

NOVA SCOTIA FARM LOAN
BOARD
BUSINESS PLAN

2020 - 2021

You see potential. So do we.



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Message from the Acting Board Chair and CEO

As a Nova Scotia based agricultural lender, the Nova Scotia Farm Loan Board (FLB) is committed to supporting the rural economy of the Province. We work on behalf of Nova Scotians to maximize the potential of our agricultural sector by helping farms reach their full potential to build prosperity in rural Nova Scotia by providing employment and economic opportunities for today and into the future.

Homegrown Lending

Our lending programs are specially designed to address the most common needs of Nova Scotia farm and agri-food enterprises. Over the past year, the board has undergone a full revamp of its regulations to modernize our services and ensure we can continue to offer the flexibility we are so well known for in the sector.

Partners in Growth

We work with Nova Scotia farms and agri-food producers to build capacity, diversification, and product development as well as planning for marketing and export. In 2020-21, the FLB will continue to build on its strong reputation and history of service to rural Nova Scotia. Working with our partners in the Department of Agriculture and at Perennia Food and Agriculture Inc, we continue to have a unique linkage and ability to respond to the needs of our client base. We have an important ability to connect our clients with programs and partners to find the resources they need to succeed.

We recognize the importance of agriculture to the rural areas of the province. Our commitment to this is as strong as ever as we look to assist existing enterprises with expansion and succession planning, while at the same time offering lending programs to support new entrants. We take a long-term view and consider an enterprise's full business cycle when making lending decisions. Our success comes from our client's success, and we offer flexible lending products and competitive interest rates that reflect this.

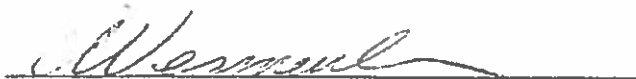
Opportunities and Innovation

In 2020-21, we will continue our work helping farm enterprises and agri-food operators navigate their financing options to overcome barriers to growth and help them reach their full potential. Building on recent international trade agreements, we will work with farmers and agri-food businesses to help them maximize their reach and opportunities to sell their products into export markets. At the same time, we will work with clients to finance new and innovative ideas in their

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Our recent regulation updates were based on ongoing conversations with clients and their experiences with previous applications. We have heard the challenges from clients, staff and industry stakeholders and as a result, have revamped our lending program regulations. We are continuing work internally to align our lending processes with those of our sister board, the Nova Scotia Fisheries and Aquaculture Loan Board, to improve processing times and identify internal efficiencies. The Boards jointly intend to begin implementation of a new, modernized lending software in 2020-21 which will enable better client service, faster response times and streamlined processing.

We are pleased to present the Nova Scotia FLB Business Plan for 2020 -2021. The plan outlines the Board's commitment to support the rural economy by providing responsible lending services targeted for agriculture and agri-businesses in Nova Scotia.



Andrew Vermeulen
Acting Chair



Jennifer Thompson
Chief Executive Officer (CEO)

Mission

The FLB supports the development of sustainable agriculture and agri-rural business in Nova Scotia through responsible lending.

Mandate

To support the agricultural industry through the provision of capital financing. It operates as a corporation of the Crown under the *Agriculture and Rural Credit Act*. This Act provides authority to the Board to make loans to, or guarantee loans of, a borrower for acquiring or improving any farm asset, including livestock. Regulations made under the Act govern the terms and conditions of loans provided by the FLB.

The FLB also serves the forest industry, as the Timber Loan Board established by the *Forest Act*.

Vision

The Farm Loan Board is a recognized leader in agricultural lending, creating opportunities in rural Nova Scotia.

About the Farm Loan Board

The FLB has been active since 1919 as an agricultural development agency, acting to build a financially stable and sustainable agricultural base in Nova Scotia. It supports agriculture and rural agri-businesses by providing short, medium and long-term capital with competitive interest rates.

The FLB is committed to serving industry, offering several products designed to meet specific lending needs, ranging from small dollar micro-loans to large loans for real estate, quota and orchard development, etc. The FLB works to set-up loans that work for the individual business, with the ability to structure loans to meet client needs.

The CEO of Crown Agencies reports to the Deputy Minister of Agriculture and is responsible for the operations of both the FLB and the Nova Scotia Fisheries and Aquaculture Loan Board. The

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Board of Directors consists of Nova Scotia residents who are corporate or community leaders who understand the economy and needs of those working in these sectors. They are recommended by the Minister of Agriculture and appointed by Governor in Council.

The FLB is a critical link in the capitalization of rural Nova Scotia businesses with an estimated investment of \$163 million in provincial farms and agricultural processing. This capital is used to buy farmland, construct farm buildings, plant new crop varieties, improve animal genetics, purchase efficient equipment, adopt and develop new agricultural technology, purchase marketing quotas and provide working capital.

Farm Loan Board Focus

The FLB team met with hundreds of unique farm and agri-food operators in 2019-20, showcasing our client centred approach and our commitment to be the leading agriculture lending expert in Nova Scotia.

In 2020-21, the FLB will continue to build upon its past successes and reputation in the sector to further support Nova Scotia agriculture with the capital needed to innovate and expand. We will continue to develop and foster deeper relationships with key industry partners to expand knowledge of our product offerings.

We will expand our focus in the value-add/processing and agri-food sectors by adding a new team member with a dedicated focus on value-add and high value financing. This will serve to further diversify the portfolio and expand the Board's role as a developmental lender.

The FLB undertook a reinvigorated promotional and branding campaign in 2019-20. The Board will continue with this push into 2020-21 with plans to launch an updated website and attend more industry conferences to raise awareness of the Board's programs and activities.

Portfolio Management

The FLB is responsible for an estimated \$163 million over 695 loans, invested with a lending cap of \$200 million. We will continue to work closely with our clients, ensuring service excellence while at the same time navigating individual client and broader commodity challenges that can lead to complex financial circumstances.

The developmental nature of the FLB means that the Board will work with clients who are unable to find reasonable rates or obtain loans at a traditional bank due to the nature of their business or industry and the risks involved. To better manage risk and provide greater likelihood for success, the Board works toward individually customized solutions, including credit and risk assessment. In unfortunate circumstances where the Board is forced to recover on loans, we will work to manage a maximum return on these assets on behalf of the Province.

The FLB invested an estimated \$28 million in 2019-20, contributing to Nova Scotia's agriculture economy in both local and export markets. The Board makes every effort to assist its clients by providing support through all business cycles including industry downturns. Whenever possible, innovation and value-added processing are also supported. The FLB will invest up to \$40 million in 2020-21.

Performance Goals

The Crown Lending Agency, the administrative unit supporting the FLB, operates under two themes and five strategic goals:

Efficient and Effective Service

1. Increasing impact on industry through **quality lending** and superior client service
 - Develop a balanced portfolio of established enterprises, new entrants and developmental initiatives that have the potential to benefit multiple producers or sectors. Allocate a percentage of new loans to new initiatives and highly developmental projects.
 - Adapt and develop lending products by assessing client profiles, industry trends and satisfaction levels, including a new client satisfaction survey in 2020-21 and a survey to all registered farms in Nova Scotia.
 - In 2020-21, new programs for Buy Local and Climate Change initiatives will be developed to support local producers and processors in bringing products to retail scale and adapting new efficient technologies such as LED lighting.
2. Building trusting relationships through **accountability** for quality and timely work
 - Produce accurate financial information, including an independent audit.
 - Work to replace legacy loans management software to enable better client contact, self service options, and easier, more timely reporting to stakeholders.

3. Improving team effectiveness through a positive work environment and **continuous improvements**
 - Implement activities resulting from the Lean Business Processing initiatives undertaken in 2019-20 by streamlining administrative processes and providing staff with the tools to excel.
 - Monitor trends in employee engagement and offer development opportunities to attract and retain high-performing employees.

Positioned for Success

4. **Growing the rural economy** through responsible lending
 - Growing rural and coastal communities by providing a range of lending products and services designed to meet specific client needs, no matter their phase of business growth.
5. Positioning for **continued success** through effective systems and responsiveness to industry changes
 - FLB will use market trends, build key partnerships, develop new products in response to industry needs, respond to client and industry expectations and improve the lending environment.

Projects will be developed in 2020-21 to advance the Crown Lending Agency's themes and goals of efficient and effective services, growing the rural economy through responsible lending and responsiveness to industry changes. These may include enhancing elements of current products and developing new product offerings, developing and implementing improved information technology and reporting systems and using the new client satisfaction survey to help inform change.

In addition, the FLB advances the Department of Agriculture strategic themes in the following ways:

Enabling Responsible Economic Growth: At over \$24 million in 2018-19 and an estimated \$28 million in 2019-20, FLB investments make Nova Scotia a better and more productive place to harvest, grow and produce food and agri-products. These investments also support production of more local food for Nova Scotians and create economic spin-offs in related industries such as building and material suppliers, building contractors and equipment dealers. This year, the Board will invest up to \$40 million in the development of agriculture and growing the rural economy.

Supporting Research and Innovation: The FLB will continue to support innovative farmers in the

development of new crops, in the pursuit of improved processing techniques and in the adoption of new and innovative technologies such as modern energy efficient LED lighting for greenhouses or new technology for blueberry harvesting.

Building Public Trust and Market Acceptance: The FLB will continue to disburse funds for food production, and processing and quality improvements including food safety, building confidence in our products for local and international consumers. Investments in improved genetic quality for breeding stock, for both livestock and horticultural products, is one example of how the FLB supports building public trust and market acceptance.

Increasing Trade and Market Access: In 2018, wild blueberry exports reached a three-year high of \$104.4 million. Total vegetable exports reached \$40 million and fur exports rebounded to \$48.6 million. These exports made up over half of the total agri-food exports for Nova Scotia in 2018. Other export products that benefited from FLB loans include Christmas trees, a variety of vegetables, berries and apples, wines, and non-alcoholic beverages.

Encouraging Value Added Opportunities: The wine industry continues to grow in Nova Scotia. Though the risks can be higher for value-added products, so are the potential economic outcomes. The Board will continue to offer financial support to clients when taking on value added opportunities with good business potential.

Regulatory Changes

The FLB completed a review of the *Nova Scotia Farm Loan Regulations* to modernize and align it with the *Nova Scotia Fisheries and Aquaculture Loan Board Regulations* and updated regulations were implemented in 2018-19. In 2019-20, the Boards undertook to streamline and align its processes to increase efficiencies, increase capacity and reduce administrative processes. The two Boards will continue to operate separately to maintain their unique sector supports, making each Loan Board a more appealing institution for borrowers by providing businesses with greater and more flexible loan options that fit their needs and reducing loan turn-around times.

Capital Funds

Description	2019-2020	2019-2020	2019-2020
	Estimate	Forecast*	Estimate
	(\$ 000)	(\$ 000)	(\$ 000)
Opening principal	167,355	180,453	166,040
Add loan advances	40,000	28,000	40,000
Less repayments	(28,000)	(36,000)	(28,000)
Less principal written off	(2,000)	(6,413)	(2,000)
Closing principal	177,355	166,040	176,040
Provision for impaired accounts			
Opening provision	13,143	15,067	15,406
Less accounts written off	(2,000)	(6,413)	(2,000)
Additions (principal portion of bad debt expense +/- adjustments)	253	6,752	253
Closing allowance	11,396	15,406	13,659
Net portfolio at year end	165,959	150,634	162,381

*Forecast data from January 23, 2019

The operating costs of the Nova Scotia Farm Loan Board are consolidated with the Nova Scotia Fisheries and Aquaculture Loan Board and included in the Crown Lending Division of the Department of Agriculture. Interest costs and revenues related to the lending activities of the board are reported through the Department of Finance and Treasury Board.