

2012 New Entrant Assistance Program



Today, starting almost any type of business requires a considerable amount of capital. Starting a dairy farm is no different. However, it is crucial to the long-term sustainability of agriculture in Canada that new people and new investment be encouraged to enter the industry. The intention of Alberta Milk's New Entrant Assistance program is to do just that: assist individuals or families who want to own a dairy farm by alleviating some of their capital start-up costs so that their energy and innovative ideas do not become a missed opportunity for the rest of the dairy industry. The program strives to accomplish this task by setting aside a small amount of the province's dairy quota to be lent out for a period of time to successful applicants.

During the design stages of the New Entrant Assistance program, it has been kept in mind that all individuals have the opportunity to start a dairy farm in Canada provided that they have the financial means required to do so. Unfortunately, it is incorrect to assume that all individuals who would make good dairy farmers have access to the necessary financial resources. Of course, it would also be incorrect to assume that all individuals would make good dairy farmers. For these reasons, the New Entrant Assistance program seeks to assist those who need it while striving to find the correct balance between "too little" assistance and "too much". If the correct selection criteria and correct parameters are applied, the chance of someone applying for the program who does not need the assistance can be minimized. At the same time, the chance of someone being accepted into the program who will not be successful in the long-run (after their time on the program has ended) can also be minimized. The success of the New Entrant Assistance program should be measured by the number and quality of successful applicants as well as the number of individuals who decide to enter the industry without accessing the program.

If you plan to apply for the New Entrant Assistance program, please be in contact with staff at the Alberta Milk office for assistance with your application to ensure you will meet the minimum criteria. Watch the website for important updates including the deadline for 2012 applications.

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Alberta Milk's 2012 New Entrant Assistance Program

The parameters of the program are as follows:

1. Once an applicant has been accepted into the New Entrant Assistance program, the applicant has up to one year to be licensed as a dairy producer, to purchase quota through the quota exchange and begin shipping milk. If the successful applicant does not begin shipping milk within one year of being accepted into the program, he/she would cease to be on the program. (Hereafter, the successful applicant will be referred to as the "New Entrant").
2. Beginning in the month that the New Entrant starts shipping milk, the New Entrant will be provided a loan of additional quota at no cost.
3. The amount of loaned quota that is added to the New Entrant's holdings will match what the New Entrant has purchased through the quota exchange as of the one-year anniversary date of being accepted into the program. **The matching loan will be up to a maximum of 15 kg/day.** If, at any point on the program, a New Entrant decides to sell quota and the quota they own drops below 15 kg/day, the matching quota loan would also be reduced. If a negative quota adjustment is applied to producers, this adjustment will be applied to the quota that the New Entrant owns but it will not be applied to the kilograms that are loaned to the New Entrant. If a New Entrant's quota purchase is less than 15 kg/day as of the one-year anniversary date of being accepted into the program, the maximum quota loan will only equal what has been purchased as of that date.
4. While there are no restrictions on buying additional quota, the maximum total quota holdings while using the New Entrant Assistance program is 60 kg/day. This means the quota that the New Entrant has purchased plus what has been loaned to him/her cannot exceed 60 kg/day. If a New Entrant buys quota or receives a positive quota adjustment and this causes their total holdings (owned plus loaned) to exceed 60 kg/day, their loaned quota would be reduced to the point that their total holdings are equal to 60 kg/day. The quota loan can be restored if a quota decrease on a later date causes the operation to drop back below 60 kg/day.
5. The maximum quota loan size would be 15 kg/day in Years 1 through 6. However, it is at the end of Year 6 that the loan begins to expire. At the end of Year 6, the maximum loan size would reduce to 10 kg/day. At the end of Year 7, the maximum loan size would reduce to 5 kg/day. At the end of Year 8, the quota loan to the New Entrant would reduce to zero, effectively marking the end of the assistance program for the New Entrant.
6. Two limitations are placed on producers who have decided to take advantage of this program:
 - a. While enrolled in the assistance program, New Entrants are not permitted to sell all of their underproduction credits. Up to a maximum of 15 per cent of annualized

quota could be sold as underproduction credits within a 12-month period. This limitation is lifted once the New Entrant is no longer using the assistance program.

- b. While enrolled in the assistance program, New Entrants are not permitted to transfer quota through the Family Transfer option (either transferring quota to or from their operation). This limitation is lifted once the New Entrant is no longer using the assistance program. The other available quota transfer options are still permitted.
7. New Entrants are permitted to buy underproduction credits under the same policy as other producers.
8. New Entrants have the option of exiting the assistance program at any time, either automatically (example: purchasing 60 kg/day or more so that the quota holdings owned by the operation have reached or exceeded the maximum size while on the program) or by simply submitting a request in writing to the Alberta Milk office to be taken off of the program. New Entrants are not permitted to re-enter the program after they have exited.
9. Up to a maximum of five New Entrants will be selected each year.

The minimum criteria to meet in order to be accepted into the New Entrant Assistance program are as follows:

1. Applicant(s) must be a Canadian citizen or landed immigrant
2. Applicant(s) must be a permanent resident of Alberta and have filed at least one Alberta tax return
3. Applicant(s) must be 18 years of age or older
4. Applicant(s) cannot have been licensed dairy farmers or owned a dairy farm at any location currently or at any time in the past
5. Applicant(s) must have an acceptable facility and location for a dairy operation or a detailed plan for an acceptable dairy facility. If leasing a location, a bona fide eight-year lease agreement must be provided. More information on what is required regarding an acceptable facility is provided below.
6. Provide a detailed two-year financial business plan for the dairy operation, including cash flow statements and other projected financial statements, to demonstrate how the farm will be viable within the short-term. Applicants are encouraged to involve a certified accountant or agricultural business consultant to assist in writing the financial business plan.
7. Provide a basic ten-year implementation plan for the dairy operation to set targets or milestones and provide financials to demonstrate how the dairy farm will be viable in the long-term. More details on what is required regarding the financial business plan and implementation plan is provided below.

8. Provide a detailed list of expected risks to the operation and the mitigation strategies that will be applied.
9. Provide a letter signed by the applicant's lender indicating that the financial institution is satisfied with the business plan and agrees to finance the operation as described in the business plan.

Acceptance Procedure:

1. Once your application and supporting documents have been received, the applications will first be checked by Alberta Milk staff to ensure the minimum criteria have been met.
2. Applicants who have met the minimum criteria will then be invited to meet with the Selection Committee.
3. The Selection Committee will ask questions of the applicants and allow the applicant the opportunity to provide additional information and clarity as to why they should be accepted onto the program.
4. After interviewing all applicants who have met the minimum criteria, the Selection Committee will make the final recommendations as to who is best suited for the program.

**Application for Alberta Milk's
2012 New Entrant Assistance Program**

Name of Applicant (as it will appear on the Alberta Milk Licence)

Given Name(s) (if above is a business or corporate name)

Mailing Address _____

City _____ Province _____

Postal Code _____

Contact Phone Number(s) _____

E-mail Address(es) _____

Fax Number(s) _____

Application for Alberta Milk's 2012 New Entrant Assistance Program

Please confirm that you have met the minimum criteria by initialing the appropriate boxes:

	Yes	No
All of the applicants are Canadian citizens or landed immigrants?	<input type="checkbox"/>	<input type="checkbox"/>
All of the applicants are permanent residents of Alberta and have filed at least one Alberta tax return?	<input type="checkbox"/>	<input type="checkbox"/>
All of the applicants are at least 18 years of age?	<input type="checkbox"/>	<input type="checkbox"/>
All of the applicants are not and have never been licensed dairy farmers or owned a dairy farm?	<input type="checkbox"/>	<input type="checkbox"/>
Have you included a detailed description of the facility you plan to use?	<input type="checkbox"/>	<input type="checkbox"/>
Have you included a 2-year financial business plan?	<input type="checkbox"/>	<input type="checkbox"/>
Have you included a 10-year implementation plan to outline your longer-term goals?	<input type="checkbox"/>	<input type="checkbox"/>
Have you included a letter from your lender indicating their satisfaction with the business plan and their willingness to finance this operation?	<input type="checkbox"/>	<input type="checkbox"/>

Declaration:

The undersigned certify the information herein contained is complete, true and correct in all respects.

Name _____ Signature _____ Date _____

Name _____ Signature _____ Date _____

Name _____ Signature _____ Date _____

Name _____ Signature _____ Date _____

In addition to the 2-page application form included in this document, here is a detailed list of the information that an applicant must provide to be considered by the Selection Committee:

The Description of Applicant's Operation must include:

- Who are you? What experience, education or expertise do you bring?
- Who is on your team? Who will be involved in the day-to-day operations and what will they be doing? Will anyone else be involved to help to enhance your management (examples: herd health and milk quality)?
- Why do you want to be a dairy farmer and what is your vision or objective for this venture?
- Do you have someone who is willing to mentor you?
- Do you have other forms of support (examples: feed sources and farm equipment)?
- If applicable, outline any other income sources you will receive while you are starting your dairy operation.
- Provide a description of the farm, applicable infrastructure, equipment and the location of the milk house.
- Provide reasonable assurance that the farm will meet NRCB guidelines and will not be at odds with any municipal development plans.
- Indicate which information management systems will be employed (e.g. DHI, Dairy Cost Study, Johne's Disease program).

The 2-year Financial Business Plan must include:

- Expected Start Date
- Expected Level of Production at time of Start Date
- Breakdown of projected Cost of Goods Sold (variable costs) for the two years following start-up including all labour
- Breakdown of projected Other Expenses (fixed costs) for the two years following start-up including depreciation, insurance, interest on debt and taxes
- Projected Income Statements for the two years following start-up
- Balance Sheet at time of Start Date
- Projected Cash Flow Statements, monthly for the two years following start-up
- It is recommended (but not required) that the business plan is verified by a certified accountant or recognized agricultural business consultant to confirm that the business plan is legitimate and the operation has the ability to generate profit.

The 10-year Implementation Plan must include:

- Quota purchases – expected timelines and volumes
- Equipment purchases (if applicable) - expected timelines
- Barn expansion (if applicable) – expected timelines
- Other applicable goals or milestones
- Applicable projections of costs and other financial information

The Risk Mitigation Plan must include:

- Provide a complete list of potential risks (both internal and external), rate each risk according to probability and potential impact (high, medium, or low), and provide plans or procedures that will be implemented to minimize the probability and/or impact of each risk when applicable.

An applicant must also provide a signed letter from their financial institution. This letter must indicate that the lender has read the business plan that is being submitted and that the lender agrees to finance the operation as laid out in the business plan.

Selection Committee Scorecard

To assist the Selection Committee to make more objective recommendations as to which applicants are best suited, a scorecard has been provided for their purposes. The scorecard can be used to estimate an applicant's likelihood of succeeding over the long-term and it can be used to rank New Entrants if more than five applicants meet the acceptance criteria. In the situation that more than five applicants meet the criteria and would be eligible for the New Entrant Assistance program, only the five candidates with the highest score may be selected. Those who are not selected will have the opportunity to apply for the program again next year.

Please note that the scorecard will be used as guide for the Selection Committee in their recommendation of successful applicants. The scorecard below is an example; provided to give applicants a clearer idea of what the characteristics the organization values for new entrants. It makes sense that a new entrant who will be successful over the long-term will have sufficient experience in milking cows in addition to a strong financial business plan.

The recommendation of the Selection Committee is final and cannot be appealed.

Scorecard:

1. Has the application been completed and does the applicant meet the minimum criteria? _____

If the answer to the above question is 'No', it is unnecessary to proceed to question 2 as the applicant must meet the minimum criteria.

2. Based on the Description of the Operation, provide a score for each of the following:

- a) The applicant(s) have a strong vision for the operation and have clearly demonstrated their passion for the dairy industry.

Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
0	1	2	3	4

- b) The applicant(s) level of experience with operating a dairy business appears to be...

Very Low	Low	Medium	High	Very High
0	1	2	3	4

c) The applicant(s) have carefully outlined day-to-day operations including which team members will be doing which tasks.

Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree
0	1	2	3

d) The applicant(s) have a mentor with applicable experience.

No	Yes
0	1

e) The applicant(s) will receive other sources of income while starting their dairy operation.

No	Yes
0	1

f) The applicant(s) have provided an adequate description of the farm and its location.

No	Yes
0	2

g) The applicant(s) are committed to employing multiple information management systems.

No	Yes
0	2

3. Based on the 2-year Financial Business Plan, provide a score for the following:

a) Based on the applicant(s) projection of expenses, income, as well as the information provided in the balance sheets and cash flow statements, the operation appears to be financially viable.

Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
0	1	2	3	4

4. Based on the 10-year Implementation Plan, provide a score for each of the following:

a) The applicant(s) have set targets that appear to be achievable.

No	Yes
0	2

b) The applicant(s) have demonstrated their intention to grow their operation and will be able to transition off of the New Entrant program smoothly.

Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree
0	1	2	3

5. Based on the Risk Mitigation Plan, provide a score for each of the following:

- a) The applicant(s) have accurately identified the risks of starting a new dairy farm (both internal and external) and have placed reasonably accurate ratings according to probability and potential impact.

Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree
0	1	2	3

- b) The applicant(s) have provided appropriate risk mitigation strategies where applicable.

Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree
0	1	2	3

6. Other questions:

- a) The applicant(s) applied for the program last year but were not accepted at that time.

No	Yes
0	1

- b) The applicant(s) have received some applicable post-secondary education.

No	Yes
0	1

- c) The applicant(s) have reviewed the Dairy Code of Practice from the National Farm Animal Care Council and the Environmental Manual for Livestock Producers in Alberta from Alberta Agriculture and Rural Development.

No	Yes
0	1

- d) The applicant(s) have completed (or are committed to completing) a reviewed Environmental Farm Plan.

No	Yes
0	1

Total Score _____ out of a possible score of 36