

# Primary Agricultural Societies

## Richard Hudson Report (Updated Manecon Study)

### Executive Summary February 2018

At the 2016 Annual Convention a motion came from the floor to contract Richard Hudson to update the Community Benefits report that he had previously done on the 2009 financial data and activities of the Primary Agricultural Societies. Enclosed is the Executive Summary of the updated report he is currently finalizing. The information is based on the 2015 financial data and activities of the Primary Agricultural Societies.

Richard will be providing an overview of his findings and the report during the AAAS year in Review session Saturday morning (February 10, 2018) at 8:15am in the Wildrose Ballrooms.

## Alberta's Primary Agricultural Societies 2015

### Executive Summary

The attached document reports on research conducted on behalf of the Alberta Association of Agricultural Societies ("AAAS") and describes the 2015 financial and operational performance of the Primary Agricultural Societies. Comparisons with 2009 and 1992 data are included.

Alberta's 284 Primary Agricultural Societies serve urban and rural populations throughout the province. They deliver events and programs and provide facilities that contribute significantly to the health and economic growth of their communities and rural areas.

The Primary Agricultural Societies are not for profit societies, operated as social enterprises by volunteer Boards of Directors and, in many cases, entirely volunteer staff resources. Beneficiaries of this substantial commitment by local individuals are local residents and visitors, local, regional and other Alberta businesses, Alberta's agriculture and agri-business sector participants, local community organizations and governments.

The research was based on:

- Examination of the 2015 financial statements and activity reports of the 284 Primary Agricultural Societies
- Focus group discussions and individual interviews conducted at the 2017 AAAS Annual Convention to explore key issues and trends
- A survey of Primary Agricultural Societies, with a response rate of 143 of the 284 Agricultural Societies, conducted in 2017 to explore key issues.

### Financial Operations – 2015

A cumulative Balance Sheet for the Primary Agricultural Societies reveals satisfactory working capital (current assets: current liabilities = 4:1) and limited long-term debt (\$2 Million) compared with the cumulative value of property and equipment (\$170 Million). However, only \$7.5 Million (less than 4% of Members' Equity) is held in investments other than current assets or property and equipment. Detailed analysis suggests some Agricultural Societies would not be able to withstand a significant financial emergency by liquidating these investments.

The cumulative insured value of assets owned or operated by the Primary Agricultural Societies has been reported to be \$1.14 Billion by Foster Park Brokers.

### Revenue

The Primary Agricultural Societies reported 2015 cumulative gross revenue from operations, grants and other sources of \$57.7 Million and cumulative expenses of \$48.9 Million (85% of gross revenue), not including amortization and capital expenditures. Revenue remaining after all expenses (including amortization and capital expenditures) was 2.0 Million, or 3.4% of gross revenue.

## Alberta's Primary Agricultural Societies 2015

- Two thirds (66.2%) of gross revenue resulted from operating activities, comprising:
  - \$22.3 Million earned from activities and programming staged by the Agricultural Societies,
  - \$10.0 Million from facility rentals,
  - \$4.5 Million from donations, sponsorships and fundraising
  - \$1.3 Million from interest income, membership fees and other sources.

The Primary Agricultural Societies reported receiving a cumulative \$18.92 Million in grants and contributions during 2015.

The Alberta Lotteries Foundation ("ALF") funds several grant programs that are accessible to the Primary Agricultural Societies. The largest component is the Agricultural Society Grant, disbursed as a Basic grant with a Proportional supplement based on activities. This grant provided a cumulative \$8.67 Million in 2015.

In addition to the Agricultural Society Grant, Agricultural Societies pursue grants from several other Alberta Lotteries Fund program sources. The ALF reports details of grants to Agricultural Societies by these programs in its Fiscal Year 2015-2016 as follows:

- Community Facilities Enhancement Program: \$1.4 Million
- Other A.L.F. funded grants (Agricultural Initiatives, Community Initiatives, Alberta Historical Resources Foundation "Heritage Awareness", Alberta Foundation for the Arts) together: \$1.2 Million.

Most of these grants are narrowly focused on specific initiatives or projects.

Financial Statements provided by the Agricultural Societies are not consistent with respect to their presentation of grants revenue they receive. Therefore, a close sample year of ALF-published data was in this report used for consistency.

As year ends for the Alberta Government and the Agricultural Societies do not coincide and reporting methods vary there is no directly comparable year.

Other primary sources of grant revenue include:

- \$3.8 Million from Local Government sources
- \$60,000 from Federal Government sources

Agricultural Societies also received grants from other sources, such as specific project-related grants from the Alberta Government, corporate grants, grants from special interest organizations, etc.

In 2015 Agricultural Societies generated:

- \$4.00 in active non-grant revenue from each \$1.0 of grant funding provided from the Agricultural Societies Grant program

## Alberta's Primary Agricultural Societies 2015

- \$9.90 from each \$1.00 of grant funding from local government sources.

The research reveals that rental revenue is increased and facility cost has increased – but fiscal responsibility is growing and the Agricultural Societies are doing more with less.

### Expenses

Direct expenses of a cumulative \$20 Million were incurred in order to deliver programming and events, accounting for 41% of total expenses (\$48.9 Million - not including amortization and capital expenditures). Expenses in two categories, Administration and Human Resources and Utilities, Repairs and Maintenance each consumed \$12 Million, each accounting for 25% of total expenses. External expenses for items such as professional fees, insurance, interest, etc., consumed \$4.6 Million or 9% of expenses. Several key expenses categories have increased over amounts reported in 2009.

### Community Transactions

In addition to grant receipts, Agricultural Societies are strongly supported by businesses, local government and individuals in their communities. The survey indicated that in 2015, two thirds of the Agricultural Societies benefited from contributed “in kind” goods and services provided by their local community. The survey data suggest that Agricultural Societies received a cumulative \$4.1 Million in “in kind” goods and services, indicating the strong support for Agricultural Societies by local individuals, businesses, municipalities and community organizations.

This contribution of donated support is crucial for the Agricultural Societies. The amount of this contribution is generally equivalent to the value of grants contributed by Local Government (\$3.8 Million). Thus, combined community support for the Agricultural Societies, including both grants from local government and valuable in-kind contributions amount to a cumulative \$7.9 Million – approaching the contribution of \$8.67 Million from the Agricultural Society Grant. Further, it is clear from the financial analysis that many Agricultural Societies could not replace the value of the in-kind goods and service they received with cash if it was not contributed free of charge.

Agricultural Societies are community supporters. They contributed a cumulative \$1.3 Million to other community organizations to support community initiatives, including \$880,000 paid to other community organizations to motivate/ compensate them for providing their volunteers to support functions such as security, gate, etc., at Agricultural Society events.

Prizes and awards valued at a cumulative \$1.8 Million were distributed in connection with competitive events staged by the Agricultural Societies. Further, more than 50% of Agricultural Societies deliver scholarship and bursary programs estimated to be valued at \$311,000 and benefitting an estimated 1,200 students.

## Alberta's Primary Agricultural Societies 2015

### Human Resources

#### Employment characteristics

The Primary Agricultural Societies are important local employers. However, the survey suggests only 42% of the Agricultural Societies have at least one employee focused on general management, administrative support, bookkeeping or operations and 64% of the Agricultural Societies have at least one part-time, casual or seasonal employee in these categories.

In 2015, the cumulative expenditure on payroll and contracted employees was \$10.7 Million, including salaries and wages for management and operations employees (\$8.9 Million) and contracted management, operational or event-specific employees (\$1.8 Million).

Cumulative employment was estimated to total 1,148 including 272 full time, 488 part-time, casual or seasonal and 388 contracted employees. The survey showed that 90% of respondents said they had about the same number of employees in 2015 as they had in 2009. Thus, Agricultural Societies continue to do more without adding human resources, although human resources expenses are increasing.

Most Agricultural Societies have invested in training initiatives for skill development for their Board members and/or employees. Overall cumulative investment in training in 2015 is estimated to have been \$590,000, of which 75% was contributed by Alberta Agriculture and Forestry through its leadership program. The Agricultural Societies identified clearly the benefit they received from these training and development initiatives.

### Volunteers

The activity reports show that more than 52,000 volunteers contributed nearly 590,000 hours in 2015 to support their local Agricultural Society. Approximately 40% of the hours volunteered were consumed in connection with agricultural events, 31% focused on healthy community initiatives and 23% focused on the sustainability of the Agricultural Society.

Agricultural Societies would not be able to fund the estimated \$8.9 Million value of voluntarism if volunteers were replaced by employees.

## Activities and Events

### Activities

Activity reports provided by the Agricultural Societies provided insight to the comprehensive scope of programming they delivered. Overall, the 284 Primary Agricultural Societies delivered nearly 3,400 events in 2015. These activities, events and programs were focused on agricultural, community leadership, economic growth, healthy community development and agricultural society sustainability. On average, the Primary Agricultural Societies deliver an average of one event or activity per month. However:

- The most productive 13 Agricultural Societies reported delivering nearly 50 activities or events annually
- The least active 59 Agricultural Societies staged an average of 5 events annually.

## Alberta's Primary Agricultural Societies 2015

It is believed this level of activity is under-stated in the activity reports. For example, just 41 Agricultural Societies reported they had attended AAAS events, while AAAS records show that a total of 158 separate Agricultural Societies attended at least one AAAS event in 2015. Further, there may be some confusion in how Agricultural Societies count the number of events and activities they deliver (for example, in the case of an Agricultural Society delivering a regular weekly farmers market, does the society count this as a total of one event, or one event for each week that the farmers market runs?)

It is strongly recommended that the Agricultural Society Boards of Directors understand the importance of full reporting in order to optimize the benefit of communicating the contribution of their society in their community.

### Attendance and Attendee Spending

The Primary Agricultural Societies reported cumulative attendance of 1.66 Million at their events in 2015. Notably, this number is generally equivalent to the entire population of Alberta, not including large cities that are home to the seven Regional and two Major Agricultural Societies. Nearly 25% of the attendance is at agriculturally-focused events and activities and more than 50% at activities were focused on supporting healthy community development. The Agricultural Societies estimate that 81% of their attendees have to travel less than one hour to attend the events.

It is notable that increasingly more Agricultural Societies actively quantify the attendance at their events and activities they stage. Only 8% of the 115 Agricultural Societies answering this question in the survey reported they do not count or actively estimate attendance.

Based on attendance estimates and Alberta Culture and Tourism published data, it is estimated that a cumulative \$60.1 Million was spent by local residents (\$20.2 Million) and non-local residents (\$39.9 Million) in 2015 in connection with events staged by the Primary Agricultural Societies. This does not include spending on-site, which was estimated to be a further \$25 Million which directly contributed to the operating revenue reported by the Agricultural Societies from activities and programming.

Tables in the report show that non-resident spending in connection with attendance is distributed to public/local transportation, private/rental automobile expenses, accommodation, food and beverage (not at the event), other recreation or entertainment and retail/other expenses. Much of this expenditure takes place in the destination community and the remainder en-route.

In addition to the Primary Agricultural Societies, other organizations also stage events in the Agricultural Societies' facilities. As noted previously, the Agricultural Societies generated \$10 Million in revenue from rental of their facilities to other individuals and organizations. Many of the events staged by others could not take place in the community if the Agricultural Society's facilities were not available. Most Agricultural Societies support their communities by providing

## Alberta's Primary Agricultural Societies 2015

facilities free or at beneficial discounted rental rates for selected community organizations (often focused on children). It is recommended that the Agricultural Societies record the full value they contribute through these beneficial rentals to inform recipients and others in the community about the value of this benefit.

Based on similar research (ibid) conducted in 1992 and 2009 it is estimated that cumulated attendance at events staged by other organizations and individuals may be as much as double the attendance at events staged by the Agricultural Societies. The report projects cumulative total spending by local and non-resident attendees in connection with attending events staged by other organizations to be approximately \$119 Million.

This is an important trend. Revenue that Agricultural Societies reported from rentals was higher by 57% in 2015 compared with 2009 and it is anticipated at least part of this increased revenue increase results from an increase in the number of rentals and consequently results in increasing attendee spending.

### Economic Benefits

Economic impact was estimated by applying multipliers provided by Alberta Treasury Board and Finance and Statistics Canada to estimates of visitor spending that combine data provided by the Agricultural Societies and Alberta Culture and Tourism. The following table summarizes the resulting calculations.

<b>Overall summary of estimated economic impacts</b>	<b>Initial Spending</b>	<b>Increase in GDP</b>	<b>Wages and Salaries</b>	<b>Employment Impacts</b>	<b>Gross Output or Production</b>
Operations	\$ 36,652,687	\$ 31,833,051	\$ 22,396,659	235	\$ 66,722,110
Construction related	\$ 14,339,236	\$ 11,336,654	\$ 6,490,037	92	\$ 25,429,837
Visitor spending	\$ 39,888,156	\$ 82,886,270	\$ 49,952,274	1,047	\$ 192,468,121
Local attendee spending	\$ 20,175,415	\$ 22,122,935	\$ 13,332,617	279	\$ 51,371,110
<b>Cumulative estimated economic impacts</b>	<b>\$ 111,055,494</b>	<b>\$148,178,910</b>	<b>\$ 92,171,586</b>	<b>1,653</b>	<b>\$ 335,991,179</b>

The additional economic impacts associated with spending by attendees at events staged by others at the Agricultural Societies' facilities are estimated to be:

<b>Estimated economic impact of attendees at events staged by others in Agricultural Society facilities</b>	<b>Initial Spending</b>	<b>Increase in GDP</b>	<b>Wages and Salaries</b>	<b>Employment Impacts</b>	<b>Gross Output or Production</b>
Visitor spending	\$ 54,576,551	\$ 82,886,270	\$ 49,952,274	1,047	\$ 192,468,121
Local attendee spending	\$ 64,434,300	\$ 51,620,181	\$ 31,109,440	652	\$ 119,865,924
<b>Cumulative additional economic impacts</b>	<b>\$ 119,010,851</b>	<b>\$ 134,506,451</b>	<b>\$ 81,061,714</b>	<b>1,699</b>	<b>\$ 312,334,045</b>

## Local Community Benefits

The operation of Agricultural Societies stimulates significant benefit in their local communities. Almost all of their cumulative expenditure of \$51 Million is spent in Alberta and a significant proportion is spent directly in the local community. Construction projects generally employ local businesses and residents. Attendees spend significantly in the community in connection with their visit. However, the local community benefits are much broader than the direct cash flow.

- Local agricultural and other businesses benefit from relationship building with their customers and new direct sales through their participation as exhibitors at events. They also learn about opportunities relevant to their business from other exhibitors.
- Local residents have access to entertainment events and to activities that would likely not be available in their community if the Agricultural Society did not either deliver them or make facilities available for them.
- Many community organizations benefit from reduced or free rental rates when they stage eligible events in the Agricultural Society facilities
- The community gains positive public relations exposure as visitors see the opportunities available locally and the ability and capacity of the community to deliver high quality events.

## Key Trends

Comparison of financial data reported for 2009 and for 2015 for a control sample of 186 of the Agricultural Societies indicates several key trends:

- Overall, excess of revenue over expenses (not including amortization and capital projects) has eroded by 10% since 2009 as Gross Revenue increased by 11% but Expenditures increased by 16%
- Active income generation (from events and activities, facility rental, etc.) has increased by 10% since 2009
  - The most significant increase is in rental revenue, up by 57%
  - Interest income has decreased by one third, despite increasing interest rates.  
This is likely a function of Agricultural Societies liquidating investments
- Overall, grant revenue has increased by 12% since 2009 as new grant opportunities arise and Agricultural Societies become more creative in pursuing grant opportunities. However, the Agricultural Society grant has remained unchanged for many years.
- Expenses related to programs and activities are relatively stagnant (up by 5% since 2009)
- Internal support expenses for human resources, office expenses, etc., are up by 35% since 2009
- External expenses for items such as insurance, interest and professional fees are up by 43%
  - Insurance was up by 23%
  - Professional fees were up by 20% - likely as a result of the higher cost of more stringent requirements for financial reporting
  - Interest and bank charges were up by 14%



- Facility operation and maintenance has increased by 11%.

## Opportunities

Analysis of financial performance indicated that:

- 68% of the Agricultural Societies delivered positive revenue after expenses
- 47% of the Agricultural Societies showed positive growth in 2015 over 2009
- 40% of the Agricultural Societies showed both positive revenue after expenses and positive growth over 2009.

Tables in the report illustrate differences in financial results achieved by those included positively in each of those three groups and those that were not. The following points illustrate the comparison, based on the Agricultural Societies included in each of those positive groupings. These more “aggressive” Agricultural Societies:

- Delivered more than double the number of events in 2015 than the Agricultural Societies not included
- Used only marginally more volunteer time
- Spent less on employed human resources but somewhat more on contracted employees
- Generated significantly more earned revenue from operations than those not included, although their rental revenue was similar to those not included
- Secured significantly more revenue from donations, sponsorships and fundraising
- Gained more from interest on investments
- Were more progressive with respect to grants, perhaps due to their clearer focus on exploring and developing opportunities for grant revenue
  - They obtained a third more in grants from Alberta Government sources, likely due to a combination of higher levels of activity and creative grant-seeking
  - They were more successful in attracting “other” grants
  - They secured more than double the amount of grants from local governments
- Spent a third more on programming and operational activities and supplies, but less on both donations to other organizations and awards and prizes
- Spent less on office and administrative expenses
- Spent less on operations and maintenance and utilities and telephones
- Spent less on interest and bank charges

More Agricultural Societies could expand the benefits for their communities and other stakeholders that would result from growth that has been uncovered by those Agricultural Societies reporting more progressive financial results. Agricultural Societies must grow in order to keep up with their communities.

## Future Direction

Agricultural Societies are required to provide a three-year strategic business plan. The survey suggested that, for nearly 40% of the Agricultural Societies, their strategic business plans contribute consistently to guiding their direction and priorities and to monitoring and

## Alberta's Primary Agricultural Societies 2015

evaluating their progress. Most of the remainder "sometimes" use their strategic plan in this way. This presents an opportunity for AAAS to continue to assist the Agricultural Societies to understand the value and benefits of strong planning and evaluation.

Focused discussions with Agricultural Societies and with the AAAS Board of Directors during the 2017 AAAS Convention addressed future direction and priorities. Addressing these discussions, the report identifies opportunities for Agricultural Societies and for AAAS to enhance their focus on driving future benefits for their communities. Topics reported included key industry-wide strategies, relationship development, increasingly quantifying benefits, research needs, measuring community benefits and the benefits for the tourism sector, opportunities for financial enhancement and Board structure and priorities.

### A Broader Perspective

While this research focused on Alberta's Primary Agricultural Societies, similar research was also conducted recently (in 2014 - *ibid*) for the seven Regional Agricultural Societies. With the permission of the Regional Agricultural Societies, key data from their research is included in the following summary. While data from the two studies are not directly comparable due to different timing and methodologies, it appears that overall:

- Primary and Regional Agricultural Societies together generated more than \$100 Million in gross revenue, spending \$86 Million on operations and administration, not including amortization and capital projects. They spend more than \$60 Million directly in their own communities.
  - Direct revenue seeking activities generated 68% of the revenue of the Primary and Regional Agricultural Societies and grants contributed 24%. The remaining 9% resulted from other sources
  - Staging programming, events and activities consumed 36% of gross revenue, 25% was consumed by administration and human resources, 17% by repairs, maintenance and utilities and 6% for external expenses such as insurance and professional fees
- Total population served was 2.8 Million
- Cumulative attendance at events and activities staged by the Primary and Regional Agricultural Societies and by others using their facilities may be 7.5 Million
- Spending by attendees in connection with their attendance likely exceeds \$250 Million
- The combined insured value of assets is \$1.4 Billion.
- Primary and Regional Agricultural Societies support a cumulative annual payroll of nearly \$23 Million
- A total of 57,000 volunteers contributed 680,000 hours, valued at perhaps more than \$10.0 Million, to support the administration, operations and events of the Primary and Regional Agricultural Societies
- Driven by \$336 Million in initial spending by the Agricultural Societies and by their attendees, the Primary and Regional Agricultural Societies stimulated an increase in Alberta's GDP of \$403 Million and stimulated Gross Output, (sales made at every level of activity - includes duplication) of \$913 Million.

## Conclusion

Alberta's Primary Agricultural Societies deliver extraordinary benefits for their local residents, other Albertans, Alberta and local businesses, agriculture and agribusiness participants and many local organizations. They do this primarily as volunteers and with limited resources. They are challenged by increasing costs relative to their traditional revenue streams. Most have been progressive in pursuing creative approaches and are increasingly focused in their planning and management.

Opportunities exist for AAAS to facilitate the continuing evolution of Alberta's Primary Agricultural Societies as key leaders in their communities. They provide activities, programming and facilities that are relevant in their communities and enhance the pride, health and economy of their communities. Agricultural Societies make a difference.