inspection reports
- d. Feeder association office inspection

- review files – pre-selected and randomly selected to a minimum of 10 percent or 20 members whichever number is greater, as well as all board members and staff, and a minimum of 10 percent of all high dollar contracts
 - look for file completeness and thoroughness
 - review board minutes
- e. File reviews will consist of:
- LSFs
 - purchase documents that will prove clear title
 - brand inspection report
 - Alberta Livestock Manifests
 - custom feeding agreements
 - local supervisor’s inspection report
 - identifying those members that have a common feeding location
 - verifying security deposit, reconcile the loans with the 5% security deposit
 - all documents required in the application process (1A or 1B, PIPA, Alberta Feeder Association Member Agreement, Service Request, Security Interest Waiver, along with any other documents applicable to the member’s PPR search, registration, and relevant Priority Agreements in the application process).

9.11 Feeder Association Support Response Team

This Directive is required to ensure that if a local feeder association requires assistance in dealing with a serious financial issue that they have access to a team of resource people to assist them. The support response team will have the information and ability to advise and guide the association through a difficult situation. The goal of the support response team is to avoid or reduce any financial loss to the local association.

DIRECTIVE:

The Feeder Association Support Response Team will consist of the AGI Provincial Supervisor, Provincial FAA Zone Director, the IIS feeder inspector responsible for the local association, the lender of the local association, and the chairman or directors of the local association.

PROCEDURE:

A request for assistance will come from the local feeder association, provincial FAA board, or any other interested party.

- a. Any member of the response team may be the initial contact; however, the AGI Provincial Supervisor will be the chair.
- b. Once the Provincial Supervisor has been informed of a problem, the Provincial Supervisor will immediately contact the team members to coordinate a conference call or meeting to discuss the details of the problem and how to best proceed.
- c. Immediately after the conference call or meeting, the Provincial Supervisor, or delegate, will send a letter to the association and team members outlining the direction given by the response team.
- d. The Provincial Supervisor, or delegate, and the association will remain in contact with each other throughout the process.

- e. The Provincial Supervisor, or delegate, will maintain records of all communications between the team, all others involved, and from within the group.
- f. The Provincial Supervisor will ensure that all parties involved are kept up to date as issue arise, either by conference calls or via an electronic means.
- g. Once the problem has been concluded, or it enters the legal system for final resolution, a debriefing conference call or meeting will be scheduled for all involved parties. Discussion will also take place to determine if there are possible ways to prevent this problem from occurring in the future.

Note: This team will act as an advisory group only and will do what they deem to be in the best interest of the local association and the FALGP as a whole; <https://www.alberta.ca/feeder-association-loan-guarantee-program>.

9.12 Feeder Association Guarantee Allocation Adjustment

RATIONALE:

To best utilize the government guarantee in a responsible manner as prescribed in the FAGA, it is necessary to review and adjust the allocation from time to time.

DIRECTIVE:

The guarantee allotment may be reviewed and adjusted at any time during the year. The local feeder association will initiate any allotment increase.

Each association's lending activity will be reviewed at least once per calendar year to determine if a decrease in the guarantee allotment is warranted. Associations that are not utilizing at least 70 percent of their allotment may have it adjusted accordingly.

PROCEDURE:

Annual Review:

- a. After the April bank statements have all been received by the IIS Head Office, IIS staff will review each association's lending activity over the previous 30 months to determine their highest level of lending.

Note: To determine the current utilization, use the following formula:

$$\text{Maximum lending activity} \times 1.25 / 6.00 = \text{new allocation (round up to nearest \$10,000)}$$

- b. Each association should have utilized at least 70 percent of their guarantee allotment during the 30 months.
- c. This maximum level of lending in the 30-month period will be used to calculate the new maximum guarantee allotment an association can receive. Use the following formula to calculate the new guarantee allotment:

$$\text{Maximum lending activity} \times 125 \text{ percent} / 6.00 = \text{new guarantee allotment OR}$$

$$\text{Maximum lending activity} \times 1.25 / 6.00 = \text{new guarantee allotment}$$

Note: The guarantee allotment is used to guarantee 15 percent of the total loan to the associations by the financial institutions.

Example:

1,500,000 guarantee allotment

10,000,000 loan limit from the bank

6,000,000 maximum outstanding loans

Therefore: $\$6,000,000 \times 125 \text{ percent} / 6.00 = \$1,250,000$ (subject to rounding) OR

$\$6,000,000 \times 1.25 / 6.00 = \$1,250,000$ (new guarantee allotment)

At a 15 percent guarantee:

$\$1,250,000 / 15 \text{ percent} = \$8,333,333$ (total borrowing capacity)

- d. A utilization report for all the associations will be made to the Provincial Supervisor for review.
- e. Once any association has been identified as underutilizing their allotted guarantee, the Provincial Supervisor will send each association a letter informing them of the forthcoming change in their guarantee. The association will then have 30 days from the date the letter was sent to reply to the Provincial Supervisor.
- h. The Provincial Supervisor will request a memo be sent to TBF recommending the decrease and seeking their approval.
- i. Upon approval from TBF the Provincial Supervisor will complete the amending letter indicating the new guarantee amount.
- j. The amending letter now requires three signatures.
 - First, the Provincial Supervisor will send the amending letter to Animal Health and Assurance Branch's Executive Director for sign-off (first signature).
 - Provincial Supervisor will send the amending letter to the association (second signature).
 - The association will take the amending letter to its lender (third signature) and then return the fully signed amending letter to the Provincial Supervisor.
- k. The association will keep copy and deliver a copy to their lender.
- l. The Provincial Supervisor will send a photocopy of the signed amending letter to TBF.
- m. Once all signatures have been obtained and document returned to the Provincial Supervisor the new guarantee is in place and can be used by the association.

The utilization of the guarantee allocation is set at 70 percent to allow for an increase in the lending activity of an association without requesting an increase in the guarantee allocation. At the same time, it ensures that the guarantee dollars under the FALGP are being used in an efficient manner.

By conducting an annual review of an association's activity and guarantee allocation the total guarantee amount will be distributed based on need. At the same time, it is not the intent to restrict an association's ability to grow. Allocation is in guarantee dollars not the dollar amount loaned by a lender. Lenders loan on a 15% ratio; example \$1,500,000 guarantee dollars will facilitate \$10,000,000 dollars in loans with a lender.

CHAPTER 10: LENDER SECURITY AND IMPLEMENTATION OF LOAN GUARANTEE

10.1 Lenders Security

Following is an outline of the security available to lenders.

10.1.1 Identified Livestock

The line of credit provided by a lender to an association can only be used to purchase livestock (feeder cattle or feeder lambs). All livestock purchased by a feeder association must be branded with a registered brand incorporating the association's individual split-bar brand or in another method approved by the Minister.

All sheep must be suitably identified in accordance with the regulations. Each feeder lamb must have a small dangle ear tag, marked with the local feeder association split end bar brand, as well as having a paint branded number applied to the back of each animal.

A feeder association member must complete an Alberta Livestock Manifest and sell the livestock in the name of the feeder association (account of member). This is well controlled at markets in Alberta and neighboring provinces.

FAA operates an indemnity program to protect members against death losses. Even with death losses and viable market conditions, the original purchase cost of the feeder livestock is generally retained. Available on cattle only. AFSC offers the LPI (Livestock Price Insurance Program) on cattle. Individual feeder associations may offer their own indemnity trust program. There is no death loss coverage for lambs.

10.1.2 Assignment of Book Debt

The association's loans with the lender are supported by individual LSF with members. The individual LSFs are supported by a promissory note.

The LSFs include information on the location and type of livestock as well as management practices expected. As well, the LSF supports the board's right to take control of livestock from a member in default of regulations. See Section 3 and 7 in the Alberta Feeder Association Member Agreement.

10.1.3 Pooled Security Deposits

The security deposit must be in the association's account prior to the livestock being paid for. Each member must provide the association with at least five percent of the money borrowed as a security deposit, an association can ask for more than five percent depending on their risk assessment. These deposits are held in a security deposit account and can only be used to repay association loans in default. See Section 33 FAGR and Section 34 FAGR.

The pooled security deposits amount to significant protection. An association with \$5,000,000 in outstanding loans must have at least \$250,000 in security deposits. Where loans are now potentially of such high dollar value caution should be exercised when a member has a maximum loan and equity

draw. Credit Worthiness (Section 4.1 and 4.2 in Feeder Associations in Alberta Manual of Directives and Procedures) is of the utmost importance when approving maximum contract limits.

10.1.4 Government Loan Guarantee

Efforts should be made, and time allowed, for associations to come to an agreement or payment schedule with individuals that have overdue accounts. However, there are rare occasions that all efforts to avoid a default will result in the government guarantee being drawn. After an association defaults on its loan, the lender, in conjunction with the representative of the association acting on their behalf, is expected to manage remaining contracts until all members have paid out the final contract and wind down the association. After taking all commercially reasonable steps to recover debt without commencing legal action, a lender may request a payout of the government guarantee. The maximum payout is equal to the amount listed in the guarantee agreement between the province, the lender, and the association.

10.1.5 Other

There are several important areas that should be considered in appraising the security of loans. Each association has a paid local supervisor and administrator to administer loans according to the FAGR. All signing authorities are bonded or have security to protect associations against fraudulent activities. Staff appointments must be approved by the Provincial Supervisor to avoid preventable risks, conflict of interest and other potential inappropriate situations. IIS is responsible for monitoring the lending activities and inspection of each association.

CHAPTER 11: FEEDER ASSOCIATIONS OF ALBERTA LIMITED (FAA)

In addition to this manual, the FAA website: <https://www.feederassoc.com> and FAA staff are available to respond to inquiries from local associations regarding any aspect of the administration system. The FAA are an independent Limited or Ltd entity offering several services for feeder associations.

For a fee, the FAA office can provide the following:

- searches for financial security interests registered in the Personal Property Registry of Alberta
- registration of financial security interest in the Personal Property Registry of Alberta
- credit check via Equifax

FAA Staff are also able to assist with interpretation of various search results.

The FAA is a separate entity from the FALGP operating as the provincial organization representing the membership of individual feeder associations in the province. The FAA board of directors are elected by individual associations on a zone basis.

Activities of the Provincial board may include:

- a. Creating and executing the FAA's Strategic Plan for the future based on priorities of the membership.
- b. Acting as a key government partner in the development of policy and procedures for the FALGP.
- c. Creating and supporting partnerships with the government, lenders, and other industry stakeholders
- d. Communication and support for local feeder associations
- e. Organization and operation of the FAA convention and AGM annually
- f. Delivery of the Livestock Indemnity Trust Program
- g. Managing the Personal Property Registry and Equifax services
- h. Maintaining a blanket liability Insurance policy for FAA and the member LFA's as well as negotiating a group insurance policy specific to the individual LFA's.
- i. Maintaining a blanket self-administered compensation fund, bonding the signing officers of all Member associations at \$100,000.

For more information on the provincial associations or the Indemnity Program, contact:

Feeder Associations of Alberta Limited
100, 5908 50 Street
Leduc, AB T9E 0R6

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LFA – FAA Helpline Contact

Lynda Miller – Administrator – St. Paul Feeder Co-op Association Ltd.

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CHAPTER 12: FORMS

Feeder association forms are located on the FAA website:

Programs → Feeder Loan Guarantee Program → Downloads

CHAPTER 13: RELEVANT WEBSITES

Alberta Agriculture and Irrigation – Feeder Associations of Alberta Web Page

<https://www.alberta.ca/feeder-associations-of-alberta>

Alberta Agriculture and Irrigation – Feeder Associations Loan Guarantee Program

<https://www.alberta.ca/feeder-association-loan-guarantee-program>

Feeder Associations of Alberta Limited

<http://www.feederassoc.com>

Livestock Identification Services Ltd. (LIS)

<https://lis-ab.com>