

Proposal to the Ontario Farm Products Marketing Commission

To form

Turfgrass Farmers of Ontario

**Representing Ontario's
nursery sod growers**

Version 5 - August 5, 2016

August, 2016

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A. Executive Summary

Turfgrass sod is an important part of Ontario's agricultural economy. It represents over 27,000 acres of land in production and generates over \$71.5 million dollars in cash receipts at the farmgate. It is the foundation for a landscaping value chain that adds additional value in installation and maintenance. There are estimated to be about sixty sod producers in Ontario. Many of these farms are family businesses that are operated by the second generation of the family. The growers represent dedication to and experience with the crop. The primary market for Ontario grown sod is within Ontario. It is sold wherever turfgrass is required – for homes and buildings, parks, roadside construction, golf courses and green spaces – and, when installed, forms a core part of our living, green infrastructure.

The sector has been experiencing two trends that this proposal is intended to address:

- consistent downward pressure on profit margins exacerbated by growers that use price as the primary means of competition that drives the price to levels below costs of production
- stagnation in product demand as a result of many societal factors including smaller home lot sizes and increasingly negative perceptions of the value of lawns and Turfgrass applications.

By forming a marketing board and wisely using the authorities requested as provided under the legislation, the proponents of this proposal believe that these two trends can be overcome and reversed and that the public interest would be served by this outcome.

- The ability to set prices – in the case of this proposal, a minimum prices for typical commercial lot sizes – will eliminate the practice of driving prices down to unreasonable and unsustainable levels and ensure market stability and discipline necessary for the sector to thrive
- Growers will reinvest a portion of the additional returns generated by stable prices into a well researched and executed campaign to positively change the public perception of the value of lawns as green spaces to enjoy and use, leading to more market demand and sector growth

In order for price setting authority to be effective, there must be low risk of competition from jurisdictions outside Ontario. Because sod is highly perishable and costly to ship, it is not profitable to ship sod long trucking distances to find new markets. In addition, phytosanitary requirements for trans-border shipments make it costly and tedious for American sod producers to supply the Canadian market. Therefore, price setting authority in a market in Ontario that is principally supplied by Ontario producers can be effective.

The proposal includes resources in the organization's budget to ensure the integrity of the system including grower acreage declarations on which license fees are proposed to be based and grower sales transactions to ensure that the minimum price requirement has been respected.

The proponents are requesting that the Ontario Farm Products Marketing Commission approve the request to conduct a producer expression of opinion vote before the end of 2016 in order that, should the proposal meet with favour by two-thirds of the voting producers and at least 50% of their acreage, the plan can be implemented in time for the 2018 growing season. The proponents have a plan to consult with Ontario sod growers and with all other parties affected by the proposal in a full, open and transparent manner.

B. Data

B.1 Proposed Definition of the Farm Product

The proposed definition of the farm product is “turfgrass sod.”

B.2 A proposed definition of a producer of the farm product

A producer is proposed to be a commercial sod farmer working 50 or more acres intended for sod production, that is seeded for sod and grown commercially for harvest and sale.

B.3 An estimate of the total number of producers of the product in Ontario

Statistics Canada publication Table 001-0060 indicates that the number of producers in Ontario has declined from 70 in 2011 to 60 in 2015. Of these growers, 39 are members of the NSGA. The NSGA has identified about 20% of the growers that are not members, leaving a small number in the outlying areas of the Province that have not been identified. It is also possible that Statistics Canada has counted some growers that may operate under more than one business identity more than once.

The total sod area in Ontario was reported at 27,114 acres in 2015 with farmgate value of \$71,680,697 in 2015.

B.4 A petition in favour of support for the proposal signed by at least 15% of the total estimated number of producers

To be attached as Appendix A

B.5 Authorities to be requested

- the ability to license producers
- the ability to fix and collect license fees
- grant exemptions from board regulations such as mandatory license fees
- collect acreage and market information from growers
- assess interest on overdue payments and other penalties for non-compliance including prohibiting production or marketing
- Set price (specifically a minimum price)
- Undertake farm inspection to verify acreage declaration (i.e. acreage measurement)
- Inspect grower records to verify compliance with price setting

B.6 Any other information requested by the Commission

B.6.1 Price Setting Authority: Why it is needed and how it will be used

Margins for growers in nursery sod production in Ontario have been adversely impacted by a small number of producers that have from time to time undercut the market by severely discounting the price at which sod is sold, below costs of production. One of the factors that has contributed to this practice is that some growers have inherited their land base and do not factor the value of the land into their costs of production. For other growers who may rent land to ensure adequate rotation, land is a real cost that needs to be recovered in the selling price. Price setting authority will be used to bring stability and discipline to the market so that there is a level playing field and thereby increase grower returns. Not only will this stability be of benefit to growers, it will also benefit their downstream customers because they will gain assurance that they are paying approximately the same for equivalent quantities and quality.

The plan to implement price setting authority requires establishing a minimum price for specific lot sizes. The largest lot size proposed is a 15,000 square foot lot F.O.B. point of grower shipping. A series of up to five additional lot sizes will be chosen with a minimum price associated with each lot size. Any charges for delivery and installation will be in addition to the minimum price. The plan is to set minimum standard terms and conditions for delivery and installation, taking into account the quantity of sod involved and the distance over which it must be transported. These specified terms and conditions will prevent growers from undermining the price floor by offering “free delivery” and “free installation.” The 15,000 square foot lot was chosen as the largest size because it is approximately a full truckload. Growers have had experience in which customers contracted to buy a set quantity of sod and obtained a price quotation based on that quantity and then failed to take the quantity agreed on. The proposed plan for using the price setting authority will protect growers from this practice.

The prices will be set by the Board after consultation with growers and buyers each year at the beginning of the season¹ and will be reviewed when circumstances require over the course of the season. In an extremely dry year, such as 2016 is turning out to be, when there is a greater need for irrigation and a correspondingly higher cost of production, the minimum floor prices may be increased at a point during the season. This need to review and modify the prices is not expected to occur every year but will be an option available to be exercised by the Board when circumstances warrant. The minimum price for the largest lot size, namely 15,000 sq. ft., will be the minimum legal floor price for selling sod in Ontario – no sod will be able to be legally sold below that price. Similar minimum floor prices will be established for up to five additional smaller lot sizes. The purpose for having a grid with a series of up to six price points for different lot sizes is to minimize the risk that the price for the largest lot size becomes the effective price for all lot sizes. The Board will not regulate retail prices nor the price of any transaction after the point of sale by the grower.

Price setting authority is integral to the Board’s plan because it is the Board’s expectation that the license fees will be fully covered by the gains to growers from implementing an Ontario-wide floor price.

Has NSGA considered how price setting authority is used by any existing marketing boards? Yes. Representatives of the NSGA have conferred with Sarah Marshall, General Manager of Ontario Tender Fruit and the Ontario Fresh Grape Growers respectively, both of which use price setting authority. A difference in the application of that authority between the manner in which it used by these two boards and the manner in which the new Board proposes to use its authority is that these boards license dealers, of which there is a relatively small number, and therefore the enforcement of its authority is confined to an identifiable group of buyers over which the Board exercises a measure of control and the right to audit. The new board does not propose to license buyers of sod as this effort would be difficult to undertake and costly given the large number of buyers of sod across Ontario. Given diversity among and the sheer number of individual buyers of sod from sod growers there is no body with which prices could be negotiated. That is why the only effective way to regulate the price is for the Board to set minimum prices that establish floor prices for different quantity and quality specifications.

How will the NSGA enforce its price setting authority? Since the NSGA will not have any authority over buyers of sod, as they will not be licensed by the Board, the enforcement will be carried out solely by the right to audit the sellers (i.e. the growers) of the sod. Therefore, the authority to inspect the books and records of growers is essential to verifying that no sod has been sold below the minimum price consistent with the specified terms and conditions. The Board plans to operate primarily on a reactive basis in

¹ An industry pricing consultation committee is proposed as a best practice. While the committee will not be defined in regulation, its purpose will be to ensure appropriate communication and input from all affected parties before the Board uses its authority to set and/or change minimum prices.

response to grower complaints. All investigations will be conducted in strict confidence by a professional third party engaged for that purpose.

Will the proposed minimum price leave Ontario sod producers vulnerable to imports from the US to undercut the minimum price? This risk has been assessed by the Board and is considered to be low on account of the significant phyto-sanitary requirements that must be met for transborder shipping of plants with soil as well as the current exchange rate differential between US and Canadian currencies. Should, however, this assessment prove incorrect and significant quantities of sod from New York State or Michigan begin to enter the Ontario market, the Board will review the grounds for a possible dumping investigation on the basis that US producers are selling into the Ontario market either (a) below their costs of production or (b) below the price at which they are selling in their own domestic market. With the resources of the marketing board, the Board will be able to bear the cost of a preliminary investigation and defend Ontario producers' interests from unfair competition.

Will the proposed minimum price create an opportunity for Quebec producers to enter the Ontario market and gain market share by undercutting the minimum price at which Ontario producers can sell? There are two tools available by which this risk can potentially be mitigated. The first tool is by working cooperatively with the Quebec association representing nursery sod growers in that province, Association Des Producteurs De Gazon Du Quebec (APGQ)². They are observing Ontario's model and may be inclined to follow it under their legislation. The second tool is the ability to set minimum prices regionally under the authorities proposed to be given to the Board and a different price could be established for that region or regions that is vulnerable to sod grown outside Ontario. Because sod is a highly perishable product and has relatively high bulk in relation to its value, it is not practical to ship sod significant distances. Therefore, the risk of inter-provincial sources of sod being a disruptive factor in the Ontario market is considered to be low.

How will growers that have quoted prices in advance on multi-year contracts (with municipalities, for example) handle the minimum price if it exceeds the price they have quoted? Growers will be advised to inform the municipality that the contracted price quoted must be raised to the minimum price to be in compliance with the law. For new quotations, growers will be advised to qualify all quotations with the statement that the price is an estimate that cannot be lower than the minimum price. In the proposed timeline for implementation, the first minimum price would be set for the 2018 season and that would give growers sufficient notice to ensure that their contracts and tenders state the minimum price qualification.

How will the Board enforce its pricing regulation when a grower sells below the minimum price? When the Board has conducted an investigation and the results indicate that a grower or growers is/are selling below the minimum price, the Board will convene a hearing, as required under the legislation, and, should the finding of violating the minimum price be upheld, the Board will determine what penalty to assess as provided under the legislation. Depending on the circumstances of the case and the attitude of the grower, the penalty could range from a warning to the imposition of a fine as provided under the legislation. A grower who repeatedly violates the minimum price, in an extreme case, could have his license to grow sod revoked but this option would be a penalty of last resort.

Growers who are aggrieved by the prices that are set by the Board will have the right of appeal to the Agriculture, Food and Rural Affairs Appeal Tribunal. This process provides for an independent review of decisions taken by the Board. The Board will access cost information when setting prices to ensure that the minimum prices enable growers to recover their costs of production and earn a fair return for their investment, labour and risk.

² Website is <http://www.gazoncultive.qc.ca/fr/default.asp?idContenu=13>

C. License Fee Proposal

C.1 Details regarding the initial suggested license fee

The proposed basis for collecting license fees is based on acres that are seeded to sod as of October 1st each year. Growers will self-declare their acreage as of October 1st. Approximately one-third of the acres will be audited each year based on a random selection of reported acres. Fallow acres are not included.

The plan is that the license fee will be established at \$50.00 per eligible acre.

C.2 The proposed procedure for collection of license fees payable by the producer

The proposed procedure consists of the following plan:

- Growers will self-declare their acres seeded to sod as of October 1st each year. In some years, a small amount of acres may be seeded in October that would not be captured by this date. Growers will be asked to identify any October planting intentions. Seeding after October 1 carries risks because the sod may not be sufficiently established to survive winter injury and therefore is not commonly done.
- A third party firm with expertise in GPS acreage measurement will be contracted to randomly select the sample from among declarations received and then to verify the acreage declarations on a randomly selected basis with a goal of covering approximately 33% of the reported acres in the first year (approximately 20 farms). Acreage verification measurements will be undertaken in October each year.
- Growers will be assessed their license fees annually on November 1st based on the acreages declared. License fees will be payable in four equal instalments; January 15th, April 15th, July 15th and September 15th of the following calendar year. Any sod farms using a cash basis for their accounting can make their expenditure before the end of the calendar year (the Board will determine to what extent it will offer a cash discount for full payment by January 15) and all growers that use the calendar year can accrue the full expense in the year ending December 31.

C.3 Details of any exemptions from payment of license fees

There is one special circumstance in which exemptions will be contemplated by the Board of Directors. A grower seeking to obtain exemption will make application at the time of self-declaration of fees on October 1st of each year and will be required to pay in advance for the additional audit steps required to verify the exemption.

- While most growers seed sod in the first year and harvest it in the second year, there are circumstances in which growers may maintain the sod as “inventory” in the ground for a third or subsequent year. Growers that can substantiate acres that were seeded to sod as of October 1st two or more years prior and remain in sod will be entitled to exemption from license fees on those acres.

Audits of any growers requesting exemption will be undertaken in October and a decision on the exemption will be taken by the Board on or before November 1 each year. Any member of the Board requesting exemption will declare a conflict of interest and will not participate in Board deliberations related to his or her case. A third party firm will be used to undertake the audit and the costs of the audit will be paid 100% by the party seeking the exemption regardless of whether or not the exemption is granted in whole or in part. The fee is expected to screen out small lots of acres and ensure that growers seeking exemption are reasonably assured that they can establish their case.

As the definition of the product is proposed to be “turfgrass sod,” the license fees will apply on the same basis to all Ontario producers which grow sod including that which is ultimately sold in Quebec or the US. The universal application of the license fee ensures consistency and avoids the need to audit growers to determine the ultimate market destination of the sod which they harvested. A future Board may choose to implement an exemption for a portion of the license fee related to marketing for sod that growers can document was sold outside Ontario. The Board therefore needs broad exemption authority to be able to address situations that could arise in order to provide equitable treatment for all growers.

C.4 Details of Exemption From Pricing Authority

Farm to farm sales of sod are proposed to be exempted from pricing authority. For the purposes of defining a farm, it will be a member of the Board, that is, a farm at or above the minimum acre size in order to be paying license fees.

D. Documentation on the level of Support for the Proposal by Affected Parties

D.1 Evidence that the request for license fee authority, the proposed program of the association and its cost/benefit has been provided to and discussed with all producers

The proponent is taking the following steps to ensure that growers are aware of the proposal.

- At its membership meeting and dinner, attended by 21 growers or their proxies, and by Marilyn Sewell as a representative of the Farm Products Marketing Commission, held on January 12, 2016, there was an extensive presentation and discussion of the plan to become a marketing board. A resolution from members giving direction to pursue the application with FPMC was passed by a vote of 20 to 1.
- Growers will receive a direct notice in July 2016 informing them of an open meeting to be held in Vaughan, Ontario on August 17th. For those growers for whom it is inconvenient to attend in person, arrangements will be made to provide live internet access, this session will be recorded and accessible from the NSGA for subsequent viewing. Every grower in Ontario will have an opportunity to attend and participate in this meeting. There will be a draft summary of the proposal provided in advance and it will be open for discussion and modification to make it as clear and effective as possible to serve the interests of growers.
- The NSGA has modified its website to provide information for growers and other members of the value chain in a section of the website that it is in the public domain.
- The goal of the NSGA is to be open and transparent in disclosing the details of the proposal and outlining its costs and benefits to all producers and other parties affected by the proposal.

D.2 Evidence that the request for establishment of a marketing board and the proposed program has been provided to and discussed with all affected parties, e.g. the purchasers of the product and other appropriate stakeholders in the industry

Affected parties have been identified and will be informed and consulted as fully as possible. Affected parties will have access to meet with or converse with the President of the NSGA or other members of the Board.

- The principal associations in Ontario representing input suppliers are:
 - Ontario Agri-Business Association (fertilizer suppliers)
 - Canadian Seed Trade Association (seed)
- The principal associations representing customers are:
 - Landscape Ontario (nurseries, garden centres, landscape companies)
 - Association of Municipalities of Ontario (municipal buyers)

Because of the diverse number of members of these associations, the NSGA will ensure that the associations themselves are well briefed and informed and rely on their good offices to inform and consult their members. Letters of endorsement will be requested from the bodies with which formal consultation has occurred.

D.3 Information on support for or negative reaction to the proposal by the affected parties

E. Strategic Plan

The long term (three to five year) strategic plan should address the following elements:

E.1 Mission Statement

To promote and develop turfgrass as the natural solution for growing green spaces for the benefit of farmers and communities

E.2 Situation Assessment

E.2.1 Overview

The current position of the nursery sod sector of agriculture was assessed by a working committee of the Board.

On the marketing side, there are concerns over the long term growth prospects for the sector as a result of:

- New home building lot sizes tend to be smaller and therefore less sod is required for new home construction, one of the key markets
- There are competing ground covers as alternatives to sod, including artificial turf, which appeal to buyers in some segments of the market including public infrastructure projects
- Changing social attitudes towards lawns – are lawns perceived positively for the environment? What kind of labour does it require to maintain?
- There are opportunities arising from a growing focus on green infrastructure

On the production side, there are concerns over the cost structure:

- Input costs are increasing – fertilizer and fuel
- Distribution costs are increasing – labour and fuel
- Labour supply is a challenge and has led to more capital investment in productivity enhancing technologies that have reduced labour requirements; For example, many growers report that it is becoming more difficult to attract workers for seasonal work than it was previously

- Health and safety standards have increased, leading to the need for more training
- Climate change is causing changes in weather patterns – long, hot, dry summers and winters that are stressful to the crop
- Regulatory pressures related to water use and the use of crop protection materials to control weeds and pests

The implication of market demand diminishing and costs rising is that gross profit margins are becoming slimmer.

E.2.2 SWOT Analysis - Strengths

- Turf is a good product comprised of living plants that offers the advantage of carbon sequestration – does the industry have sufficient science-based evidence to validate this perception? Does the use of lawn-mowers erode the advantage? Nursery sod takes carbon dioxide from the air and releases oxygen to the environment.
- Aligned with the government policy reduction related to reduction of GHG emissions and the move towards a lower carbon economy
- Commercial growers in Ontario that are passionate for the business and bring significant experience, often in their second generation, in production and marketing
- Guelph Turfgrass Institute (GTI) provides excellent research capacity to support the sector
- Technology adoption to raise labour productivity and improve efficiency such as GPS-planned spraying applications
- The product is not genetically modified and therefore has broad consumer appeal
- Growers have a history of working together collaboratively
- Consumers are hungry for information about climate change

E.2.3 SWOT Analysis - Weaknesses

- Breeding advances are lagging other crops where there is more critical mass (i.e. larger market) to attract the R&D investment
- Segments of public perception are negatively disposed towards turf on account of the maintenance (primarily mowing) and the use of herbicides
- Some smaller operations have a different cost structure and risk exposure – some businesses do not place a value on land inherited from ancestors that could be realized and may lack understanding of the returns leading to a certain measure of arbitrariness about decisions
- Sod requires labour intensive installation and in certain applications, other alternatives offer a low cost option (example: new bridge landscape)
- The industry has a difficult time getting its positive message out when competing with the voice of environmental groups that may not support turf, based on emotion

E.2.4 SWOT Analysis - Opportunities

- There is an opportunity to change public perception (where it is negative) and reinforce it (where it is positive) by developing a story that connects emotionally with consumers
- Develop the science case for those audiences like municipal planners that respond to and need that kind of science-based argument

- Show results from making optimal use of limited green space by delivering superior performance over other options
- Set prices to establish a floor that will enable growers to earn higher returns (this exercise will cause industry introspection to analyze the costs of production)

E.2.5 SWOT Analysis - Threats

- Shrinking markets are a reality as a result of many factors (more urban construction is multi level (“going up”), such as apartments and condos, rather than single level (“sprawling out”), such as suburban homes, and there are more alternatives to turf)
- Decision-makers in public infrastructure spending decisions are not receiving effective communication that speaks their language with an environmental equation impact
- Government regulation can impact the sector in terms of crop protection materials, labour cost, water access, application of nutrients, etc.

E.3 Strategy

How will the new organization make a positive difference to the future of the Ontario’s sod growers?

There will be more capacity and more resources to:

- Reach and influence decision-makers: individual consumers and municipal and large commercial buyers as well as policy decision-makers in government
- Educate and inform the broad spectrum of society as well as growers
- Enable increased grower participation
- Serve as one unified voice with one consistent message
- Achieve win/win solutions that contribute to better environmental outcomes

The results of this effort will result in better returns to growers.

The key premise of this proposal is that an investment in the order of magnitude of \$1 million annually can make a positive difference to consumer attitudes towards sod among homeowners in Ontario and indirectly influence more use of sod by green infrastructure planners and other municipal buyers. In order to raise that kind of funding, minimum price setting authority is necessary and the expectation is that the incremental gains to producers by exercising that authority to set a minimum price will more than offset the cost of license fees.

E.4 Long Term Objectives

- Financially stable, well governed organization with reasonable level of reserves
- Satisfied growers that are profitable in a disciplined market together with our customers
- Turfgrass has an improved, socially acceptable image – positive measurable change in attitude has occurred among consumers towards natural turfgrass that is backed by market research and research which validates the environmental benefits
- Growth is occurring in the turfgrass sector as measured by acres in production
- Effective relationships are thriving throughout the value chain and with government enabling issues to be proactively managed and addressed
- Support for production-related research investment is producing results that have direct application to growers
- Sustainable and environmentally responsible best practices are followed by growers in their production of turfgrass

E.5 Financial Projections

Turfgrass Farmers of Ontario Proforma Budget Year 1

Revenues

License fees

Rate per acre	50	
Estimated acres	<u>25,000</u>	<u>1,250,000</u>

Total revenues 1,250,000

Expenses

Marketing Allocation

Marketing campaign 800,000

Research Allocation

Research Projects 60,000

Board Operations

Director Per Diems

Directors	7	
Rate	250	
Number of Days	21	36,750
Director Travel		12,000

Meeting Costs 8,000

Total Board Operations 56,750

Member Services

Website and IT Maintenance 2,500

Communications 2,500

Annual General Meeting 2,500

Total Member Services 7,500

Staff Resources

Board Staff Salaries 175,000

Staff Travel 7,500

Cellphone and Internet 2,500

Total Staff Resources 185,000

Administration

Insurance 5,000

Financial Audit 10,000

Acreage Verification 20,000

Minimum Price Audits 15,000

Legal Services 15,000

Office Supplies and Services 2,500

Telephone and Teleconference 2,500

Memberships and Registrations 10,000

Total Administration 80,000

Total Expenses 1,189,250

Net Surplus to Build Reserve 60,750

***Turfgrass Farmers of Ontario* Proforma Budget Year 1**

Opening Cash position, October 1, 2017 0

Transfer from NSGA 80,000

Net cash surplus for the first year 60,750

Closing Cash Position, September 30, 2018 140,750

E.6 Cost-Benefit Analysis for the Industry

Beneficiary	Benefits Received
Ontario sod growers	<ul style="list-style-type: none"> • Increased profitability and stability • Positioned to grow the market through joint product marketing • Growers better organized and coordinated to address issues • One voice to inform consumers and represent the sector to government
Input suppliers	<ul style="list-style-type: none"> • The market for input suppliers will be growing and growers will be thriving • Confidence in the sector will increase as the sector will be more stable • One window access to approach with solutions for innovation and collaboration
Customers	<ul style="list-style-type: none"> • A more level playing field for customers that will contribute to their stability and has the potential to increase their profitability • The investment by the applicant in marketing to change consumer perception will increase demand from customers
Consumers Public/society	<ul style="list-style-type: none"> • Consumers will be better educated and better informed as a result of the marketing investment • Outperforming alternatives providing a positive environmental gain • Pride in viable green spaces
Government	<ul style="list-style-type: none"> • Better understanding of the sector and the product and its benefits • Enhanced green spaces and increased living infrastructure • Contribution to the greenhouse gas emission reduction goals and other climate change agenda actions • Single go-to point for reaching growers
Research Institutions	<ul style="list-style-type: none"> • Funding is more consistent and there is stability to make allocations to multi-year projects • Funding is more strategically aligned with goals and needs • Research communication can be effectively disseminated to growers

The basic cost benefit analysis is that for a proposed license fee of \$50 per acre annually, growers will receive at least that amount in additional revenue per acre as a result of using the minimum price setting

authority to set a floor price. Therefore the proposal will, at minimum, be cost neutral and is expected to increase grower returns. In addition, growers stand to grow their business as a result of the impact of the major marketing campaign on consumer and institutional demand.

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F. Operational Plan

F.1 Objectives

- Implement the new organization including the first year's acreage declaration and measurement sampling verification process and assess and receive the first license fees from growers
- Develop and finalize a five-year marketing and communication plan to change the perception of the industry with defined metrics for determining its impact – this plan will include finalizing key messages and a brand look and will be based on sound market research conducted as necessary
- Use the price setting authority to contribute to increased profitability for growers by bringing discipline and stability to the market
- Launch a major campaign to increase awareness of the benefits of turfgrass and communicate the plan and metrics for measuring its impact to the farmer-members

F.2 Action Plans (e.g. marketing, research, education, etc.).

What will the Board do differently than the predecessor organization, Nursery Sod Growers' Association of Ontario?

- A major difference in the proposed new organization is the level of resources that will be invested in market projects – more impactful, strategic longer term marketing projects will be undertaken
- More professional management can be brought to bear so that Board members are not hands-on in day to day tasks and can focus on setting policy and maintaining oversight of a professional management team to drive the organization³
- The base of growers that will be represented by the Board will be larger and inclusive
- Improved price stability and more disciplined market activity

F.3 Financial Plan (e.g. a monthly projection of income and expenses).

F.3.1 Fiscal Year-End

The proposed fiscal year of the Board is October 1st to September 30th with the annual general meeting occurring in December or January.

F.3.2 Sources of Funds

The principal source of funds is license fees collected from growers. License fees are expected to generate approximately \$1.25 million each year received in four quarterly instalments.

F.3.3 Uses of Funds

The longer term targets for the use of funds are indicated below.

- 65% for marketing and promotion
- 10% for production and market research
- 10% for public advocacy and issues management

³ The management team will include salaried management as elaborated in section F.4 as well as out-sourced expertise such as market research experts and market and brand building specialists

- 10% for administration (staff, Board operating costs, audit, legal, etc.)
- 5% for incrementing the reserve until the target level is reached

The Board proposes to cover all eligible travel expenses in line with the Board policy for travel and accommodation. The Board will provide reasonable per diems to Board directors and will have a higher per diem for the Board Executive Committee members to reflect the greater time and responsibility of that role.

F.3.4 Level of Reserve

The Board will hold sufficient reserve to enable it cover all its liabilities in a hypothetical situation. The Board will establish a reserve policy.

F.4 Staffing and operation of marketing board office

F.4.1 Executive Director position

The Executive Director position will be a full-time position with the following key tasks:

- Accountable to the Board for the execution of the Board's strategic policy direction
- Overseeing the marketing and communications out-sourced contract and executing functions for which the Board is responsible
- Participating in meetings of the Board by reporting results to the Board and obtaining approval for plans and policies including an annual operating budget and an updated strategic plan
- Representing the organization at external meetings and consultations
- Public presenter to represent the Board at appropriate venues including liaising with media
- Building effective relationships throughout the industry including input suppliers, service providers, lenders and insurers, government, customers as well as being accessible to and at the service of growers
- Managing the processes for compliance and enforcement with the third party firm contracted to measure acres, with the audit firm contracted to verify price compliance, with the legal firm for enforcement actions and with the external audit firm

F.4.2 Administration Manager

Responsibilities include:

- Issuing all invoices to growers, managing declarations of acreage from growers
- Organizing meetings of the Board and members and recording minutes as Corporate Secretary and distributing all related communications with the Board including scheduling
- Maintaining the books and records of account and preparing financial statements
- Managing the bank account including deposits from grower license fees and issuing disbursements for vendors with appropriate signing authority as authorized by the Board; treasury function investing balances in authorized interest-bearing instruments
- Maintaining appropriate insurance coverage
- Serving as membership secretary for the Board, arranging the Annual General Meeting and other grower events, and communicating with growers
- Preparing and administering funding applications
- Credit reporting service for members based on member input during the selling season

This position may not be full-time depending on the work load experienced. It is part-time in the NSGA. This position will report to the Executive Director and the Executive Director will report to the Board in general and the Executive Committee in particular.

F.4.3 Composition of the Board Elected By Members

The expectation is that the workload of the Board will be less than the role of current directors at NSGA because the full-time Executive Director will relieve Board members of certain tasks which they now undertake on a volunteer basis. The Board proposes to hold four quarterly Board meetings in person annually, including one in conjunction with the Annual General Meeting, and such meetings by conference call as are needed.

The proposed size of the Board is seven directors with the seven directors elected by all grower-members of Ontario without representing specific districts or providing explicit district representation. There are no specific regional differences that need to be specifically represented. To ensure that the Board reflects a balance indicative of members reflecting appropriate diversity, the Board's nominating Committee will work to ensure that nominees reflect the diversity of its membership. "Business diversification" means size and scale of business.

- Directors are proposed to serve for two year terms. In the first election, three of the growers will be arbitrarily designated for a one-year term and four directors for a two-year term to ensure that the expiry dates of terms are staggered. Directors will be eligible to serve for three consecutive terms and then not eligible to stand for election for at least one year. Directors who serve for a one-year term will not have that term counted for the purposes of determining consecutive terms.

The first Board will be appointed by the Commission in consultation with the grower community. Subsequently, the board members will be elected by the membership.

F.4.4 Composition of the Board Executive and Committees Elected by Directors

- The Chair and Vice-Chair will be elected annually from among the Board of Directors.
- The Board shall have an Executive Committee consisting of the Chair, Vice-Chair and third director as elected by the Board and shall be chaired by the Chair of the Board. The Executive Director will be an ex-officio member of this Committee and shall serve as the HR Committee with respect to undertaking the performance review of the Executive Director annually.
- The Board shall designate three directors to form a Director Development and Nominating Committee which will be responsible for development, training and succession of directors.
- The Board shall appoint such other Committees as it determines to be necessary which could include (a) Finance and Audit Committee (b) Marketing and Communications Committee and (c) Research Committee. Each Board committee shall be chaired by a member of the Board and may include committee membership from growers who are not members of the Board and/or such other subject matter experts in industry that are approved by the Board. Board committees are advisory in nature: they make recommendations to the Board but the recommendations are not binding.

F.4.5 Advisory Committee Specified In The Enabling Regulation

In view of the price setting authority requested by the Board, the proponents believe that there would be merit in having a pricing consultation committee that meets each spring before prices are set for the coming year. In addition, the Board proposes that an Industry Advisory Committee be specified in the

Regulation that would meet at least annually and allow growers, input suppliers and customers to address any issues that arise that challenge the sector and to examine opportunities for growth. The Advisory Committee would review the results of the marketing campaign annually, for example, and could recommend changes in emphasis or approach. The proposed composition of the Committee is: three grower representatives from the Board, one representative from government and institutional buyers; one representative from the retail sector, and one representative from the nursery landscape contracting sector. A representative of the Commission would Chair the Committee.

F.4.6 Office Location

The official head office of the organization is proposed to be the offices of Landscape Ontario in Milton, ON and the use of office space will be accessed there on an as-needed basis. The staff will work virtually from that office and will convene there for meetings when required. This arrangement will keep the costs of the office modest and maximize its functionality.

F.4.7 Electronic Media and Communications

The Board expects to maintain two websites, one a conventional one dedicated to the business of Turfgrass Farmers of Ontario to serve its grower-members, and one as a communication site for public audiences under the tagline of the marketing campaign which will also be integrated with social media. The latter site will be managed by the marketing campaign manager which will be outsourced to the firm contracted to deliver this campaign. The first cost is explicit in the budget provided in this proposal and the second one is bundled in the costs of the marketing and communication campaign.

The Board will use electronic communications to the fullest extent possible including the filing of grower acreage declarations, the issuance of invoices, payments, and voting for directors.