

# Some deals just smell like aged Roquefort

## ACOA taking action to recover funds

by Shawn Fuller

The federal government's Atlantic Canada Opportunities Agency (ACOA) is taking action to recover money loaned interest-free to Americans who created great hopes and little else in the Nova Scotia farm community three years ago.

La Ferme d'Acadie, the Yarmouth, N.S.-based cheese manufacturing plant started in 1999 with much fan-fare and a substantial injection of public money is closed and ACOA is scrambling for re-payment of a no-interest loan in excess of \$100,000.

Collapse of the cheese plant has left behind a trail of angry and confused milk producers. *Rural Delivery* has now learned the quick demise of the company created just as much confusion within ACOA.

*Rural Delivery* has obtained more than 400 pages of internal ACOA documents relating to the contract with La Ferme d'Acadie under the federal Access To Information Act. More than 100 of those pages were blank. The Agency refused to release a complete picture, claiming some of the docu-

ments were proprietary information of the now-defunct company.

The remaining documents, however, provide a trail dating from the time of La Ferme d'Acadie's original application for assistance from the Agency, through to the collapse of the company in the spring of 2000. These shed some light on why the company failed. They also provide a glimpse inside the workings of an agency that handles hundreds of millions of taxpayers' dollars.

American partners Daniel Abel, Charles Leary, and Vaughn Perret began the process of securing ACOA funding for the cheese-making venture in

1997, about a year after purchasing a picturesque property, including a small island, at Chebogue Point, Yarmouth County. On February 25, 1998, the provincial Department of Agriculture handed the American partners a milk quota. An undated Project Fact Sheet produced by ACOA shows La Ferme d'Acadie had start up costs of \$253,900.

This included \$185,000 for building construction, \$43,900 for machinery and equipment and \$25,000 for marketing. ACOA agreed to lend the company \$133,200 interest free to help with those costs. In return the American partners

government contribution to \$156,090. At the end of the day taxpayers would cover 61.5 per cent of all start-up costs for a company that is believed to have operated for less than a year.

### FINAL APPROVAL

"The proponents of La Ferme d'Acadie wish to establish a cheesemaking facility in Yarmouth, N.S.," states a June 1998, ACOA document detailing funding arrangements.

"The cheese products are to be hand made from raw cow and sheep milk and are to be exported to the U.S. and for sale throughout Canada. Project costs include the construction of a 2,000-square-foot production facility including equipment, on property the proponents acquired in 1996."

Leary, 34, who holds a doctorate in Chinese history and Perret, 41, a former lawyer in Manhattan, met at Cornell University. They operated a cheese producing business in New Orleans with a third partner Daniel Abel. A *National Post* article on the pair says they were

inspired in their cheese making ventures by an old woman who produced cheese on a farm using methods learned in France. Leary and Perret fell in love with Yarmouth in part because it reminded them of New Orleans.

"We love the area. There are French people just like in Louisiana. Cheese was the only thing missing," Perret told the *National Post*. The project involved more than cheese production. The partners planned to use nostalgic perceptions of Nova Scotia's coastal shore to promote the site as a tourism destination for Americans. People could visit Nova Scotia's coastal shores first hand



The former ACOA-built La Ferme d'Acadie creamery overlooking the Chebogue marsh in Yarmouth County, Nova Scotia, is now a summer home.

(David Lindsay photo)

promised to create four jobs and generate sales of \$378,710 worth of European and other specialty style cheeses by its third year of operation. The company's job and sales projections were modest. Nevertheless, documents show La Ferme d'Acadie was unable to generate the sales needed to maintain its small workforce.

ACOA's contribution to the venture included half of the company's capital costs, which amounted to \$114,450, and 75 percent of its \$25,000 marketing costs. The company also became eligible for a 10 per cent federal tax credit of \$22,890, bringing the anticipated total

while stepping back in time to learn how the Acadians made cheese.

"La Ferme d'Acadie's new seaside creamery is open for public tours and educational programs," a company promotional brochure says.

The deal with ACOA called for work on the project to begin July 31, 1998, and run for one year. ACOA officials foreshadowed problems to come in internal documents that characterized the earnings and working capital of the company as high risk. The major factor leading to this assessment was the failure of the American partners to secure confirmation of support from another financial institution. ACOA officials also conclude that the risks required site visits and increased project monitoring. These would later prove difficult to conduct.

ACOA sent La Ferme D'Acadie its first installment, a cheque for \$44,467, in January 1999. On March 16, 1999, ACOA approved a second cheque for \$40,987. Progress reports filed by the company at the time state that it had established three separate milk suppliers. It said construction was behind schedule but proceeding. ACOA's internal evaluation at the time states sim-

ply, "No problem with this claim."

By March 31, ACOA records show it was processing a claim for an advance of \$37,107 for La Ferme d'Acadie. An April 23, 1999, letter confirming approval for the advance from ACOA's manager of compliance and payments, Bruce Prime, reveals that the cheque was written without a complete understanding of how it would be spent.

"You are reminded that, within six months after the date of the disbursement, you must demonstrate to the satisfaction of the Agency that the advance was applied exclusively to the payment of eligible costs," Prime wrote.

On October 15, 1999, ACOA sent La Ferme d'Acadie a final cheque for \$6,247. The Agency pointed out the time to begin repayment was at hand. But documents reveal this was a problem for the company. Within days ACOA received a request from the company to change its repayment schedule. The requested changes are unclear because ACOA officials chose to sever the document, meaning ACOA would not release the reasons for the requested amendments nor would they release the new repayment schedule. But by October 18, documents show that

ACOA account manager John Beeston complied with the company's request and amended the amount it was required to pay each month.

#### SIGNS OF TROUBLE

An internal ACOA e-mail from Simon d'Entremont to Beeston dated April 17, 2000, provides the first sign that La Ferme d'Acadie was facing serious problems. D'Entremont wrote: "I spoke to Charles Leary this morning. I've asked for current financials. After I see them, I'll be going over to visit the site and discuss his problems with him. I'll let you know what I come up with."

On May 5, d'Entremont drove to Chebogue Point for the scheduled meeting. But company officials did not show up. Instead, d'Entremont found an apparently abandoned property with a for-sale sign posted on it. Just 11 months after opening their doors and after federal investments and tax credits totaling more than \$150,000, La Ferme d'Acadie was effectively out of business.

#### IN THE BEGINNING

Local goat milk suppliers jumped at an opportunity to expand their fledgling industry. Many invested in equip-



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ment and expanded their milking stock. Some took out loans to cover their costs. But suppliers and company officials told *Rural Delivery* that disagreements over milk trucking costs and milk quality created an acrimonious relationship not long after the plant opened.

Among the suppliers of goat's milk to La Ferme d'Acadie were Jonathan Lee and Peyton Leavitt, a couple who had moved from British Columbia to Nova Scotia's Annapolis Valley in 1995. They contacted Perret and Leary after reading about the creamery.

In January, 1999, Lee and Leavitt received a letter from Leary indicating that the cheese-making facility would be in operation that May, and offering to purchase the couple's milk production from up to 200 goats in the first year. La Ferme d'Acadie loaned a few thousand dollars to Lee and Leavitt to help them begin production.

That June Lee and Leavitt also obtained a loan of \$25,000 from Annapolis Ventures Limited, an ACOA-funded business development agency based in Bridgetown. They built and equipped a milking facility on their farm, and increased their goat herd with new breeding stock.

Lee and Leavitt supplied milk through the summer of 1999, but the next year they made only a few shipments before their relationship with the American entrepreneurs began to fall apart. With deductions from their milk cheques to pay off the loan from La Ferme d'Acadie, and disputes related to milk quality and volume, the couple found it uneconomical to continue as suppliers.

In February, 2000, Lee and Leavitt received a letter from the Middleton barristers firm Cole Sawler demanding payment to Annapolis Ventures of \$24,900 in outstanding principal and \$1,179.48 in accrued interest.

Lee and Leavitt told local residents they planned to move to Saskatchewan to make a new start.

Their farm in Torbrook West appeared abandoned when visited last year, with the door of the new dairy barn hanging open, and no goats in sight.

Cheryl and Randy Hiltz also bought into the optimism surrounding the little cheese-making venture at Chebogue Point. The Aylesford husband and wife team signed a contract with the American partners on Aug. 10, 1999, and expanded their milking stock. But by the following year company officials began requiring the couple to pay for shipping costs. They stopped producing for the cheese plant and in May of 1999 sold 50 dairy goats to a Quebec farmer.

"It's enough to look after your animals and milk them without getting involved in shipping," said Randy.

"We'd be almost giving them the milk for free," added Cheryl. "We couldn't do that, so that's when we stopped."

The couple said they felt their contract may have been breached, but they had little interest in taking legal action. "We didn't have the time and energy to go that avenue," said Randy.

La Ferme d'Acadie briefly received goat's milk from Garnet and Andrea Dalton of Beaver River, north of Yarmouth near the Digby County line. This arrangement also ended with disagreements between supplier and processor. The Daltons refuse to speak to

the media about the episode, except to say that the sale of all their goats did not cover investments they had made to produce milk for the cheese plant.

In a July 26, letter to *Farm Focus*, Leary wrote that the suppliers were often providing substandard goat milk. He also said contracts with suppliers allowed the company to change its practice regarding charging the suppliers for hauling milk.

The impact of the company's failed deals with suppliers and later collapse was devastating for Nova Scotia's fledgling goat milk industry. But not a single ACOA document suggests Agency concern in these areas.

Whatever the reason, it's clear ACOA was one of the last to know that a company it had financed had shut down.

ACOA officials scrambled throughout the summer of 2000 to find out what was going on. A July 27, 2000 letter to the company requests a copy of the its financial statements for the year ending December 31, 1999. This letter revealed ACOA had little or no idea of the financial viability of the company more than a year after handing it more than \$100,000.

A letter from Beeston on August 24 to Leary makes it clear ACOA officials were having trouble arranging an audit of the company's books. "Our Payments Department have (sic)

## ACOA memo

### Who wants to know?

**From:** Alex Smith  
**To:** John Young  
**Date:** Friday, June 29, 2001 04:39 pm  
**Subject:** Media Inquiry

To advise you that we had an inquiry on La Ferme d'Acadie this afternoon. The call was from a freelance writer, Sean Fuller, for the publication *Rural Delivery*. This is a small newsprint publication out of the South Shore. I am not sure of circulation numbers and was unable to find a copy in Perk's. I will get a copy over the weekend and determine next publication date.

Provided factual information on the amount and date of the loan. Writer also requested information on repayments. He was advised that this information is not in the public domain.

John Beeston is the officer on the file and he is aware of media call. He has been following the file quite closely. This file may attract more media interest and we will prepare for it.

Thanks  
AS

**CC:** Communications Halifax; Cynthia Williams

*Rural Delivery* obtained more than 400 internal ACOA documents relating to the contract with La Ferme d'Acadie. Shown here is one of them.

been trying for some time to perform their post payment audit. Could you please contact Charles Yochoff (ACOA auditor) or (myself) to arrange this as soon as possible."

Yochoff later writes Leary explaining the nature of the audit. "For your information the audit generally consists of examination of original invoices, negotiated cheques, tracking these items into the contractors records, and conducting a plant tour." It's clear ACOA wanted to discover whether the money it paid La Ferme l'Acadie was spent where it was supposed to be spent. They also wanted to see for themselves whether the plant they invested so heavily in was actually operating.

Records show that Agency officials became increasingly frustrated with Leary. On September 8, 2000, Stuart MacDonald, ACOA's director of programs, writes to Leary saying: "Despite repeated attempts by Mr. Yochoff and Mr. Prime, we have been unsuccessful in our attempts to arrange for an audit of your final claim." MacDonald writes that if the audit was not conducted by September 30, 2000, "the full amount of the outstanding contribution will become due and payable immediately."

After several letters and phone calls Beeston was finally able to arrange a face-to-face meeting with Leary on July 4, 2001. It took place not at the Chebogue Point cheese plant, but rather at Leary's new business, a tourist lodge in East Kemptville.

The American partners had purchased nearly 200 acres of property west of the Tobetic Wilderness protected area for their newest venture called Trout Point Lodge. The main lodge, a 3-story log cabin with 10 guest rooms, is assessed at \$615,000. Leary told *Rural Delivery* that he and his partners spent more than \$2 million on the venture which includes a mezzanine library, dining room, and two bars. The company planned to market directly to Americans seeking to combine a vacation with culinary instruction.

The July meeting seemed to be an opportunity for La Ferme d'Acadie to regain ACOA's confidence. It might have worked. But an unsigned and undated memo prepared after the meeting points out that Leary failed to mention a fairly significant detail. He had sold the Chebogue Point property and cheese plant.

"On July 19, Lisa Richard e-mailed John Beeston to report there was a

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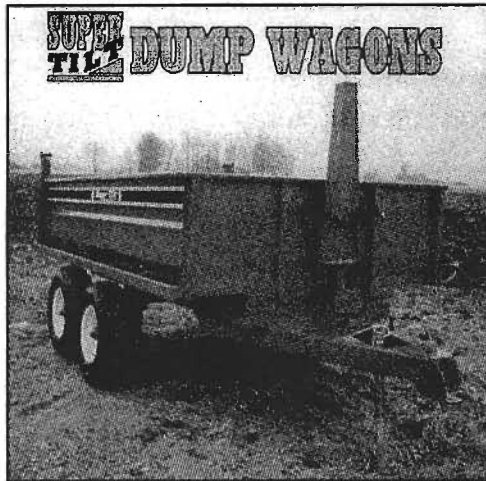
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rumor in the community that the cheese plant had been sold," the anonymous e-mail said. "Nothing of this nature was mentioned to John during his meeting on July 4th."

The e-mail continued: "John Beeston has placed two calls to La Ferme d'Acadie requesting that they return his call. Unfortunately they have not responded to either. John is following up on info they are meant to provide, including financial statements which will hopefully demonstrate that they have been operating."

**OPEN OR SHUT CASE**

Perret told *Rural Delivery* in June of last year that the business was still in

**"If we could find  
goat's milk, we would  
be happy to process  
goat's milk."**

- Vaughn Perret

existence, though the supply problem was preventing ongoing cheese production. "If we could find goat's milk, we would be happy to process goat's milk," he said. "Send us goat's milk and we'll process it. I can sell as much chevre as I can make."

Without good milk, explained Perret, there was no point in trying to produce high-quality cheeses. "I'm not going to process for the sake of processing."

Chebogue Point residents, on the other hand, said that they had observed little activity at the cheese plant after 1999. "There's been nobody working there," said Dan Earle, whose land abuts La Ferme d'Acadie property. "They may say they've been aging cheese, but it's two years old now."

*Rural Delivery* also learned at the time that Yarmouth-based Future Group Realty Ltd. had placed the creamery on the market in the spring of 2000 for an asking price of \$335,000. The parcel was described as totaling 100 acres, including a 20-acre island. A year later Florida resident Jim Friss and his wife Heidi were considering buying the property for conversion to a summer residence. The deal closed Aug. 15, 2001.

Asked about the loan from ACOA

last year, Perret said, "ACOA's not coming after us, because all our bills are paid." But *Rural Delivery* has learned that this is no longer the case. ACOA spokesperson David Harrigan confirmed in February that the La Ferme d'Acadie file was sent to ACOA's recoveries division. Harrigan would not say how much money La Ferme d'Acadie owes.

The creamery does not appear to have made a lasting mark in the community. Longtime Chebogue resident Howard Jenkins comments wryly on the public image presented by the hill-top creamery. "They put it in the 'Doers and Dreamers' guide as a tourist attraction," he says, "but there's been a 'No trespassing' sign on it since it was built."

In a December 1998 interview with *Farm Focus* on the construction of the Chebogue Point cheese plant, an ebullient Leary and his partners are brimming with confidence as they ask goat milk producers to contact them.

"All the sheep and goat producers in the province could not produce all the milk we could use," Perret said.

"Nova Scotians are hesitant about (signing up)," Leary said. "They've been burned so many times."

(With files from David Lindsay whose story, "La Ferme est fermée," appeared in the July/August, 2001, issue.) ●

## Seeds of suspicion

In October 2001, when anthrax anxiety was on the rise, the United States Postal Service announced it would be irradiating suspicious mail as a precaution against bio-terrorism. Stokes Seeds, which operates in New York State and Ontario, issued a statement saying its seed orders being sent by mail in the U.S. would bear labels warning the USPS not to irradiate them.

Stokes asked customers to give notice if they believed their mail might be irradiated, so those seed orders could be sent via some other delivery service. The company said it would replace any orders labelled by the USPS as having been irradiated. Canada Post has no plans to irradiate mail. ●

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