

Strategy for a Meat Transition Assistance Program for British Columbia

BC Food Processors Association

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1. Definition of the Problem and Recommended Action

The new Meat Inspection Regulation of the *Food Safety Act* was introduced in September 2004, to provide a consistent approach to public health protection in relation to livestock slaughter. Under the regulation, all BC slaughter facilities providing meat for sale will have to comply with standards for their physical plant, and will be subject to pre- and post-slaughter meat inspection. At present, very few operators of existing unlicensed facilities have indicated they plan to upgrade and comply, and it appears many small operators will not continue past the deadline. Unless significant capacity is developed from upgrading of currently unlicensed facilities, or from construction of new facilities, many communities will be without legal slaughter capacity. This will result in reduced economic activity from livestock production and processing, and reduced access to locally produced meat products. These communities will feel justified in criticizing government for the adverse impacts, especially those which may feel they have been led to expect reduced regulation, and will increase their pressure for an extension of the deadline, financial assistance for abattoirs for transition to the new requirements, and for various exemptions from or amendments to the regulation. The BC Food Processors Association (BCFPA) supports the intent of the new Meat Inspection Regulation (MIR), considering it an appropriate framework to protect public health as well as enhance the competitiveness of the British Columbia meat industry, and would support government in resisting any measures that would dilute the desired outcomes of the regulation.

At the same time, the BCFPA, having worked with industry, government and other agencies to facilitate transition to the MIR through the Meat Industry Enhancement Strategy (MIES), recognizes the challenges facing both slaughter facility operators and livestock producers. The BCFPA has proposed to the provincial government an Action Plan to continue and enhance the MIES activities of communication, facilitation, path-finding and consultation with stakeholders in transition to the new regulation. In addition, and through the strategy outlined here, the BCFPA proposes a complementary funding program of direct financial assistance to slaughter operations with the objective of increasing and expanding the livestock slaughter capacity in the province to ensure that livestock producers have reasonable access to legal, licensed facilities by the deadline imposed in the regulations.

2. Background

While the vast majority of meat consumed in British Columbia is inspected, the Province currently lacks a uniform meat inspection system to assure all consumers that their meat has been subjected to a comprehensive food safety assessment. The new Meat Inspection Regulation under the *Food Safety Act* was introduced by the government to replace a patchwork approach of licensing by the Province and local governments and regions where no licensing applied. It ensures a consistent approach to food safety and public health as regards meat, enhances the ability to respond quickly to emergent diseases (e.g., BSE and avian influenza), facilitates tracking and tracing of diseased animals, and addresses animal welfare concerns.

Under the new MIR, all British Columbia slaughterhouses, existing and new, must meet sanitation standards to be licensed and the animals must be inspected pre- and post-slaughter for detection of disease.

The BCFPA has acted as the primary link in assisting the meat industry to adjust to these requirements, through the MIES. MIES is directed by the Meat Industry Committee of the BCFPA, consisting of representatives of livestock producers, meat processors, MoH, MAL, BCCDC, and CFIA. The primary goal of the MIES has been for industry to deliver an integrated initiative to ensure that slaughter capacity is maintained and enhanced, and that marketing opportunities are expanded, including local markets.

MIES facilitates activities to maintain and enhance the BC meat processing sector. It acts as the primary communications conduit for industry regarding the MIR and other issues, through website, newsletters, information materials, workshops and industry events. It initiates and manages projects to enhance slaughter capacity including development of mobile abattoirs and implementation of food safety systems, and acts as a pathfinder for funding sources for projects. MIES staff assist, or facilitate assistance, for operators to obtain provincial licensing, including on-site plant assessments and liaison with various agencies. Staff also engage with communities seeking abattoir solutions to meet their collective needs, encouraging development of appropriate community teams, and supporting activities to identify options and implement solutions.

The MIES goal has been to aim for provincially licensed slaughter facilities for red meat (beef, pork, lamb, and bison) and poultry within a reasonable distance of the vast majority of livestock farms. Preliminary analysis suggests there is a need for at least 60 licensed facilities of various sizes, for a range of livestock types. Currently there are 14 provincially licensed and 14 federally licensed slaughter plants in British Columbia.

MIES has been successful in creating awareness of the need for industry to respond to the required changes, facilitating feasibility studies and informative projects and materials, and bringing some communities together to develop solutions, but to date little actual upgrading of currently unlicensed facilities or development of new licensed slaughter capacity has occurred.

The livestock slaughter sector recognizes the need for the new requirements, but acknowledges that adaptation to the change is being held up by several factors, including:

1. uncertainty regarding legal handling of slaughter waste, especially Specified Risk Material (SRM), and dramatically increased waste disposal costs due to BSE¹,
2. challenges obtaining financing for construction costs, feasibility studies and business plans, especially for small operations with low equity and low volumes,
3. anticipated costs of inspection following the MIR deadline², and
4. concern from those that have invested to comply with MIR about low-cost competition from unlicensed facilities continuing to operate post-deadline³.

¹ To address this issue, the Province has since funded the \$5 million Livestock Waste Tissue Initiative, administered by the Investment Agriculture Foundation. A further \$7.5 million of federally matching funds has been applied for.

² Ministry of Health has since committed to absorbing inspection costs to September 30, 2012.

³ Ministry of Health advises it is working actively with Health Authorities to ensure compliance is enforced post-deadline.

At present, only 15 unlicensed plants have shown interest in becoming licensed. Combined with an estimated 5 new plants which may be constructed, it appears that at the most optimistic, a total of only 20 newly licensed provincial slaughter plants may come on stream to service community needs by September 2006. In this scenario, slaughter capacity across the Province will vary from adequate in some areas (Fraser Valley, North Okanagan, and parts of Peace River) to insufficient to non-existent in others (Vancouver Island and the Gulf Islands, the Cariboo-Chilcotin, Bulkley Valley-Nechako and the Kootenays).

This result would be unacceptable to both industry and government.

To encourage more operators of slaughter facilities to undertake plant upgrades and construct new facilities to meet provincial licensing standards, the BCFPA proposes that government fund a \$4 million financial assistance program for slaughter plants. Program funding would assist with capital costs for plant and equipment, support community based processes to develop and implement regional solutions, and fund feasibility studies and business plans critical to developing regional capacity. To allow adequate time for individuals and communities to plan and construct facilities, the BCFPA anticipates the deadline date for full compliance with the Meat Inspection Regulation will be extended, and for purposes of this strategy, assumes that date will be September 30, 2007. The financial assistance program would complement the \$1 million MIES Action Plan to increase the provincially licensed livestock slaughter capacity in British Columbia. The BCFPA proposes to deliver the program in partnership with the Investment Agriculture Foundation.

3. The BCFPA Proposal – the Meat Transition Assistance Program (MTAP)

Program Goals

1. To ensure that by the extended province-wide Meat Inspection Regulation deadline, assumed to be September 30, 2007 for the purposes of this strategy, there are sufficient provincially licensed slaughter facilities in appropriate locations across the province so livestock producers have reasonable access to slaughter services.
2. To increase livestock slaughter capacity in British Columbia over the period to September 30, 2007, and build a basis for expansion of capacity in the future.

Program Strategies, Budget, Activities, and Outcomes

	Strategy	Budget	Action	Target Outcome
Individual Plant Assistance	1.1. Assist currently existing unlicensed slaughter plants to upgrade to provincial standards	\$3,000,000	Provide funding on 50/50 cost shared basis for construction and equipment costs – maximum \$50,000 funding per plant	Approximately 50 currently unlicensed plants obtain provincial licensing
	1.2. Assist in development of new provincially licensed slaughter capacity in poorly served areas		Identify poorly served areas and communities Provide 100% funding to plants to assist with business plans and feasibility studies, where deemed critical by program management, maximum \$5000 per plant	Approximately 5 new provincially licensed plants are developed Poorly served areas are identified and adequate service is developed
Community Solutions	1.3 Assist communities to identify local solutions for slaughter capacity, engaging elements of the supply chain, and developing slaughter capacity to create a sustainable regional solution for livestock production	\$1,000,000	1.3.1 Provide funding for construction and equipment costs of up to a total of \$100,000 per community on a 50/50 basis for plants to implement strategies and business plans arising from the community solution process (facilitated by Action Plan). 1.3.2 Provide supplemental funding for plants in isolated areas which are critical to maintaining adequate access to slaughter services 1.3.3 Provide funding to critical plants which have been adversely affected in transition by events outside reasonable expectation of control	Approximately 10 regions or communities engage in the process and develop facilities to serve their needs Maintain critical capacity where adverse events would have resulted in reduced services
	Total	\$4,000,000		

Program Elements

The BCFPA proposes several critical elements of a program framework for the Meat Transition Assistance Program (MTAP), and a basis for program administration. Upon acceptance of the proposed framework, the BCFPA would form a standing Meat Program Steering Committee to develop the details of the program, administration and governance, and to oversee the administration of the program. The Steering Committee will include representatives of the meat processing, livestock and related industries, and a minority of non-voting ex-officio members from ministries and agencies such as MOH, MAL, BCCDC, IAF, and others deemed appropriate (see 4.2 Governance below).

1. The MTAP program will consist of two elements.
 - The first element will provide funding for individual plants upgrading to provincial licensing. Up to \$3 million will be reserved for this element.
 - The second element will fund projects which satisfy community slaughter plant requirements, and which result from a process involving critical community stakeholders. Up to \$1 million will be reserved this element.
2. Program Duration
 - The program will be available until September 30, 2007, or until all funds are disbursed, whichever is the earlier.
 - Eligible expenses incurred since July 23, 2004 may be funded by the program.
3. Residual Funds.
 - Any funds remaining at the time of program closure will be reserved for the sole purpose of assisting the food industry to adapt to future changes in food safety regulations.
 - Decisions regarding residual funds will be made by the Steering Committee based on the needs as identified by committee representatives within the then prevailing food safety policy framework.
4. Eligibility.
 - For individual plant assistance, an eligible applicant must be an operator of a slaughter plant that will be licensed under the new Meat Inspection Regulation.
 - For community solution funding, an application may come from a facility operator, local government or a significant community stakeholder. The funding may be provided only to an operator of a slaughter plant that is or will be licensed in British Columbia and will be serving the community. The process undertaken to develop the community solution must involve all major stakeholders. Communities must encompass a significant geographic region (eg. Radius of 100km, one or more Regional Districts) or contain other logistic barriers to animal transport.
5. Eligible Expenses
 - Plant construction and equipment expenses, including plans and blueprints, construction materials, lighting, HVAC and plumbing systems, refrigeration, drainage and sewer systems, receiving and shipping facilities, facilities for

inspectors including washrooms, storage facilities, cleaning facilities, slaughter facilities, and accommodation for in-kind labour

- Consulting costs including development of programs for maintenance, sanitation, pest control, training, labelling, traceability, and process control
- Expenses for business planning, including market and feasibility studies, on a very limited basis, and only when vital to the development of critical capacity, as determined by program management.
- Expenses which may be covered in any other available provincial or federal grant program are ineligible.

6. Application Deadline

- The closing date for applications for individual assistance funding is September 30, 2006.
- At that time, program management will assess projected regional capacity and direct program funding emphasis to areas which appear will be poorly served.
- Applications for community solutions funding will be received after September 30, 2006 until termination of the program. However, letters of intent will be accepted anytime before the opening date for applications. The MIES Action Plan staff will immediately seek to engage stakeholders in identified communities in preliminary discussions.

7. Priority of Funding

- MTAP staff will identify poorly served areas and seek to facilitate new capacity in those areas. Forty per cent (40%) of program funding for individual slaughter plants, and one hundred percent of funding for community solutions will be reserved and targeted to areas most in need of livestock slaughter services.
- As a guiding principle for the program, funding priority will be to encourage provincially licensed capacity in areas outside currently designated meat inspection areas.
- Within the above requirements, applications will be funded within priorities established by the Steering Committee.

8. Program Modifications

- The Meat Program Steering Committee, established by the BCFPA, may make changes to the program as necessary to achieve the program goals, including reallocation of funding among program elements.

4. Program Administration

1. Application Procedure

- For Individual Plant assistance, applicants must apply by the closing date in a form determined by the Steering Committee. Applicants must provide a written description of intentions, and an estimated budget of cost for goods and services. Evidence of application having been made for a plant assessment, and for all required permits, including building and waste disposal, must be included. Applicants will authorize sharing of the information provided as necessary for program administration, including with BCCDC.

- When requirements of the application have been met, funding will be allocated according to the estimated costs of the project.
- Upon receipt of a complete application, the program administrator will advise the applicant of the eligibility of the proposed activities for program funding, the amount of funding formally committed by MTAP, and will monitor applicant progress.
- When the work has been completed, the applicant will submit evidence of payment for the goods and services. Based on sufficient payment documentation (e.g. invoices, contracts) evidence of business planning, and verification by the BCCDC that the applicant has received licensing, the program administrator will pay the eligible cost-shared amount up to the program limits.
- Applications will be funded within priorities established by the Steering Committee (generally on a first come/first served basis), reserving 40% of individual plant assistance funding for poorly serviced areas.
- Applicants will be required to repay any overpayment or ineligible payment.
- Application procedures for Community Solutions assistance will be determined by the Steering Committee. Letters of intent are encouraged at any time in order to facilitate the development of community solution projects.

2. Governance

- The Meat Program Steering Committee of the BCFPA will be the decision making body for the program. The Steering Committee will include voting members and non-voting ex-officio members. Voting members shall be:
 - a. Chair of the BCFPA Meat Industry Committee will chair the Steering Committee (Knoedler)
 - b. 3 BFFPA Directors, not necessarily from the meat industry
 - c. 2 Small Scale Processor representatives familiar with issues of small slaughter operations and small scale producers
 - d. Project Manager for MIES (Davidson)
 Non-voting ex-officio members shall be:
 - e. Executive Director BCFPA (secretariat)
 - f. Ministry of Agriculture and Lands (Buchanan)
 - g. Ministry of Health (Bailey or his delegate)
 - h. BCCDC (Copeland or his delegate)
 - i. Investment Agriculture Foundation
 Steering Committee members may bring guests to meetings. Voting members may choose alternates who may vote in their absence.
- The Steering Committee will develop required work plans, and program policies and guidelines for all areas, including:
 - a. Committee quorum and role of ex-officio members
 - b. Confidentiality
 - c. Freedom of Information – Protection of Privacy
 - d. Conflict of Interest
 - e. Program communication
 - f. Program administration, including application and payment
 - g. Financial accountability and audit
 - h. Program evaluation and performance measures

- i. Appeals process
- j. Cost Sharing
- k. In-Kind labour
- l. Per diems for Steering Committee members

3. Administration Costs

- Administration costs include items such as development of program policies and procedures; Steering Committee activities; awareness, communication and program promotion; handling of applications; verification of data; handling of appeals; and financial administration, including custody and investment of funds, payment disbursement, accounting and audit.
- Total administration costs for the program are targeted to not exceed 8% of total program funds expended.
- The BCFPA and Investment Agriculture Foundation of BC will enter into an agreement for the financial administration of MTAP.

5. Program Evaluation and Performance Measures

Target outcomes of the program include the following:

- Approximately 50 currently unlicensed plants obtain provincial licensing
- Approximately 5 new provincially licensed plants are developed
- Poorly served areas are identified and adequate service is developed
- Approximately 10 regions or communities engage in the process and develop facilities to serve their needs
- Critical capacity is maintained where adverse events would have resulted in reduced services
- Communities with significant livestock have adequate access to slaughter facilities.
- Administration costs do not exceed 8%.
- Proportion of cost of business plans, feasibility and market studies is less than 2% of total funds disbursed.

Performance measures will be developed by the Steering Committee.

6. Risk Management

An assessment of Critical Success Factors and Risks will be undertaken by the Steering Committee. Program Risk will be identified and appropriate control measures established.
