

**Study of the recommendations relating to the
Economic and Fiscal Update Act, 2020
and the impacts of the COVID-19 crisis on certain sectors
of the economy**

SCFEA Committee Meeting –Small Medium Enterprises(SME) Sector Public Hearings

Date: Wednesday, August 26, 2020

Time: 10:00 a.m. – 11:00 a.m. (EDT)

Presented by

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The OAAS is the umbrella organization for over 200 non-profit Agricultural Societies. Approximately 98% of all Agricultural Societies in Ontario are OAAS members. Our Board of Directors is comprised of 15 Provincial Directors, (one from each of our 15 Districts), plus the Executive – President, 1st Vice President, 2nd Vice President, and Past President. We have two staff – Manager (full-time) and Conventions Administrator (part-time).

Ontario Agricultural Societies would be considered small or medium enterprises as they fall under the criteria of less than 499 employees and under \$50 million in revenue. As well, many local businesses that benefit from Agricultural Societies, their fairs and events in their communities would also be considered SMEs. Local and Ontario businesses that rely on Agricultural Societies and their fairs for their livelihood (i.e. service providers such as midways, concessionaires, entertainment, etc.) would also be considered SMEs.

Agricultural Societies expected shortfall of expenses over income

The OAAS recently surveyed their member Agricultural Societies to determine what their fixed costs and expenses, income and the expected shortfall will be for 2020.

- The expected total fixed costs and expenses will be **\$17.4 million**. These include such costs as insurance, utilities, loans or mortgages, wages, and other expenses that have already been incurred getting ready for their fairs, which had to be cancelled.
- The expected income was **\$5.2 million** leaving a **total shortfall of \$12.2 million for all Agricultural Societies in Ontario**.
- The individual shortfall varies significantly from Agricultural Society to Agricultural Society, partially dependent on whether they earn all their revenue from holding their fair or if they

hold other events or have significant rentals during the year to earn funds to support their fair.

Minister Hardeman announced on August 20 that he was waiving the requirements for Ontario Agricultural Societies for them to qualify for the annual OMAFRA grant. With the cancellation of fairs, it would be unlikely that Agricultural Societies would qualify for the grant under the usual requirements. For some of our Agricultural Societies, the receipt of the annual grant will be enough to ensure that they remain financially viable this year. Many Agricultural Societies expect significantly larger financial shortfalls than what the annual grant will cover. We haven't seen any details of what will be provided as per the announcement, but the maximum yearly grant has been a) equal to one-third of the costs incurred by the society for prizes, judges' fees, stipends to exhibitors and exhibit materials **to a maximum of \$3,000** and b) 25 % of the costs for improvements and repairs to the society's land and buildings up **to a maximum of \$2,000**. We estimate that the OMAFRA annual grant could reduce the shortfall of \$12.2 million by up to a maximum of \$600,000 but most likely will be less of a reduction than that.

Agricultural Societies are as individual as the communities that they support. They showcase, promote, and build awareness of modern agriculture, food production and a rural way of life. They work to improve the quality of life and promote economic growth in their communities by supporting and delivering heritage, tourism, and cultural experiences, as well as supporting the arts and cultural industries. Some Agricultural Societies also provide facilities for sport and recreational activities. We feel that our Agricultural Societies make significant contributions to heritage, tourism, sport, and culture in their communities. We want to work with the Ministry of Heritage, Sport, Tourism and Culture Industries in the future to ensure that our Agricultural

Societies are eligible to apply for funding for their activities that support the goals and direction of the Ministry.

Our Agricultural Societies are non-profit, self-sufficient associations that organize their annual fairs and other community events. Funds raised are re-invested into their fairs, events, facilities, and the community. However, the pandemic has literally cut off all sources of income in 2020. Agricultural Societies and the events at their facilities will be among the last businesses allowed to start earning revenues again because their business activities are mostly founded on large gatherings. The Agricultural Societies have had little to no ability to continue earning revenue even at a reduced scale during the pandemic. We believe our Agricultural Societies are resilient because they are self-sufficient and have never relied on significant government assistance; however, without supplemental government funding to help cover fixed and ongoing expenses, it will be difficult for some of our Agricultural Societies to survive.

Request: We are requesting that the Ontario Government work with the Federal Government to provide the funds to cover the \$12.2 million shortfalls that Ontario Agricultural Societies will experience in 2020. This funding would assist them until they can generate income again. The federal and provincial co-operated for the joint program for commercial rent assistance (CECRA), and we are asking that they consider similar cooperation for this funding. Canadian Association of Fairs and Exhibitions (CAFE) has been lobbying the Federal Government for \$74 million in funding to assist Canadian Agricultural Societies and their service providers to be able to cover their costs until they can generate income. The Ontario request of \$12.2 million is included in that total of \$74 million.

A Canadian Association of Fairs and Exhibitions (CAFE) survey done in April found that Ontario Agricultural Societies expected a loss of **\$15 million in income as of June 30, 2020**. Since roughly 200 of our 211 fairs are held after June 30, we expect that the overall loss of income would be considerably more as last year's gate receipts for all Ontario fairs, **were over \$24 million**. Due to the cancellation of other events and rentals in Agricultural facilities that have occurred since June 30, there will be an expected additional loss of income. CAFE has estimated **that at least 1 in 10 Ontario Fairs will shut down permanently** without some additional funding to help bridge the loss of income. The loss of Agricultural Societies would be an enormous blow to their communities both from an economic as well as a cultural and historical aspect.

Harry Stoddart, General Manager of Lindsay Agricultural Society, indicated in his comments at Minister Hardeman's press conference on August 20, that **Lindsay Agricultural Society's loss of income this year would be upwards of \$1 million**. They are predicting a **shortfall of \$200,000**. They have had to cancel over 40 events and are planning a virtual fair for this year.

Agricultural Societies' benefits to their communities

Our Agricultural Societies bring significant financial and other benefits to their communities and the province. In 2019,

- Over 3.4 million people visited Ontario Fairs, with gate receipts of over \$24 million.
- Visitors, exhibitors, and fair-related employees bring revenue to local restaurants, stores, accommodations, and other businesses during the fair and other Agricultural Society events and other events at Agricultural Society facilities.

- NOTE: Agricultural Societies rely on donations and sponsorships from these local businesses – many of those businesses are experiencing significant financial difficulties due to the COVID-19 pandemic and either will not survive or will not be in a financial position to support the Agricultural Societies in 2020 and 2021.
- Tourism Regional Economic Impact Module figures indicate that Ontario Agricultural Societies bring **\$360 to \$370 million** in tourism-related benefits to their communities
- Agricultural Societies spend money in their communities while preparing for their fairs and events and maintaining their facilities.
- The estimated local economic impact is between \$680 and \$700 million
- Fairs provide a livelihood for service providers such as midways, entertainers, vendors and concessionaires, and related businesses.
- Agricultural Societies provide facilities and grounds for community activities such as horse, livestock and 4-H shows; weddings or parties; meetings and fundraising activities for local service groups; business activities such as sales, home-shows and displays; sports and recreational facilities for soccer, baseball, hockey and camping
- Agricultural Societies and their events provide jobs during the year and especially during the fair season. Some of our larger Agricultural Societies operate and provide employment year-round.
- From their earliest times, livestock shows at fairs have provided owners with the opportunity to improve and strive for excellence with their animals. These shows have led to vast improvements in Canadian livestock. They have offered opportunities to sell top-quality livestock across Canada and promoted the world-wide export of Canadian livestock and genetics. My own experience in showing dairy cattle at our local fairs led

to showing cattle at the Royal Winter Fair, World Dairy Expo in Madison Wisconsin, selling cattle across Canada as well as to Ireland, South America, Russia, Japan, Spain and United States and judging assignments in Ireland, Brazil and Columbia.

- Our volunteers provided over 1.46 million hours of service in support of our events. Volunteers span various generations and ages, interests, and backgrounds

Agricultural Societies across Canada provide significant benefits to their communities, and other provinces are experiencing similar situations to what is occurring in Ontario, and their Provincial organizations are asking for similar funding to ensure their Agricultural Societies survive. Providing this funding will also provide financial benefits to the communities involved.

Current Provincial Funding Programs

Most Agricultural Societies have been ineligible for Federal measures such as CEBA and CEWS.

- Most Agricultural Societies did not meet the \$20,000 payroll criteria, and they will not meet the updated criteria for CEBA. For example, approximately 70% of Agricultural Societies would not have \$40,000 in non-deferrable expenses for 2020, and many smaller fairs cannot justify the expense of a business operating account. Approximately 70 fairs have annual gate receipts of under \$10,000.
- The wage subsidy (CEWS) does not help many of our Agricultural Societies as few have staff, and those that do would not meet the criteria for decreased income as the majority of their income is earned later in the year.

- Loan Guarantee for Small and Medium-Sized Enterprises and Co-Lending Program for Small and Medium-Sized Enterprises - unfortunately, as non-profits, it is incredibly difficult to generate the profit required to repay the loan within the timeframe required. By nature, we operate with little to no profit.

Most of the Provincial programs that were offered previously were related to decreasing employee-related expenses, i.e. health tax, so that would not apply to the vast majority of our Agricultural Societies.

In our Funding Survey, we asked Agricultural Societies what they expected would be the cost for added expenses in 2021 due to COVID related health regulations. Only 150 of 200 Agricultural Societies input a figure as the others indicated that they had no idea what those costs might be as it depended upon the health regulations that are put in place next summer. The ones that responded indicated that these were just rough estimates. Approximately 60 of the 150 indicated that the expenses would be under \$5,000 and a couple estimated \$150,000 and over. The '*Resilient Communities Fund*' may be a benefit to some of our Agricultural Societies to assist in covering the extra health regulation expenses that will most likely be incurred post-pandemic. However, we have concerns that several Agricultural Societies will not be eligible for the program and will not be able to cover those additional costs.

- Approximately 60 of the Agricultural Societies will have post-COVID health regulation expenses less than the minimum grant amount of \$5,000.
- Some Agricultural Societies will not be eligible for the grant as any organization with revenue of over \$250,000 must have an '*Auditor's Report*' as part of the financial

requirements, and some of them have a '*Review Engagement*' or lower level completed. The OAAS would be disqualified as our licensed public accountants complete a '*Review Engagement*' and not an '*Auditor's Report*' as part of our year-end financial package, and we are just over the \$250,000 revenue level.

Request: We are requesting that:

1. the requirement for an '*Auditor's Report*' at the \$250,000 level be reviewed and changed so that more organizations are eligible for the grant
2. the minimum grant levels be reviewed and lowered to allow smaller organizations to be eligible.

Health requirements and regulations Post-COVID

One of our Agricultural Societies' concerns for 2021 is what health department rules and regulations will be put in place next year and how much it will cost them to comply. Our survey indicated that they are concerned about extra expenses related to sanitation/disinfecting supplies & facilities, extra signage and barriers, extra training for staff and volunteers. Agricultural Societies also expect extra up-front or rental costs for items or modifications to allow for extra cleaning time and physical distancing and traffic flow, such as extra toilets and handwashing stations, bleachers, tents for additional space for exhibits, modifications to existing buildings for traffic flow, additional staff and security. Some are expecting extra costs to use electronic means for gate admissions instead of cash.

There is also considerable concern about what the health requirements will be next year, and will those requirements be consistent across each District and the province. And will there be enough notification to the Agricultural Societies and other organizations of the new regulations and requirements to allow their volunteers enough time to meet them?

Request: We are requesting that Health Department requirements for Agricultural Societies and their fairs and events and other non-profit organizations holding events:

1. Ensure that there is available funding to assist with post-COVID health requirement costs – particularly for Agricultural Societies and other non-profits that are not eligible for the ‘Resilient Communities Fund’.
2. Ensure that the health regulations are standard across the province – it is critical that the regulations must be interpreted the same from one Health Unit to the next Health Unit. Some of our Districts deal with several Health Units – it makes it exceedingly difficult to determine what is required when the regulations are not consistently applied.

When the Rabies vaccination program was announced in 2018, individual Health Units interpreted the regulations much differently, and it caused major issues and confusion for Agricultural Societies and their exhibitors and visitors. The majority of our Agricultural Societies are run by volunteers with little to no staff, so rules and regulations must be consistent, clear, and easy to follow.

Ontario Association of Agricultural Societies (OAAS) request

The OAAS is one of the oldest organizations in Ontario and will be celebrating our 175th Anniversary in 2021. We provide support, training, and resources for our member Agricultural

Societies to assist them in organizing their fairs. Recently, in addition to providing information and links to COVID-19 resources via email and our webpage, we organized a series of 14 weekly webinars for our Agricultural Societies starting April 1 to assist them to deal with COVID-19 concerns. We provided speakers and discussion on topics ranging from Insurance, Contracts, dealing with your sponsors, ideas for virtual and re-imaged fairs, etc.

One of the main member services that we provide for our member Agricultural Societies is our annual 3 day Convention. We normally have over 1,000 participants, including Agricultural Society members, service providers, and Fair Ambassadors. It provides opportunities for the delegates to network and learn. We provide keynote speakers, over 40 seminars, entertainment showcases, tradeshow, and a program for our Fair Ambassadors. This showcase event is organized and run by our part-time Convention Administrator assisted by the Manager, Provincial Board of Directors, and other volunteers.

The OAAS does not receive any government funding, even though the OAAS has taken over some of the programs such as Strategic Planning and First Impressions that OMAFRA staff provided in the past. We are a non-profit organization, and all our income is derived from membership fees and profits from our annual Convention. Our yearly income is generated from December to February, so our income shortfall will occur in 2021 and will also be reduced to a lesser amount for 2022. We are expecting an income shortfall of approximately \$115,000 or a decrease of 45% for 2021. Currently, 60% of our yearly income is based on our membership fees, which are based on fair gate receipts. With fairs not being held, we will experience a very substantial loss of revenue. The other 40% of our yearly income comes from hosting our annual

Convention. We expect that attendance will decrease in 2021, and expenses will increase, so we are not anticipating generating any income from our 2021 Convention.

Request: We have sent a request to the Ministry of Agriculture, Food and Rural Affairs and the Ministry of Heritage, Sport, Tourism and Culture Industries, asking them to provide the OAAS with financial support similar to what was provided to the Tourism Industry Association of Ontario (TIAO). The OAAS is requesting \$115,000 in funding to allow us to extend our current Agricultural Societies memberships, offer complimentary memberships to non-members and to allow us to continue to provide support, training, and resources for our Agricultural Societies. The OAAS's continued support for our Agricultural Societies will be critical as they deal with navigating post-COVID regulations as they work to organize their 2021 fairs and events.

Background on Ontario Agricultural Societies and their Fairs

The role of early Agricultural Societies in Ontario and across Canada was to improve agriculture in local areas. Some acted as cooperatives to purchase or make available by importing livestock, seeds and implements that the average farmer would not have the money to buy or import. Some early fairs were more of a market allowing local farmers to sell their produce, while others held competitions for livestock, and agricultural and home craft products.

Many years before it was labelled tourism, fairs attracted visitors from other communities to see the displays of livestock, produce, and crafts. That trend continues today, attracting people from much greater distances for those same displays as well as entertainment such as concerts and demolition derbies. Agricultural Societies and their fairs are traditions that provide the opportunity

for families and communities to reconnect. Fairs offer people perhaps their first opportunity to experience being up close with animals and agriculture and learn where their food comes from and how it is produced. Agriculture and food education and promoting our rural way of life is a major component of many fairs. Fair competitions such as livestock, field crops, quilts, baking, or canning provide opportunities to improve and strive for excellence as well as encourage friendly competition.

Heritage and tradition are an important part of our Agricultural Societies with over **60%** of our Agricultural Societies being older than Canada - our oldest fair is over 200 years. Fairs are an opportunity to celebrate Ontario's heritage. Generations of families have been involved with their local fairs, whether it be as members and Directors of their Agricultural Societies or by attending the fair every year. People are drawn home to their Fair – to celebrate their community and their family ties. Take a walk through the exhibit buildings. Some of the classes are updated, but many are similar to ones at the earliest fairs. Many of the fair-related businesses that are part of our fairs each year also have a rich heritage. Conklin Shows or a variation of it has operated in Canada since the early 1900s, and other midway companies are multi-generational family operations. One of the concessionaires at my local fairs, – Ellis's Taffy, was founded in the 1890s.

Our Agricultural Societies encourage their local culture industries. Browse our exhibit halls and see the art, photography, quilts, crafts, and school displays. Perhaps this is the first opportunity someone has had to display their painting or photograph or heritage pattern quilt. Agricultural Societies support entertainment by sponsoring talent contests and holding various concerts at

their Fairs and during the year. Perhaps someone's first exposure to live music may be at their local fair.

The impact of losing Agricultural Societies will have a significant, immediate, and long term effect on their local communities. From the loss of facilities for community and business events such as weddings, meetings, shows and sales, to the sponsorship of local 4-H programs, or fundraising opportunities for local groups and service clubs or the loss of income for local businesses due to a decrease in tourism. To the less tangible effects of the loss of agricultural education, traditions, culture, heritage, and tourism opportunities and fun activities that the local fairs offer to their community and visitors. While Agricultural Societies don't specifically provide programs or initiatives to assist young people to become involved in the Agricultural Industry, their fairs provide opportunities and networking that encourage youth to pursue careers in the field of agriculture.

The loss of community and belonging for the volunteers and members if their Agricultural Society did not survive would be just as significant. Few organizations offer the opportunity for people of such different interests, ages, and backgrounds to work together for their community.

We have 214-member Agricultural Societies in Ontario, and all but 2 of them hold fairs. Thus far, the OAAS has been notified that 210 of them have cancelled, postponed, or re-imaged their traditional fair. At least 40% are holding virtual or re-imaged activities this year. I am so impressed by the work, imagination and creativity that has gone into many of the activities that Agricultural Societies are organizing this year in place of their traditional fairs. These activities

will help to keep their members and their communities engaged and looking forward to 2021 and beyond.

But a virtual fair or drive-by event cannot replace or even hold a candle to our traditional fairs. Fairs are about the hands-on experiences – the sounds, smells and music of the midways, the jingle of the harness on the 6-horse hitches, the clucking of the chickens and mooing of the cows or winning a prize at a game of chance. It's the excitement and noise of the demolition derby. The excitement of your children on their first ride and their delight at seeing the farm animals up close. The pride of the 4-Her with their hard-earned showmanship ribbon. Virtual competitions are great, but they don't adequately demonstrate the craftsmanship and hard work that are displayed in the rows of quilts and the tables of handcrafts or the beauty of the flowers and plants or the size of the mammoth pumpkins. The excitement and smiles of the school children proudly showing their parents and grandparents their work displayed for everyone to see!

Fairs are about community and reconnecting with family, friends, and neighbours. From sitting in the bleachers watching the 4-H livestock Achievement program or horse classes or listening to local musicians and entertainers. To enjoying typical 'fair-food' – cotton candy, deep-fried anything or a burger and fries at the local service club's food booth. "Going to the Fair" has been a tradition in Ontario communities for generations and long before Canada's Confederation.

In closing, I want to stress to you that the loss of any of these Agricultural Societies would be a significant blow to their communities. Compared to other industries, Agricultural Societies are not 'big business,' but they do make a significant difference to their communities and their citizens' lives. Local communities and their businesses rely on Agricultural Societies and the tourism-based income that comes with their fairs and other events. The local communities rely on the facilities and fundraising opportunities that the Agricultural Societies provide. Agricultural Societies' buildings and facilities are available for weddings, meetings, emergency shelters and other events in the community. During COVID-19, Agricultural Societies stepped up and provided facilities for emergency hospital beds, testing centers, helped out various community organizations such as food drives and provided PPE supplies and support for front line health professionals.

It is important to note that any funding that is provided to help our Agricultural Societies survive until they can generate revenue not only assists them but the support will also help their communities and local businesses to recover from the pandemic. Our Agricultural Societies have survived many hardships in the past. We are asking for additional government support so that we can ensure that all our Agricultural Societies will survive this pandemic and continue to be there for their communities.