Canada

The Planning and Assessment for Value-Added Enterprises (PAVE) Program

How to Apply for Funding Guide

Strengthening Canada's agricultural sector

As the Canadian agriculture and agri-food sector moves into the 21st century, it faces many challenges and opportunities for continued prosperity. In response, the Government of Canada, provincial and territorial governments, and the agriculture and agri-food industry are working together to implement a plan to strengthen Canada's agricultural sector.

Called the Agricultural Policy Framework (APF), this plan will help the sector become even stronger, more competitive, and more profitable, in markets at home and abroad.

Our goal? To ensure that Canada is a world leader in producing safe, high-quality food for Canadian and international markets in an environmentally responsible way using innovative methods.

To meet this goal, the Government of Canada has committed $5.2 billion over five years for programs under the APF. Taking into account cost-sharing arrangements with the provinces and territories, new investment in the Canadian agricultural sector is expected to exceed $7 billion.

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SECTION 1 - INTRODUCTION

1.1 Renewal is a priority

The agriculture and agri-food sector is evolving rapidly to keep pace with technology and the global marketplace. Farm operations are becoming larger and more complex, and producers are continually adapting. They are acquiring knowledge, developing new skills, and incorporating strategic planning and management activities on an ongoing basis.

To support producers who want to invest in these types of activities, governments are undertaking a variety of initiatives to help all producers—both new and established—assess their situations and options, and acquire the skills and resources they need to succeed.

The Renewal element of the APF offers a range of tools and services to help producers establish and evaluate goals for their businesses, and to help them achieve these goals.

1.2 The Planning and Assessment for Value-Added Enterprises program

The Planning and Assessment for Value-Added Enterprises (PAVE) program, which is delivered through the Canadian Farm Business Advisory Services as part of the APF's Renewal element, is a five-year Federal-Provincial-Territorial Government initiative ending March 31, 2008.

PAVE can provide you, as a producer, with financial support to help you establish or expand a value-added enterprise. Through PAVE, you will receive financial assistance to help pay for the services of a consultant to develop a feasibility assessment and/or a business plan for specific value-added enterprises.

1.3 What is a value-added enterprise?

A value-added enterprise is a project that can clearly demonstrate it adds value to a primary agriculture product produced in Canada, and includes agricultural product manufacturing, food-processing activities, and non-food-processing activities.

Examples of agricultural product manufacturing include separating, grading, cleaning, and packaging produce. Examples of food-processing activities include making jam from berries, converting milk into cheese to sell in roadside stores or adding a canning or pickling operation to a farm business. An example of a non-food processing activity includes producing fibreboard from hemp or straw.

- Activities related to an agricultural value-added enterprise can take place on or off the farm.
- For the purposes of the PAVE program, agri-tourism, organic farming, storage, distribution, and transportation are **not** considered to be agricultural value-added activities. These activities are covered under the Specialized Business Planning Services (SBPS). For more information, please contact an AAFC program officer at **1-866-452-5558.**

SECTION 2 - ELIGIBILITY

2.1 Who can participate in PAVE?

You are eligible to participate in the PAVE program if:

- as an established producer you can demonstrate that you have a minimum of $10,000 in annual gross farm sales by submitting <u>any one of the following</u> with your application:
    - income tax return (T1) for the previous year showing farm income
    - audited financial statements
    - Canadian Agricultural Income Stabilization (CAIS) statements
    - copies of cash receipts (milk cheques, sales receipts, etc.)
    - any other documentation deemed reasonable by AAFC

OR

- you are a beginning farmer (an individual who intends to establish a farm business, or who has owned and operated a farm business for less than six years, and in either case, you must demonstrate that your farm business will have, or has, annual gross farm sales of $10,000 or more).

  Note: For individuals who intend to establish a farm business, you must provide to the CFBAS office, proof of ownership or control of (owns/rents/leases) productive agricultural assets to generate farm income, and a farm budgetary forecast including projected income and expenses for the current year or next year.

2.2 Group applications

Groups are also eligible to apply for PAVE funding. A "group application" refers to one application made under the PAVE program by two or more persons or entities that carry on two or more independent, separate and distinct farm operations. In addition, members of the group who are eligible to receive funding have to meet the PAVE eligibility requirements listed above.

For more information on group eligibility and group applications, please contact an AAFC program officer at **1-866-452-5558.**

Non-farmers, such as capital suppliers and processors, can also be members of a project. However, they are **not** eligible to receive PAVE funding. A project involving non-farmers is eligible under PAVE, however, funding will be provided to eligible producers only.

SECTION 3 - FINANCIAL BENEFITS

3.1 What financial benefits are available?

If you are eligible for funding, you may receive up to 50 percent of the consultant's eligible costs for preparing the feasibility assessment and/or business plan. You may be eligible for the following over the life of the program (April 1, 2003 to March 31, 2008):

- up to $10,000 in funding for an eligible farming applicant;
- up to $20,000 in funding for two eligible farming participants; and
- up to $25,000 in funding for three or more eligible farming participants.

Please note that total government assistance from federal, provincial, and municipal sources cannot exceed 75 percent of any eligible expenditures. The Social Insurance Number (SIN), Business Number (BN) or GST Number is collected under the authority of the Income Tax Act for the purpose of reporting income.

3.2 What costs are eligible?

The following expenses related to the development of a feasibility assessment or business plan will be considered Eligible Costs:

- Consultant Fees
    - materials and supplies directly related to the development of the feasibility assessment and/or business plan;
    - domestic travel costs within the Treasury Board guidelines; and
    - administrative and other costs directly related to the conduct of this initiative, such as telephone, fax, photocopies.
- Any other reasonable costs which AAFC deems to be eligible.

Note: More than one consultant may be involved in developing plans, however a lead consultant must be identified to coordinate the overall plan. Each consultant will be legally responsible for their respective portions of the work and each consultant must meet the criteria listed in this guide.

The following expenses will not be considered Eligible Costs and therefore will not be reimbursed by AAFC to the Applicant:

- capital costs such as computers, office equipment and furnishings;
- costs of establishing a commercial operation;
- provincial taxes, Goods and Services Tax, or Harmonized taxes;
- any activities associated with the implementation of a feasibility assessment or a business plan, including, but not limited to, legal costs, site development plans, building plans, process development, development of prototypes, product testing, product commercialization, patent applications;
- travel costs outside of Canada or in excess of Treasury Board guidelines;
- costs being reimbursed under an existing government program; and
- any other expense, which at the discretion of AAFC is deemed to be ineligible.

SECTION 4 - PROGRAM DETAILS

4.1 How does the program work?

To apply for PAVE funding, you will need to complete the application form, called *Planning and Assessment for Value Added Enterprises (PAVE) Request for Funding*. A copy of the form is included in Appendix A of this guide.

Before you can submit your application, however, **you must first choose a consultant,** who will help you develop a proposal.

4.2 Selecting a consultant

AAFC expects you to be diligent when selecting a consultant, and reserves the right to verify the consultant's qualifications. For detailed guidelines on selecting a consultant, please see Appendix B of this guide.

When choosing a consultant, keep in mind that he or she must meet the following three criteria. The consultant must:

1. be a member in good standing of a recognized professional organization **or** have related post-secondary education and have completed a course on ethics and professionalism (an interactive, online Professional and Ethics Course is now available through the Agricultural Institute of Canada and can be accessed at http://www.aic.ca/learning/index.cfm) ;
2. have experience in preparing feasibility assessments or business plans; and
3. provide a minimum of two references from previous clients (names and telephone numbers) who can endorse past work of a similar nature.

The consultant's résumé, which you must attach to your application form, should include details and documentation on all of the above criteria.

A Conflict of Interest Declaration must be signed by your consultant and submitted with your application (please see Appendix B of this guide). AAFC reserves the right to verify any information about the relationship of the consultant and the applicant and has the right to reject an application based on any conflict of interest.

For more information on conflict of interest, please see Appendix B - Guidelines on Selecting a Consultant.

4.3 The proposal

The PAVE program requires that you submit, with your application, a proposal from your selected consultant that meets certain requirements. If your proposal is for the start-up of a value-added enterprise, see Section 4.3.1. If your proposal is for the expansion of a value-added enterprise, see Section 4.3.2. Refer to Section 4.3.3. for details on follow up plans.

4.3.1 The proposal for start-up enterprises should be in two parts:

In cases where the project is a start-up, or new technology is employed, a feasibility assessment is required. The feasibility assessment identifies potential obstacles which may affect the success of your project. Factors such as doubtful market conditions, high production costs and others will be identified and assessed and will determine whether or not the project is viable.

If a feasibility assessment has previously been prepared, it must be included in the supporting documents accompanying the proposal in order to obtain PAVE funding for a business plan. The document will be kept confidential and will be used to ensure that program requirements have been met as required by PAVE. If the assessment indicates that the project is economically viable, a business plan may be eligible for funding under PAVE. A feasibility assessment which does not demonstrate economic viability cannot be used as the basis for funding of a business plan under PAVE. *AAFC will not reimburse costs for any assessments prepared outside of the PAVE program.*

The elements of feasibility assessments, business plans, and follow up plans are outlined in detail in Appendix C of this guide. Please be sure to share this information with your consultant before he or she prepares the proposal.

The steps in a PAVE proposal for a start-up enterprise include:

4.3.1.1. Part one - Feasibility assessment A completed assessment must be sent to AAFC for review and approval before proceeding.

- If the feasibility assessment determines that the project is not viable, AAFC will contact you with options and next steps.
- If the assessment suggests that changes or modifications be made to the farm operation prior to developing a value-added business plan, your proposal to continue will have to be modified. The business plan may be eligible for funding only if those changes or modifications are completed.
- If the assessment demonstrates economic viability, a business plan may proceed on approval by AFFC.

If your project is for the establishment/start-up of a value-added enterprise, a feasibility assessment is required and your proposal must:

- Include a statement of work for the consultant that clearly demonstrates how he or she will address the elements of the feasibility assessment which must include the tasks to be undertaken for the feasibility assessment (see Appendix C); should your consultant require the services of any other consultant, a breakdown of the costs and activities should be clearly indicated for each task performed by that consultant;
- give start and end dates for each task (please contact a program officer should your feasibility assessment exceed 180 days - see Appendix D);
- provide a cost-breakdown and per diem rate for each task; and
- indicate the deliverables and cost, including a payment schedule, for interim payments and for the final payment.

Elements of the feasibility assessment:
The PAVE program requires that you submit, with your application, a proposal from your selected consultant that meets the elements of a feasibility assessment which includes the following chapters and analysis:

- executive summary
- description of venture
- market/demand analysis
- production/technical analysis
- profitability analysis
- cost and break-even analysis
- cash flow analysis
- capital requirements
- management and HR assessment
- assessing the investment
- recommendation

In cases where a chapter is not applicable, please be sure to include the chapter heading and an explanation as to why it is not applicable. (See Appendix C for more detail).

4.3.1.2. Part two - Business Plan Once you receive approval on the completed feasibility assessment, a business plan may be prepared in accordance with the elements outlined in Appendix C.

A proposal that will further consider a business plan for the value-added enterprise should follow the steps below. **If a feasibility assessment is not required, or one has been completed and approved by AAFC your proposal must:**

- Include an explanation as to why a feasibility assessment is not required or that a previous assessment has been completed and attach to the proposal;
- include a statement of work for the consultant that clearly demonstrates how he or she will address the elements of the business plan for the value-added enterprise (see Appendix C); should your consultant require the services of any other consultant, the costs and activities should be clearly indicated for each task performed by that consultant;
- give start and end dates for each task (please contact a program officer should your plan exceed 180 days - see Appendix D); and
- provide a cost-breakdown for each task; the deliverables on completion; the deliverables and costs for any interim payments and for the final payment.

Elements of the business plan for value-added enterprises:
To obtain funding for a business plan under PAVE, a feasibility assessment would have to be first approved by AAFC. The analysis and recommendation of the feasibility assessment are usually incorporated into the business plan for a value-added enterprise. The following are the chapters of a business plan under PAVE that should be considered:

- business overview
- strategic plan
- industry and market analysis
- marketing
- operations
- human resources plan
- financial
- environmental
- risk management
- action plan
- follow-up
- supporting documents

In cases where a chapter is not applicable, please be sure to include the chapter heading and an explanation as to why it is not applicable. (See Appendix C for more detail).

4.3.2 The proposal for the expansion of an existing value-added enterprise

In cases where the proposed project pertains to the expansion of an existing value-added enterprise, a separate feasibility assessment may not be necessary. The elements of the feasibility for expansion would be covered in the business plan.

The steps in a PAVE proposal for expansion of an existing value-added enterprise are:

4.3.2.1. **Business plan** A business plan for the expansion of an existing value-added enterprise may be prepared based on the elements outlined in Appendix C. The completed business plan must be forwarded to AAFC for review.

If a feasibility assessment is not required, or one has been completed and approved by AAFC, your proposal must:

- include an explanation as to why a feasibility assessment is not required or that a previous assessment has been completed and attach to the proposal;
- include a statement of work for the consultant that clearly demonstrates how he or she will

address the elements of the business plan for the value-added enterprise (see Appendix C); should your consultant require the services of any other consultant, the costs and activities should be clearly indicated for each task performed by that consultant;
- give start and end dates for each task (please contact a program officer should your plan exceed 180 days - see Appendix D); and
- provide a cost-breakdown for each task; the deliverables on completion; the deliverables and costs for any interim payments and for the final payment.

Elements of the business plan for value-added enterprises:

To obtain funding for a business plan under PAVE, a feasibility assessment would have to be first approved by AAFC. The analysis and recommendation of the feasibility assessment are usually incorporated into the business plan for a value-added enterprise. The following are the chapters of a business plan under PAVE that should be considered:

- business overview
- strategic plan
- industry and market analysis
- marketing
- operations
- human resources plan
- financial
- environmental
- risk management
- action plan
- follow-up
- supporting documents

In cases where a chapter is not applicable, please be sure to include the chapter heading and an explanation as to why it is not applicable. (See Appendix C for more detail).

4.3.3 Follow up to a plan:

Follow up to a PAVE business plan can assist you in keeping on track with your plan by reviewing goals and assumptions and by developing new strategies where necessary.

Activities associated with the implementation of a plan, including, but not limited to, legal costs, site development plans, building plans, process development, development of prototypes, product testing, product commercialization, patent applications are not eligible for reimbursement under PAVE follow up.

4.3.3.1 Follow up included in initial plan

Where follow up is included in your initial plan, the following elements must be considered and included in the proposal and attached to your application:

- Provide a schedule or timetable for follow up of the plan (triggering events, milestones, or time)
- Explain how the success of the plan and the implementation of the plan will be evaluated during the follow up
- Identify who will be involved in the follow up evaluation and plan adjustment process - both from within the farm business and consultants
- Describe the anticipated steps in making any adjustments which may be required
- Provide any other relevant comments

4.3.3.2 Follow up in subsequent years

Where follow up to your initial plan will take place in subsequent years (i.e. year two, year three, etc.), and you have adequate funds remaining under PAVE, **you must submit a new application and proposal** addressing the following:

- Provide a schedule or timetable for follow-up of the plan (triggering events, milestones, or time)
- Explain any measures that provide planning tools to update or modify the plan as required
- outline any training or skills developments which are required for you to more effectively use the management tool or to obtain financing
- Explain what is working, what challenges are remaining, and why
- Provide next steps, new strategies, and describe how they will be implemented
- Provide any other relevant comments

4.4 Submitting your proposal for review

Once your consultant has completed the project proposal to your satisfaction, and you have filled out the *PAVE Request for Funding* application form (Appendix A), you should forward your application package to the AAFC regional office nearest you (see Appendix D for addresses). Please make sure to include the Conflict of Interest Declaration (in Appendix B) signed by your consultant.

An AAFC program officer will review your application. The officer may verify the information you have provided on the application form, and may also contact the consultant. AAFC will advise you within **30 days** of receiving your proposal whether or not it has approved your project for funding.

We suggest that you do **not** sign the proposal until it has been approved by AAFC. If you sign the proposal before AAFC has reviewed it, you may be liable to the consultant for the full amount without receiving any financial assistance from AAFC.

4.5 After you receive approval of the proposal

Once AAFC approves your proposal, the Department will send you a copy of your terms and conditions. Read these terms carefully, then sign and return them to the AAFC regional office in your area (see Appendix D for addresses). **The terms and conditions must be signed and returned before work can begin.**

You can then feel free to sign the contract with your consultant. Once it is signed, it becomes a contract that legally obliges you to pay for the consultant's services. Once you have done so, you can proceed with your project.

AAFC's approval is not intended and is not in any way an assurance or a guarantee of the competence or abilities of the selected consultant. The Minister of Agriculture and Agri-Food Canada, and the Provincial/Territorial Ministers, their officers, servants and agents accept no responsibility nor will they be held liable for any claims, demands, losses, or actions which may be made or taken against them arising out of the advice, operation or any other action related to the Planning and Assessment for Value-Added Enterprise Program.

4.6 Payment requirements

For start-up enterprises, AAFC needs to review and accept the feasibility assessment before it will make any payments under PAVE. Once the assessment has been completed, be sure to send it to AAFC for its review **prior to paying the consultant.**

For all value-added enterprises, when AAFC receives the completed business plan, a program officer will review it to ensure that it has met the program requirements. If it does, it will be approved for payment.

4.7 How to receive your payments

After AAFC has notified you that the completed work has been approved, you are then responsible for paying your consultant. AAFC will reimburse you for **paid** invoices only.

Please note that AAFC will not pay for any work performed before the date it approves the proposal.

4.8 Interim payments

Interim payments may be made after the completed feasibility assessment has been received and approved by AAFC. Send your paid interim invoices and status report or and any completed deliverables as per the payment schedule to AAFC for approval. The interim payment cannot be more than 50 percent of the maximum amount of funding you are receiving under PAVE (i.e., $5,000 for one applicant, $10,000 for two, and $12,500 for three or more).

An AAFC program officer will review these documents within 30 days of receiving them and, if they are approved, will send you an acknowledgment of payment. AAFC will then process your interim payment, and you should receive a cheque within six weeks.

4.9 Final payments

Once your feasibility assessment or business plan is completed, send your completed feasibility assessment or business plan and final invoices to the AAFC regional office in your area (see Appendix D for addresses).

An AAFC program officer will review these documents within 30 days of receiving them and, if they are approved, will send you an acknowledgment of payment. AAFC will then process your final payment, and you should receive a cheque within six weeks.

For more information

For more information on PAVE or other Renewal initiatives, please visit the AAFC Web site at www.agr.gc.ca/renewal, or call **1-866-452-5558.**

For more details on the Agricultural Policy Framework (APF), please call:

Toll-free telephone: **1 800 O-Canada** (1-800-622-6232)

Teletypewriter (TTY) for hearing- and speech-impaired clients: **1-800-465-7735**
You can also visit the APF Web site at www.agr.gc.ca/puttingcanadafirst.

Appendix B - Guidelines on selecting a consultant

Choosing a Consultant

When choosing a consultant, keep in mind that he or she must meet the following three criteria. The consultant must:

1. be a member in good standing of a recognized professional organization **or** have related post-secondary education and have completed a course on ethics and professionalism (*An interactive, online Professional and Ethics Course is now available through the Agricultural Institute of Canada (AIC) and can be accessed at* http://www.aic.ca/learning/index.cfm;
2. have experience in preparing feasibility assessments or business plans; and
3. provide a minimum of two references from previous clients (names and telephone numbers) who can endorse past work of a similar nature.

The consultant's résumé, which you must attach to your application form, should include details and documentation on all of the above criteria.

Guidelines on selecting a consultant

Properly selecting a consultant is not an easy task. However, the payoff in taking the time required to make a good choice can be worthwhile. On the other hand, the costs of poorly selected consultants can be high. For these reasons, the time and effort you spend choosing a consultant is a good investment.

Please note that this information was compiled from the publications listed as sources at the end of this appendix.

Disclaimer

These guidelines are provided to you as a source of information only. The Minister of Agriculture and Agri-Food Canada, and the Provincial and Territorial Ministers, their officers, servants, and agents accept no responsibility nor will they be held liable for any claims, demands, losses, or actions which may be made or taken against them arising out of the selection of a consultant in accordance with these guidelines or arising out of any advice given by such a consultant.

The role of the consultant

Understanding the consultant's role is critical in creating a good working relationship that achieves desired results. Remember that the role of a consultant is to supplement your knowledge so you can make sound, informed decisions. Although the consultant will guide you in decision-making, you are responsible for making the final decision.

Defining the work

It is easier to select a consultant if you know what results and "deliverables" you want. Deliverables are the components of the finished product (the plan) that you expect the consultant to complete.

Clearly state what needs to be done. Specify what you expect to be produced (e.g., a business plan), keeping in mind the requirements (see Appendix C for a list of elements for plans). This initial effort will save time.

Finding a consultant

Ask around. Word of mouth is often the best way to find out which consultants have done good work in the past.

Use lists of qualified consultants. Although we cannot recommend a particular consultant to you, you can obtain lists of qualified consultants from various professional organizations, colleges, universities, and government agencies.

Surf the Web. You can find some excellent directories of consultants on the Internet.

Checking the consultant's résumé and references

References are a valuable tool when selecting a consultant.

Ask for a résumé and references. Ask for a résumé of the consultant's qualifications and experience. Check with at least two references or clients. Specifically ask the reference what the consultant did. Ask yourself if the consultant's work is similar to the work you want the consultant to do for you.

Ask the reference if they were satisfied with the consultant's work. If not, ask why.

Ask the reference in-depth questions about the consultant's work. This may trigger memories of problems or concerns they may have had with the consultant.

Interviewing the candidates

Once you have narrowed down your list of consultants, a discussion with each candidate is critical to making your final selection. Do not just rely on the proposal or quote from the consultant. During each discussion, look for individuals who recognize your needs and demonstrate sound knowledge of the industry and your situation.

Personally meet with the candidates
In some situations, a telephone call may be appropriate. However, a face-to-face meeting is preferred. To give structure to the meeting, we have a prepared set of questions you may want to ask the consultant to help you determine his/her expertise:

Many consultants specialize in a particular area. Choosing a consultant with the exact area of expertise you want can increase the quality of the work and may reduce the cost.

- What is the consultant's area of expertise?
- Has the consultant ever completed a business plan?
- Does the consultant's area of expertise match what you want them to do for you?
- Has the consultant done similar work with business plans for other clients?

Many consultants involved with business planning will have education in accounting, business management, agriculture, commerce, finance or economics. In many cases, experience is the teacher.

- What is the consultant's experience and education?
- How many years of experience does the consultant have?
- Is the consultant a member of a consulting or professional organization?
  - If yes, which one and how long?
  - If no, does he have a level of education and experience that is necessary to get the job done?

Choosing a consultant who is knowledgeable about the industry will improve the quality of the result and decrease the amount of time needed to achieve the result.

- What is the consultant's knowledge of the industry?
- Has the consultant worked in the industry?
- Does the consultant personally know the industry players?

Pick a consultant with whom you feel comfortable. Since you will be spending a lot of time with this person, a trusting and credible relationship is critical.

Choose a consultant with whom you can communicate. Both parties must be open and straightforward with each other to gain the maximum benefit.

Writing the contract

Normally, the service provider (the consultant) prepares the proposal or "letter of engagement" of services, not the client. It is important that you are familiar with what is in the proposal.

A properly written contract clearly states who is responsible for what and helps prevent unpleasant surprises. When you and the consultant sign a contract or letter of engagement, you are both part of a legal agreement.

Ask specifically for everything you want from the consultant. If you don't ask for it, you may not get it. Specify everything you expect the consultant to deliver or produce. For a list of requirements to be included in your proposal, refer to Appendix C of the "How to Apply for Funding" guide.

Develop a specific action plan and time line. Outline what you want the consultant to do, when it will start and end, and how much will it cost. These are the requirements for a proposal.

Define who will do the work. Have the consultant identify who will work with the consultant and who will do the work, including associates, other companies, or other experts.

Specify who owns the work. Identify who owns what the consultant produces, what level of confidentiality is expected, and how information is to be released, if at all.

Specify reporting requirements. Specify when, how, and where reports will be delivered to you. You may want to receive interim reports as well as a final report.

Specify the payment arrangement. The consultant may be paid either a flat fee or an hourly rate for services. The consultant may ask for a deposit up-front and progress payments. Ensure that the consultant's duties are completed and invoices are paid in a manner as specified in the contract. While it is important that the consultant is paid in a timely fashion, be sure not to pay in full until the consultant's duties are completed.

Include provisions for non-performance or unforseen circumstances. Identify in the contract what you would consider to be non-performance and the consequences of non-performance. It is important to reserve the right to terminate the contract in the event of non-performance or other unforseen circumstances.

When to enter into a contract. Avoid entering into a binding contract until your proposal has been approved. The arrangements you make with the consultant should be subject to approval of your application.

Determining the cost of the consultant's services

Negotiate the price. Cost is important when selecting a consultant. The price the consultant quotes may be negotiable. If possible, consider quotes from more than one consultant. You should expect all invoices and quotes to be itemized for easy identification and tracking. Note that consultants should **not** charge you for their costs before you enter into a contract with them (e.g., their time to prepare their proposal or to attend meetings to discuss their ideas with you).

Interim Payments. Interim payments may be made after the completed feasibility assessment has been received and approved by AAFC. The consultant should provide you with a schedule for payment. Any payments during the course of the work are interim payments. If interim payments are requested in the proposal, you should make arrangements to allow for these payments. There may be breaks in the flow of work, (i.e. where a decision has to be made prior to continuing; or payment for hiring outside experts). Remember, reimbursement may take some time, cash flow may be a concern, and interim or "progress" payment is normal; however, progress payments must be specified in the original contract.

Final Payment. Ensure that the work is finalized as specified in the contract and has been approved by AAFC before a final payment is made. Trying to get someone to complete work on a contract after they are paid in full is more difficult.

Other considerations

Below are some additional items you should consider when selecting and hiring a consultant.

Does the consultant carry Errors & Omission Insurance? Insurance protects you and the consultant. If he values his clients, and his business E&O Insurance is highly recommended. The consultant should specify where this insurance is held and provide verification.

Does the consultant carry Commercial Liability Insurance? This is to protect you and the consultant in the case where physical damage has been done to your business by the consultant. The consultant should specify where this insurance is held and provide verification.

Stay involved in the project. Although you have hired a consultant, you are still responsible for the project.

Conflict of Interest

Consultants may be in a conflict of interest situation if it can be reasonably concluded that their position in a business or their personal interests could improperly influence their judgment in the exercise of their duties. Typical situations where a conflict of interest may arise are those where a consultant provides consulting services and advice to the producer and who:

1. Works for an organization that may derive financial advantages or benefits from the sale of farm inputs, products, goods or services;
2. Has an existing or potential financial interest in your affairs;
3. Has a family relationship with you (e.g. father, daughter, brother or sister-in-law);
4. Is a direct competitor of yours;
5. Has any past, existing or potential interest regarding the utilization of the results of the analysis of your business or intellectual property; or
6. Is currently an employee of AAFC or the Provincial Agriculture Department.

Some Illustrative Examples:

- In completion of the work described, the consultant should not have other professional interests that might result in a real or apparent conflict of interest. For example: As part of the consultant's professional work or employment in another organization, such as a supplier of feed products or financial institution, he or she provides consulting services for a PAVE client which would increase the sales or loans of the employer's products.

- There should be an arms-length relationship between the consultant and applicant. For example, it would be inappropriate for the financial consultant to have a financial interest (as a shareholder) or a position of authority or influence (as a director or officer, or having a family relationship) in the business of the applicant.

- The consultant should not be in direct competition with the producer. For example, a competitor may take advantage of any confidential information or insider information provided by the applicant for the special advantage of his or her own competitive business.

- The consultant should not be a member or employee of an organization that approves the application or provides funding for the program.

Please see following page for the Conflict of Interest Declaration.

The Conflict of Interest Declaration must be signed by your consultant and submitted with your application.

AAFC reserves the right to verify any information about the relationship of the consultant and the applicant and has the right to reject an application based on any conflict of interest.

If you become aware of a conflict of interest with your consultant while the consultant is providing services to you, you should advise the AAFC Regional Manager (see Appendix D for the Regional Manager in your province).

Sources

- Hofstrand, Don. *Considerations When Selecting A Consultant*, Agricultural Marketing Resource Center, Iowa State University, File C5-400, February 2003.
- Sewell, Marilyn. Ontario Ministry of Agriculture and Food. *How to Choose a Consultant Resource for Your Community or Organization*, Order #: 98-053, July 1998.
- Dyck, Dean. Alberta Agriculture, Food and Rural Development. *Choosing a Consultant ... An Investment in Your Agricultural Business.*

CONFLICT OF INTEREST DECLARATION

To be signed by the consultant and submitted with your application for Planning and Assessment of Value-Added Enterprises (PAVE). These guidelines apply to consultants and their sub-contractors. These guidelines apply to consultants and their sub-contractors.

I have read the Conflict of Interest Guidelines for Consultants including the list of typical conflict of interest situations from Appendix B of the 'How to Apply for Funding Guide'. I have carefully reviewed my own situation in light of these illustrations (check appropriate box):

☐ To the best of my knowledge and belief, I am involved in no situation or action that might be regarded as a potential conflict of interest with my duties as a consultant.

☐ It appears that I am involved in some situations or actions that might be regarded as a potential conflict of interest with my expected duties as a consultant. Details of each of these situations and/or actions are as follows:

1.

2.

3.

I agree to notify the Regional Manager of the CFBAS office, immediately if any new situations or actions develop that might be regarded as a potential conflict of interest with my duties as a consultant.

Information obtained by consultants in connection with the CFBAS shall under no circumstances be used or disclosed for another activity. The personal information provided by the producer will be collected, used, disclosed, protected and retained following the federal and provincial privacy and access to information legislation.

I further agree to be bound by the provisions of the Conflict of Interest guidelines which form part of this Declaration.

Signature ____ Date ___________________

Name (please print) ____

Business Address ____

Telephone No. __________________________ Facsimile No. ___________________________

Appendix C

Elements of PAVE Plans

The Planning and Assessment for Value-Added Enterprises (PAVE) program requires that you submit, with your application, a proposal from your consultant that meets certain elements for feasibility assessments and business plans as listed below.

Please be sure to share the following elements with the consultant before he or she prepares the proposal.

Requirements for proposals

The proposal is an offer of service from the consultant. When you sign it, it becomes a legally binding contract for service. For this reason, it is important to clearly state who is responsible for what in the proposal.

While there are a number of issues to consider when preparing and accepting a proposal, your proposal must provide the following information before AAFC will consider it for funding:

- the proposal must clearly demonstrate how the consultant will address the elements of the feasibility assessment and/or business plan, and/or follow up plan;
- it must include your consultant's résumé and documentation of professional certification, proof of completion of ethics and professionalism course (*An interactive, online Professional and Ethics Course is now available through the Agricultural Institute of Canada (AIC) and can be accessed at http://www.aic.ca/learning/index.cfm*), and references from previous clients;
- it must include the Conflict of Interest Declaration signed by your consultant;
- it must give start and end dates for the project (please contact a program officer should your plan exceed 180 days); and
- it must provide a breakdown of costs including per diem rates involved in completing the work, and the payment schedule.

What is a feasibility assessment?

Starting a value-added enterprise or expanding an existing one can be risky. Risk or uncertainty may relate such factors as doubtful market potential or the high cost of production. To identify and assess these factors and to minimize the risks, a useful tool is a feasibility assessment. This document is a formal process to determine whether a specific value-added proposal has profit potential and is financially sound. It will help you decide whether to proceed with, alter, or drop a particular project or plan of action.

A feasibility assessment for a value-added enterprise differs from a business plan. Although much of the information used in a feasibility assessment will find its way into a business plan, the major difference is that a feasibility assessment is undertaken to research and analyze all possible options for action before a decision on one particular course of action is made. The business plan summarizes the plan of action after a decision has been made. Both documents are important for potential investors and your lending institutions.

The feasibility assessment of a value-added enterprise is a written report that will recommend to either move forward or reject the proposed project. Depending on the particular project, the feasibility assessment may focus on market analysis, operational/technical analysis, or a combination of both. The emphasis will be on whatever factors are the greatest threat to the success of the project. All feasibility assessments must include profitability, break-even and cash-flow analysis, and capital requirements. The level of detail of each of these required elements will depend on the significance of the particular element to the feasibility of the project.

If the decision is to move forward, then elements of the feasibility assessment will be integrated into a comprehensive business plan.

Elements of feasibility assessments

The elements to be contained in a feasibility assessment and in the subsequent business plan for a feasible project are outlined below. You may wish to include additional chapters in your feasibility assessment; however, **the chapter headings listed below must at least be addressed and considered.**

Chapter headings (each heading must be addressed in your assessment)	**Depth of analysis (sample content; you may minimize or maximize chapter content accordingly)**
1. Executive summary	• Summarize the proposed project • Provide a rationale for conducting the feasibility assessment • Explain the focus of the assessment • Provide a profitability analysis • List the important considerations • Provide final recommendations
2. Description of the proposed venture	• Provide details about the proposed project, its short- and long-term objectives, and its anticipated economic benefits • Include a clear statement of what the farm or agribusiness wants to do and why • Explain the focus of the assessment (market or operational aspects or both)

3. Market/demand analysis	• Give detailed estimates of market size/potential • Identify main customers/target market • Provide an assessment of competitors • Include the short- and long-term outlook for the current market • Describe the trends affecting the market • Identify how the market needs will be served • Explain any distance from market/transportation considerations (if any) • Explain the methods of promotion and distribution
4. Production/technical analysis	• Analyze all of the factors involved in processing the product until the time it leaves the farm or business owner's control (factors include the availability of required inputs, assurance of future input supply, minimum facility requirements (land, equipment, storage needs and capacity, buildings), adequate labour supply, and legal constraints on the business) • Identify environmental and regulatory requirements and their associated risks • Conduct risk assessment, including insurance considerations
5. Profitability analysis	• Develop assumptions from the market/demand analysis and the production/technical analysis, including eligibility for tax credits (assumptions include sales and price forecasts and costs of operations according to fixed and variable costs) • Develop *pro forma* income statements and balance sheets to gauge the future growth potential and assess financial performance (income projections should cover the next one to five years) • Analyze strengths, weaknesses, opportunities, and threats (SWOT), particularly the implications of economic, social, technological, environmental, policy, or regulatory change
6. Cost and break-even analysis	• Analyze fixed costs (e.g., rent, interest, insurance) and variable costs (e.g., direct labour, fertilizer, fuel) • Estimate client's break-even level (determine required sales per day, month, or year to be profitable) • Calculate the break-even production levels and the contribution margin (i.e., sale price minus variable cost)
7. Cash-flow analysis	• Compare cash-flow projections with available funds • Analyze cash-flow requirements

8. Capital requirements	• Identify capital sources, including long-term debt and operating line of credit, equity (this section highlights the amount of capital required, the financing requirements and under what terms and conditions, security available, and what repayment strategies and exit strategies will be employed if the plan projections do not materialize)
9. Management and human-resources assessment	• Identify the proposed business owners and managers and their roles • Assess their management capability and experience • Provide information on professionals assisting the business • Assess labour-market considerations and constraints
10. Assessing the investment	• Provide an assessment of the risks in the sales and costs forecasts, and thus in the expected income stream • Assess the value of the income stream relative to the capital investment required (i.e., is the venture economically feasible?)
11. Recommendations	• Consider all information and alternatives to determine the feasibility of the project • Provide a rationale to substantiate the recommendation on whether to proceed with developing a comprehensive business plan for the proposed project

Elements of business plans

Once you decide to proceed with a value-added agricultural enterprise, the next step is to develop a business plan. The business plan is a road map for operating the value-added enterprise, and for measuring progress along the way. The business plan's contents will draw substantively on the information you used in the feasibility assessment. The plan will document where the enterprise is expected to be three to five years from now, and how you plan to take it there.

The chapter headings listed below are elements for a business plan under PAVE. The adjacent column lists examples of what might be included in each chapter; however, the depth of analysis for each chapter will vary depending on the type of value-added enterprise and specific aspects of the enterprise. It is expected that the level of detail in each chapter of the plan will vary, depending on its relevance to implementing the plan.

In cases where a chapter is not applicable, please be sure to include the chapter heading and an explanation as to why it is not applicable. You may wish to include additional chapters in your business plan; however, **the chapter headings listed below must at least, be addressed and considered.**

Chapter headings (each heading must be addressed in your plan)	**Depth of analysis** (sample content; you may minimize or maximize chapter content accordingly)
1. Business overview	
Cover page	• Provide the business/client name, address, telephone, and fax numbers • Explain the time period for business plan, and provide the preparation date • Provide a list of key contacts, including the consultant who prepared the plan
Table of contents	• List chapter headings of the plan for reader reference and convenience
Executive summary	• Provide a one- to two-page summary that describes the overall plan and highlights the action points • Include information on the purpose of the business, the market, unique advantages, financial highlights, management strengths, and purpose of the plan
Purpose of plan	• Provide an outline of why the plan has been developed - (e.g., to obtain financing, attract equity capital, enter a new market, diversify the business, start a new business, expand an existing business, or assist in succession)
Business description	• List all aspects of the current and proposed state of the business, including business history and major events impacting business • Provide information on legal structure, type, and size of enterprise, as well as any physical resources available to the business
Management description	• Describe the management team, their skills, and how skill gaps will be filled • Provide information on professionals assisting the business
2. Strategic plan	• Identify the long-term view of the business • Outline business strengths, weaknesses, opportunities, and threats • Outline the business and what it is doing (mission) • Outline where you want the business to be 5 to 10 years from now (vision) • Outline the steps to get there (strategies and goals) • Identify key performance indicators (objectives, their measurement, and follow-up)

3. Industry and market analysis	• Identify the characteristics of the industry and the markets • Describe the industry and its history, its size, and major players • Describe long- and short-term trends and seasonal factors affecting the industry • Outline the impact of economic, social, technological, and political change, and any other significant factors that could have an influence on the business within the industry • Describe food safety, quality, and traceability issues and related regulations • Identify customer needs not being met, and potential sales • Identify critical success factors for the industry
4. Marketing	• Explain how you expect to market your production, considering the five Ps: product, place, price, promotion, people • Provide information on the target market, including established and potential market opportunities or niche markets, customer characteristics and demographics, customer segmentation, market performance, growth trends, factors affecting purchaser decisions, and market geographic area • Describe the competition, including the number of competitors, their strengths and weaknesses, their costs and prices, potential competitor reaction to new market entry, the potential for substitutes, and barriers to entry • Describe the product/service being offered, its selling features, key product attributes, differentiating factors and quality, storage life, selling arrangements, contracts, potential alliances, service policies, and warranties • Describe how the product will be distributed (e.g., direct marketing, wholesaler, Web site, sales representative) • Provide information on packaging, labeling, storage, controls, inventories, delivery guarantees, and return policy • Outline the advertising and promotion strategy to support the sales and profit objectives, cost/benefit of the strategy including product/service testing, advertising, how advertising will be generated for the business, and promotion budget • Describe how product/service price is established; warranties/ guarantees, discounts/incentives, contribution margin, and break-even price • Outline licensing and permit requirements • Explain your state of export readiness (if appropriate)

5. Operations	• Outline the production capacity of the business: for farms, include buildings, machinery, livestock, and land; for value-added businesses, describe plant and its capacity • Outline standardized quality-management systems, such as HACCP and ISO • Outline how the everyday activities will be managed, including supplier and production contracts, inventories, quality-control measures, production targets, distribution, and the regulatory environment
6. Human resources	• Outline the people required to operate the business, their skills, their availability, and any training programs needed or in place • Describe any human-resource issues facing the business, and how they will be addressed • Summarize attraction, retention, and compensation strategies
7. Financial	• Identify the financial requirements and projections to implement the plan • Outline business assumptions on which the financial plan is based, including quantities sold, price, cost of goods sold, operating expenses, salaries, interest rates, depreciation, income taxes, and regulatory costs • Provide past, present, and future (three- to five-year horizon) balance sheets, income statements, source and application of funds, and ratio analysis • Provide a cash-flow statement, a break-even analysis, and an expenditure plan, including start-up costs as appropriate • Provide a financing schedule, including source of capital (family or external), amount, timing, type, and terms • Provide an exit strategy for equity capital • Provide a most likely scenario and a sensitivity analysis
8. Environmental	• Outline environmental concerns, how they will be addressed, and at what cost • Outline the environmental approvals that are required for the business, and when they will be obtained • Describe the strategies in place, such as insurance and disaster plans, to prevent environmental disaster • Describe consultation and community support for business and business-site selection

9. Risk management	• Identify the risks inherent in the business, and outline plans to manage these risks • Describe all risk factors (e.g., regulatory, legal, environmental, political), and how these risks will be mitigated • Identify any tax implications (e.g., reclassification from municipal farm tax to commercial tax) • Prepare a risk assessment, including insurance considerations • Address production, marketing, export, vendor, legal, environmental, human-resource (death/disability), and financial risks, as well as the possible impact of government policy • Describe management's tolerance/aversion to risk • Outline contingency and disaster plans, where needed
10. Action plan	• Explain the targets and timetables for implementing the plan • Outline key dates, and explain who will be doing what to meet target dates • Identify key performance targets and ensure a process for follow-up (if construction is involved, outline critical dates and commissioning plans) • As required, identify accountability for action plans related to production, financing, human resources, marketing • Outline accountability for plan monitoring and the timing of reports
11. Supporting documents	Include documents that support the business plan, such as: • ownership arrangements • organizational chart • job descriptions and résumés of critical staff • individual net worth, credit reports and references • tables and charts • contracts, leases • environmental reports and permits • production contracts and product specifications • detailed list of assets • property appraisals, insurance documents • feasibility analysis and specific research • letters of intent

Elements of follow up plans

Follow up to a PAVE business plan can assist you in keeping on track with your plan by reviewing goals and assumptions and by developing new strategies where necessary. Activities associated with the implementation of a plan, including, but not limited to, legal costs, site development plans, building plans, process development, development of prototypes, product testing, product commercialization, patent applications are not eligible for reimbursement under PAVE follow up.

Each heading must be included in all written reports however, the depth of analysis may vary, depending on modifications involved and the scope of implementation measures needed.

The headings listed below are the elements for all follow up reports developed under the PAVE.

Headings **(each heading must be addressed in your plan)**	**Depth of analysis** **(sample content; you may minimize or maximize chapter content accordingly)**
1. Business overview	
Cover page	• Provide the business/client name, address, telephone, and fax numbers • Explain the time period for follow up plan, and provide the preparation date • Provide a list of key contacts, including the consultant who prepared the plan
Table of contents	• List headings for reader reference and convenience
Executive summary	• Provide a summary that describes the overall follow up and highlights the modifications and action points
2. Status of original plan	• Explain what is working, what challenges are remaining and why
3. Counseling/coaching	• Describe any counseling or coaching involved to prepare the client to use the plan as a management tool
4. Timetable	• Provide a schedule or timetable for follow-up (triggering events, milestones, etc.)
5. Planning tools	• Explain measures that provide planning tools to update or modify the plan as required
6. Next steps	• Provide next steps, new strategies • Describe how these will be implemented

Appendix D: Regional Offices

British Columbia, Yukon, Alberta, and Northwest Territories

Regional Manager
Canadian Agri-Renewal Services
Agriculture and Agri-Food Canada
Suite 810
10123-99th Street
Edmonton, Alberta T5J 3H1

Tel: (780) 495-3212 / Toll free:1-866-452-5558
Fax: (780) 495-3971

Saskatchewan, Manitoba

Dean Vey, Regional Manager
Canadian Agri-Renewal Services
Agriculture and Agri-Food Canada
1800 Hamilton Street, Room 401
Regina, Saskatchewan S4P 4K7

Tel: (306) 780-5594 / Toll free: 1-866-452-5558
Fax: (306) 780-7353

Ontario and Nunavut

Regional Manager
Canadian Agri-Renewal Services
Agriculture and Agri-Food Canada
174 Stone Road West
Guelph, Ontario N1G 4T1

Tel.: (519) 763-8135 / Toll free: 1-866-452-5558
Fax: (519) 836-3213

Quebec

Roger Dionne, Regional Manager
Canadian Agri-Renewal Services
Agriculture and Agri-Food Canada
Gare Maritime Champlain
901, rue Cap Diamant, bureau 350-4
Quebéc (Quebéc) G1K 4K1

Tel.: (418) 648-3768 / Toll free: 1-866-452-5558
Fax: (418) 648-7342

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ)
Services-conseils aux entreprises agricoles canadiennes
Directions régionales du MAPAQ
Tel.: 1-866-680-1858

Atlantic Region

Caroline St-Pierre, Regional Manager
Canadian Agri-Renewal Services
Agriculture and Agri-Food Canada
P.O. Box 57000
Research Centre
850 Lincoln Road
Fredericton, New Brunswick E3B 6C2

Tel.: (506) 452-4098 / Toll free: 1-866-452-5558
Fax: (506) 452-4975

New Brunswick

Renewal Specialist
New Brunswick Department of Agriculture, Fisheries and Aquaculture
P. O. Box 6000
Fredericton, NB
E3B 5H1
Tel.: (506) 432-2157
Fax: (506) 453-7406

Nova Scotia

Caroline St-Pierre, Regional Manager
Canadian Agri-Renewal Services
Agriculture and Agri-Food Canada
P.O. Box 57000
Research Centre
850 Lincoln Road
Fredericton, New Brunswick E3B 6C2
Tel.: (506) 452-4098 / Toll free: 1-866-452-5558
Fax: (506) 452-4975

Prince Edward Island

Farm Management Specialist
Prince Edward Island Department of Agriculture, Fisheries and Aquaculture
P.O. Box 1500
Montague, PE
C0A 1R0
Tel: (902) 838-0626
Toll free: 1-866-734-3276 or 1-866-452-5558
Fax: (902) 838-0624

Newfoundland and Labrador

Lynn Kendall
Program Co-ordinator
Newfoundland and Labrador Dept. of Natural Resources
Herald Tower
P.O. Box 2006
Corner Brook, NL
A2H 6J8
Tel: (709) 637-2647 / Toll free: 1-866-452-5558
Fax: (709) 637-2591