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AGRICULTURE AND AGRI-FOOD: CANADA'S RENEWAL PROGRAMS

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Abstract

Studies demonstrate that producers who develop business plans and skills are significantly more likely to be successful and maintain profitability in the face of changing market realities. However, finding ways to encourage greater use of farm business planning and management tools can be a challenge. Agriculture and Agri-food Canada (AAFC) has developed a set of Renewal programs to assist producers to access skills, knowledge, and advice in the field of farm business management. Since 2003/2004, two major types of programs are available to producers, the first type being the Canadian Farm Business Advisory Services (CFBAS) and the Planning and Assessment for Value-Added Enterprises (PAVE); and the other being the Canadian Agricultural Skills Service (CASS). Agriculture and Agri-Food Canada has used various models to deliver these programs. For instance, Renewal advisory services are provided by private business consultants and the federal Department of Agriculture and Agri-Food Canada has partnered with provincial governments, other federal departments and third parties to deliver the CASS program. This applied paper presents a policy background, a description of these programs, how they work using different delivery models, the feedback received from participants, and the lessons learned.

Key Words: *farm management, renewal programs, training.*

Background

Agriculture and Agri-Food Canada undertook a strategic policy review in 2001 for the development of a five year National Federal/Provincial/Territorial Agricultural Policy Framework (APF), from April 1, 2003 to March 31, 2008. Among other elements, the review highlighted the importance of management skills and practices for farming success in the new millennium.

“Agriculture is becoming more knowledge-intensive, changing rapidly, and making farm management more complex. Skills and knowledge are becoming more critical for success” (AAFC, 2001).

To assist farmers access skills, knowledge, tools and advice in farm management, federal, provincial and territorial governments in Canada implemented a suite of Renewal initiatives starting on April 1, 2003, complementing existing programs.

The Renewal Programs

The three major national Renewal programs developed by Agriculture Agri-Food Canada (AAFC) are the Canadian Farm Business Advisory Services (CFBAS), the Planning and Assessment for Value-added Enterprises (PAVE) and the Canadian Agricultural Skills Service (CASS).

Canadian Farm Business Advisory Services (CFBAS)

CFBAS provides financial assistance for producers to utilize the services of private farm financial consultants to assess their business and to develop plans to improve farm profitability.

CFBAS is open to all producers who have farm sales in excess of \$10,000 annually and to beginning farmers who are defined as someone who has owned and operated a farm for less than 6 years or who intends to start a farm business in the near future. The program acts as an introduction to planning and change management. It is considered that if producers see value in this exercise, they would be encouraged to further adopt best management practices including the use of outside expertise, benchmarking, and financial performance review, along with strategic planning for the farm business.

CFBAS is made up of two components: the Farm Business Assessment (FBA) and the Specialized Business Planning Services (SBPS). There is another program that is delivered through the same channels which supports the development of value-added businesses by farmers, the Planning and Assessment for Value-added Enterprises (PAVE).

The FBA program provides access to a private third-party consultant for farmers to assess the past performance of the farm business and to develop plans of action to manage change towards improving profitability. This program allows for the equivalent of five days service of a consultant. The producer pays a nominal fee of \$100, with the government covering the balance, \$2,400. The main deliverables of this component are:

- a Farm Financial Assessment, including business profile, financial statements, ratio analysis, and assessment of profitability/viability of the operation;
- an Action Plan to assess the options for increasing farm profitability and to establish a plan to implement the preferred option, including a two-year cash flow projection of the option; and
- Follow-up services of one day, one year after the Action Plan to discuss progress and financial performance and/or modify the plan (valued at \$500).

The second component of the Canadian Farm Business Advisory Services is the Specialized Business Planning Services (SBPS) which provides a financial reimbursement contribution of 50% of eligible costs (up to \$8,000 per producer and \$25,000 for groups of four or more) to hire a professional business planner for the development of farm business plans including general business plans, marketing, diversification, risk management, human resources, and succession plans.

Planning and Assessment for Value-added Enterprises (PAVE) focuses on the development of business plans to establish value-added activity of agricultural products. It includes a Feasibility Assessment of the economic feasibility and the viability of the value-added enterprise prior to a financial commitment by the producer, and the development of a business plan. PAVE allows for a contribution of up to \$10,000 per producer based on eligible costs related to hiring business and financial planning expertise. Groups of producers are encouraged to apply to this component as it provides up to a \$25,000 contribution for groups of three or more.

Canadian Agricultural Skills Service (CASS)

The Canadian Agricultural Skills Service (CASS) provides access to skills development and training focused at low-income farm families. This program includes a learning needs assessment and an Individual Learning Plan created with the assistance of a trained human resource professional. The government pays for this service valued at up to \$2,000. The Individual Learning Plan maps out the producer's goals and the learning opportunities both for on-farm or off-farm activity aimed at improving farm profitability or increasing net family income. Because the government recognizes the contribution

that the spouse/partner makes to the overall farm family financial well-being and to the management and labour on the farm, the spouse (or common-law partner) of the farmer is eligible for the program.

An income test is applied for eligibility to this service. For a farm family, a total net average family income (farmer and spouse) of less than \$35,000 for preceding three years allows access up to \$16,000 for each spouse; a net family income of \$35,001 to \$40,000 allows access to \$12,000 for each spouse; and a net family income of \$40,001 to \$45,000 allows access to \$8,000 for each. Beginning farmers are also eligible to have an assessment and Individual Learning Plan whether or not their combined income exceeds the net income thresholds, but they do not have access to training funds. Beginning farmers are also only required to provide income information for one year instead of three. Funding is provided for tuition costs, books and expenses such as dependant care, travel, etc.

Delivery Models and Program Uptake

Except for Quebec, the federal government delivers all three components of the Canadian Farm Business Advisory Services through five regional offices of Agriculture and Agri-food Canada across Canada. In Quebec, delivery is funded federally and provided by the provincial government through a provincial farm organization.

The FBA is provided by private farm consultants who are qualified through the government of Canada. These consultants are independent contractors who are pre-qualified through the standing offer contract process with the federal government, and the deliverables are pre-determined by the government to ensure quality of end product. Consultants have been screened on the basis of their knowledge and experience in agriculture and related business planning. Once qualified, they are trained in providing the financial analysis and a report that represents a consistent high quality end product that can be understood by the farmer.

Once the farmer applies for a Farm Business Assessment and chooses a qualified consultant from the rostered list of consultants, the regional office contracts for the services of the consultant. The consultant makes one farm visit where the financial information is provided by the farmer; and through discussions with respect to the current financial situation plans, scenarios are developed. The consultant then prepares the financial analysis. A further conversation is held with the farmer for the development of the options and forecasting of the financial expectations of each scenario. Finally, a written report is provided outlining the past and current financial performance and a forecast of the impact of the options to improve profitability. The consultant's contract is paid by the government on proof of deliverables.

A follow-up visit, usually one year after the initial contact, is provided free of charge to the farmer to assist in determining whether the expectations for change are realized or whether other changes are needed. This follow-up service provides a further contact with the farm advisor and in some cases materializes into an on-going business relationship.

The program was launched from July 2003 to March 2005, as agreements were signed with provinces. Since the program began, nearly six per cent of all eligible farms have had a farm business assessment through over eleven thousand contracts with consultants. For various reasons, such as pre-existing farm business plans, it was not expected that all farmers would participate in these programs. It was expected that the program would be used largely by producers of small and medium farms.

SBPS provides funding for farms that require more comprehensive business plans. The program allows farmers to choose their own experts and AAFC's Renewal Services provide guidelines on consultant qualifications and the pre-established deliverables for the plan. The producer provides a proposal for the type of plan, and together with a consultant develop the work plan, timetable and costs. SBPS reimburses a portion of the eligible costs, up to \$8,000 for one producer, \$16,000 for two, \$24,000 for three and

\$25,000 for four or more. To accomplish this, AAFC enters into a contribution agreement with the producer and reimburses the producer 50% of the cost of the plan up to the maximum amounts on proof of deliverables. It is the responsibility of the producer to ensure that the plan meets the deliverables pre-established by the government. This service recognizes that the producer should take control of his operational needs including contracting for certain professional planning services.

Nearly one-quarter of all plans in this program are succession plans, which reflects the importance to the participants of keeping the farm in the family. A survey undertaken by the Canadian Federation of Independent Business in 2005 also found that this was an important objective of the farm community (CFIB 2005).

Under PAVE, producers submit an application together with a proposal of a work plan for the consultant outlining the consultant's work, timetable and costs. Once approved by the Renewal office, a contribution agreement is entered into with the producer who in turn enters into a contract with a consultant for the work. Renewal staff verify the work is complete, and on submission of paid invoices, staff authorize payment to reimburse the producer for eligible costs. Producers are required to contract with specialists who provide the technical and economic feasibility assessments for value-added activities.

Close to 130 projects have been approved so far under PAVE with some examples of the projects undertaken being juice products from berries, wineries, ruminant slaughter facilities, grain seed cleaning facilities, on-farm anaerobic digesters, and bio-diesel additives production.

Considering FBA, SBPS and PAVE, producers on over 6.4% of farms with over \$10,000 in sales have participated (Table 1). The participation rates have varied among the provinces.

Table 1: Canadian Farm Business Advisory Services (including PAVE) participation by province and by fiscal year

CFBAS	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	Total
Total Farms	356	1,490	2,372	1,848	26,837	44,358	17,326	44,404	43,563	10,203	192,757
<u>Fiscal year</u>											
2003-2004	27	62	41	24	170	46	70	402	330	29	1,201
2004-2005	29	57	78	42	178	279	144	587	356	104	1,854
2005-2006	9	76	76	58	1,681	350	193	779	351	92	3,665
2006-2007	13	78	106	39	2,120	873	377	1,161	526	143	5,436
Total	78	273	301	163	4,149	1,548	784	2,929	1,563	368	12,156
Percent of total ¹	21.9%	18.3%	12.7%	8.8%	15.5%	3.5%	4.5%	6.6%	3.6%	3.6%	6.3%

¹ Percentage of total eligible farms (number of farms with farm sales over \$10,000).

The CASS program is delivered by different models in different provinces. The federal government provides guidelines for operations and funds are allocated through bilateral contribution agreements. Delivery agents are also provided with administrative fees to deliver the program.

In four provinces (Newfoundland and Labrador, Nova Scotia, New Brunswick, and British Columbia), a federal delivery model has been adopted through Service Canada by way of a Memorandum of Understanding between the federal departments of AAFC and the Human Resources and Skills Development Canada (HRSDC). Service Canada, which is part of HRSDC, has the responsibility of serving the client and contracting professionals for skills assessment and the development of Individual Learning Plans. AAFC's Renewal staff have the responsibility of authorizing funds for training through a contribution agreement with the client.

In five other provinces (Alberta, Saskatchewan, Manitoba, Ontario, Prince Edward Island), a provincial government - third party delivery model is used through contribution agreements with the provincial departments of agriculture to allow program delivery by the province and/or third parties. The provincial departments act as delivery agents and retain authorization for expenditures. In some cases, the province has the capacity to act also as a service provider, while in others, the province sub-contracts with other service providers to deliver the skills assessment and Individual Learning Plan component of the program. Service providers have to meet the standards set by the Canadian Counselling Association. Examples of service providers are community colleges and career development practitioners.

CASS has become a very popular program as it provides options for the farm family to increase their educational and skills background to increase their net family income either through improved farm income or off-farm employment. It provides many families with education, skills and training opportunities that they were previously unable to access as self-employed farmers under other government programs.

The success of this program is also largely based upon the commitment and approach of the provinces in advancing a skills training agenda for farmers. As shown in Table 2, in those provinces which are providing delivery, program uptake has been significantly higher demonstrating the influence delivery models have on program uptake.

Table 2: Canadian Agricultural Skills Service participation by province and by fiscal year

CASS	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	Total
Total Individuals¹	167	1,184	1,822	1,267		29,249	14,476	35,779	29,575	5,652	119,171
<u>Fiscal year</u>											
2003-2004											
2004-2005											
2005-2006	1	30	10	6		119	500	1,650	161	31	2,508
2006-2007	2	43	27	14		620	868	4,437	428	89	6,528
Total	3	73	37	20		739	1,368	6,087	589	120	9,036
Percent of total	1.8%	6.2%	2.0%	1.6%		2.5%	9.5%	17.0%	2.0%	2.1%	7.6%

¹ Eligible individuals are farmers and or spouses with net family income less than \$45,000 on farms having gross farm sales over \$10,000.

Nearly two-thirds of the program participants are established farmers and their spouses, with the other one-third divided evenly among the categories of beginning farmers, corporate farm members, and farm group member (partnership, co-operative, other association). As shown in Table 2, participation in the program has increased substantially since its implementation in February 2005, more than doubling in two years. About 60% of participants are choosing off-farm training opportunities while 40% are choosing on-farm ones.

AAFC Renewal Participant Feedback

Renewal monitors the delivery of its programs through client satisfaction surveys which are sent to all participants within 60 days of file closure. These surveys attempt to determine the client's satisfaction with key program activities, client services provided by the Renewal office including payment, satisfaction with the consultant, and value for money while it is fresh in the minds of the participant.

Consultants are surveyed separately as to the content and program design and ease of delivery of the product. In addition, consultants on standing offer meet with the Renewal regional staff annually to review the program and possible refinements, and have a chance to offer valuable feedback to the regional Renewal staff on a file-by-file basis.

Feedback from the farmers participating in programs provides valuable input and is used to re-design and refine the program deliverables.

These satisfaction surveys for the FBA found:

- 83% of the producers were satisfied with the program
- 78% believed the program provided them with what they wanted
- 82% felt the program was of value to them
- 86% say they received a high quality report
- 92% indicated their consultant understood their needs
- 57% felt that the program would lead to improved farm income and profitability
- 88% indicated that they would consider using a consultant in the future.

One participant stated:

"BSE hit us hard. We were running into trouble making ends meet, and we had to make some decisions about the direction the farm was going, and how we could manage the financing we needed (...) Through the FBA service, we went looking for a consultant who could give us the help we needed (...) It's helped the farm a lot, The refinancing plan was a big benefit, and so was knowing our break-even points so we could set our target prices. I'd highly recommend the FBA to any farmer, including farmers who are doing well—it never hurts to have someone look at your operation from a different perspective. The service was fast and efficient, and I was very impressed." (Fred Procinsky, cow-calf farmer, St. Michael, Alberta)

With respect to satisfaction surveys for SBPS:

- 77% of the clientele have been satisfied with the service
- 85% indicated they received a high quality report
- 82% indicated their consultant met their expectations
- 87% indicated their consultant communicated effectively
- 80% indicated the program helped clarify their goals
- 77% indicated the program increased their understanding of factors critical to success to the operation
- 72% indicated the program helped to develop a more realistic and comprehensive plan
- 80% indicated the program increased their awareness of elements that need to be in a business plan
- 67% felt that the program would lead to improved farm income and profitability
- 90% indicated that they would consider using a consultant in the future.

For those clients who undertook succession planning, it has become an invaluable exercise and learning tool for the whole family, as the following testimonial illustrates:

"We realized we needed to develop a succession plan to hand the farm on to my son and his wife (...) We'll end up with what you might call a succession manual. It will include everybody's personal and business goals, and everything about how the farm operates. All the information is down on paper—contracts, finances, banking information, RRSPs and so on. At the moment, the highest priority for my wife and me is to know that the business we've built up will be taken care of by the next generation, and this plan will help see to that. I also believe that an early start on a succession plan helps the younger generation, while they're working the long hours that a farm demands, to see that there's really some benefit coming to them."
(Doug Spencer, dairy farmer, Campbellford, ON)

With respect to satisfaction surveys for PAVE:

- 91% of the clientele have been satisfied with the service
- 88% indicated that they would consider using a consultant in the future.

Most **Canadian Agricultural Skills Service** clients have not completed their Individual Learning activities, although they have completed their assessments and Individual Learning Plans, and the satisfaction surveys and feedback reflect these initial steps in the process. Considering this fact, CASS satisfaction survey found:

- 83 % have been satisfied with the program
- 83% considered the use of an ILP to be beneficial to a farm business
- 81% indicated that the program met their needs
- 66% indicated that the program increased their understanding of future skills requirements
- 63% indicated that the program helped clarify their learning goals
- 67% indicated that the program increased their awareness of the types and sources of learning activities available
- 71% indicated that the program will lead to increased farm profitability
- 84% indicated that the program will lead to increased family income
- 63% has decided to budget for training in the future
- 87% indicated that their interest in future learning activities increased as a result of this service

The following testimonial provides an example of the concrete benefits the program can have on participants:

"What the family lacked, though, was a trained cheesemaker". In April 2006, with her CASS application approved, Ms. Hunter travelled to Ontario's University of Guelph, whose Food Technology Centre offers a one-week course in cheesemaking. "I found it really excellent, and it gave me the knowledge and the skills I need to run our own cheesemaking business". The Hunters will have a small shop at the plant where they will sell their products. (Angela and Frazer Hunter, Dairy farm, Merigomish, NS)

Lessons Learned

Communications is a key element to ensure successful participation in programs. AAFC Renewal Services have relied heavily on federal-provincial-territorial communications mechanisms and products. As suggested earlier, it has been found that provinces, where an infrastructure has pre-existed that can

facilitate delivery and provide information at the grass roots level, have been able to obtain higher program uptake. For example, CFBAS program uptake has been higher in Quebec where it is provided by the farm organization, and the service provider is local.

Peer endorsement is an essential ingredient to transfer of information. This is seen in the way participants in the CASS program acquired awareness of that program. Groups closer to the producer such as producer organizations and commodity groups may represent good venues to disseminate information about management practices and related programs.

Third party program delivery through farm or other non-government organizations has both advantages and disadvantages. The use of third party delivery agents can increase industry buy-in and could be a more effective delivery system. However, third party delivery models also have the potential to be less efficient because of the additional monitoring required with the need to monitor standards and consistent program delivery among delivery agents. Some of the considerations that need to be taken into account when deciding who would be best to deliver a particular initiative include:

- capacity of the delivery agent (cash-flow, human resources, knowledge, commitment, infrastructure, etc.);
- cost-effectiveness of delivering an initiative;
- location and access to clients;
- consistency of the service delivered;
- jurisdictional mandates;
- service principles and government policies; and
- best practices.

Furthermore, communication could be supplemented and be oriented toward the link between programs and their impact on increased profitability and income. The impact of planning for profitability may be viewed as a longer time frame and its contribution less obvious. Although some research already exist, further efforts to evaluate the impacts of Renewal programs on profitability are required. Toward this end, AAFC is currently undertaking a Client Impact Assessment Survey that will measure specific program outcomes experienced by the Renewal program clients. Those results will determine what changes took place, what changes the clients felt were the consequences of the program, and the degree to which they were positive, and will describe the impact of these changes on producers' profitability, income and realization of goals.

Conclusion

The Agricultural Policy Framework is in its last fiscal year of operations as the agreement for funding for all programs terminates on March 31, 2008. At this time, stakeholder and public consultations are being held on the Next Generation of Agricultural Policy to build consensus as to the future direction of national Renewal programs building skills and knowledge with the sector.

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