

**Business Plan: Agricultural
Business Innovation Centre
North Klondike Highway Property**

Yukon Agricultural Association

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Executive Summary

In July of 2012 the Yukon Agricultural Association (or YAA) entered into a lease agreement with the Yukon government for a 65 ha parcel of agricultural land located at KM 206 of the Klondike Highway. The long-term vision for the leased land is to develop a multi-faceted Agricultural Business Innovation Centre that provides products, services and solutions for the agriculture and related sectors. To achieve a degree of viability the business plan outlines a modest, staged approach to the development of Agricultural Business Innovation Centre.

Although its overall structure follows the general outline of most business plans, some aspects are adapted to the nature of the not-for-profit financial model. The general financial approach the YAA intends to take is to fund capital costs with cash reserves and through grants with no plans to cover those costs through revenue generation. However, efforts will be made to recover some of the operating costs through revenue generation. The long term financial viability of the innovation centre will be in the establishment of strategic partnerships.

The Agricultural Business Innovation Centre will have four business units:

1. Land sub-leasing to agricultural organizations for the purposes of food production, crop testing, teaching and training, and the showing and husbandry of livestock.
2. Farm equipment rental program and equipment demonstration days (with partners).
3. Agriculture resource and learning centre that will support two streams of learning: agri-business and agricultural production. Both streams will be enhanced by access to the resource centre facilities and close proximity to agricultural land and on-the-land, hands-on practical demonstrations.
4. A producer kitchen and permanent space for the agricultural resource and learning centre (and potentially a space for wider community use) will be developed in phases over a number of years.

The estimated total capital cost for the first three business units plus necessary preliminary infrastructure is \$277,800. Business unit four – the producer kitchen and permanent other space – will add another \$657,200 at a minimum.

Annual operating costs for the first three business units are estimated at \$52,000. The operating costs for business unit four will add approximately \$80,000 in operating costs not including any staffing costs.

Revenue projections for the first three business units are \$13,355 annually. Facility rentals for the producer kitchen and permanent other space may provide a further \$15,000 in revenue annually.

A cash flow projection for the first three years estimates that the Yukon Agricultural Association will need to receive grants totalling \$222,120 plus draw down its reserves by \$109,348 in order to cover the cash shortfalls to build and begin operating the first three business units.

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1 Overview

In July of 2012 the Yukon Agricultural Association (or YAA) entered into a lease agreement with the Yukon government for a 65 ha parcel of agricultural land located at KM 206 of the Klondike Highway. This was the culmination of a long effort by the organization to acquire a land with the broad goal of using it to advance agriculture in the Yukon.

Planning for how to best use the site for a wide range of projects began immediately and the planning process has resulted in the reports discussed in Section 1.2 below. Concurrent with the planning efforts, in 2013 the YAA fenced the property (including several internal fences), constructed a basic access road into its center and dug a water storage pond.

The long-term vision for the leased land is to develop a multi-faceted Agricultural Business Innovation Centre that provides products, services and solutions for the agriculture and related sectors. This business plan is intended to pull together and update the results of the previous reports to provide a logical and practical outline of how to develop the business units that, when taken together, make up the overall agricultural business innovation centre. Efforts have been made to address the viability of the venture while maintaining a flexible approach. To achieve a degree of viability the business plan outlines a modest, staged approach to the development of Agricultural Business Innovation Centre.

Although its overall structure follows the general outline of most business plans, some aspects are adapted to the nature of not-for-profits that rely on grants and core funding to carry out their mandates.

Section 2 provides a detailed outline of the four key business units that the YAA intends to move forward with while Section 2.5 provides a brief market analysis on needs, trends, alternatives and advantages.

Section 3 lays out the development steps and sequence of major tasks required to develop the four business units.

Section 4 is the financial plan for the overall agricultural business innovation centre broken out by business unit. Included are capital and operating costs, revenue projections and cash flow projections.

Section 5 is an outline of the management plan for the overall agricultural business innovation centre broken out by business unit. A brief overview of staffing and potential training needs is included.

Finally, Section 6 provides an analysis of known or potential risks to the successful creation of both the overall agricultural business innovation centre and its component business units.

1.1 The Yukon Agricultural Association

The Yukon Agricultural Association (or YAA) and its predecessor organization the Yukon Livestock and Agriculture Association has been fostering the development of agriculture in the Yukon since 1974.

The objectives of the Association, as summarized on its website, are:

- To foster and promote Yukon agriculture;
- To encourage research and development pertaining to agriculture;
- To support suitable Yukon agriculture policies;
- To help develop legislation and regulations which meet the needs of the industry;
- To lobby for the industry; and,
- To provide agricultural information to both Association members and the Yukon public.

1.2 Project Background and Previous Reports

The YAA lease came into effect in July of 2012. Key factors influencing the agricultural business innovation centre business plan include:

- The lease is for a 30-year period (expiring 2042) but is renewable for another 30 years;
- The YAA is paying \$1,000.00 per year for lease; and,
- The land is property tax exempt at the present but this exemption is not guaranteed going forward.

The general financial approach the YAA intends to take is to fund capital costs through grants with no plans to recover those costs. Efforts will be made to recover at least some of the operating costs through revenue generation.

The planning for the site and its development have gone through several iterations and significant changes have occurred. Sections 1.2.1 through 1.2.3 provide summaries of three previous reports/plans with a focus on what has been brought forward and what is no longer under consideration for the overall agricultural business innovation centre. Section 2 details the four key business units that the YAA intends to move forward with.

In addition, there was a soil capability for agriculture survey of the property prepared by David Murray on May 27, 1996 that is attached in the appendix as Figure 2.

1.2.1 The Klassen Report

In July 2013 W.J. Klassen completed a planning study¹ for the YAA's leased land.

The short-term projects suggested for the land in the report include:

- Fencing the lease;
- Constructing an access road (and creating a dugout);
- Bringing hydroelectricity onto the lease;
- Drilling and developing a well; and,
- Building a heated storage building for the mobile abattoir.

The longer term projects from the Klassen report include:

- Building a mobile abattoir docking station and ancillary facilities;
- Conducting agriculture-related research;
- Constructing a quarantine facility;
- Multi-use abattoir and value-added processing facility;
- Building a fairgrounds and community building;
- Building a horse-event facility;

¹ Klassen, W.J. July 2013. *Planning for the Development of the Yukon Agricultural Association Agricultural Lease*.

- Providing a site for community garden plots; and,
- Hiring a caretaker to manage the lease and infrastructure.

The fencing, access road and water dugout pond have all been completed. Bringing in power and drilling a well have not yet been done and are a requirement for further development (see Section 3). The final short-term project suggested by the Klassen report – building a heated storage building for the mobile abattoir – is no longer under consideration.

Of the longer term projects examined in the Klassen report, all those associated with a permanent abattoir facility are no longer under consideration for the overall agricultural business innovation centre. The following have been incorporated in one form or another (see Section 2) in the YAA's plans for the leased land:

- Building a fairgrounds and community building (perhaps just the community building in conjunction with the producer kitchen);
- Building a horse-event facility (by Yukon Horse and Riders Association as a sub-lease);
- Providing a site for community garden plots; and,
- Hiring someone to manage the lease and infrastructure in the form of a contract position for managing the construction of infrastructure over the first three years.

1.2.2 Conceptual Site Plan

The Yukon Agricultural Association hired Urban Systems to prepare a conceptual site plan² in October of 2014. The site plan document includes:

- An overall site analysis including existing conditions, soils, topography and zoning;
- A geotechnical assessment of the property;
- A conceptual plan for the overall property;
- A layout of the concept for the agricultural operations node (Node #1, see Figure 1 in appendix) in the center of the property accessed by the new road; and,
- A layout of the concept for the community use node (Node #2) at the northern end of the property with a separate access road where the Yukon Horse and Riders Association (YHRA) had detailed plans for a sub-leased area.

The aspects of the 2014 conceptual site plan that remain current and relevant include:

- The overall site analysis including existing conditions, soils, topography and zoning;
- The geotechnical assessment of the property; and,
- The general location of Node #1 (see Figure 1) in the center of the property accessed by the new road.

Major changes since the preparation of the conceptual site plan include:

- The elimination of plans for a permanent abattoir in Node #1 which allows the node to become a mixture of agriculture and more general community use;
- The elimination of the abattoir from planning consideration also implies a significant reduction in the need for a treed buffer zone between Node #1 and the highway as that buffer was intended to screen the abattoir; and,
- A major re-alignment of the location of Node #2 (the proposed Yukon Horse and Riders Association sub-lease) to bring it adjacent to the north side of Node #1 allowing both nodes to use the same road access.

² Yukon Agricultural Association. October 8, 2014. *Conceptual Site Plan*.

These changes will require the preparation of a new conceptual site plan for the now adjacent nodes that takes into account the shifting of locations and change from the focus on developing a permanent abattoir (see Section 3).

1.2.3 The Hart Report

The March 2016 report³ prepared by Hart and Associates is the most recent in the series focussed on the possible projects and uses of the YAA's leased land.

The Hart report (see phases one and two of this project) generated an ambitious platform for a Yukon-based Agricultural Business Innovation Centre. The proposed plans for the centre were influenced by impressive food processing facilities such as the Guelph Food Technology Centre, the Leduc Centre (Edmonton) and the City of Toronto's Food Starter, a food processing incubator centre. Each of these centres emphasizes educational and training programs as well as agri-business advisory services.

Building on this idea, the Hart report proposed that the YAA's Agricultural Business Innovation Centre include: a food processing centre with commercial equipment and a resource centre that could develop educational courses on food safety and nutritional labelling as well as business advisory services. The centre would also be a home base for an agri-distribution program and a Yukon brand program.

Canadian food processing facilities rely on grants and transfer payments and some revenue for capital and operations costs. In addition, the Hart Report noted that municipalities own agri-fairs and exhibition building and grounds. Some cost recovery can be attempted through facility rental income. Therefore, the Hart Report recommended that the agri-food centre initially be located in Whitehorse so the facilities and programs could be marketed to a larger population base. Then once established, the centre could be moved out to the YAA's land on the North Klondike Highway.

The Hart report also provides a useful summary of potential funding sources and the equipment lists and estimated costs required for a producer/test kitchen.

The report provides extensive and in-depth analysis of some issues (e.g., assessment of markets including fairgrounds across Canada, Canadian agri-food innovation centres, Yukon market size and price comparison for selected products) that provides a landscape scan but are not specific to the development of the leased land.

The following items from the Hart report are no longer under consideration by the YAA for the agricultural business innovation centre located on the leased land:

- A Yukon branding program, including a branding manager and retail distribution, as envisioned in the report;
- Separate product and business development roles staffed by the YAA; and,
- The location of an extensive producer kitchen/product development and test centre in leased facilities in Whitehorse (replaced by a more modest approach located on the leased land, see Section 2).

³ Hart & Associates Management Consultants Inc. March 30, 2016. *Phase II Report: Feasibility Studies of Proposed Projects*.

2 Products, Services and Solutions

The priority of this business plan is to locate YAA's Agricultural Business Innovation Centre on the YAA's agricultural property. The plan is also to develop the property at an appropriate scale for Yukon population and to be realistic about YAA's resources and capacity. Therefore, this plan lays out the initial capital and operations costs for a series of business units that will comprise the Agricultural Business Innovation Centre:

1. The sub-leasing of plots of land to agricultural and social organizations for the purposes of food production, teaching and training, activities connected to agriculture and the showing and husbandry of livestock;
2. A pole barn and wash bay for the storage, cleaning and maintenance of farming equipment owned by YAA for its current equipment rental program and for use by YAA members, affiliated organizations and government;
3. Phased installation of two manufactured buildings to act as an agri-business resource centre and seasonal office facilities in the initial phase of development (the major purpose of the resource centre is to provide space for an agri-business development program and related educational and social programs focused on agriculture; and,
4. The development of a permanent structure – in phases – for a producer kitchen (inspected facility for small-scale food production and test recipe development), replacement of the manufactured structures for the agri-business resource centre and office and potential space for broader local community use.

Some basic infrastructure is required to be constructed on the site before services can be offered. Specifically, power must be brought into the site and a water well drilled. See Section 3.

Sections 2.1 through 2.4 below describe the four business units in more detail. For the expected costs and revenues associated with each, see the financial plan in Section 4.

2.1 Business Unit #1: Land Sub-leases

This core business unit for YAA's agricultural business innovation centre is to sub-lease plots of land to agricultural organizations for the purposes of food production, crop testing, teaching and training, and the showing and husbandry of livestock. Leveraging the energy and ideas of other organizations while meeting their needs for affordable land will certainly result in more activity and greater overall benefits to the agricultural sector and the wider community than if the YAA attempted to operate all aspects itself. Anticipated strategic partners include the Yukon Horse and Rider Association and Growers of Organic Food Yukon.

The sub-leasing of land has been part of the vision for the property from the beginnings of YAA's efforts to secure it. The Klassen report, the 2014 conceptual site plan and the Hart report all explicitly refer to the sub-leasing of portions of the property.

For this business unit:

- All tenants will be charged an annual lease fee that is in proportion to the land area leased in order to help cover the YAA's annual lease fee of \$1,000;
- Sub-lease agreements will contain the stipulation that, should property taxes be levied on the YAA in the future, those taxes can be passed on to sub-lease holders again in proportion to the land area leased; and,

- Sub-lease agreements will be clear on any payments required for use of electrical power and water by tenants.

2.1.1 Anchor Tenant: The Yukon Horse and Rider Association

The Yukon Horse and Rider Association has been in discussions with the YAA for some time regarding sub-leasing a significant piece of the property to construct a show grounds that includes a riding arena and ancillary infrastructure including parking and camping areas to enable the YHRA to hold horse shows and competitions. The Klassen report refers to the plans for the YHRA to use a portion of the land. In the 2014 conceptual site plan the YHRA sub-lease was to be the approximately 7.5 ha northern end of the property which would require a separate access road.

However, the YHRA has requested a different sub-lease location on the YAA property. The new proposed sub-lease would be much closer to the central Node #1. This sub-lease would make the YHRA the anchor tenant on the property. In the discussions to date, it is clearly understood that the YHRA would have sole responsibility for the development of its sub-lease to meet its needs. That responsibility would include hooking in to the YAA's electrical power at the site and into the well once these are in place.

The sub-lease to the YHRA will require:

- Final agreement between the organizations on the size, location and terms of the sub-lease; and,
- A professionally prepared lease agreement that minimizes risks to all parties and can act as a template for sub-leases to other organizations.

The YHRA sub-lease will impose no capital costs on the YAA apart from the preparation of the lease agreement itself and the only ongoing operating cost will be an allowance for managing the lease agreement including collecting payment.

2.1.2 Other Sub-leases

Other possible sub-leases are focussed on agricultural production and will therefore require cleared, arable land to lease. The leases will be made available to not-for-profit organizations for training, research or food production.

Depending on the sublease terms, the following will be needed to provide the required land:

- Clearing and grubbing a portion of the land identified as most suitable;
- Soil testing (can be done by the Agriculture Branch);
- Providing access to water from the well to each leased area in the form of stand pipes with hose bibs;
- Mineral balancing of the soil in the areas to be leased would be highly beneficial for any and all of the organizations interested in leasing a plot. Mineral balancing the soils might be undertaken as a research project.

This may be done either by YAA prior to further sub-leases or by the organization looking to lease land as part of their agreement with YAA.

All sub-leases will require:

- Final agreement between the organizations on the size, location and terms of the sub-lease; and,

- A professionally prepared lease agreement that minimizes risks to all parties based on the template provided by the agreement with YHRA.

As with the YHRA lease, once in place the only ongoing operating cost will be an allowance for managing the lease agreement including collecting payment.

2.2 Business Unit #2: YAA Equipment Rental Program

The YAA currently has a number of pieces of agricultural equipment that are available for rent to YAA members including: a heavy duty mower, a 3-bottom reversible plow, an aerator, a no-till drill, and a manure spreader. That equipment is currently stored on a member's property. There is also a fertilizer scale, a packer, two hexagonal tents and two seacans in the inventory.

This business unit is intended to provide these broad services:

- Provide a secure, covered location for the YAA's existing rental equipment where it can also be cleaned and maintained when not in use;
- Potentially provide sufficient covered and secure storage that would be available for YAA members or other organizations to rent for their own agricultural equipment (e.g. Growers of Organic Food Yukon);
- Provide a large wash bay to allow for the washing of equipment;
- Provide space for the location (or re-location) of some of the YAA owned bulk storage bins that are currently located and in use at various properties throughout the Yukon;
- Provide space for the existing YAA-owned seacans – currently located on the property – where they may be made available as secure storage; and,
- Work with potential partners to present equipment demonstration days.

The infrastructure required for this business unit is a 40-foot by 60-foot by 14-foot high pole barn with a 20-foot by 40-foot outside concrete pad washing bay one side equipped with a power washer hooked into the water supply from the well. The wash bay will drain to a rock sump disposal pit.

One option for the location of the pole barn, bulk storage bins and seacans is shown in the 2014 conceptual site plan (see Figure 1).

The plan for this business unit is to sub-contract the management of the equipment rental program to a qualified person, business or organization for a percentage of the rental payments on the equipment. The percentage of revenue left to the YAA is intended to cover equipment maintenance costs only.

Potential strategic partners for the equipment demonstration days include: Totaltrac (farming equipment), MacPherson Rentals (farming and construction equipment), Inland Kenworth (construction equipment), and Chequered Flag Recreation (all-terrain vehicles).

Ongoing operating costs to YAA will include the overall management of the program, and the annual insurance and maintenance costs.

Future capital costs may include the purchase of newer equipment.

2.3 Business Unit #3: Agricultural Resource and Learning Centre

This business unit focuses on setting up space (initially in the form of manufactured buildings) to house an agricultural resource and learning centre. It is envisioned that educational programs and services will be delivered by local experts with the curriculum and program schedule managed by the YAA – at least initially in the form of a pilot project.

The centre will support two streams of learning: agri-business and agricultural production. The agri-business component will take place in the indoor resource centre. Both agri-business and agri-production workshops and seminars would be enhanced by access to the resource centre facilities and close proximity to agricultural land and on-the-land, hands-on practical demonstrations. A program or programs similar to the TH Farm School in Dawson City are also possible.

Yukon College is currently considering developing a bachelor of science in agriculture. Early discussions with the College indicates the possibility of a strategic partnership between YAA and the College. The College would provide greater use of the facilities and revenue while YAA would bring experience with pilot projects and access to arable land.

Finally, the space would also be used as a seasonal office space for the YAA to ensure the property has a regular staff presence during the growing season.

Infrastructure required is the phased installation of two manufactured buildings, one of which will require a water hook up to the well, washroom and an underground pump out septic tank.

A centre for agricultural learning will require some cleared arable land for hands-on practical instruction in Node #1 (see Figure 1).

The operating costs for this business unit will include:

- Utilities, including power, heat, phone and internet;
- Septic pump out service;
- A budget for business development programs; and,
- A budget for educational resources and programs.

2.4 Business Unit #4: Producer Kitchen

The development of a producer kitchen and permanent space for the agricultural resource and learning centre (and potentially a space for wider community use) will be phased in over a number of years. It is important that the design allows for the addition of future components.

The survey undertaken in the Hart report outlines the need for and anticipated use of the producer kitchen. That report also provides considerable detail on the recommended equipment and the anticipated costs. The kitchen, when up and operating, will be available for rent by producers to add value to Yukon agricultural products.

The push to develop a producer kitchen to extend the Yukon's agricultural sector through value added processing has been around for well over a decade. The Hart report provides a survey of possible users along with prices for equipping it.

Phase 1 requires the construction of a 2,000 square foot building to house the producer kitchen and equipping it with the basic kitchen equipment. Phase 2 would see the purchase and installation of the remaining kitchen equipment.

Phase 3 is the construction of a 1,000 square foot addition to permanently house the agricultural resource and learning centre and the YAA office at the site.

A potential Phase 4 would be the construction of a multi-use space that, when combined with the kitchen, could act as a community centre for the Hootalinqua area.

Potential partners for this business unit include: community agriculture and food processing practitioners who have an interest in renting producer kitchen space and resource rooms and the wider Hootalinqua community.

2.5 Market Analysis

YAA's acquisition of the 65 ha parcel of land was the culmination of a multi-year effort to provide a physical location for agricultural infrastructure, initiatives and projects. No formal market analysis was behind the initiation of the effort, simply the ongoing long-term need for land that could be used for purposes beneficial to Yukon agriculture and related sectors that simply could not be supported in a private market context.

As noted, no formal market analysis has been done. However, the consultation done for the previous reports focused on the leased land indicates the following:

- There is some demand – particularly by Haskap producers – for a producer kitchen to allow value-added processing of agricultural products;
- There is a large gap in the market for on-site, hands-on agricultural training; and,
- It is the only not-for-profit site in the territory that can support long-term agricultural initiatives.

2.5.1 Marketing Strategy

The strategy for how to market the YAA's products, services and solutions is very simple. It was well summarized by the YAA in the request for proposals for this business plan:

“For the purpose of this business plan, “target clients” can be defined as organizations that could potentially use the YAA leased land and associated activities. Marketing strategies will be via word-of-mouth, in-person meetings and emails and social media announcements to YAA members and with Yukon organizations that share an interest in food production. An additional marketing campaign might be required to target local community groups (based in the Mayo Road/Takhini River Road area) who are interested in renting the producer kitchen and general-purpose room for community programming.”

“Therefore, identification of small target audiences is critical and could primarily be accessed through the memberships of organizations and via a localized media campaign. Collaborative relationships with other not-for-profit organizations will also be critical for the facilities to be used year-round at a moderate capacity. One way to access not-for-profit organizations that require access to a producer kitchen is through the Yukon Food Network, an umbrella group for organizations with mandates linked to food provision and preparation.”

It is expected that marketing of different aspects of each business unit will become easier as more infrastructure is developed and there is more activity on the site.

2.5.2 Competitors, Alternatives and Advantages

The YAA, through both its formal organizational objectives and its general approach, does not wish to compete with the private sector agricultural businesses to provide needed products and services. Instead, the YAA seeks to provide support to its members to overcome obstacles and to act as a bridge between its membership and other organizations and government agencies.

The YAA does not see any other organizations – including other agricultural organizations such as Growers of Organic Food Yukon – as its competitors. They are strategic partners in moving agriculture forward in the Yukon.

There are currently people offering agricultural business development services and agriculture business planning in the Yukon. The YAA will look to partner with them rather than compete. The Yukon Agricultural Branch operates a small research farm that provides all Yukon farmers with data and the YAA has no interest or incentive to duplicate these efforts.

Yukon College is an example of an organization that YAA views as a potential strategic partner, rather than competitor. The College currently offers training in food preparation but is looking at also offering courses in food processing and eventually in agricultural sciences. The YAA's Agricultural Business Innovation Centre will be an excellent fit with these plans, given its access to arable land combined with the development of its agriculture resource and learning centre.

However, it is important to note that the YAA has a number of advantages in each of its four units that will allow it to offer needed products and services for which there are no practical alternatives:

- As a not-for-profit with a mandate to promote agriculture in the Yukon, the YAA has access to a number of funding sources and these funding sources are usually refreshed by governments annually;
- Again, as a not-for-profit organization paying below market rates for its leased land, it can offer sub-leases to other not-for-profit organizations at very low rates; and,
- The YAA is a stable organization with a long history and the ability to leverage its current sole employee (executive director) to hire and manage other human resources on a contract basis.

3 Development Steps

The approach and overall timeline for developing the leased land is summarized in Section 3.1 below while the major tasks for the first two years are summarized in Section 3.2.

3.1 Approach and Overall Timeline

Table 1: Development Timeline for Site Infrastructure, Activities and Programs

Year	Site Infrastructure	Activities and Programs
1	<ol style="list-style-type: none"> 1. Electric power brought into site 2. Water well drilled 3. Land cleared for pole barn and wash bay 4. Space cleared for 22-tonne agricultural storage bins 	
2	<ol style="list-style-type: none"> 1. Yukon Horse and Rider Association (YHRA) begins work on arena and related infrastructure 2. Node #1 cleared and prepared as required 3. Pole barn and equipment washing bay constructed. 4. Temporary modular structure with washroom facilities placed on site 	<ol style="list-style-type: none"> 1. Land sub-lease program begins. 2. Storage and rental program for YAA (and other) farm equipment underway 3. Equipment demonstration days (with partners) begin 4. Seasonal office for YAA opens in modular structure 5. Agri-business and agri-production training begin.
3	<ol style="list-style-type: none"> 1. Second temporary modular structure placed on site 	<ol style="list-style-type: none"> 1. Land sub-lease program continues 2. Farm equipment program continues 3. Equipment demonstration days (with partners) continue 4. Seasonal office for YAA open on site 5. Agri-business and agri-production training continues 6. Space in modular structure available for rent.
4	<ol style="list-style-type: none"> 1. Design and site preparation for producer kitchen building 	<ol style="list-style-type: none"> 1. Land sub-lease program continues 2. Farm equipment program continues 3. Equipment demonstration days (with partners) continue 4. Seasonal office for YAA open on site 5. Agri-business and agri-production training continues 6. Availability of rental space continues
5	<ol style="list-style-type: none"> 1. Construction of producer kitchen building: Phase I basic kitchen 	<ol style="list-style-type: none"> 1. Land sub-lease program continues 2. Farm equipment program continues 3. Equipment demonstration days (with partners) continue 4. Seasonal office for YAA converts to year-round 5. Agri-business and agri-production training

Year	Site Infrastructure	Activities and Programs
		continues 6. Availability of rental space continues 7. Rental and programming for producer kitchen begins
6	1. Construction of producer kitchen building: Phase II additional appliances and equipment 2. Construction of caretaker apartment	1. YHRA continues activities and programs 2. Farm equipment program continues 3. Equipment demonstration days (with partners) continues 4. Sub-leases of gardening and farming plots continues with programming developed by lessees 5. Year-round office for YAA 6. Agri-business resource program, rental space and resource room continues 7. Rental and programming for producer kitchen continues
7 to 10	1. Monitoring and Evaluation Phase	1. YHRA continues activities and programs 2. Farm equipment program continues 3. Equipment demonstration days (with partners) continue 4. Sub-leases of gardening and farming plots continues with programming developed by lessees 5. Year-round office for YAA 6. Agri-business resource program, rental space and resource room continues 7. Rental and programming for producer kitchen continues

3.2 Tasks by Year

Table 2: Major Tasks: First Three Years

Year	Task
1	1. Develop template and program for plot leases 2. Complete and sign lease agreement with Yukon Horse and Rider Association 3. Update site drawings to include locations of infrastructure 4. Prepare and let contract for construction of power line onto site 5. Prepare and let contract for drilling water well on property
2	1. Prepare and let contract for central area clearing and grubbing 2. Ensure completion of soil mineral analysis on garden/farming plots for lease 3. Develop equipment rental agreement template and program 4. Prepare and let contract for pole barn supply and construction 5. Prepare and let contract for construction of concrete equipment washing pad 6. Purchase and move first modular building onto site 7. Begin developing agri-business resource and educational programs
3	1. Purchase and move second modular building onto site 2. Complete developing agri-business resource and educational programs

4 Financial Plan

Cost projections, revenue projections and a cash flow projection are offered – broken out by business unit – in the sections below. Costs associated with necessary preliminary infrastructure are also shown.

As noted in Section 1.2 above, the general financial approach the YAA intends to take is to fund **capital costs** through grants with no plans to cover those costs through revenue generation. However, efforts will be made to recover at least some of the **operating costs** through revenue generation. The balance of the operating costs will need to be secured through strategic partnerships (e.g. municipalities, Yukon Government, Yukon College, private equipment companies).

The long-term financial viability of the innovation centre will be in the establishment of strategic partnerships.

4.1 Cost Projections

Capital and operating costs for each business unit are laid out in Sections 4.1.1 and 4.1.2 below. Some of the costs (and revenue estimates that follow in subsequent sections) are from the previous Klassen and Hart reports as noted. Others are from recent quotes or recent costs incurred for similar projects.

4.1.1 Capital Costs

Table 3: Capital Costs: Preliminary Infrastructure

	Capital Cost	Notes
Update site conceptual plan	\$1,500	Needed before bringing in power and drilling well
Bring power into site		Quote from Yukon Electric
Option #1: 3-phase	\$38,850	
Option #2: single phase	\$16,800	Poles etc. designed for future upgrade to 3-phase
Drill water well	\$30,000	Based on Klassen report estimate plus 5%
Project management contract	\$5,000	Share of contract project manager to co-ordinate and manage infrastructure construction needs.
Total with power Option #1	\$75,350	
Total with power Option #2	\$53,300	

Table 4: Capital Costs: Business Unit #1: Land Sub-Leases

	Capital Cost	Notes
Develop lease template	\$0	Provided internally by YAA
Outline of lease program and user rules and expectations	\$5,000	One-time contract with allowance for two revisions over two years.
Clear & grub 5 ha	\$50,000	Cost may vary on amount of firewood/timber. Based on recent costs incurred on nearby land.
Soil testing	\$0	Provided by Agriculture Branch
Soil balancing	\$0	May become a research project and future program for agriculture and learning or done by sub-lease holders
Basic irrigation system	\$5,000	Lines and hose bibs only and actual costs will be dependent on the layout and size of the sub-leases.
Project management contract	\$5,000	Share of contract project manager to co-ordinate and manage infrastructure construction needs.
Total	\$65,000	

Table 5: Capital Costs: Business Unit #2: Equipment Rental

	Capital Cost	Notes
Construct pole barn	\$60,000	40' X 60' X 14' with sliding doors. From quote to supply and install
Construct wash bay beside barn	\$6,000	20' X 40' X 4" concrete slab with drain sump
Water pipe from well	\$2,000	Cost highly dependent on distance from well
Pressure washer	\$1,500	Retail price in Whitehorse
Project management contract	\$5,000	Share of contract project manager to co-ordinate and manage infrastructure construction needs.
Development of equipment user rules, expectations, legal requirements and check-in, check-out forms	\$5,000	One-time contract with allowance for two revisions over two years.
Total	\$79,500	

Table 6: Capital Costs: Business Unit #3: Agriculture Resource and Learning Centre

	Capital Cost	Notes
First modular unit	\$45,000	Purchase second-hand 12' X 48' unit, likely in northern Alberta. Cost estimate includes delivery, set up with power, water and underground pump out. Prices on second hand units are highly variable and care must be taken on quality of unit.
Second modular unit	\$20,000	Purchase, deliver, set up and connect with first (second does not need washroom)
Basic furniture and fittings	\$10,000	Allowance for tables, chairs, desk, locked cupboards for user groups etc.
Project management contract	\$5,000	Share of contract project manager to co-ordinate and manage infrastructure construction needs.
Total	\$80,000	

Table 7: Capital Costs: Business Unit #4: Producer Kitchen

	Capital Cost	Notes
Design and engineering services	\$37,500	10% of construction costs
Phase 1: Construct 2,000 square foot building for producer kitchen	\$375,000	\$175 per square foot construction costs plus allowance for a septic field large enough to support eventual planned full-size building
Phase 1: Install basic equipment	\$64,700	From Hart report p. 25
Phase 2: Install additional equipment	\$0	The Hart report recommends adding additional equipment but this will dependent on a thorough assessment of usage by the YAA business unit committee responsible for Business Unit #4.
Phase 3: Construct 1,000 square foot addition for permanent resource and learning centre	\$150,000	\$150 per square foot construction costs
Project management contract	\$25,000	Share of contract project manager to co-ordinate and manage infrastructure construction needs.
Development of kitchen user rules, expectations, legal requirements and check-in, check-out forms	\$5,000	One-time contract with allowance for two revisions over two years.
Total	\$657,200	

4.1.2 Operating Costs

The estimated operating costs for the first three business units – sub-leasing of land, equipment rental, and office & resource centre – are shown in the tables below.

The preliminary infrastructure does not have any operating costs associated with it (the maintenance costs of that infrastructure are covered under Business Unit #1: Sub-leasing).

Operating costs for Unit #4: Producer Kitchen are not estimated as there are too many uncertainties around the plans for the unit and it will not be built within the next three years. However, the basic annual operating costs (not including wages or programming costs) of the Mount Lorne Community Centre – currently approximately \$79,000 – provide a benchmark of the likely minimum for the producer kitchen building.

Table 8: Operating Costs: Business Unit #1: Sub-leasing

	Annual Operating Costs	Notes
Lease cost	\$1,000	Current annual lease payment to YG
Manage sub-leases and collect sub-lease fees	\$0	Management by YAA executive director. Contribution in-kind by YAA.
Professional fees	\$2,000	Allowance for legal review of leases by third-party
Shared use utilities and utilities maintenance	\$2,000	Allowance for maintenance of power and water utilities, e.g. irrigation supply to leased land, seasonal blow-out of irrigation pipes etc.
Total	\$5,000	

Table 9: Operating Costs: Business Unit #2: Equipment Rental

	Annual Operating Costs	Notes
Insurance	\$3,500	Current insurance costs for equipment plus \$500 allowance for insuring pole barn
Equipment management and maintenance	\$5,000	Includes managing and ensuring required maintenance is completed, the maintenance itself and annual training review sessions for renters and potential renters
Bookings management	\$0	Includes scheduling, rental agreements, communications, check-in and check-out. Management by YAA executive director if on site. Contribution in-kind by YAA.
Total	\$8,500	

Table 10: Operating Costs: Business Unit #3: Agriculture Resource and Learning Centre

	Annual Operating Costs	Notes
Utilities	\$6,000	Include heat, power, phone, internet, and education services.
Management of business unit	\$1,500	YAA executive director and Yukon Young Farmers Committee.
Pilot Program: Development of curriculum and supporting materials and moderator/host services.	\$15,000	Budget for contract to develop necessary curriculum and supporting materials for a pilot program that includes both business development and agricultural production content. Includes provision of moderator/host services for program delivery
Delivery of business development program	\$8,000	Budget for contract delivery of program, once a month for 6 months on varying topics likely delivered by local experts.
Delivery of agriculture education program	\$8,000	Budget for contract delivery of program, once a month for 6 months on varying topics likely delivered by local experts.
Total	\$38,500	

4.2 Revenue Projections

Estimates for average annual revenues from the Units #1, #2 and #3 are shown below.

Revenues for Unit #4: Producer Kitchen are not estimated as there are too many uncertainties around the plans for the unit and it will not be built within the next three years. However, the Hart report estimated kitchen rentals would generate \$15,000 in annual revenue (60 days' rental at \$250 per day).

Table 11: Leased Land Revenue Projections

	Average Annual Revenue	Notes
Sub-lease fees	\$200	Charged proportionally to the amount of land sub-leased
Electricity & water charges	\$2,000	Charged at cost to sub-leases
Equipment rental gross	\$3,000	Based on current levels of use
Equipment demonstration days	\$5,000	Five days at \$1,000 per day from partners
Space rental in resource centre	\$1,875	Half of Hart report estimate
Program administration fees	\$1,280	8% of \$16,000 annually
Total	\$13,355	

4.3 Cash Flow Projections

Table 12: 3-Year Cash Flow Projection

Cash at beginning of year	\$0	-\$71,100	-\$268,823
Cash at end of year	-\$71,100	-\$268,823	-\$331,468
Leased Land Operations	Year 1	Year 2	Year 3
Cash receipts from:			
Sub-lease fees	\$200	\$200	\$200
Shared utility charges	\$1,000	\$2,000	\$2,000
Equipment rental	\$3,000	\$3,000	\$3,000
Equipment demonstration days	\$5,000	\$5,000	\$5,000
Space rental in resource centre	\$0	\$937	\$1,875
Program administration fees	\$0	\$640	\$1,280
Cash paid for:			
Lease payments	-\$1,000	-\$1,000	-\$1,000
Update site conceptual plan	-\$1,500	\$0	\$0
Single phase power into site	-\$16,800	\$0	\$0
Drill water well	-\$30,000	\$0	\$0
Infrastructure project(s) management contract	-\$5,000	-\$10,000	-\$5,000
Contract to write sub-lease program	-\$5,000	\$0	\$0
Professional fees re: leases	-\$2,000	-\$1,000	-\$1,000
Clearing and grubbing	-\$5,000	-\$35,000	-\$10,000
Irrigation system	\$0	-\$5,000	\$0
Shared utility maintenance	-\$1,000	-\$2,000	-\$2,000
Equipment Insurance	-\$3,000	-\$3,000	-\$3,000
Equipment management and maintenance	-\$5,000	-\$5,000	-\$5,000
Construct pole barn	\$0	-\$60,000	\$0
Construct wash bay beside barn	\$0	-\$6,000	\$0
Water pipe from well	\$0	-\$2,000	\$0
Pressure washer	\$0	-\$1,500	\$0
Insurance for pole barn	\$0	-\$500	-\$500
Contract to write equipment rental program	-\$5,000	\$0	\$0
Purchase and place first modular unit	\$0	-\$45,000	\$0
Purchase and place second modular unit	\$0	\$0	-\$20,000
Basic furniture and fittings	\$0	-\$10,000	\$0
Resource centre utilities	\$0	-\$3,000	-\$6,000
Resource centre management	\$0	-\$1,500	-\$1,500
Development of curriculum and materials	\$0	-\$10,000	-\$5,000
Delivery of business development programs	\$0	-\$4,000	-\$8,000
Delivery of educational programs	\$0	-\$4,000	-\$8,000
NET CASH FLOW	-\$71,100	-\$197,723	-\$62,645

The 3-year cash flow projection is based on the planned approach and timeline of tasks outlined in Section 3. The cash flow projection assumes that the resource and education centre programs will begin on a small scale in Year 2 but have ramped up to full use in Year 3.

The YAA’s leased land operations are expected to have a significant net negative cash flow each year and will require the organization to both use its current cash on hand and to apply for funding from different sources to cover the shortfalls.

The following table lays out a scenario to covering the cash flow shortfalls by year. Each year’s cash flow shortfall detailed in Table 12 above would be zeroed out in this scenario. YAA would draw down its cash reserves by a total of \$109,348.

Table 13: A Scenario for Covering Cash Flow Shortfalls

Leased Land Operations	Year 1	Year 2	Year 3
Application to Growing Forward Agricultural Development Program for drilling well	\$30,000		
Application to Community Development Fund for 90% of power line costs	\$15,120		
Draw down YAA reserve funds	\$25,980		
Application to Growing Forward Agricultural Development Program for pole barn and wash bay and irrigation system		\$74,500	
Application to CanNor and Growing Forward Agricultural Training Program for development of curriculum, materials and programs		\$14,000	
Application to CanNor for 90% of modular unit and fittings costs		\$49,500	
Draw down YAA reserve funds		\$59,723	
Application to CanNor and Growing Forward Agricultural Training Program for development of curriculum, materials and delivery of programs			\$21,000
Application to CanNor for 90% of second modular unit costs			\$18,000
Draw down YAA reserve funds			\$23,645

5 Management Plan

5.1 Management Structure

Because the YAA is a board-run not-for-profit, its management ultimately rests with the board that is elected by the members.

The board can and does appoint committees made up of both board members and others to take responsibility for and oversee particular projects or aspects of the YAA's operations. The committees report to the board.

The YAA has one employee, an executive director who reports to the board. Additional contractors and consultants are hired in response to successful grant applications.

5.2 Staffing and Labour Needs

Starting and developing a multi-faceted agricultural business innovation centre will result in increased staffing needs.

At the onset, the YAA's executive director plus committee volunteers can work to develop the beginnings of programs and infrastructure development. However, a contract project manager with the requisite experience may be required to coordinate the development of the built infrastructure. The Hart Report (see phase two of this project) outlines the staffing requirements of a food processing and business development resources centre.

As programs develop and sub-leases are signed, a contract program co-ordinator will be required to manage the programs.

6 Risk Analysis

All projects have some risks attached to them. It is useful to identify and then quantify those risks in order to help compare their risk scores.

Likelihood of a risk occurring range from improbable through certain. Likelihood score:

- 1-Improbable; Rare
- 2-Unlikely
- 3-Possible
- 4-Likely
- 5-Certain

Consequences of occurrence range from insignificant through catastrophic:

- 1-**Insignificant**: negligible effects
- 2-**Minor**: normal administrative difficulties
- 3-**Significant**: delay in accomplishing project objectives
- 4-**Major**: project re-design, re-approval and re-do; required: fundamental rework before objective can be met
- 5-**Catastrophic**: project irrevocably finished; objective will not be met

Table 14: Risk Analysis

Description of Risk	Likelihood Score	Consequence Score	Risk Score (Likelihood X Consequence)
1. YG revokes lease with YAA	1	5	5
2. YAA loses core funding	2	4	8
3. There are internal user conflicts and relationship breakdowns	3	4	12
4. Well produces insufficient flows	3	3	9
5. Insufficient interest in business development and/or educational programs	3	2	6

The two highest overall risks in the table are internal user conflicts and insufficient water flow.