

# Beef Cattle Financial Protection Program (BCFPP) INFO SHEET FOR VEAL PRODUCERS

March 2012



Ontario's BCFPP is another risk management tool that veal producers can use to protect their financial interests against the risk of late or non-payment by licensed dealers.

All sellers of bovine, with the exception of breeding dairy cattle, currently pay a compulsory \$0.05 per head deduction on every animal sold. This money goes into a fund to be used if there are claims to the program. The Livestock Financial Protection Board can then pay the seller 95% of any approved claim provided that the seller has met all of the requirements for eligibility.

To ensure that you are in continuous compliance with the program, veal producers need to be diligent in their responsibilities. Producers that are in non-compliance will most likely forfeit their claim, however, this is a decision made by the Livestock Financial Protection Board.

Remember that program coverage is not automatic simply because a deduction has been taken from your cattle. There are program requirements you must follow and implement into your business practices on an ongoing basis for your operation.

Here are some tips to ensure compliance:

- ✓ Make sure that the sale was to a licensed dealer
- ✓ Notify immediately all late/non-payments
- ✓ File your claim within 30 days of when the payment was due
- ✓ Do not extend credit to the buyer

## ***How do you know if you sold your cattle to a licensed dealer?***

Any producer that sells cattle to an unlicensed dealer is not covered under the BCFPP. Therefore, it is important to sell cattle to one that is licensed. If a seller is in any doubt regarding the current status of a prospective buyer, they should contact the BCFPP Program Manager to discuss. The status of dealer licences can also be found at: [www.omafra.gov.on.ca/english/food/inspection/fpu/fpu\\_lists.htm](http://www.omafra.gov.on.ca/english/food/inspection/fpu/fpu_lists.htm)

## ***How do you report a late or non-payment?***

It is highly recommended that veal producers implement a regular procedure of late payment reporting to the BCFPP. This late payment reporting should become a standard operating procedure for your operation to ensure that the BCFPP Program Manager is aware of the financial situation of its licensed dealers. This way, the BCFPP is made aware of your late payment and the program can take appropriate steps to resolve payment issues with buyers before it becomes a serious issue. As well, by reporting your late or non-payments on a regular basis, the BCFPP can protect cattle farmers and the fund from exposure to increased risk.

Non-payment reporting must also include notification to the BCFPP Program Manager of any NSF cheques received. As soon as you are made aware of having an NSF cheque you must contact the BCFPP so that the appropriate steps can be taken with the licensed dealer. Again, this is an important step to not only ensure compliance with the BCFPP program for your operation, but also protects the cattle sector from unnecessary financial risk and exposure.

A sample template form for late reporting is attached. This form should be faxed or emailed to the BCFPP immediately as soon as you determine payment is overdue. This form should detail all outstanding payments with as much information as you have available to you at the time. You can also use this form to report an NSF cheque.

You should not make any reports to the BCFPP until the payments become due.

Reporting a late payment is considered an important “notification” step in this process but it is not the same thing as filing a claim. These are two completely separate steps.

***When should you expect payment?***

Payment is due on the 9<sup>th</sup> Business Day Following the Sale if the sale is less than \$15,000

Payment is due on the 6<sup>th</sup> Business Day Following the Sale if the sale is greater than \$15,000.01 (This is regardless of whether the price is based on carcass grade basis, live weight basis or per head basis.)

Anything not paid within these parameters is considered a late payment.

For added convenience, producers should request that the dealer/buyer pays them via Electronic Payment or Direct Deposit. This would speed up the time for producers to receive their payment.

***The Day of Sale can be the following:***

The day of your sale is determined by using one of the following methods and depends on how your veal calves were sold:

Day of weighing where price is determined on a live weight basis; or

Day of grading where price is determined on a carcass grade basis\*; or

Day of purchase where price is determined on a per head basis.

\*Grading date is considered two days after the slaughter date. According to the *Beef Cattle Marketing Act*, cattle cannot be purchased on carcass grade basis (rail) without being accompanied by a third party grading certificate. This is to protect the seller to ensure that the weights are verified and correct.

### ***Notifying of a Late Payment vs. Filing a Claim:***

Making a claim is not the same as filing a late payment. Anything not paid within the parameters above is considered a late payment. Producers should report all late payments immediately after the timeframe in which they became due. It is your responsibility to promptly notify the BCFPP Program Manager of late payments.

If a producer has not been paid within the allotted time frame, and they have filed a late payment notification and still payment is not resolved, then the producer should file a claim with the Livestock Financial Protection Board within 30 calendar days of when payment was due.

Filing a claim is as simple as sending a fax or email to the BCFPP Program Manager stating “*I wish to file a claim for non-payment by (insert name of buyer) for my (how many veal calves) sold on (date calves were sold)*”. From here, you will receive information from the BCFPP as to the next steps in filing a claim process.

Keep a copy of all your communications to the BCFPP in case you need them during the investigation process. If you make telephone calls, emails or send faxes keep records and notes of all details (including date, time and who you spoke to) to demonstrate your due diligence.

Please keep in mind that filing a claim and the investigative process does take some time. It is important to collect all of the relevant information. Due to the nature of the process, it is difficult to determine how long it will take for your claim to be reviewed.

### ***What is extending credit to the buyer?***

Extending credit to a buyer can mean that you have agreed to payment terms that are different and outside of those that are outlined in the BCFPP. Do not sign any contracts which indicate a different payment schedule will be made.

Extending credit can also mean that you have continued to ship cattle to a buyer even though they still owe you payment from previous load(s). This is considered extending credit because you are aware that they still owe you money yet you continue to ship cattle. It is a wise rule to follow that if a dealer/buyer still owes you money then do not ship a second load until you receive payment. You could default payment on a potential claim with the BCFPP by extending credit.

### ***How do I count days?***

A business day refers to Monday to Friday where normal business transactions take place. You would not count Saturday and Sunday in tabulating when payment becomes due. You do not count the same day you shipped but start on the next business day.

A calendar day refers to all days of the month including weekends and holidays (as they fall on the calendar). You would count all seven days of the week in determining the timeframe in which to file a claim.

***Using examples to illustrate how the BCFPP program works for veal producers:***

**Example One:**

10 calves were sold on January 10<sup>th</sup>, 2012 directly to a packer (live weight)

- Total amount owing was less than \$15,000 so payment is due 9 business days following the sale
- 9 business days is January 23<sup>rd</sup>, 2012 so this is when payment is due
  - If payment is not received by this date, then the producer should send a late payment notice to the BCFPP as close to following January 23<sup>rd</sup> as possible
- If payment is still not received, then a claim must be filed within 30 calendar days of when payment is due
  - Your claim must be submitted no later than February 22<sup>nd</sup>, 2012

★ **Important:** The late notification must come before the filing of a claim. Do not wait until the timeframe to file a claim and make a late payment report at the same time as you may default from coverage.

**Example Two:**

10 calves were sold on January 10<sup>th</sup>, 2012 directly to a packer (live weight)

- Payment is due on January 23<sup>rd</sup> as the sale is less than \$15,000

On January 17<sup>th</sup> you sold another load of 10 calves to the same buyer.

- Payment is due on January 30<sup>th</sup> as the sale is less than \$15,000

*Did you extend credit?*

No, you did not extend credit in this example because payment was not yet due for your first load of calves. Your first load of calves were due to be paid by January 23<sup>rd</sup> so selling another load on January 17<sup>th</sup>, within this timeframe, does not mean credit has been extended.

**Example Three:**

10 calves were sold on January 10<sup>th</sup>, 2012 directly to a packer (live weight)

- Payment is due on January 23<sup>rd</sup> as the sale is less than \$15,000

On January 17<sup>th</sup> you sold another load of 10 calves to the same buyer.

- Payment is due on January 30<sup>th</sup> as the sale is less than \$15,000

On February 2<sup>nd</sup> you sold another load of 10 calves to the same buyer again.

- Payment is due on February 15<sup>th</sup> as the sale is less than \$15,000

- Payment has not been received for either the first or the second load at the time you shipped your third load

On March 1<sup>st</sup> you call the BCFPP to complain about the late payments.

On March 30<sup>th</sup> you decide to file a claim with the BCFPP as you still have not received payment for all three loads.

*Did you extend credit?*

Yes, you did. By sending your third load to the same buyer without receiving payment for the first and second loads you have effectively extended credit and could potentially default yourself from any potential claim against the BCFPP as a result.

*Did you notify on time?*

By calling on March 1<sup>st</sup> it will have been 38 calendar days since your first payment became due; 31 calendar days for your second payment; and 15 calendar days for your third payment. In this case, this would not be considered a prompt notification of late payment.

*Did you file a claim on time?*

Filing a claim on March 30<sup>th</sup> suggests that it is 67 calendar days after the date of your first payment became due; 60 calendar days for your second load; and 44 calendar days for your third load. In this case, you did not file your claim on time according to the parameters of the program.

#### Example Four:

10 calves were sold on January 10<sup>th</sup>, 2012 directly to a packer (live weight)

- Payment is due on January 23<sup>rd</sup> as the sale is less than \$15,000

You received a cheque in the mail on January 20<sup>th</sup>. You do not go to the bank until February 2<sup>nd</sup> to deposit the cheque. You find out on February 9<sup>th</sup> that the cheque has gone NSF. You receive a second cheque from your buyer on February 15<sup>th</sup> to replace the first cheque. It goes NSF as well shortly afterwards. You decide to file a claim on February 22<sup>nd</sup> as this is 30 days from the payment due date.

*Are you eligible for BCFPP coverage?*

While the final decision will be with the Livestock Financial Protection Board, the regulations governing the BCFPP state that you must present your cheque to your bank for deposit within five business days of receiving it. As well, you did not notify the BCFPP Program Manager of non-payment after the first NSF cheque was received. Nor did you notify the BCFPP Program Manager after the second NSF cheque.

While you may have filed within the 30 days time period, because of the failure to notify the BCFPP of your non-payment promptly and the fact that you held onto your cheque longer than five days, the LFPP Board may decline your claim as it did not meet the terms and conditions of the program.

***Other information:***

Sellers can also make a claim if a dealer has ceased operation or if a dealer's assets were placed under a trustee.

For more information on the BCFPP, or to file a late payment report or to file a claim, please contact OMAFRA.

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*This information is intended to be used as a guideline to help veal producers better understand the BCFPP. The OVA does not take any responsibility for individual claims or issues that arise as a result of late payments with buyers. It is the sole responsibility of each individual veal producer to make the appropriate financial arrangements with their buyer as well as ensure compliance with the BCFPP.*