

MANUAL OF DIRECTIVES AND PROCEDURES FOR FEEDER ASSOCIATIONS IN ALBERTA

Feeder Associations in Alberta
Manual of Directives and Procedures

Government of Alberta - Agriculture and Forestry

Table of Contents

CHAPTER 2 – DEFINITIONS AND DISCLAIMER.....	5
Definitions.....	5
General Disclaimer.....	7
CHAPTER 3 – FEEDER ASSOCIATION STAFF.....	8
3.1 Board of Directors.....	8
3.1.1 Checklist for Directors	9
3.2 Local Supervisor	10
3.3 Administrator	11
3.4 Compensation – Staff.....	12
3.5 Goods and Services Tax (GST)	12
3.6 Conflict of Interest	13
3.6.1 Conflict of Interest Guidelines	13
CHAPTER 4 – RISK MANAGEMENT	15
4.1 Credit Worthiness	15
4.2 Approvals and Maximum Contract Limits.....	15
4.3 Non-Farmers	16
4.4 Location.....	16
4.5 Livestock Purchases	16
4.6 Eligible Individuals.....	16
4.7 Guaranteed Loans.....	18
4.8 Approved Projects.....	18
4.9 Process for Application for Pilot Project	19
4.10 Prohibitions.....	19
4.11 Animal Welfare Guidelines for Local Feeder Associations.....	20
CHAPTER 5 – REPORTS.....	21
5.1 Monthly Statement of Purchases	21
5.2 Monthly Bank Statements	21
5.3 Year End Summary.....	21
5.4 Overdue Accounts.....	21
5.5 Supervisor’s Report/Log Book.....	22
5.5.1 Supervisors Report to the Board/Logbook	22
5.6 Motion Through the Board	23
5.7 Annual Return for Listing of Directors	23
5.8 Financial Statements (Annual)	23
5.8.1 Financial Statement - Requirements	24
5.9 Advances (Equity Loans)	24
5.10 Schedule of Required Reports	25
CHAPTER 6 – ADMINISTRATION OF CONTRACTS.....	26
6.1 Contract Administration	26
6.1.1 Livestock Supply Forms.....	26
6.1.2 Land Location.....	26
6.1.3 Security Deposit.....	26
6.1.4 Custom Feeders.....	27
6.1.5 Signing Documents	27
6.1.6 Co-Signature	27
6.1.7 Contracts	27

6.1.8	Indemnity.....	27
6.2	Contract Extensions	28
6.3	Contract Transaction Documentation.....	28
6.4	Managing Multiple Family or Group Account Situations	29
6.4.1	Separate Individual Accounts	29
6.4.2	Group Accounts	30
6.5	Maximum Four Due Dates per Member	31
6.6	Security Deposit Account	32
6.6.1	Security Deposit.....	32
6.6.2	Use of Security Deposit Account	32
6.7	Investment Alternatives for Security Deposit Funds	33
6.7.1	Chequing Accounts	33
6.7.2	Saving Accounts.....	33
6.7.3	Term Deposits.....	33
6.7.4	Treasury Bills.....	33
6.7.5	Guaranteed Investment Certificates (GICs)	33
6.8	Selling Livestock or Livestock Products	34
6.9	Partial Sale Proceeds.....	34
6.10	Advances (Equity Loans)	35
6.10.1	Protocol	36
6.11	Overdue Accounts.....	37
6.12	Shortfall Procedures	38
6.13	Income Tax - Members	38
6.14	Taxation - Associations	39
6.15	Feeder Associations and the Personal Property Security Act (PPSA).....	39
6.16	Livestock Identification and Commerce Act AND Livestock Identification and Commerce General Regulation	40
CHAPTER 7 – WESTERN LIVESTOCK PRICE INSURANCE PROGRAM (WLPIP).....		41
CHAPTER 8 – SUPERVISION OF CONTRACTS		42
8.1	Branding, and RFID as Branding Alternative	42
8.2	Branding Before Paying.....	44
8.3	Branding at Auction Markets	45
8.4	Brands – Location Versus Numbers	45
8.5	Manifests	45
8.6	Brand Releases.....	46
8.7	Selling Cattle through a Licensed Alberta Dealer or Transporting Cattle Out of the Province	47
8.8	Letter of Authorization	47
8.9	Protocol for Sales through Licensed Livestock Dealers Acting as Seller’s Agents	47
8.10	Custom Feedlots	51
8.11	Animal Keepers Act.....	51
8.12	Cattle Feeding Risks	51
8.13	Custom Feeding Agreements.....	51
8.14	Cow Contracts.....	52
8.15	Bred Heifers	52
8.16	Financing Members’ Self Purchased Livestock	53
8.16.1	Procedure	53
8.17	Private Treaty Purchases.....	54
8.17.1	Procedure for Private Treaty Purchases	54
8.18	Feeder Lamb Contracts	54
	Contracts for Feeder Lambs	54
	Administration	54

Identification of Lambs	55
Lamb Facility and Operation Requirements.....	55
CHAPTER 9 – ALBERTA AGRICULTURE AND FORESTRY (AF).....	57
9.1 Government Involvement.....	57
9.2 Provincial Supervisor.....	58
9.3 Association Staff Approvals.....	58
9.4 Appointment of Local Employees by Provincial Supervisor	59
9.5 New Guarantee Requests	59
9.6 Increase in Existing Guarantee Requests	60
9.7 Processing New Guarantees	60
9.8 Processing Increases or Decreases	61
9.9 Inspections.....	61
9.10 Initial Steps – Process/Protocol for AF Inspector.....	62
9.11 Feeder Association Support Response Team.....	63
9.12 Feeder Association Guarantee Allocation Adjustment.....	64
CHAPTER 10 – LENDER SECURITY AND IMPLEMENTATION OF LOAN GUARANTEE	66
10.1 Lenders Security.....	66
10.1.1 Identified Livestock.....	66
10.1.2 Assignment of Book Debt	66
10.1.3 Pooled Security Deposits	66
10.1.4 Government Loan Guarantee.....	67
10.1.5 Other.....	67
CHAPTER 11 – FEEDER ASSOCIATIONS OF ALBERTA	68
CHAPTER 12 – FORMS	69
Personal Information and Privacy Agreement (PIPA)	64
Financing Statement.....	66
Serial Number Goods Additions.....	66
Alberta Feeder Association Purchase Order	69
Terms and Conditions of Purchase Order	69
Month End Summary of Family/Feedlot Account	72
Feeder Association Feedlot Agreement.....	74
LIS Livestock Dealer Letter of Authorization.....	77
Supervisors Log Book	80
Western Livestock Price Insurance Program (WLPIP) Alberta Assignment of Indemnity Form	82
Equity Loan Inspection Report.....	85
Equity Draw Calculation Worksheet	87
Partial Sales Withdrawal.....	90
Alberta Feeder Association Member Agreement	93
ADDENDUM TO Alberta Feeder Association Member Agreement.....	90
Feeder Association Security Interest Waiver	94
Completion Instructions	94
Livestock Security Interest Declaration	97
Feeder Association Priority Agreement	99
CHAPTER 13 – CONTACT INFORMATION	102
Alberta Agriculture and Forestry – Feeder Association of Alberta Web Page	102
Alberta Agriculture and Forestry – Feeder Association Loan Guarantee Program.....	102
Feeder Associations of Alberta Limited	102
Livestock Inspection Services (LIS).....	102

CHAPTER 2 – DEFINITIONS AND DISCLAIMER

Definitions

Administrator – An Administrator appointed under section 3.3.

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

Bonding – See “Security”

Brand Inspector – LIS Livestock Inspector.

Clear Title – No liens or encumbrances, or if so, has this security interest been released (as searched under Personal Property Registry and the Bank Act.) See Section 8.16 and 8.17.

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

Contract – All Livestock Supply Forms that have the same due date and identification (for a member).

Corporation – A corporation that is (i) registered in Alberta, and (ii) 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 this Act;
- iii. The Director of Animal Health and Assurance Branch.

Due Date – In respect of a Livestock Supply Form, the date by which the livestock covered by that Livestock Supply Form must, in accordance with the terms of the Livestock Supply Form, 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.

Farmer – An individual, as identified in the legislation, is one

- i. Who is at least 18 years old, and
- ii. Who owns or leases a farm in Alberta or is a shareholder of a corporation that owns or leases a farm in Alberta.

Feeder – A farmer who is a feeder association member as identified in the legislation.

Feeder Association – An association incorporated under an Act of the Legislature and having for its object the assisting of its members to acquire livestock for growing and finishing.

Group Accounts – Group account (common identification, common due dates), all their security deposits should be applied to an overdue account of any one of them.

Guarantee – A guarantee given under this Act.

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.

LIS – Livestock Identification Services Ltd.

Livestock Supply Form – The Livestock Supply Form set out in the Schedule.

Local Board – Elected representatives of the local feeder association.

Local Supervisor – A local supervisor appointed under section 3.2.

Management Group – Local board, or provincial board, or Sector Head.

Manifest – LIS 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 cattle.

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

Provincial Supervisor – An employee in Agriculture and Forestry (AF), who is designated by the Minister as the Feeder Associations' Supervisor.

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.

Supply Period – A period of time during which livestock are supplied under one (1) or more livestock supply forms that specify the same due date.

General Disclaimer

This publication is intended to provide general information on the Feeder Associations Guarantee Loan Program 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 Government of Alberta, 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 co-op according to the [Feeder Associations Guarantee Act](#) and [Feeder Associations Guarantee Regulation](#), and 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 co-operative.

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 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 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 *Feeder Associations Guarantee Act* and the association's own by-laws. For larger associations monthly meetings are recommended. **It is recommended that an “in camera” session should follow each meeting of the Board. (See Definitions).**
- 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 boards 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 Chairman and Administrator.

3.1.1 Checklist for Directors

- a) Understand your responsibilities before agreeing to become a board member.
- b) Be familiar with the *Feeder Associations Guarantee Act* and Regulation, and the *Cooperatives Act* and Regulation.
- c) Be familiar with the organization's 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 and that there are clear job descriptions and that staff job 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, the 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 amount hinges on fiduciary responsibility being understood (as provided by governance training) and maintained by the Board.

3.2 Local Supervisor

The local supervisor is responsible directly to the Board of Directors and must fulfill requirements of the *Feeder Associations Guarantee Act*. Although local supervisors are appointed by boards, 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 Feeder Associations Guarantee Regulation and the directives/procedures in this manual.
- b) Administering association by-laws and directives/procedures.
- c) Verifying that all livestock are identified and facilities are adequate.
- d) Local supervisors should make more than one visit to the feeder member or feeding location during the contract period and record details in the log book.
- e) Documenting this information in the local supervisor's report.
- f) Maintaining a written log book and submit written supervisor's reports at Board Meetings. Written reports to the Board must include:
 - livestock bought and sold,
 - dead livestock,
 - inspections,
 - problem areas.
- g) Verifying death losses in accordance with Livestock Indemnity if applicable.
- h) Participating in discussions with members relative to Board directives/procedures.
- i) Investigating member concerns or problem situations.
- j) Recording daily activities in the log book to be available to the local Board upon request.
- k) Communicating in a positive manner with the Administrator on all issues pertaining to the association.
- l) Reviewing and approving any sale or purchase by a feeder member that is not done in a "common market price discovery mechanism" (livestock auction market).
- m) Attending Board Meetings and discuss directives and procedures as well as problem situations.
- n) A copy of the log book should be on file at the end of the contract.

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 Feeder Associations Guarantee Regulation and the directives/procedures in this manual.
- 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, and annual reports).
- e) Preparing other reports as required by the local Board and Provincial Supervisor.
- f) Processing Livestock Supply Forms.
- 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) Require a monthly report to the Provincial Supervisor on Equity Loans participants.
- o) Other duties as prescribed by the Board.

3.4 Compensation – Staff

A great deal of variation exists in the methods and amounts that Boards compensate Administrators and Local Supervisors. Examples of compensation levels for cattle feeder associations follow:

- a number of cattle feeder associations have a dollar per head charge,
- other boards have elected to pay a percentage of the contract amount.

This ranges from .79 percent to 1.75 percent with the average being one percent. In addition, some Boards pay mileage and office expenses, whereas some do not.

On average, boards of feeder associations pay their Administrators 0.5 percent of contracts or 50 percent of per head charges plus directly 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 a major 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 because of 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.

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 or self-employed people, who work for the association, are required by law to register for GST when their gross earnings go over \$30,000. They are required to collect the applicable GST of their gross earnings and remit to Revenue Canada on a timely basis.

It is the responsibility of the sub-contractor or self-employed person to monitor their earnings and bill for GST (if registered). The association must have on file all GST numbers of people who collect GST from them.

The website address for access to all information and forms required for GST registration is www.ccradrc.gc.ca. Go to "Find a form or publication", and then search GST.

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 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. All appointments of the Administrator and 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 conflict, 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.**

3.6.1 Conflict of Interest Guidelines

The following recommendations should be considered in electing board members or hiring new staff. In addition, Boards that have a conflict of interest situation should discuss whether some further procedures are required to manage the conflict.

In General:

- a) Individuals and their spouses whose livelihood depends 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: Agriculture and Forestry (AF) and Feeder Associations of Alberta Limited understand that there will be occasion where the position of local supervisor or Administrator will have a vacancy of a paid full time 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 as long as the local Board has a written conflict of interest guideline to ensure all Livestock Supply Forms 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.
- f) Association offices should not be located at auction markets, or share offices with other feeder financing operations.
- g) Should an Administrator or Local Supervisor have contracts with the association, the staff member's contract must be inspected and signed by a staff or board member, who are at arm's length.
- h) All Board and Staff contracts will be inspected by AF 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 “New Guidelines”.
- l) Board members must review and sign off on the financial statements.
- m) Chairman/President and Executive must be supervised by the same rules as non-executive feeders.

CHAPTER 4 – RISK MANAGEMENT

The Associations are required to comply to the *Feeder Associations Guarantee Act* and Regulation and with the *Cooperatives Act* and Regulation plus local association bylaws. This Directive and Procedures Manual 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 some financial difficulty may be acceptable as members provided the Board is confident that the proposed member is responsible, he/she has sufficient 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 financing the member has. This is relative to limits of the facility and to operating credit requirements; but most importantly, to ensure that there are no competing security interests in the livestock financed. Members must have proven management ability and should have demonstrated an ability to handle numbers 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 FOIP requirements.
- A credit history might not be as important as a Board knowing the current situation. Sometimes good credit history still leads to trouble. The Board's awareness of knowledge about each member is critical.
- Complete PPSA and bank searches (refer to Section 6.17) (See example in Section 3.4 of the Instruction Manual.)

4.2 Approvals and Maximum Contract Limits

Purchase limits for livestock are legislated in the Feeder Associations Guarantee Regulation and are limited to \$2,000,000. This does not include advances (equity draws – see Sections 5.9, 6.10, and 6.10.1). The maximum contract length is up to one year and starts from the date the member signs their first Livestock Supply Form.

- Any increase in the members' contract limit must be with Board approval and passed by means of a motion at a Board Meeting.
- The maximum amount that a feeder member may owe at any one time in respect to livestock supplied to the feeder member by the feeder association as set out in the Feeder Associations Guarantee Regulation is:
 - Corporation, Partnership, or Joint Venture - \$3,000,000, or as approved by the Minister.
- Boards may set contract limits lower than allowed for in the regulations.
- 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.

Following are examples of questions the Board should ask: "Does the member have the financial strength to handle a loss on the livestock? Is there a marketing plan in place?"

4.3 Non-Farmers

Boards should not accept as members, people who have no experience or involvement with farming. The signing up of relatives, friends, or investors by a feeder for the purpose of expanding the loan base should not be condoned or encouraged by Boards and their staff.

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

4.4 Location

Although there are no formal boundaries for a feeder association, Boards should take into consideration applications for membership to farmers who live out of the district or keep livestock too far away to supervise. The livestock must remain in Alberta.

4.5 Livestock Purchases

- Boards should have a policy regarding the type and weight of the livestock that members may purchase.
- Boards should convey to their staff that questionable livestock should not be contracted with the association.
- The Board should review price caps or formulas for livestock on a regular basis if they are used.

4.6 Eligible Individuals

A feeder association may accept only the following as feeder members:

- a) An individual, who is 18 years of age or older and who (i) Owns or leases a farm in Alberta, or (ii) Is an active shareholder of a corporation described in clause (b) or an active member of a partnership or joint venture described in clause (c);
- b) A corporation that is (i) Registered in Alberta, and (ii) Owns or leases a farm in Alberta at which the corporation directly carries on the business of farming for gain or reward;
 - A corporate registry search must be completed to identify eligible shareholders for membership.
- c) A partnership or joint venture that owns or leases a farm in Alberta at which the partnership or joint venture directly carries on the business of farming for gain or reward;

Joint Ventures vs. Partnerships

- The main difference between a joint venture and a partnership is that 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 property.
- And each member of the joint venture shares only the expenses of the particular 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.

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, and

- 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.
- 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, he or she 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.**

4.7 Guaranteed Loans

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 of the regulations.
- d) the purchase of price insurance in respect of livestock referred to in clause (a) from the Agriculture Financial Services Corporation established by the [Agriculture Financial Services Act](#),
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 \$35 per animal may be added to the original “Livestock Supply Form” under the heading “Other Costs”,
 - this drug funding will be provided on **paid invoices only** provided by the member and cannot exceed \$35 per head,
 - paid invoices must be attached to the pertinent supply form as proof of purchase.

4.8 Approved Projects

- a) The Minister may, if authorized by an order under section 2(1) of the Act, 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 Act.
- b) Section 12 and 13 of the Regulation allows the Minister of Agriculture and Forestry 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.
- c) An order under section 12 of the Regulation:
 - May include any other terms and conditions the Minister of Agriculture and Forestry considers appropriate.
- d) A consultation with the Feeder Association of Alberta and a letter of support is required.
- e) Approved pilot projects will require some form of cattle 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
 - Identity of Group / Association
 - Cost
 - Partnerships
 - Grants from other agencies
 - Legal representation
 - Consultants
 - Time frame: Start to Completion
 - Location(s)
- c) Lender / Financier
 - Letter of support and written conditions. i.e. Guarantee amounts.
- d) Consultation with the Feeder Associations of Alberta Ltd.

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 Act or any other provision of this Regulation,
 - 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.

The Minister may give an 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 as to the condition of the livestock and facilities. This is to be done in consultation with the member(s) in question if at all possible.
- b) The local supervisor will immediately inform the Chairman of the local Board of his/her findings.
- c) If there is an animal welfare issue, the Chairman will notify the Zone Director of the Feeder Associations of Alberta Limited and the designated AF 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, 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 of AF will do so.
 - Contact information for the Alberta ASPCA is: 1-800-455-9003 or <https://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 association's rights to remove the cattle to better look after their needs. The Action Plan should consider all available options such as:
 - Feed and care for the animals at their present location.
 - Removal of all Association livestock for care or sale.These association rights are described in Sections 6.1(c) and 7.3(b)(c), and 7.6 of the member agreement.
- f) 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 association membership terminated.

CHAPTER 5 – REPORTS

5.1 Monthly Statement of Purchases

By the 20th day of the following month, the Administrator must submit to the following address, a statement of purchase of livestock and copies of the Livestock Supply Forms to:

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

This report must include accurate information on the number and kind of livestock purchased. Cattle must be broken down by sex, brand location, purchased from, total cost, and due date. If there are no purchases during the month, a NIL report for the month must be submitted. AF may request additional information or documentation.

5.2 Monthly Bank Statements

- a) 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.
- b) The monthly statement should be prepared by the bank and signed by their representative.
- c) Monthly statements are submitted to:

Inspection and Investigation Section
Agriculture and Forestry
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

- a) The Administrator **must** submit a monthly detailed list of overdue accounts to the Provincial Supervisor.
- b) Guidelines for handling overdue accounts can be found in the manual under "Administration of Contracts" (section 6.11).

5.5 Supervisor's Report/Log Book

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,
- 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).

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. (Sample logbook can be found in Chapter 12 – Forms.)

5.5.1 Supervisors Report to the Board/Logbook

A report to the Board must be submitted in a:

- a) written format, and
- b) include any and all concerns and problems.

5.6 Motion Through the Board

- a) This report must be moved and adopted at the Board Meeting.
- b) The report must then 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 SA0085), and if there are changes to the Directors, Form SA0088 must also be completed. Form SA0085 is automatically sent annually by Service Alberta directly to the feeder association.

These forms are available on the Service Alberta website at:

Form SA0085: <http://www.servicealberta.gov.ab.ca/pdf/Forms/SA0085.pdf>

Form SA0088: <https://www.servicealberta.ca/pdf/Forms/SA0088.pdf>

At the time that the Annual Return is submitted to Service Alberta, a copy should be submitted to:

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

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

Service Alberta
Consumer Services Division
3rd Floor, Commerce Place
10155 –102 Street
Edmonton, AB T5J 4L4

5.8 Financial Statements (Annual)

The Directors 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 annual financial statement should also be sent to:

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

It is required that only members of the professional accounting organizations listed below are entitled to conduct audits or reviews for feeder associations.

The Institute of Chartered Accountants of Alberta
The Certified General Accountants Association of Alberta
The Society of Management Accountants of Alberta

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 occurs. 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 Readers 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 monthly statement should be prepared by the Administrator on a monthly basis.

Equity loan statements are submitted to:

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

5.10 Schedule of Required Reports

REPORTING SCHEDULE			
Report	To	By	Refer to Manual
Statement of Purchase and copies of Livestock Supply Forms	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
Supervisor's Report/Log Book	Board	Board Meeting	Section 5.5 and in forms section for an example
Annual Return	Service Alberta & Provincial Supervisor	Within 6 months of the end of their fiscal year	Section 5.7
Financial Statements (Annual)	Feeder Association Provincial Supervisor	Annual Meeting	Section 5.8
December 31st Summary Of Security Deposit	Provincial Supervisor	The 20 th of January the following year	Section 5.3

CHAPTER 6 – ADMINISTRATION OF CONTRACTS

6.1 Contract Administration

Once a member has been approved by the Board, the member must sign the “Member Agreement” (see Chapter 12 – Forms) prior to purchasing any livestock.

- a) The Board approves the purchase limit for each member.
- b) Staff must complete the financing statement (see Chapter 12 – Forms section) and register the member in PERPIS (personal property registry information system).
- c) Approval shall not be given to purchase cattle where clear title is questionable. (See Clear Title Definition).
- d) A purchase order may be supplied if required. In the forms section is 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 Supervisor is done, the Administrator completes the Livestock Supply Form, and issues a cheque on their current account after the Livestock Supply Form 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, account of member, in order to ensure documentation that the sale has been made to the association.
- h) Should a member only partially complete filling his approved purchase amount, the association should issue a new purchase order for the balance.
- i) When a cheque for the sale of livestock is received, the Administrator will deposit this cheque to 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 for same is issued directly to the member unless using partial sale proceeds protocol (see 6.9).
- j) Surplus monies must only be released to the contract holder unless written authorization to do otherwise is provided by the member.

6.1.1 Livestock Supply Forms

The Livestock Supply Form is a legal document signed by the member feeder and the association to ensure appropriate repayment of association funds. As such, it is extremely important that it is filled out accurately and completely. See Forms section.

6.1.2 Land Location

The exact location of the livestock must be recorded with the Feeder Association.

The member shall at all times notify the association of any changes.

6.1.3 Security Deposit

The security deposit cannot be financed as part of the Livestock Supply Form. (Refer to 6.6 for further description.)

6.1.4 Custom Feeders

If livestock is located with a custom feeder, the approved custom feeding agreement between the member and the custom feeder must be on file prior to any livestock purchases being placed in the custom feedlot. See Chapter 12 – Forms.

6.1.5 Signing Documents

The signing authority for Livestock Supply Forms must be the same individual as it is for cheques. This should be the Administrator or a Director. It is recommended to have the Administrator with one of several Directors appointed with signing authority.

6.1.6 Co-Signature

The Board when applicable may request co-signatures.

6.1.7 Contracts

A Livestock Supply Form needs to be prepared each time an association buys livestock for a member. The entire member's Livestock Supply Forms make up a member's contract. The contract (e.g. all Livestock Supply Forms) becomes due on or before the anniversary date of the first Livestock Supply Form with the exception of when a member has the optional multiple due dates.

6.1.8 Indemnity

It is recommended that associations provide indemnity coverage for animal death loss to the member to decrease the risk to the association.

6.2 Contract Extensions

- a) Livestock Supply Form due dates are legislated.
- b) Members have up to one year from the date they first purchased the livestock to repay their contracts to the association.
- c) A member may request up to three month's extension from the Board.
- d) The Board must also notify the lender and Provincial Supervisor upon approving an extension.
- e) Extensions can be approved for extenuating circumstances such as: cattle not ready for market, etc.

6.3 Contract Transaction Documentation

Administrators must maintain adequate documentation to verify details of all livestock purchases and sales. In all inspections, the 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 include the number and description of the livestock. Livestock must not be described as "mixed". Specific sex and weight must be included. The invoice must be 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 livestock dealer, they must provide the association with a copy of the invoice from the original point of purchase which will also provide the above information. The Administrator can then confirm that the livestock numbers and prices are accurate before completing the Livestock Supply Form and paying for the livestock.

When livestock are sold, the manifest must be made out in the association's name on the account of the member, and the cheque must be made out in association's name.

When funds are received for the sale of livestock, a copy of the sales invoice as to the 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 accounts be administered completely independent 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 Livestock Supply Forms.
- 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 manifested separately at time of marketing according to the contracts of individual members.
- d) Livestock are 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 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. **We recommend the use of the month-end form FA-01(09/07) 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 group administrator and be submitted to the supervisor at the end of each month. The 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 husband and wife have Livestock Supply Forms with the same due date, then a group account can be considered. This means livestock will have the same identification.

6.5 Maximum Four Due Dates per Member

In the standard contract situation, if a member has one Livestock Supply Form, the due date is the anniversary of the date that the livestock are first contracted, if subsequent Livestock Supply Forms are completed, the due date is the anniversary date of the first livestock placed.

- a) As an option a member may, on request, be permitted, at the association's discretion, to have a maximum of four contracts (consisting of one or more Livestock Supply Forms per contract) at the same time with up to four (4) distinct due dates.
- b) The association Board reserves the right to restrict the number of total contracts or separate contracts per family or feeding location.
- c) The due date of any contract must not exceed one year from the date that the first applicable Livestock Supply Form was signed.
- d) The member must advise the association which due date applies to purchase livestock before entering into a Livestock Supply Form.
- e) When four due dates are used, Livestock Supply Forms are treated as if they were agreements with different feeders; however
- f) The total value of the all contracts cannot exceed the Board's approval limit for that member.
- g) Security deposits are not split between the contracts, rather one deposit, one total eligible loan limit per member.
- h) Each contract would have different identifiable livestock.
- i) The member must use a different branding location on the cattle specific to each due date, with the exception of heifer contracts and steer contracts which may be branded the same and cattle must not be substituted between contracts.
- j) On sale, the member **must** provide to the association a copy of the livestock manifest to aid the Administrator in allocating sale proceeds to the proper account.
- k) Staff should be aware of livestock inventories on all contract close-out prior to payment or any surplus.

A new contract cannot start until the current contracts are paid off unless they are separate contracts.

6.6 Security Deposit Account

- a) A feeder association shall maintain a security deposit account with the lender.
- b) A feeder association:
 - Shall maintain its security deposit account separately from any other accounts, and
 - Shall not use the funds in its security deposit account except in accordance with the regulations. These funds are not to be used for operating the association.

6.6.1 Security Deposit

- a) On execution of a Livestock Supply Form, a feeder member shall provide the feeder association with funds equal to at least five percent of the debt, excluding interest that the feeder member owes to the feeder association for the livestock described in the form.
- b) A feeder member that receives an equity loan shall, on receipt of the loan approved by the feeder association, provide the feeder association with funds equal to at least five percent of the equity loan excluding interest. This amount of the member's security deposit is to be held in the same manner as the rest of their security deposit.

6.6.2 Use of Security Deposit Account

- a) A feeder association shall, unless authorized to carry the debt, use funds from its security deposit account to pay any debt due to a lender in respect of:
 - Livestock for which a feeder member owes the feeder association for an overdue account, or
 - An equity loan all or part of which is overdue, and that the feeder association would otherwise be unable to pay.
- b) In using the funds as above from its security deposit account, a feeder association shall:
 - first apply to the debt, any funds held on account of the feeder member that owes the overdue account or the equity loan, and
 - if the funds held on account of the feeder member that owes the overdue account are insufficient to fully discharge the debt, apply funds taken on a pro rata basis from the funds held on account of each other feeder member to pay the remainder of the debt.
- c) If funds held on account of a feeder member are used under subsection (b) (second bullet), the feeder association shall, before making another supply of livestock to the feeder member, require the feeder member to contribute an amount sufficient to restore the funds to the amount required under section 6.6.1 (a) and (b).
- d) Funds must not be returned to a feeder member:
 - Until at least three months after the date the feeder member finishes discharging its member's total obligation, and
 - At any time while ANY feeder member has an overdue account with the feeder association.
- e) The balance of funds held on account of a feeder member do not include any funds taken and used under subsection (b).
- f) The Provincial Supervisor may, in writing, authorize a feeder association to carry a debt with a lender in respect of an overdue account under a specified member agreement.

6.7 Investment Alternatives for Security Deposit Funds

6.7.1 Chequing Accounts

Regular chequing accounts return little or no interest. Associations should only maintain sufficient funds in a chequing account to cover salaries and overhead expenses.

6.7.2 Saving Accounts

Although money in savings accounts is available immediately, the interest paid on funds is low. Savings accounts should be used for money that is being kept a short time prior to investing in something else, or prior to paying out.

6.7.3 Term Deposits

Term deposits can be obtained for 30 days up to one year. 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.

6.7.4 Treasury 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 and Treasury Branches 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.

6.7.5 Guaranteed Investment Certificates (GICs)

GICs often provide the best rate of return; however, they are long-term (one year to five years). Because GICs cannot be withdrawn prior to maturity, an association should not have terms over one year. As well, if GICs are used, terms should be staggered so that some money is available at least every three months.

6.8 Selling Livestock or Livestock Products

- a) Although members decide when and where to sell livestock, they are required to notify the association staff of their plans. This is so the staff is aware a payment is coming and it helps ensure that the livestock are sold legally and properly.
- b) All proceeds from the sale of feeder association livestock must come to the association (in the name of the association on account of the member). Once a contract is paid, all surplus funds from the sale of livestock will be paid immediately to the member unless a partial sale proceeds is applied.
- c) A limited brand release may be provided to a member if a contract is paid out and some livestock remain. It is important that a description and number of cattle be listed on the brand release.
- d) Neither an auction market nor a livestock dealer can withhold funds (other than selling charges) from the sale of feeder association livestock for which the member has an outstanding contract. This may be attempted if the member owes money to the auction market or the member buys livestock the same day as he sells some of his feeder association livestock. If this occurs, associations should contact the Provincial Supervisor for information on how to proceed.
- e) Members who have contracts and manifest feeder association livestock in their own names will be suspended.

6.9 Partial Sale Proceeds

If a member elects to sell a portion of his contracted cattle, they may request that a portion of the equity of the cattle sold, be paid to them. Sale proceeds may be paid to a feeder member only if:

- a) the selling price is greater than the average purchase price of livestock, plus accrued interest,
- b) up to 80 percent of the difference of the purchase price plus accrued interest and selling price may be paid to the member,
- c) the remainder is to be applied to the member's principle for that group of contracted cattle.

In all cases the fair market value of the remaining livestock to which those contracted cattle apply, must be more than the remaining contract balance. This value will be determined by the local supervisor.

If the value of the remaining cattle is not greater than the remaining balance owed, no sales proceeds shall be returned to the member.

6.10 Advances (Equity Loans)

A feeder association may advance funds to a feeder member based on the amount of equity the feeder member has in livestock that are to be sold under a member agreement. The amount of equity cannot exceed 50% unless the livestock are price insured or forward contracted (see below for definition):

- Feeder cows will not be eligible for Equity Draws.
- Cattle on pasture are only eligible for a draw every 90 days; however, cattle must be weighed prior to being put on pasture unless the livestock have been previously weighed as part of an equity draw.
- Livestock on pasture are at the discretion of the local Board.
- If a feeder member has forward contracted their association livestock or insured them under the WLIP (Western Livestock Insurance Program through AFSC), the fair market value is deemed to be the selling or insured price from either the forward contract or WLIP insurance. However, equity draws cannot exceed 75% of the difference between the purchase price and the contracted or insured value (less interest). This equity may only be returned on a monthly pro-rata basis and the entire portion of the members' equity cannot be returned in one lump sum.
- **As the local feeder association is the owner of the livestock that are insured or forward contracted, they must be the beneficiary of the insurance or forward contract. Any forward contracts must be made with a reputable licensed and bonded livestock dealer or processor.**

Before funds are advanced under section 30 of the Regulation, the amount of equity that the feeder member has in the livestock must be determined by the feeder association.

The amount of an advance given to a feeder member under Section 30 of the Regulation:

- a) Must not exceed 50 percent of the feeder member's equity in the livestock.
- b) The feeder member shall execute an equity loan promissory note in a form acceptable to the Minister in respect of each advance of funds.

6.10.1 Protocol

- a) No equity loans shall be given to a member until they have received Board approval.
- b) The local supervisor must inspect the livestock for weight gain and determine if there is sufficient equity to advance any funds to the member (there must be written weights of livestock and value based on "CanFax" averages to determine the livestock value). This inspection and calculation of value must be completed for every equity loan.
 - A representative sample of the livestock must be weighed.
- c) No equity loans will be given until the member's entire group of livestock have been on feed for at least 30 days.
- d) A five percent Security Deposit must be topped up as needed when Equity Loan Advances are issued.

Equity Loan Intervals

- Shall be no more frequent than monthly.
- It is recommended that members with cattle under the Equity Loan program use some form of risk mitigation (see Chapter 7).

Equity Loan Checklist

- Member's approval by the Board.
- Supervisor's inspection report on file.
- "CanFax" prices used in calculation of the livestock equity.
- Cattle >1000 lbs. and on finishing ration to use CanFax Fat Price.
- Equity loan calculation worksheet completed and on file.
- Signed equity loan promissory note(s) on file.
- Risk mitigation (see Chapter 7).

6.11 Overdue Accounts

- a) Boards will address overdue accounts as quickly as possible. 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.
- b) If insufficient equity exists and/or if the account is overdue, the member is in default. The member must declare in writing his indebtedness to the association.
- c) 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.
- d) Boards will have a system in place to identify potential overdue accounts prior to them becoming overdue.
- e) When a potential overdue account is identified, Boards will deal with each case on its personal and individual merits.
- f) Should a Board wish to carry the overdue account, the Board will make a recommendation in writing to the Provincial Supervisor requesting authority to carry that overdue account. This should be done prior to the account becoming overdue.
- g) 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.
- h) The Provincial Supervisor may authorize in writing the carrying of the overdue account based on the local Board's recommendation.
- i) New contracts cannot be issued to help pay off a previous shortfall, or removal of equity commonly referred to as 'rolling a contract'.

6.12 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 action immediately to prevent jeopardizing other feeder members' accounts.

- a) The Security Deposit Account will be frozen immediately. No withdrawals for any member will be permitted until the member's overdue account is settled.
- b) The Board must have the member sign an acknowledgment that he/she owes 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.
- c) 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.
- d) It is essential to determine which additional contracts and accounts will be affected (group accounts, additional family members, custom feeders).
- e) The association should undertake an inventory inspection.
- f) It may be necessary to pro-rate the pooled security deposits to cover the residual debt. If a Board chooses to use other resources to minimize the debt owing on the contract, the Board would then reduce the amount to be pro-rated from the security deposits. This is at the discretion of the Board on whether or not to do this. Membership must be given written notice of any reduction in their security deposits.
- g) 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).
- h) 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 want 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.

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

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.

6.13 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). In effect, the 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.

6.14 Taxation - Associations

1. Surplus funds earned by Feeder Associations are taxable, either through the association or the members, depending on how the funds are managed.
2. 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 an overdue account or resolve a problem.
3. 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.

6.15 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 Feeder Associations of Alberta Limited for further information.

The PPSA provides the legal mechanism for registrations and searches in the Personal Property Registry Information System (PERPIS). 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 and other names used by the member.

A feeder association must register all their members in the PERPIS. All information that is stored in PERPIS 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 Feeder Associations of Alberta (FAA) office in Barrhead.

Most security interests are registered in PERPIS 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 PERPIS and a registration number will be generated.

The information on any forms submitted to a registry agent must be accurate. **See Chapter 12 – Forms for an example of the financing statement.**

Once the security interest is registered in the PERPIS, 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 on the PERPIS accurately. Any errors should be corrected immediately on PERPIS. The verification statement can be used to renew or discharge the registration.

Changes to registrations on the PERPIS are done through a registry agent. Changes include discharge, renewal, and amendment by deleting and or adding information to a registration.

Associations must ensure staff are properly trained to do PPSA searches and registrations. If not they must hire a qualified person or agency to do these steps.

6.16 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 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:

- 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.

The livestock security interest declaration may be provided on the bill of sale, the livestock manifest or on a separate document.

A buyer or 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 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 in order 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 – WESTERN LIVESTOCK PRICE INSURANCE PROGRAM (WLPIP)

The Western Livestock Price Insurance Program (WLPIP) is a voluntary producer-funded insurance product that protects against declines in Alberta beef prices. Producers pay a premium up front in order to purchase WLPIP protection. Coverage is available for calves, feeder, and fed cattle intended for sale 12 to 36 weeks from the date of purchasing coverage. The WLPIP program is administered by AFSC and is available only to cattle producers in the province of Alberta over the age of 18. To qualify you must operate a farm business in Alberta, own the cattle on the policy, and feed cattle in Alberta.

- a) The cost of the Western Livestock Price Insurance Program may be added to the Livestock Supply Form as this cost is associated to the purchase of livestock for growing or finishing, or both, by Feeder.
- b) Members must purchase and bring the policy to his association before it can be added to the Livestock Supply Form.
- c) An “Assignment of Proceeds” form directing WLPIP payments to the Feeder Association must be signed and acknowledged.
- d) Members must not exceed individual approved loan limits including the cost of WLPIP.
- e) WLPIP purchased before a member begins to purchase cattle will be added to the first Livestock Supply Form.
- f) WLPIP purchased for a group of cattle partway through the contract will result in the original Livestock Supply Form being amended by adding the cost of WLPIP. 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.
- g) Should a member purchase WLPIP for cattle on multiple contracts, a separate policy will be required for each group of cattle identified by contract due date.

CHAPTER 8 – SUPERVISION OF CONTRACTS

8.1 Branding, and RFID as Branding Alternative

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.

Radio Frequency Identification (RFID)

Radio-frequency identification (RFID) uses electromagnetic fields to automatically identify and track tags attached to dangle tags on cattle. 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 cattle.

A. Local Feeder Association (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 cattle identification program.
- 6) **The following is compiled and sent to the LFA Government Inspector.**
LFA Government Inspector to package and send to Provincial Supervisor.
 - Letter of Intent from LFA to enter the program is sent to Provincial Supervisor.
 - 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 Feeder Association of Alberta.

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

- 1) An interested feeder member must provide a written letter showing his/her interest in entering the program to utilize the RFID cattle program to the LFA board.
- 2) LFA board will only approve feeder members that can meet the obligations of the RFID program as set out in Section 8C.
- 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 cattle to the end life of the identified feeder cattle, 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 cattle
- 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 cattle;

- 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 Feeder Associations Guarantee Acts and Regulations as well as Feeder Associations in Alberta Directives and Procedures Manual.
 - 7) All cattle on the RFID identification program must be kept in a closed confined facility (feedlot).
 - No pasture feeding
 - No comingling with livestock not owned by the LFA.
 - 8) All cattle on the RFID identification program **must** have a functioning RFID tag at all times with the following:
 - Data which identifies the cattle as property of the LFA
 - The ability to transmit the unique digital data identification to an ISO compliant tag reader,
 - Attached to the ear of each LFA feeder cattle,
 - Must be the same color for all cattle purchased in a supply period,
 - Lost, damaged, non-functioning, or destroyed tags **must** be replaced immediately,
 - Have a management dangle tag applied to each animal
 - The same color as the RFID tag
 - The dangle tag must include the brand of the LFA
 - 9) The Administrator must specify all purchases, and feeder members purchasing cattle under the RFID identified cattle program in monthly reports to Agriculture and Forestry.

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

- 1) A written letter to the LFA advising his/her interest in entering the program.
- 2) Feeder member must be in good standing.
- 3) Ensure Feeder Member's RFID cattle are at a designated confined feeding facility (feedlot).
- 4) Feeder Member's cattle, on the RFID identification program, must, at all times, have functioning RFID tags with the following:
 - Data which identifies the cattle as property of the LFA
 - The ability to transmit the unique digital data identification to an ISO compliant tag reader,
 - Attached to the ear of each LFA feeder cattle,
 - Must be the same color for all cattle purchased in a supply period,
 - Lost, damaged, non-functioning, or destroyed tags **must** be replaced immediately,
 - Have a management dangle tag applied to each animal
 - The same color as the RFID tag
 - The dangle tag must include the brand of the LFA
- 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 cattle;
 - RFID tag management for the life of the animals; from attachment to death, either slaughter or pre-slaughter.

D. Agriculture and Forestry (AF) Processing LFA Request

- 1) **The following is compiled and sent to the LFA Government Inspector.**
LFA Government Inspector to package and send to Provincial Supervisor.
 - Letter of Intent from LFA to enter the program is sent to Provincial Supervisor.
 - 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 Feeder Association of Alberta.
- 2) The Government Inspector will complete the eligibility criteria investigation, and record all findings on an AGRIDAM file based on the following:
 - 8.1 B. Criteria for LFA to enter the RFID cattle program, and,
 - 8.1 C. Criteria for Feeder Member to participate in the RFID cattle program)
- 3) If the criteria has been met from 8.1 D1-2, the Government Inspector will forward the results of his investigation to the Provincial Supervisor.

E. Provincial Supervisor Review

- 1) If in agreement with the 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):
 - The LFA agrees to follow all protocols,
 - Member approvals
 - The following restrictions and requirements made as set below by the Provincial Supervisor.

Restrictions and Requirements:

1. **No comingling of cattle outside of the RFID program;**
2. **A visible dangle tag must be secured to every animal identifying the specific feeder association;**
3. **No cattle on pasture are eligible;**
4. **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;**
5. **Every feeding location must be individually approved by the board.**

8.2 Branding Before Paying

Associations must NOT pay for cattle until they are branded with the Association's registered brand.

The reasons are:

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

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

8.3 Branding at Auction Markets

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

The association should endeavor to have the cattle branded, inspected for brands, and paid for as soon as possible after delivery. Auction markets and sellers should be paid within two working days.

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 brand inspectors. For example, if a member sells cattle with two brand locations, the member must list both.

It is recommended that when cattle from more than one member are kept on the same feeding location or close proximity, that each member have brands unique to them. Some associations use numbers and locations so that lost cattle can be returned to the proper owner. (Refer to 6.4.2 – Managing Family and Group Accounts.)

Members should record the numbers of cattle with different brands on separate manifests.

8.5 Manifests

- a) When cattle are sold in Alberta, they must be manifested in the name of the owner of the cattle or brand inspectors will put a hold on the funds.
- b) Feeder association cattle must be sold in the name of the feeder association on account of the member.
- c) Where multiple contracts exist, a separate 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.
- d) Members who attempt to sell cattle in their own name may be suspended.
- e) If branded and manifested to the Feeders Association, no creditor of a member can claim receipts from sales for those livestock.
- f) The member must supply a copy of the manifest along with all sales documentation to the Administrator prior to any surpluses being paid.

8.6 Brand Releases

- a) Once a member has paid out their contract, they may request a brand release covering the balance of the livestock.
- b) An association may provide a limited brand release.
- c) The brand release must be limited to cover only the cattle in question so as to avoid the use of the release for future feeder association cattle. The number should be identified and instructions to brand inspectors should be included. In addition, the association should accurately describe the cattle and specify the dates for which the brand release is valid.
- d) Associations have no obligation to give a brand release.
- e) Brand releases must not be given if the member has a group, joint, or corporation contract until all related contracts are paid out.

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

All cattle leaving the province require an export permit issued by a brand inspector from LIS.

When cattle leave the province, and especially the country, payment to the Alberta brand owner is not assured. As a result, brand inspectors have been directed that all cattle being exported with feeder association brands will require written brand release, bill of sale, or a Letter of Authorization filed with LIS before an export permit can be issued.

It is the responsibility of feeder members to ensure that the brand release, bill of sale, or a Letter of Authorization filed with LIS has been obtained prior to contacting a brand 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 Letter of Authorization

A Letter of Authorization (Form F-1 Version 2009-11-15 available from LIS) must be filed with LIS if the service of a licensed Alberta dealer who markets cattle on behalf of a feeder association without making immediate payment is utilized.

A Letter of Authorization (Form F-1 version 2009-11-15) allows a licensed Alberta dealer to receive payments on manifested cattle, branded with a described brand. This form must be on file with LIS. Once a Form F-1 version 2009-11-15 has been filed, all feeder association cattle sold on behalf of the association must be manifested in the name of the licensed dealer on account of the association. All sale proceeds from feeder association cattle must be deposited into a trust account in the name of the licensed Alberta dealer.

8.9 Protocol for Sales through Licensed 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 cattle are sold through a licensed Alberta livestock dealer to a buyer. Title in the cattle does not pass to the licensed dealer at any time.

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

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

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

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

Mandatory Requirements

In order to be a valid and permitted transaction under the feeder association program, the following must occur.

- a) The feeder association and its member must sign a LIS Letter of Authorization Form F-1 version 2009-11-15 (attached).
- b) The livestock dealer must hold a valid livestock dealer's license issued by LIS.
- c) The livestock dealer must sign the Letter Agreement (attached).
- d) The cattle being sold must be shipped under an Alberta Manifest properly completed in the manner below.
- e) The livestock dealer must have a trust account and deposit all monies received from the sale of feeder association cattle into the trust account.
- f) The buyer must issue payment with the payee line clearly specifying the payment is being made payable to the dealer in trust for the association and its member.
- g) The dealer is not authorized to agree to the buyer delaying payment and to extend credit to the buyer or the seller's agent.
- h) The dealer is required to remit payment within two business days of receiving payment from the buyer.
- i) If there are cattle from multiple members or sellers in the shipment, the dealer is required to provide a separate accounting to the feeder association for each member with cattle in the sale.
- j) The feeder association, member, and dealer, are required to follow the rules and requirements of the *Feeder Associations Guarantee Act* and [Livestock and Livestock Products Act](#).
- k) The feeder association and its members are responsible to ensure that the dealer is aware of, and complies with, this protocol.
- l) The feeder association, its members, and the dealer are responsible to ensure that the buyer is aware of, and complies with, this protocol.

Example and Sample Documents:

The High Level Feeder Association and its member, Jim Smith, want to sell cattle to XYZ Packers Ltd. through an Alberta licensed dealer, Alta Dealer Inc.

The Feeder Association and its member must sign an agreement with Alta. Dealer Inc. in the form attached setting out the terms of the agency relationship (Form 47-B).

The cattle will be shipped to XYZ Packers Ltd. on a manifest. The manifest will be completed as follows:

Sample Manifest

Livestock Identification Services Ltd.	
OFFICAL ALBERTA MANIFEST	
K936959	
Pen Number	Date
Pay to Owner	Phone Number
High Level Feeder Association o/a Jim Smith	
Owner's address	
33, 2nd Street, High Level, AB	
On Account of (consignor)	
Alta. Dealer Inc.	
Consignor's address	
Box 19, Red Deer, AB T2G 5K6	
Destination	
XYZ Packers Ltd.	
Destination Address	
XYZville, AB	

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. "In Trust" for High Level Feeder Association o/a Jim Smith	\$ **142,000.00
	One Hundred and Forty Two Thousand and 00/100 *****	DOLLARS
Alta. Dealer Inc. Box 19 Red Deer, AB T2G 5K6		XYZ Packers Ltd.
	PER _____	

Sample Letter Agreement by Dealer

[Feeder Association Letterhead]

Date:

TO: _____ [Licensed Livestock Dealer]

RE: Protocol for Dealers Selling Feeder Association Cattle as an Agent for the Association

Please review the attached protocol for the marketing of feeder association cattle (Protocol – Sales through Dealers Acting as Seller’s Agents).

By signing below, you are acknowledging your understanding of the feeder association protocol for sale through dealers acting as seller’s agents. You are also agreeing to follow each of the steps described in the protocol.

Please sign and return this page by fax to our office. Please contact us if you have any questions. Thank you.

Yours truly,
Feeder Association Name

Attachment: Feeder Association Protocol

8.10 Custom Feedlots

Members may feed cattle financed by a feeder association in a custom feedlot 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 has to invoke the [Animal Keepers Act](#), the association has a reasonable chance of recovering the purchase price of the livestock financed.

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

8.11 Animal Keepers Act

Under the *Animal Keepers Act*, feedlots may sell livestock to recover overdue accounts.

There is a process that must be followed under the *Animal Keepers Act*.

8.12 Cattle Feeding Risks

Selling prices of cattle may not be sufficient to cover custom feeding charges plus the original cost of the cattle. Associations must ensure that members who plan to custom feed cattle 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 the majority of the members who receive contracts based on the fact that they have sufficient feed on hand. The risk of loss to associations is low if only the purchase price of cattle 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.

8.13 Custom Feeding Agreements

It is the responsibility of both the local supervisor and the Administrator to ensure that a Custom Feeding Agreement is signed and on file. A copy of the Custom Feeding Agreement can be found in the Forms Section. This is the only Custom Feeding Agreement to be used.

8.14 Cow Contracts

The regulation allows members to feed cows under certain conditions:

- **Cows are to be on full feed.**
- **Cow contracts are for a maximum of 120 days.**

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.

- 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 will be suspended from receiving feeder association contracts for at least one year for using feeder association funds to finance breeding livestock. 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. Should a member have heifers and steers on contract, as long as the bred heifers are sold by January 5th and the contract paid down, the member can continue with open heifers and any steers for the duration of the contract.

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.

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 done.

- a) If the livestock are purchased from the member, the Feeder Association must also do searches and obtain a 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 Security Interest Waiver.
- d) If the cattle have been inspected by LIS, the manifest must be fully completed, including the declaration of any financial interest in the livestock.
- e) Cheques are paid to the seller when 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 brand inspections are recommended.
- i) See Section 6.15 for PPSA procedures

8.16.1 Procedure

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

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

The feeder association must obtain a proper bill of sale/vendor's statement from the feeder member and the calves 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 done.

- a) If the livestock is purchased from a third party, the Feeder Association must also do PPR and/or Government of Canada Bank Act searches and obtain a Security Interest Waiver
- b) Lender may sign 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 brand inspections are recommended.

8.17.1 Procedure for Private Treaty Purchases

- a) A proper bill of sale and signed manifest with description of cattle must be provided. If the cattle have been inspected by LIS, the manifest must be fully completed, including the declaration of any financial interest in the livestock.
- b) Transaction made at arm's length.
- c) The value and purchase is approved by the local association board/supervisor.
- d) The livestock are branded or identified in accordance with the Feeder Association Guarantee Regulation.
- e) See section 6.15 for PPSA procedures

8.18 Feeder Lamb Contracts

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

Contracts for Feeder Lambs

- Maximum contract of six month, with no extensions.
- Must be feeder lambs intended for slaughter only.
- No animals are to be purchased for the purpose of breeding stock.
 - o Alberta Breeder Finance Inc. (ABFI) and Chinook Breeder Co-op (for SW 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).

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.

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 having a paint branded number applied to the back of each animal. The paint brand will probably fade or wash out depending on the weather. However, it is the initial identification, with numbers of livestock.
- The paint brand and ear tag are to be the same color (i.e. red tag, red paint). Colors are member's choice, but both the tag and paint must be the same color. The LFA Supervisor will assign the number to use, especially when there are other members financing lambs, in close proximity. If multiple contracts are being utilized, then a different color needs to be used for each separate contract, to 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 LFA 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.
- Self-Purchased Lambs
 - o All lambs must be separated, inspected, and approved prior to any co-mingling.
 - o Should meet the required weight standards.

Lamb Facility and Operation Requirements

Basic Lamb Production Information for LFAs

1. Stock Terminology

A "ram" is a male breeding animal (bull), and a castrated male is called a "wether" (steer). This will be the main feeder lamb. A "replacement ewe lamb" is a female up to the age of about 13 to 15 months (think "heifer"). A "yearling ewe" is a female up to two years of age. Intact rams should not be kept with feeder ewes. Breeding is not allowed.

2. Aging Lambs

The approximate age of a lambs can be determined by examining their lower incisor teeth. At birth, lambs have eight baby (or milk) teeth, or temporary incisors arranged on their lower jaw. They do not have any teeth on their top jaw, only a dental pad. At approximately one year of age, the central pair of baby teeth is replaced by a pair of permanent incisors. At age two, the second pair is replaced by permanent incisors. At three and four years of age, the third and fourth pairs of baby teeth are replaced. At four years of age, a lamb has all its adult teeth. From then on, teeth grow in length not number.

3. Lambs Are Ruminants

Lambs are ruminants, like beef cattle, and utilize similar feed resources. However, many lambs for their body size, are more productive than beef cows. If you are unsure of the feed rations, ensure you make enquiries with a Nutritionist dealing in the feeder lamb sector.

4. Health Program

Lambs get sick, just like cattle do. Good producers work with a veterinarian to manage flock health. They vaccinate for Clostridia diseases (Black leg, etc.) and other diseases they may have identified in their flock. They also feed balanced rations, and work to minimize stress to prevent diseases. Good producers are prepared to treat diseases like pneumonia, scours, or coccidiosis in lambs. They also have a plan in place to manage external and internal parasites on a regular basis. Internal parasites can be a

problem in lambs on pasture. Normal body temperature of a healthy lamb is 39 degree C (102 to 103 degree F). For more information on flock biosecurity go to: www.ablamb.ca

5. Facilities

Adult lambs in full fleece are well insulated from cold temperatures but suffer from exposure to wet and wind just as much as cattle do. Open front sheds and wind break fences are usually sufficient protection for feeder lambs.

CHAPTER 9 – ALBERTA AGRICULTURE AND FORESTRY (AF)

9.1 Government Involvement

The *Feeder Associations Guarantee Act* and Regulation are administered from within the Inspection and Investigation Section of the Department of Agriculture and Forestry.

The Provincial Supervisor is responsible along with designated Inspectors.

The responsibility of the provincial office is to ensure that loans are properly administered, risks to members' deposits, and the province's loan guarantee are mitigated with due diligence.

The activities of the provincial office include the following.

- a) Monitoring Livestock Supply Forms 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 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 AF staff that then provides training to local Boards.
- i) Provide in written form, feeder association member expectations and protocol requirements along with AF contact information and website address.

9.2 Provincial Supervisor

The Minister may designate an employee of the Department of Agriculture and Forestry as the Provincial Supervisor.

Where the Provincial Supervisor considers it necessary in order to ensure compliance with the Act and this Regulation, 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 Act, this Regulation 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 clause (b).
- d) Prohibit a person whose membership is terminated or suspended under 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 Act or this Regulation or with a term or condition of his or her membership.
- f) Notify other feeder associations of any action taken under this section in respect of a feeder association or a feeder member.

The Provincial Supervisor may rescind a suspension, term or condition imposed under subsection 9.2(b) or (c) or a prohibition imposed under subsection 9.2(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 member agreement, where the membership of a feeder member is terminated under subsection 9.2(b), the Provincial Supervisor may give directions for the winding up of matters between the feeder association and the feeder member.

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.

9.3 Association Staff Approvals

The Feeder Associations Guarantee Regulation specifies that the Provincial Supervisor of Feeder Associations must approve the appointments of the local supervisor and Administrator for Agriculture and Forestry.

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 an AGRIDAM file.
- d) AF 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 - *Feeder Associations Guarantee Act*

What is the eligibility criterion that must be answered?

- 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 particular 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 cattle 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 Board recommend approval?

9.6 Increase in Existing Guarantee Requests

Feeder Associations Guarantee Act

What is the eligibility criterion that must be answered?

- 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, or have security?
- 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 a written request been received 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?
- m) Does the Zone Director from Feeder Associations of Alberta Ltd. support this request?

9.7 Processing New Guarantees

The new guarantee agreement is processed by AF as follows:

- a) Once a written request has been received, the responsible Inspector will complete the eligibility criteria investigation, forwarding the results to the Provincial Supervisor. The Inspector will make a recommendation to either approve or deny the request.
- b) The Provincial Supervisor will obtain approval and forward the new guarantee agreement. Three signatures are required: association, lender, and Alberta Finance.
- c) First, send the agreement to the association (first signature required).
- d) The association will take the agreement to its lender (second signature required).
- e) The association then returns the signed agreement to the Provincial Supervisor.
- f) The Provincial Supervisor sends the agreement to Alberta Finance (third and final signature).
- g) Alberta Finance will return two copies of the signed-off agreement to the Provincial Supervisor.
- h) The Provincial Supervisor keeps a copy and the association is sent two signed agreements. A request is made to deliver one signed agreement to their lender and retrieve the existing agreement.
- i) The previously existing agreement on file with the lender (now voided) is to be returned to the Provincial Supervisor when the lender receives the new agreement.
- j) The Provincial Supervisor returns the voided agreement to Alberta Finance.

9.8 Processing Increases or Decreases

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

- a) Once a written request has been received, the responsible Inspector will complete the eligibility criteria investigation and forward the results to the Provincial Supervisor. The Inspector will make a recommendation to either approve or deny the request.
- b) The Provincial Supervisor will review and, if in agreement, will send a memo to Finance and Enterprise, recommending the increase and seeking their approval.
- c) Upon approval from Finance and Enterprise, the Provincial Supervisor will complete the amending letter indicating the new guarantee amount.
- d) The amending letter now requires three signatures.
- e) First, the Provincial Supervisor will send the amending letter to Animal Health and Assurance Branch's Executive Director for sign-off (first signature).
- f) Provincial Supervisor will send the amending letter to the association (second signature).
- g) The association will take the amending letter to its lender (third signature) and then return the amending letter to the Provincial Supervisor.
- h) The association will keep one copy and send fully signed copy to Provincial Supervisor. The association will be requested to deliver copy to their lender.
- i) The Provincial Supervisor will send a photocopy of the signed amending letter to Finance and Enterprise.

9.9 Inspections

AF 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 supervisors and the Administrator administer contracts to members.

Inspectors will adhere to the minimum internal bio-security policies developed by AF.

The Inspector will contact the local association staff to arrange a time that is suitable. It is preferred that the supervisor accompany the 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 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 Inspector will provide a written report to the Chairman of the Feeder Association, Administrator, Provincial Supervisor, and Zone Director.

9.10 Initial Steps – Process/Protocol for AF 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 his/her 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.
- e) File reviews will consist of:
 - Livestock Supply Forms,
 - purchase documents that will prove clear title,
 - brand inspection report,
 - manifests,
 - custom feeding agreements,
 - supervisor's inspection report,
 - identifying those members that have a common feeding location,
 - verifying security deposit.

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 (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 Provincial Supervisor, Provincial Director responsible for the local association, the Inspection Unit Inspector responsible for the local association, the financial institution of the local association, and the Chairman or Directors of the local association.

PROCEDURE:

A request for assistance will come from the local association, Provincial Board, or any other interested party.

- a) Any member of the Response Team may be the initial contact; however, the Provincial Supervisor will be the Chair.
- b) Once the Provincial Supervisor has been informed of a problem, he will immediately contact the rest of the team members and set up a conference call or meeting to discuss the details of the problem and how best to proceed.
- c) Immediately after the conference call or meeting, the Provincial Supervisor, or his delegate, will send a letter to the association, and team members outlining the direction given by the response team.
- d) The Provincial Supervisor, or his delegate, and the association will remain in contact with each other throughout the process.
- e) The Provincial Supervisor, or his 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 as updates to the issue arise, that all parties involved are kept up to date 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 meeting or conference call will be undertaken with all parties for debriefing. 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 Feeder Association program as a whole.

9.12 Feeder Association Guarantee Allocation Adjustment

RATIONALE:

In order to best utilize the Government guarantee in a responsible manner as prescribed in the *Feeder Association Guarantee Act*, 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. Those associations that are not utilizing at least 60 percent of their allotment may have their allotment adjusted accordingly.

PROCEDURE:

Annual Review:

- a) After the April bank statements have all been sent to the Red Deer Office, Inspection and Investigation Section 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 60 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 that an association can have. 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 of the associations will be made to the Provincial Supervisor for review. The Provincial Supervisor will present the report to the Provincial Board for discussion.
- 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. This letter will be copied to the Zone Director responsible for the association. The Association will then have 30 days from the date the letter was sent to reply to the Provincial Supervisor.

- f) For those Associations that require an adjustment, the Provincial Supervisor will prepare an amending letter indicating the new guarantee allotment.
- g) The letter indicating the amended guarantee allocation will be forwarded to the Executive Director of Animal Health and Assurance Branch for approval signature, and return to Provincial Supervisor.
- h) Provincial Supervisor will forward to Association for their signature, and to obtain the lender's signature.
- i) When both the lending institution and the Association have signed the letter, the Association will keep one copy, and return fully signed copy to the Provincial Supervisor. The Association will be requested to deliver one copy to their lender.
- j) The Provincial Supervisor will keep one copy.
- k) The Provincial Supervisor will send a copy to Alberta Finance for their information.

The utilization of the guarantee allocation is set at 60 percent in order 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 Government resources 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.

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 feeder cattle or feeder lambs. All cattle purchased by a feeder association must be branded with that association's individual split-bar brand.

All sheep must be suitably identified in accordance with the regulations.

A feeder association member must 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.

Feeder Associations of Alberta Ltd. 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.

10.1.2 Assignment of Book Debt

The association's loans with the lender are supported by individual Livestock Supply Forms with members. The individual Livestock Supply Forms are supported by a promissory note.

The Livestock Supply Forms include information on the location and type of livestock as well as management practices expected. As well, the Livestock Supply Forms allow a Board to take control of livestock from a member in default of regulations.

10.1.3 Pooled Security Deposits

The security deposit must be in the association's account prior to the livestock being paid. Each member must provide the association with five percent of the money borrowed as a security deposit. These deposits are held in a security deposit account and can only be used to repay association loans in default. The Boards do an excellent job of deciding whom to accept as members, and Boards are very effective in administering overdue accounts.

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. Because of this amount of security, associations can repay most loan shortfalls themselves.

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 do 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 a number of important areas that should be considered in appraising the security of loans. Each association has a paid supervisor and Administrator to administer loans according to the Feeder Associations Guarantee Regulation. 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 conflict of interest and other inappropriate situations. Inspection and Investigation Section is responsible for monitoring the lending activities and inspection of each association.

CHAPTER 11 – FEEDER ASSOCIATIONS OF ALBERTA

The Feeder Associations of Alberta is the provincial organization representing the membership of individual feeder associations in the province. The Board of Directors is elected by individual associations on a zone basis (11 to 13 associations per zone.)

For more information – www.feederassoc.com

The activities of the Provincial Board may include:

- a) maintaining a blanket self-administered compensation fund, bonding the signing officers of all member associations at \$100,000,
- b) maintaining a blanket liability insurance policy covering all member associations for up to \$1,000,000 per claim,
- c) operation of the Livestock Indemnity Trust Program,
- d) liaison with AF relative to the administration and improvement of the Feeder Associations Guarantee Regulation and other issues of concern to member associations,
- e) host an Annual Meeting on behalf of member associations.

The Livestock Indemnity Trust is currently covering cattle feeder associations and their indemnity.

The Livestock Indemnity Trust Program is administered at the provincial office. For more information on the provincial associations or the Indemnity Program, contact:

Feeder Associations of Alberta Limited
PO Box 4638, 5031 50 Street
Barrhead, AB T7N 1A5

Telephone: 780-674-2622

Fax: 780-674-2845

Email: info@feederassoc.com

Web Address: www.feederassoc.com

Please refer to FAA
website for most
recent version of the
following forms.

Personal Information and Privacy Agreement (PIPA)

On next page.

**Please refer to FAA
website for most
recent version.**

Alberta Feeder Association
Personal Information and Privacy Agreement

I, _____ give my full and irrevocable consent to the
_____ (the "Association") to gather and release my
personal information to the following. I further give my full and irrevocable consent and authorize all of the
following to gather and release my personal information to the Association:

- Directors and staff of the Association;
- The Association's accountant;
- Auction markets with respect to livestock purchased by the Association for me;
- Brand inspectors;
- The Association's insurance company;
- The Association's financial institution;
- The Association's legal counsel;
- Livestock truckers engaged to transport Association Livestock to or from me;
- Representatives of the Government of Alberta, Alberta Agriculture and Food (and successor departments) with respect to matters concerning feeder associations;

Add the names of others from and to whom this information may be gathered and released:*

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Member (please sign)

Date

PLEASE RETURN THIS FORM TO THE ASSOCIATION OFFICE

***Insert the names and addresses of financial institutions the Member does business with.**

Financing Statement

Serial Number Goods Additions

On next two pages.

**Please refer to FAA
website for most
recent version.**

Alberta

ATTORNEY GENERAL
Personal Property Registry

FINANCING STATEMENT

Office use only
Affix registration # label

See Information Guide for help in completing this form

Please type in CAPITAL LETTERS. Use 'X' to select options

TYPE OF REGISTRATION (choose one only)

SA **PPSA Security Agreement** (answer Questions 1 – 3 below)

1. How many years do you want this registration to last? Type no. of years (1-25), or 'X' for infinity _____
2. Will this registration cover a trust indenture? If yes type 'X' _____
3. Will this registration cover a security agreement registered before Oct 1, 1990? If yes, where was it registered?
Central _____ Vehicle _____ Corporate _____

Complete the Court Order, Other Changes and Additional Information form as described in the Information Guide.

SG **Sale of Goods Act s.27 (1.1) or Factors Act s.8(2)** (Answer Questions 1-2 below)

1. How many years do you want this registration to last? Type no. of years (1-25), or 'X' for infinity _____
2. Will this registration cover a Bill of Sale registered before Oct 1, 1990? If yes, where was it registered?
Central _____ Vehicle _____

Complete the Court Order, Other Changes and Additional Information form as described in the Information Guide.

WE **Writ of Execution – Alberta** In which judicial district was writ issued? _____

FW **Writ of Execution – Federal** In which judicial district was writ issued? _____ Date of Judgment _____

MP **Matrimonial Property Order**

Other (specify type) _____

DEBTOR #1 Business Individual Date of Birth

Business Name or Last Name	First Name	Middle Name	
		Alberta	
Street Address	City	Province	Postal Code

DEBTOR #2 Business Individual Date of Birth

Business Name or Last Name	First Name	Middle Name	
Street Address	City	Province	Postal Code

SECURED PARTY Business Individual

[Insert complete name of Feeder Association]

Secured Party Code	Business Name or Last Name	First Name	Middle Name
	<i>[Insert complete address of Feeder Association]</i>		
Street Address	City	Province	Postal Code

COLLATERAL: SERIAL NUMBER GOODS (If PPSA, applicable only to consumer goods or equipment)

Serial #	Year	Make and Model	Category

COLLATERAL: GENERAL

Description #1 ALL PRESENT AND AFTER-ACQUIRED LIVESTOCK SUPPLIED BY THE SECURED PARTY TO

Description #2 ALL PRESENT AND AFTER-ACQUIRED INSTRUMENTS AND INTANGIBLES, INCLUDING

REGISTERING PARTY (Complete only if other than Secured Party above) Business Individual

Registrant Code	Business Name or Last Name	First Name	Middle Name
Street Address	City	Province	Postal Code

AUTHORIZED SIGNATURE

Type Name of Person Signing
Signature

Our File:

Call Box –
Page 1 of _2

17840011.1

Alberta Feeder Association Purchase Order

Terms and Conditions of Purchase Order

On next two pages.

**Please refer to FAA
website for most
recent version.**

ALBERTA FEEDER ASSOCIATION PURCHASE ORDER

TO: _____
[Insert name and address of auction market or licensed livestock dealer]
(the "Supplier")

FROM: _____
[Insert name, address facsimile number, and e-mail address of Feeder Association]
(the "Feeder Association")

FEEDER ASSOCIATION MEMBER: _____
[Insert full name of Feeder Association Member and the location of the farm or feedlot to which the livestock described below are to be delivered]
(the "Feeder Member")

MAXIMUM VALUE OF LIVESTOCK: _____
[Insert the maximum authorized purchase price including all order buying commissions, check-offs and all other expenses]
(the "Maximum Amount")

DESCRIPTION OF LIVESTOCK: _____
[Insert approximate weight range, number, gender and any other specifications]
(the "Livestock")

TERMS AND CONDITIONS OF PURCHASE ORDER

THE UNDERSIGNED Feeder Association hereby authorizes the above described auction market and/or licensed livestock dealer to purchase the Livestock on the terms and conditions on the back of this Purchase Order.

DATED at _____, Alberta, this _____ day of _____, 20__.

[INSERT COMPLETE NAME OF FEEDER ASSOCIATION]

Per: _____
Signature, printed name and title of authorized representative

TERMS AND CONDITIONS OF PURCHASE ORDER

1. Only feeder Livestock may be purchased pursuant to this Purchase Order.
2. This is allowed on an invoice.
3. All purchases must be invoiced to the Feeder Association “on account of” the Feeder Member.
4. The Livestock must be in good health and must meet the specifications set forth above on delivery to the Feeder Member.
5. All Livestock subject to the Purchase Order shall be branded by you with the above Feeder Association’s registered brand before delivery, or by the Feeder Member immediately after delivery. The Feeder Association will not be obliged to pay for the Livestock until they have been branded and inspected by the Feeder Association’s local supervisor, and have been delivered to the Member.
6. The Supplier will notify the Feeder Association of the delivery of the Livestock to the Feeder Member by providing a copy of the invoice by delivery, facsimile transmission or e-mail. The Feeder Association agrees to have its local supervisor inspect the Livestock within 2 business days of receipt thereof.

Month End Summary of Family/Feedlot Account

On next page.

**Please refer to FAA
website for most
recent version.**

MONTH END SUMMARY OF FAMILY/FEEDLOT ACCOUNT

Month of _____

Feedlot Name _____

Family/Group Administrator _____

Feeder Member	Pen #	# Head	Brand Location	Description	Due Date
		Total Head			

Contracts Added This Month (Member Name)

Contracts Completed This Month (Member Name)

Signature of Administrator

Signature of Director(s)

Date: _____

Date: _____

FA-01(09/07)

On next two pages.

**Please refer to FAA
website for most
recent version.**

FEEDER ASSOCIATION FEEDLOT AGREEMENT

The undersigned Feeder Association member (the "Member"), the undersigned feedlot (the "Feedlot") and the undersigned Feeder Association (the "Association") hereby represent, warrant and agree for value, as follows:

1. Description of Livestock: The "Livestock" referred to in this Agreement are all livestock:
 - (a) which are described in an Alberta Feeder Association Livestock Supply Form signed by the Member and the Association in accordance with the *Feeder Association Guarantee Act, S.A.* 2009, c. F-11.1, as amended, and the Regulations and Orders in Council made thereunder; and
 - (b) which are provided boarding, feed and care by the Feedlot between the date of this Agreement and the effective date of the termination of this Agreement, as provided herein;whether or not the Feedlot has been provided with a copy of the Livestock Supply Form.
2. Member Responsible for Feed Costs: The Member and the Feedlot acknowledge and agree that the Member shall be solely responsible for all costs and expenses of every nature and kind with respect to the Livestock, and that the Association has no liability whatsoever to the Feedlot for these costs and expenses.
3. Limitation Lien Rights: The Feedlot, the Member and the Association agree that the Feedlot's lien rights including the right to detain and sell the Livestock under the *Animal Keepers Act*, Statutes of Alberta 2005, c. A-40.5, as amended from time to time (the "Act"), shall be governed by the following provisions:
 - (a) The Feedlot shall invoice the Member at least once a month for all costs and expenses due to the Feedlot for feeding and caring for the Livestock, and these invoices shall be immediately due and payable;
 - (b) The Feedlot shall notify the Association in writing by fax, e-mail or mail within 7 days following the date any such invoice is not paid by the Member when due. If the Feedlot fails to do so without a reasonable excuse, the Feedlot's priority and lien rights as against the Association shall be waived in full notwithstanding paragraph 3(c) below;
 - (c) The Feedlot agrees that the Feedlot's priority, lien rights and security over the Association's interest and security in the Livestock and the sale proceeds thereof shall be limited to the Feedlot's costs and expenses for feeding the Livestock for forty five (45) days; and that the Feedlot's priority and lien rights as against the Association are waived, and that the Association's interest and security in the Livestock and the sale proceeds thereof has priority over the Feedlot's lien rights and security therein with respect to all costs and expenses due to the Feedlot for feeding and caring for the Livestock after the said 45 day period. This waiver shall not affect the Feedlot's other rights against the Member;
 - (d) The Member agrees that any failure to pay a Feedlot invoice shall constitute a breach of the Member's agreement with the Association, and that this breach shall entitle the Association to seize, remove and sell the Livestock;
 - (e) In the event the Member fails to pay an invoice, the Feedlot agrees to cooperate with the Association and to allow the Association to seize, remove and sell the Livestock notwithstanding the Feedlot's lien and other rights under the Act, provided that the Association shall allow the Feedlot's costs and expenses for feeding the Livestock for the first forty five (45) days that the Member was in default to be paid from the sale proceeds for the Livestock in priority to the amount due to the Association.
4. Feedlot's Right to Claim Sale Proceeds and Member Deposit: The Member agrees that in addition to the Association's right to allow payment of the amount set forth in paragraph 3(e) above, the Association shall be entitled to pay any sale proceeds (which would otherwise be paid to the Member) to the Feedlot with respect to the Feedlot's outstanding invoices for feeding and caring for the Livestock, provided that these invoices have been approved in writing by the Member. Subject to the Regulations under the Act, but notwithstanding the Feeder Association Member Agreement (the "Member Agreement") or any other agreement between the Member and the Association, if the Member fails or refuses to approve payment of these invoices, the Association shall be entitled to hold the amount claimed by the Feedlot in trust, and the Association shall not release the Member's Deposit referred to in the Member Agreement for a period of forty five (45) days to allow any dispute between the Member and the Feedlot to be resolved, and to permit the Feedlot to take such proceedings as it may think fit with respect to its claim. Unless otherwise directed by a Court of competent jurisdiction, the sale proceeds shall be released by the Association to the Member after 45 days if the dispute is not resolved.
5. General Provisions: The Feedlot agrees:
 - (a) To properly care for and feed the Livestock in accordance with generally accepted Livestock feeding, care and maintenance practices;
 - (b) To immediately brand the Livestock with the Association's brand at the Member's expense, or tag in a manner approved by the Association at the Member's expense when the Livestock are delivered to the Feedlot if the Livestock are not so branded when delivered, and to further identify the Livestock by ear tag or in such other manner as the Association may require, to distinguish them from other livestock including livestock cared for by the Feedlot for other members of the Association;

UPDATED 2021-01-23

- (c) To allow and ensure that the Member, authorized representatives of the Association, the Association's Lender and the Alberta Government have access to all premises at which the Livestock are located; access to all records pertaining to the Livestock; and the right to inspect both the Livestock and the records, on request, between 8:00 in the forenoon and 5:00 in the afternoon;
- (d) To deliver to the Association and the Member such information concerning the Livestock as the Association may request from time to time, including information with respect to the whereabouts and health of the Livestock and copies of all agreements between the Member and the Feedlot with respect to the Livestock;
- (e) To inform the Association by fax, e-mail or mail with respect to death losses or serious health problems with the Livestock, as soon as they occur;
- (f) That the Feedlot's rights under the Act have been partially waived as provided in this Agreement;
- (g) This Agreement may be terminated by either the Feedlot, the Member, or the Association by providing written notice of termination of the Agreement to all other parties to this Agreement, provided that:
 - (i) the termination shall not, in any event, apply to or affect the rights or obligations of any party hereto with respect to any Livestock delivered to the Feedlot before the effective date of the notice of termination, and
 - (ii) the effective date of the notice of termination shall be the date which is 10 days after the date that the written notice of termination is actually received by the other parties hereto by delivery, facsimile transmission or e-mail at the addresses, facsimile numbers or e-mail addresses referred to below, or at such new addresses, facsimile numbers or e-mail addresses as may be hereafter provided by written notice to all other parties.
- (h) This Agreement shall enure to the benefit of and be binding upon the personal representatives, administrators and successors of the Member and the administrators, successors and assigns of the Association and the Feedlot.

IN WITNESS WHEREOF the Association, the Member and the Feedlot have signed this Agreement effective the ___ day of _____, 20__ at _____, in the Province of Alberta.

[INSERT NAME OF FEEDER ASSOCIATION]

(print complete name of feedlot)

Per: _____
Signature, printed name and title of authorized representative
Address: _____

Telephone: _____
Fax: _____
E-mail: _____

Per: _____
Signature, printed name and title of authorized representative
Address: _____

Telephone: _____
Fax: _____
E-mail: _____

MEMBER

Print complete corporate, partnership or joint venture name, if Member is a corporation, partnership or joint venturer

MEMBER

Address: _____

Telephone: _____
Fax: _____
E-mail: _____

Per: _____
Signature and printed name of Member or Member's authorized representative

Per: _____
Signature and printed name of Member or Member's authorized representative

LIS Livestock Dealer Letter of Authorization

On next two pages.

**Please refer to FAA
website for most
recent version.**



Livestock Identification and Commerce Act

**LIVESTOCK DEALER
LETTER OF AUTHORIZATION**

(for sale of livestock by Livestock Dealer only)

F-1 Version 2009-11-15

(Please print clearly)

TO: **LIVESTOCK IDENTIFICATION SERVICES LTD.**

FROM: _____ Client No. _____
Name of the owner of the livestock For LIS Use Only

THIS IS TO CERTIFY THAT:

1. I am the owner or one of the owners of the livestock described in paragraph 3 and I am authorized to sign this *Livestock Dealer Letter of Authorization* on behalf of the owners.

OR

I am authorized by the corporation or partnership who owns the livestock described in paragraph 3 to sign this *Livestock Dealer Letter of Authorization* on behalf of the corporation or partnership.

Note: Cross off the statement in paragraph 1 that is not applicable

2. The following livestock dealer is authorized to sell the livestock described in paragraph 3:

Livestock Dealer _____ Client No. _____
City/Town, Prov _____
Telephone _____
For LIS Use Only

3. The following livestock is authorized to be sold by the livestock dealer on behalf of the owner:
(Description may include number of head, colour, kind, brand(s), including location, and other identifiers)

4. As required by the *Livestock Identification and Commerce Act*, the owner(s) has/have provided the above named livestock dealer with a **Livestock Security Interest Declaration** with respect to the livestock or the dam of the livestock being sold by the livestock dealer on behalf of the owner(s).
5. In consideration of LIS accepting this *Livestock Dealer Letter of Authorization*, the owner of the livestock agrees that LIS is not liable for any loss the owner may suffer as a result of LIS allowing the sale to proceed or as a result of LIS permitting the sale proceeds to be paid to the above noted livestock dealer on behalf of the owner of the livestock. The owner of the livestock further agrees to indemnify and hold harmless LIS, its officers, directors, employees and agents for any loss, damage, claims, costs (including legal fees on a full indemnity basis) that LIS may be required to pay to anyone as a result of LIS acting in accordance with the *Livestock Dealer Letter of Authorization*.
6. The owner agrees that LIS is entitled to rely on this *Livestock Dealer Letter of Authorization* until the earlier of:
 - the ____ of _____ 20 ____
 - December 31 of the second year following the date the *Livestock Dealer Letter of Authorization* was signed (for example, if signed on October 10, 2009 the authorization will expire on December 31, 2011), or
 - five (5) business days following LIS acknowledging receipt of a *Revocation of Livestock Dealer Letter of Authorization* in the prescribed form.

DATED at _____ this _____ day of _____ 20____

Town/City Province Day Month Year

Signature of Witness

Signature of person signing authorization

Printed name of witness

Printed name

Address

Address

Phone number

Phone number

Supervisors Log Book

On next page.

**Please refer to FAA
website for most
recent version.**

SUPERVISORS LOG BOOK

Member name _____ Approved Loan Amount _____

Inspection &/or Sale date	Livestock # And type	Brand and Location	# Dead	# Sold/ Inventory	Comments

Supervisors Signature _____

Western Livestock Price Insurance Program (WLPIP) Alberta Assignment of
Indemnity Form

On next page.

**Please refer to FAA
website for most
recent version.**



Alberta Assignment of Indemnity Form – WLPPI

Identification Number	Subscription	Year
8 7 0 <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>

Client Information
Business Name _____ Business Address _____ Contact Person (Must be a Client, or Shareholder of the company) _____

This Assignment covers only the Western Livestock Price Insurance Program.
For valuable consideration, the Insured hereby assigns to _____ <div style="text-align: right; margin-left: 400px;">Name of Assignee</div> Of _____ <div style="text-align: center; margin-left: 150px;">Complete Mailing Address</div> <div style="text-align: right; margin-left: 200px;">Postal Code _____</div> <p>an undivided 100% of all monies up to an amount of \$ _____ which may be payable by the Program Administrator as a result of a payable loss on the Identification and Subscription numbers as entered above.</p> <p>This assignment is subject to section 55.1 of the <i>Agriculture Financial Services Act</i> and section 95 of the <i>Financial Administration Act</i> (Alberta). The Program Administrator is not bound by this assignment unless the assignment has been consented to by an acknowledgement in writing from the Program Administrator. The Insured understands that indemnity cheques, up to the amount stated in this Assignment of Indemnity, will be made payable to the assignee and forwarded directly to the assignee. This assignment is subject to the deduction of any monies which may be owing to Agriculture Financial Services Corporation.</p>

Signature. Return this completed document to your local WLPPI office.
Dated at _____ in the Province of Alberta this the _____ Date day of _____ Month 20____ Year <div style="text-align: center; margin-left: 100px;">City or Town</div> Client _____ <div style="text-align: center; margin-left: 150px;">Signature</div> Witness _____ <div style="text-align: center; margin-left: 350px;">Signature</div> Client (Printed Name) _____ Witness (Printed Name) _____

Office Use Only - Consent and Acknowledgement
The Program Administrator consents to the above assignment, subject to the deduction of any monies which may be owing to Agriculture Financial Services Corporation. Dated in Lacombe, Alberta this _____ day of _____, 20____ Signed by: _____ for Agriculture Financial Services Corporation



Date Stamp – primary

Date Stamp – secondary

The personal information on this form is collected under the authority of the *Agriculture Financial Services Act* and the *Freedom of Information and Protection of Privacy Act* (FOIP Act) and will be used to evaluate your eligibility for the program to which this form relates, for the administration of the program and for the administration of any other AFSC program or benefit in which you participate. Your information is subject to the provisions of the FOIP Act. If you have any questions about this form and the collection and use of information, please contact the AFSC Call Centre, 5718 58th Avenue, Lacombe AB T4L 1B1, 1.877.899.2372.



Reset Form

Print Form

Equity Loan Inspection Report

On next page.

**Please refer to FAA
website for most
recent version.**

Equity Loan Inspection Report

Member name _____

Date of Inspection _____

Number of head _____

Sex _____

Average weight _____

Comments _____

Signature - Feeder Association Supervisor _____

Signature of Feeder Member(s) or Representative _____

Date completed _____

Equity Draw Calculation Worksheet

On next two pages.

**Please refer to FAA
website for most
recent version.**

EQUITY DRAW CALCULATION WORKSHEET						(manual fill)
Feeder Association				Date Weighed		
Member Name				Loan #		
		# head	type	Ave Wt In	Total Contracted Amount	Per Head
<u>Cattle Costs</u>						
				Previous Equity Draws X 2		
Last Contract Date				Accrued Interest to date		
Contract Due Date				TOTAL COST		
				Outstanding Loan Balance		
		# head				
Death Losses						
Sales			Canfax Price	Ave Wt Now	Current Value	Value Per Head
<u>Current Value</u>	(# in - deads - sales)					
				Equity Gain (Value - Cost)		
Less Fees:	Supervisor	@		50% (Eligible Draw Amount)		
	Administrator	@				
	Supr Mileage	@			Promissory Note	Cheque
	PPSA	@		50% (Eligible Draw Amount)		
		@		Plus Total Fees		
			Total Fees	Less Sec Dep Top - Up		
					(Promissory Note Total)	(Net Cheque)
<u>Security Deposit</u>	Total Contracts & Equity Draws that are outstanding					
	Security Deposit Required					
	Security Deposit on Hand					
	Over / (Short)					(Date Issued)
Comments:						
# Days on Feed						
Ave Daily Gain (lb/day)					(Administrator)	

EQUITY DRAW CALCULATION WORKSHEET						(auto fill fields in blue)
Feeder Association	Enter Name Here			Date Weighed	26-Oct-21	
Member Name	Joe Member			Loan #	129	
	# head	type	Ave Wt In	Total Contracted Amount	Per Head	
Cattle Costs	185	STR	550	\$ 181,401.82	\$ 980.55	
			Previous Equity Draws X 2	\$ 1,168.71	\$ 6.32	
Last Contract Date	31-May-21		Accrued Interest	\$ 2,070.80	\$ 11.19	
Contract Due Date	30-May-21		TOTAL COST	\$ 184,641.33	\$ 998.06	
			Outstanding Loan Balance			
	# head					
Death Losses	3					
Sales	0	Carfax Price	Ave Wt Now	Current Value	Value Per Head	
Current Value	182	\$ 124.50	972	\$ 220,245.48	\$ 1,210.14	
		Equity Gain (Value - Cost)	422	\$ 35,604.15	\$ 195.63	
Less Fees:	Supervisor @	\$ 30.00	50% (Eligible Draw Amount)	\$ 17,802.08	\$ 97.81	
	Administrator @	\$ 30.00				
	Supervisor Mileage @	\$ 7.28			Promissory Note	Cheque
	PPSA @			\$ 17,802.08	\$ 17,802.08	
	@		Plus Total Fees	\$ 67.28		
	Total Fees	\$ 67.28	Less Sec Dep Top - Up			
				\$ 17,869.36	\$ 17,802.08	
				(Promissory Note Total)	(Net Cheque)	
Security Deposit	Total Contracts & Equity Draws	\$ 200,439.89			CK #3231	
	Security Deposit Required	\$ 10,021.99				
	Security Deposit on Hand	\$ 11,153.43			31-Oct-21	
	Over / (Short)	\$ 1,131.44			(Date Issued)	
Comments:						
# Days on Feed	148					
Ave Daily Gain (lb/day)	2.85			(Administrator)		

Partial Sales Withdrawal

On next two pages.

**Please refer to FAA
website for most
recent version.**

<i>Feeder Association:</i>			
Partial Sales Withdrawal			
Loan Start Date:		DATE	
Member:		Ln #:	
<u>COST</u>			<u>Average / head</u>
# head & type			
# deads			
# previously sold			
Purchase \$			
Accr Interest to Date			
Total Cost			
<u>SALES</u>			
# head & type			
Sale Cheque Net \$			
VARIANCE (sale \$ less total cost)			
	# hd	Ave/Hd	
FA Cost x # hd sold			
FA 20% of excess proceeds			
MEMBER 80% of excess proceeds			
<u>PARTIAL PAYMENT</u>			
PRINCIPAL PAYMENT	(cost + 20% from above)		
MEMBER PAYMENT	amount shown above		
<u>BALANCE OUTSTANDING</u>			
# HEAD LEFT		O/S Prin. Bal to start	
AVE PER HEAD		Principal Payment	
NEW O/S BALANCE	(Principal+Interest)	Accrued Interest	
		Total o/s (incl. int)	
Member Payment			
Less Fees:			
Net Cheque to Member	Cheque #		

Feeder Association:

Partial Sales Withdrawal

			DATE	9-Feb-21
Member:			Ln #:	565
<u>COST</u>				<u>Average / head</u>
# head & type		308	HFR	
# deads		0		
Purchase \$	\$	316,974.75		
Accr Interest to Date	\$	2,136.58		
Total Cost		<u>\$ 319,111.33</u>		\$ 1,036.08
<u>SALES</u>				
# head & type	SALE	112	HFR	
Sale \$		<u>\$ 134,390.47</u>		\$ 1,199.91
VARIANCE (sale \$ less total cost)				<u>\$ 163.84</u>
				<u>Ave/Hd</u>
FA Cost	112	\$ 116,040.48		\$ 1,036.08
FA 20%		\$ 3,670.00		\$ 32.77
MEMBER 80%		<u>\$ 14,679.99</u>		\$ 131.07
	112	<u>\$ 134,390.47</u>		<u>\$ 1,199.91</u>
<u>PARTIAL PAYMENT</u>				
PRINCIPAL PAYMENT		<u>\$ 119,710.48</u>		
MEMBER PAYMENT		<u>\$ 14,679.99</u>		
		<u>\$ 134,390.47</u>		
<u>BALANCE OUTSTANDING</u>				
# HEAD LEFT	186		O/S Prin. Bal to start	\$ 316,974.75
AVE PER HEAD	\$ 1,072.05		Prin Pmt	\$ 119,710.48
NEW O/S BALANCE	<u>\$ 199,400.85</u>	(Principal+Interest)	Interest	\$ 2,136.58
			Total o/s (incl. int)	<u>\$ 199,400.85</u>
Member Payment				<u>\$ 14,679.99</u>
Less Fees:				
Net Cheque to Member		Cheque #	EFT	<u>\$ 14,679.99</u>

Alberta Feeder Association Member Agreement

Click on the following link to access:

[Alberta Feeder Association Member Agreement](#)

[https://www.feederassoc.com/uploads/source/Membership Information/member agreement 2012.pdf](https://www.feederassoc.com/uploads/source/Membership%20Information/member_agreement_2012.pdf)

**Please refer to FAA
website for most
recent version.**

ADDENDUM TO Alberta Feeder Association Member Agreement

On next two pages.

**Please refer to FAA
website for most
recent version.**

This addendum agreement (the "Addendum" is made as of _____ ("Effective Date")

BETWEEN:

[INSERT NAME OF FEEDER ASSOCIATION] _____
[Insert mailing address of Feeder Association] _____
(herein called the "Association")

OF THE FIRST PART

-and-

of _____
(herein called the "Member")

OF THE SECOND PART

RADIO FREQUENCY IDENTIFICATION ADDENDUM

WHEREAS the Association and the Member wish to enter into an agreement with respect to identification of Livestock in another manner approved by the Minister, namely, by Radio Frequency Identification (RFID tag).

WHEREAS the Association and Member entered into a Feeder Association Member Agreement dated _____ (Member Agreement);

WHEREAS the Member wishes to identify cattle purchased by the Association with proceeds of a government guaranteed loan and supplied to the Member with Radio Frequency Identification.

WHEREAS the Association has approved the Member for the use of Radio Frequency Identification as a form of cattle identification.

WHEREAS the Association and Member wish to amend provisions of the Member Agreement to permit the Member to identify cattle purchased by the Association with proceeds of a government guaranteed loan and supplied to the Member by Radio Frequency Identification.

Therefore, the Association and Member agree as follows:

1. The Association and Member agree, for the purposes of this Addendum, Livestock means cattle supplied by the Association to the Member;

2. The Member covenants and agrees that Livestock identified with the use of Radio Frequency Identification will be identified in the following manner:
 - a. The use of Radio Frequency Identification (RFID) tags means an electronic identification system comprising a transponder containing a microantenna that, when read at a specific radio frequency, emits a signal containing a unique electronic code.
 - b. The use of management tag that identifies the Association;
 - c. RFID and management tag must be inserted into the ear of the Livestock;
 - d. Any RFID tag or management tag used for the purpose of identification of Livestock that is removed, damaged or destroyed must be replaced immediately.
3. The Member agrees that Livestock supplied by the Association will not be comingled with Livestock not supplied by the Association;
4. The Association and Member agree Permitted Locations may only be close confinement facilities;
5. The Member Agreement is amended as follows:
 - a. Amending Section 2.9 (i) by inserting the phrase “, different colour RFID tag, different colour management tag,” immediately following the phrase “different branding locations,”.
 - b. Deleting section 3.3 and inserting the following:

“3.3 Identification: The Member agrees that all Livestock which may be branded with the Association’s ‘brand” pursuant to the *Livestock Identification and Commerce Act* (Alberta) and the regulations thereunder shall be branded, or tagged in a manner approved by the Association, and that all Livestock shall in addition and in any event, be identified as required by the Association and under the Regulations to distinguish them from other livestock (including livestock supplied to other members of the Association and Livestock supplied to the Member which are subject to different Supply Periods). It shall be the Member’s obligation to so brand, and identify as required by the Association, as required by all such Livestock, or to ensure that they are so branded or tagged and identified at the Member’s expense.”
6. All other terms and conditions of the Member Agreement remain in full force and effect.

In WITNESS WHEREOF the Association and the Member have signed this Addendum effective the date and year first above written at _____, in the Province of Alberta.

Feeder Association Security Interest Waiver

Completion Instructions

On next two pages.

**Please refer to FAA
website for most
recent version.**

**FEEDER ASSOCIATION
SECURITY INTEREST WAIVER**

To: _____ (the "Feeder Association")

Re: Waiver of Security Interest in the Livestock described in the attached Bill of Sale* (the "Livestock") sold by _____ (*Insert full name of Seller**) to the Feeder Association

Date: _____, 20__

The undersigned secured creditor (herein referred to as the "Lender") hereby waives, releases and discharges all security interests held or claimed by the Lender (including any Bank Act security) in the Livestock tagged with an ear tag approved by the association (the "livestock"). The undersigned Lender does not waive, release or discharge any security interest held or claimed by the Lender in any of the Seller's receivables or proceeds related to the Livestock.

The undersigned Lender requests that a cheque for the Purchase Price (or the amount indicated under "other" below) be paid and delivered as follows [please initial one selection only]:

- _____ To the Seller (entire purchase price)
(initial here)
- _____ To the Lender (entire purchase price) _____
(initial here) (*insert address*)
- _____ To both the Seller and the Lender (entire purchase price), in care of the Seller
(initial here)
- _____ Other _____
(initial here)

The undersigned Seller agrees that payment shall be made in accordance with the Lender's request.

SELLER

LENDER

Print complete corporate, partnership or joint venture name, if Seller is a corporation, partnership or joint venturer

Print name of Lender

Per: _____
Signature and printed name of Seller or Seller's authorized representative

Per: _____
Signature, printed name and title of Lender or Lender's authorized representatives

Per: _____
Signature and printed name of Seller or Seller's authorized representative

*[Completion Instructions: Complete this form in accordance with the completion instructions printed on the back of this form].

COMPLETION INSTRUCTIONS

1. This form is mandatory. It is required pursuant to s. 24 of the Feeder Associations Guarantee Regulations for all purchases from persons other than a person licensed as a livestock dealer or a licensed livestock dealer's agent under the *Livestock Identification and Commerce Act* ("LICA") with respect to all Livestock purchased by a Feeder Association which are subject to a security interest registered under the *Personal Property Security Act* (Alberta) or the *Bank Act* (Canada).
2. Specifically, this form is required with respect to all such Livestock purchases from the Feeder Association's Member, and "private treaty" purchases (i.e.: purchases from persons other than a licensed livestock dealer or a licensed livestock dealer's agent).
3. This form must be completed for every such purchase.
4. To complete this form:
 - a. Insert the complete name of the "Lender" and the "Seller" where indicated. If the "Seller" is the Feeder Association Member, the Member's name must be inserted.
 - b. A fully completed Bill of Sale which complies with LICA and the Regulations under LICA must be attached to this form, whether LICA applies to the purchase or not.
 - c. The Lender must complete the payment instructions on this form. These instructions must be initialled by both the Lender and the Seller. Both the Lender and the Seller must sign this form.

Livestock Security Interest Declaration

On next page.

**Please refer to FAA
website for most
recent version.**

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 THE ABOVE INFORMATION AND THAT THE ABOVE LIVESTOCK SECURITY INTEREST DECLARATION ARE TRUE.	
X Signature of Owner	Date: YYYY/MM/DD

Feeder Association Priority Agreement

On next two pages.

**Please refer to FAA
website for most
recent version.**

FEEDER ASSOCIATION PRIORITY AGREEMENT

The undersigned Feeder Association Member (the "Member"), the undersigned Lender (the "Lender") and the undersigned Feeder Association (the "Association") hereby represent, warrant and agree for value as follows:

1. Representations and Acknowledgements of the Feeder Association and the Member: The Feeder Association and the Member represent and acknowledge:
 - a) The Feeder Association is a feeder association which operates pursuant to the provisions of the *Feeder Associations Guarantee Act* (Alberta) (the "Act") and the Regulations thereunder (the "Regulations");
 - b) The Member is a member of the Feeder Association;
 - c) The Feeder Association and the Member will have entered into a Feeder Association Member Agreement (the "Member Agreement") pursuant to the Act and the Regulations that provides, among other things, for cattle, sheep and other livestock specified in the Regulations which have been purchased by the Feeder Association to be supplied to the Member, from time to time (the "Association Livestock"), and loans ("Equity Loans") to be advanced by the Feeder Association to the Member, from time to time, on the terms and in consideration of the undertakings and agreements of the Member set forth in the Member Agreement;
 - d) The Member has granted, or will grant, to the Feeder Association, a perfected security interest to the Feeder Association and its assigns in the following collateral (the "Feeder Association Collateral") as security for the performance of the obligations of the Member to the Feeder Association pursuant to the Member Agreement, and all related promissory notes and agreements between the Member and the Feeder Association:
 - i) Association Livestock: All present and after-acquired Association Livestock supplied by the Feeder Association to the Member, from time to time, including Association Livestock branded with the Feeder Association's registered brand, being _____; livestock tagged with an ear tag approved by the association (the "livestock") and
 - ii) Proceeds and Security Deposits: All proceeds, including accounts receivable in whatever form, from any sale, use, transfer or other disposition of Association Livestock, and all deposits held by or on behalf of the Feeder Association as security for the performance of the obligations of the Member to the Feeder Association.
2. Acknowledgements and Representations of the Lender: The Lender and the Member represent and agree that the Lender is a chartered bank, a lending institution, or another secured creditor of the Member which holds a perfected security interest in, among other things, the livestock of the Member (the "Lender's Collateral").
3. Feeder Association Priority: The Lender agrees that the security interest granted by the Member to the Feeder Association in the Feeder Association Collateral shall have priority over any security interest that the Lender now or hereafter has in the Feeder Association Collateral.
4. Lender's Priority: The Feeder Association agrees:
 - a) Notwithstanding paragraph 3 above, that if the Feeder Association purchases livestock from the Member which are Lender's Collateral for the purpose of supplying the livestock to the Member as Association Livestock, the Lender's security interest in such livestock shall have priority over the Feeder Association Collateral, unless the Lender has expressly waived its security interest therein in writing in favour of the Feeder Association in accordance with the Regulations*; and
 - b) The Feeder Association only claims a security interest in Feeder Association Collateral, and does not claim a security interest in livestock which are not Feeder Association Collateral.
5. The Member's Deposit Accounts with the Lender: The Feeder Association acknowledges (with respect to Lenders which are chartered banks or lending institutions) that the Member may operate a banking account (which may include a deposit account, a chequing account, a current account, a savings account or similar type of account maintained by the Member at any branch or office of the Lender from time to time) with the Lender. The Feeder Association agrees that it will not be entitled to claim any proceeds of Association Livestock (whether cash, instruments, accounts or any other form) that (contrary to the Member Agreement and the Regulations) are deposited into any banking account of the Member with the Lender:
 - a) Unless the Lender is specifically directed by the Member to credit the proceeds to a trust account for the benefit of the Feeder Association; or
 - b) Except with respect to proceeds received by the Lender, where the Lender has received notice within 15 business days after the deposit of the proceeds, that the proceeds are from Association Livestock and that the Feeder Association intends to enforce its security to recover the proceeds.

It is intended and agreed that any banking accounts of the Member held with the Lender may be operated in the ordinary course, free of any proceeds claimed by the Feeder Association, until the Lender receives a written notice from the Feeder Association in accordance with paragraph 5(b) above.
6. General Provisions:
 - a) The priorities established in this Agreement will apply in all circumstances regardless of the respective dates of execution, attachment, registration or perfection of the security or the security interests created thereby; the dates the supply of Association Livestock, advances of loans, extensions of credit made by the Member to the Feeder Association or the Lender; the date of default of the Member under the Member Agreement or any security granted by the Member to the Lender or the date of taking of any

steps to realize under any security; or any priority granted by any principal of law or statute, including, without limitation, the *Personal Property Security Act* (Alberta);

- b) This Agreement may be terminated by either the Feeder Association or the Lender anytime on thirty (30) days written notice. Such termination will not affect the rights, obligations, priorities or security interests of either of them prior to the effective date of termination, all of which shall survive the termination of this Agreement.
- c) If either the Feeder Association or the Lender receive money to which the other is entitled pursuant to this Agreement, then such money will be held in trust by them for the other, and will pay it over to the other on demand;
- d) So long as the Member has outstanding obligations to the Feeder Association and the Lender, the Member consents to the Feeder Association and the Lender advising each other of the particulars of such obligations, and to each exchanging any other financial information they deem relevant. Neither the Feeder Association nor the Lender will have or incur any liability to the Member for providing such information;
- e) The Feeder Association and the Lender will do all things necessary from time to time to give full effect to this Agreement. No consent of the Member will be necessary to any amendment of the terms of this Agreement by the Feeder Association and the Lender;
- f) Any notice required or permitted to be given pursuant to this Agreement will be in writing and will be mailed or delivered to the branch of the Lender, and the Feeder Association, at their business address on the date of the notice or by facsimile transmission to their facsimile number in effect at the date of the notice;
- g) This Agreement shall enure to the benefit of and be binding upon the respective personal representatives, administrators, representatives and assigns of the parties hereto;
- h) This Agreement will not take effect until it has been signed by all parties hereto, and until fully executed copies have been provided to both the Feeder Association and the Lender;
- i) This Agreement may be signed in counterpart. Facsimile and electronically transmitted copies of signatures to this Agreement shall be deemed to be as valid as original signatures.

IN WITNESS WHEREOF the Association, the Member and the Lender have signed this Agreement effective the ____ day of _____, 20__ at _____, in the Province of Alberta.

[INSERT NAME OF FEEDER ASSOCIATION]

(print name of lender)

Per: _____
Signature, printed name and title of authorized representative
Address: _____

Telephone: _____
Fax: _____
E-mail: _____

Per: _____
Signature, printed name and title of lender's authorized representative
Address: _____

Telephone: _____
Fax: _____
E-mail: _____

MEMBER

MEMBER

Print complete corporate, partnership or joint venture name, if Member is a corporation, partnership or joint venturer

Address: _____

Telephone: _____

Fax: _____

E-mail: _____

Per: _____
Signature and printed name of Member or Member's authorized representative

Per: _____
Signature and printed name of Member or Member's authorized representative

[*Note: Section 24 of the Feeder Associations Guarantee Regulations requires an additional waiver and release, in a form approved by the Minister, to be completed and signed with respect to every purchase of Livestock from a person, other than a person licensed as a livestock dealer or a livestock dealer's agent under the *Livestock Identification and Commerce Act* with respect to Livestock which are subject to a security interest under the *Personal Property Security Act* (Alberta) or the *Bank Act* (Canada)].

CHAPTER 13 – CONTACT INFORMATION

Alberta Agriculture and Forestry – Feeder Association of Alberta Web Page

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

Alberta Agriculture and Forestry – Feeder Association Loan Guarantee Program

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

Feeder Associations of Alberta Limited

<http://www.feederassoc.com/>

Livestock Inspection Services (LIS)

<https://www.lis-ab.com/>