



Updated Ontario sheep regulations and license fees – frequently asked questions

Over the past year, the Ontario Sheep Marketing Agency (OSMA) undertook an aggressive review of its Regulations and License fees. Ontario Sheep operates in a framework defined by two provincial regulations – Regulation 429 and 430 under the Farm Products Marketing Act (FPMA). These grant the authorities given to OSMA to manage the marketing of live Ontario sheep and lamb, and raw wool in Ontario.

The OSMA board approved the regulation changes during this review process and the regulations are set to take effect on January 1, 2017.

To help the value chain have a better understanding of the changes in the regulations, below is a list of frequently asked questions.

If you have questions about the changes in the regulations, please contact the OSMA office at (519) 836-0043.

1. Q. Why did OSMA review its regulations?

A. Good governance recommends that an organization review its legal framework and operating charter regularly. All provincial marketing boards undertake this exercise; some do so annually. The OSMA board held its last regulation review in 2010. For the past year, the OSMA board, staff and legal representatives worked with the Farm Products Marketing Commission staff to ensure that the provincial legal framework was complied with - specifically Regulations 429 and 430, and to confirm OSMA's regulation focus and authority. It also allowed OSMA the opportunity to ensure that regulations, particularly with respect to licence fees, were more succinct and easier to understand.

2. Q. What is changing within the new General Regulations?

A. The OSMA board has made few changes to its General Regulations aimed at improving administration efficiency and effectiveness. The current licence fee (check off) assessment (\$1.80/head + HST on live sales and custom processing, 1.5% of gross raw wool sale) will continue. Efficiency improvements were made by deeming a market licence upon anyone who is producing, marketing or processing sheep, lamb or wool in Ontario.

Every sheep producer is responsible for paying the \$1.80 per head, and the prior regulation had sellers responsible for self-assessing licence fees and reporting to OSMA. Effective January 1, 2017 **buyers** of sheep, lamb or wool will collect and remit the licence fee on behalf of seller. This synchronizes the market fee assessment, remittance and reporting duties for direct buyers with that of auction markets and processors. **If the buyer does not collect and remit the licence fee, it is the responsibility of the seller to remit the fee to OSMA.**

Licence Fee Examples:

A sheep is sold for \$200 (all Ontario market sales are subject to a fee)

Selling Sheep Owner/Producer	Buyer/Auction/Processor
<ul style="list-style-type: none"> • Fee is assessed for \$1.80 + HST (= \$2.03) • Cost is deducted from agreed selling price • Will receive proceeds for \$197.97 • Seller should provide (or receive) invoice showing sale of \$200 less OSMA fee (+HST) paid for net payment of \$197.97 	<ul style="list-style-type: none"> • Records purchase cost of \$200 with liability to OSMA for \$1.80 • Prepare summary of sales for OSMA • Remit \$1.80 + HST to OSMA <p style="text-align: center;">(A licence fee cost <u>does not</u> exist for the purchaser if properly accounted for!)</p>

A sheep is custom processed (slaughtered) in Ontario for \$30

Sheep Owner/Producer	Processor
<ul style="list-style-type: none"> • Fee assessed for \$1.80 + HST (= \$2.03) • Cost is added to agreed slaughter cost • Should pay processor \$32.03 • Seller should receive an invoice showing service cost of \$30 plus the OSMA fee (+HST) for net payment of \$32.03 <p style="text-align: center;">(Often processors embed OSMA's fee in the service cost. Sheep owners should ensure the invoice clearly shows that a fee was paid!)</p>	<ul style="list-style-type: none"> • Records service revenue of \$30 plus a liability to OSMA for \$1.80 • Prepare custom processing summary for OSMA • Remit \$1.80 + HST to OSMA <p style="text-align: center;">(A licence fee cost <u>does not</u> exist for the processor if properly accounted for. Many will simply embed the fee in their service pricing, thus it may seem like a cost when they do remit to OSMA!)</p>

3. Q. Who has to pay the Ontario check-off licence fee?

A. The Ontario Sheep General Regulations states that by law in the Ontario marketplace every sheep seller has an obligation to pay the \$1.80/head check off fee, and every sheep owner must pay a licence fee at the time of custom slaughter. This equally includes breeding, lamb and mutton stock. Abattoirs are not required to pay a subsequent fee on the slaughter of sheep after purchase.

4. Q. Isn't the licence fee collected only when sheep are sold?

A. No. The \$1.80/head is also due when an abattoir provides a sheep slaughter service to a sheep owner. This maintains a low fee and ensures everyone in the market contributes equally.

5. Q. I purchased a sheep and took it to be custom slaughtered. Why do I pay a fee?

A. The \$1.80/head is due whenever an abattoir provides a sheep slaughter service to a sheep owner. The fee is transaction based and is not determined by the length of time a sheep is owned or held. This maintains a low fee, it keeps market administration consistent, and it ensures that everyone in the provincial sheep market contributes equally.

6. Q. Who is responsible for collecting the licence fee?

A. The buyer, auction market or processor is responsible for collecting licence fees, and sellers must ensure that there is a sale or service invoice showing that a fee was assessed. The General Regulations require that auction market operators, processors and direct buyers deduct the \$1.80/head from the proceeds payable to sheep sellers and remit them to OSMA.

7. Q. How do I remit licence fees and when is payment due?

A. It is the responsibility of the buyer to deduct the \$1.80/head licence fee from the proceeds payable to the sheep seller, and to remit the fees 30 days after each calendar month. OSMA has special billing arrangements for processors, and those payments are due 30 days after invoicing. Regulation requires buyers to remit the licence fees accruing from private sales directly to the Ontario Sheep Marketing Agency 30 days after the sale. For convenience, the Ontario Sheep Marketing Agency may make allowance for buyers to remit less frequently. Licence fee remittance forms are provided for all quarterly Ontario Sheep News readers and copies may be downloaded from our website. Payments are accepted by cheque or by calls can be made to the OSMA office to pay by credit card.

8. Q. Are check-off (licence fee) fees subject to HST?

A. Yes, check-off fees are subject to 13% HST.

9. Q. I do not live in Ontario, but I sold sheep at an Ontario auction market. Am I required to pay a licence fee?

A. Yes. The General Regulations require that all sheep sellers in the Ontario marketplace be assessed a licence fee of \$1.80 at an Ontario auction market.

10. Q. Does the Ontario Sheep Marketing Agency provide a reporting commission for auction market operators and processors?

A. Yes. To cover some of the administrative cost, OSMA allows auction market operators and processors to deduct a small 'fee for service' for assessing and remitting licence fees along with providing market reporting required under the regulation.

11. Q. Does the Ontario Sheep Marketing Agency provide a reporting commission on direct sales?

A. No. OSMA does not provide an administration 'fee for service' allowance on private treaty sales.

12. Q. Why does the Ontario Sheep Marketing Agency require the names and addresses of the buyers and sellers?

A. By law, the General Regulations require that every person who deducts licence fees forward a statement showing their full name, address, postal code and telephone number. It also requires that a full name, address and postal code of each seller be forwarded to OSMA.

This information populates the OSMA membership listing and provides a means to communicate with market members on important industry issues or in the case of an emergency situation.

13. Q. How are my licence fee dollars spent?

- A. Licence fee dollars are very important to the Ontario Sheep Marketing Agency. The licence fees are the sole operating support for the Ontario Sheep Marketing Agency programs and activities, and daily operations. The Ontario Sheep Marketing Agency has a very ambitious mission – “to enhance producers' returns and provide consumers with premium lamb and sheep products by encouraging sheep producers to provide a quality, year-round product through advocacy, education, research and development, and promotion.”

There are four key strategic directives that focus daily Ontario Sheep Marketing Agency activity:

- Advocacy – to be the voice of the Ontario sheep industry
- Market Development – to develop a sustainable sheep industry for producers to consumers
- Industry Capacity – to provide producer support through education, research and development
- Organizational Capacity – to provide leadership to the Ontario sheep industry

14. Q. What does OSMA do to manage the licence fee system?

- A. OSMA emphasizes education and dialogue to encourage market regulation awareness but it is the responsibility of Ontario sheep market participants to understand and comply with the Ontario sheep market regulation. OSMA recommends that all participants contact the office if there are any questions regarding the Farm Product Marketing Act regulations or their licence fee collection/remittance responsibility.

The FPMA gives OSMA authority to request Ontario sheep market activity data and reports from market participants, and to conduct onsite compliance visits/investigations. OSMA has the authority to hold regulatory hearings when inspections find contravention of FPMA regulation. Hearings can make binding legal decisions that can include penalty and/or removal of Ontario sheep market privileges. While OSMA regrets the necessity of holding hearings, it is obligated to do so to ensure that required license fees are being fully and fairly collected on behalf of producers, and to support marketplace integrity. Outcomes are communicated at public markets and in media publications.