



Crown Corporation

B U S I N E S S P L A N S

FOR THE FISCAL YEAR 2007–2008

Nova Scotia Farm Loan Board

Business Plan 2007–2008

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Mission

To advance, encourage, and support the development of agricultural and timber businesses in Nova Scotia.

Introduction

Our Vision

The Nova Scotia agricultural industry, with the support of the Nova Scotia Farm Loan Board, has a strong and secure future. This will be provided through programs and services that focus on long-term stability in agricultural financing and financial counselling on Nova Scotia farms.

Our Mandate

The board operates as a corporation of the Crown under the authority of the Agriculture and Rural Credit Act (*Revised Statutes of Nova Scotia*, 1989, Chapter 7). This act emphasizes rural development and the effective use of credit to develop rural Nova Scotia.

The Timber Loan Board's authority is from regulations made pursuant to The Forest Act (*Revised Statutes of Nova Scotia*, 1989, in Section 20 of Chapter 179). This act provides for credit to acquire forested land for forest product mills.

Our Board of Directors

Five board members, with successful careers in agriculture and business, govern policies, receive reports on operations and clients, and provide strategic direction for the board. Board members are appointed for terms of up to five years by the Governor-in-Council and are accountable to the Minister of the Department of Agriculture. Day-to-day operations are delegated to staff, who are responsible to ensure that conduct, management, and operations meet board and provincial requirements.

Current Board Members

Chair: Leo Cox. Leo has been a member (and chair) of the board since March 2000. His current term began May 2005 and expires April 2008. Leo is from Mabou, and he has a long background in agriculture, having served with the Department of Agriculture in livestock and extension services for 30 years. He owned a cow-calf farm and is still actively involved in the operation of Lake Mabou farms. Leo has served on numerous boards and is the current chairman of the Inverness Consolidated Memorial Hospital Charitable Foundation.

Vice-Chair: Carol Versteeg. Carol has been a member of the board since October 1994. Her current term began February 2005 and expires February 2008. Carol is a graduate of the Nova Scotia Agricultural College and MacDonald College. Carol lives in



Hardwoodlands and from 1977 to 1987 was a partner in a dairy farm. She is the Executive Director of the Soil and Crop Improvement Association of Nova Scotia and is involved in 4-H and the Women's Institute of Nova Scotia, as well as other organizations.

Member: Hank Bosveld. Hank has been a member of the board since September 2000. His current term began September 2005 and expires September 2008. Hank lives in Lakeville, Kings County, where he operated a greenhouse and orchard until transferring ownership to his son. He remains actively involved in the operation. Hank is also actively involved in the Kings County and Nova Scotia Federation of Agriculture.

Member: Stephen Healy. Steve has been a member of the board since November 2003, with his current term expiring November 2009. He lives with his wife and three children in Kentville, where he operates a successful financial planning firm. Steve is a graduate of NSAC and the University of Guelph. He is a past board member of the Annapolis Valley Victorian Order of Nurses and Annapolis Pony Club and is currently a member of Rotary. Community projects such as the Berwick Apple Dome and local hockey programs continue to be of importance to Steve and his family.

Member: Victor Moses. Victor has been a member of the board since March 2000. His current term began February 2005 and

expires February 2008. A graduate of the Nova Scotia Agricultural College and MacDonald College, Victor served for more than 8 years as agricultural representative with Department of Agriculture followed by 40 years in management with food processing and vegetable fruit production in the Annapolis Valley. He is presently CEO of large fruit and vegetable operation. Victor is heavily involved in volunteer work and lives in New Minas, Kings County Nova Scotia.

Our History

Active since 1932, the Nova Scotia Farm Loan Board is an agricultural development agency acting to build greater prosperity by supporting agricultural and rural business development by providing long-term loans at fixed interest rates and through financial counselling services. A corporation of the Crown, the board collaborates with the Nova Scotia Department of Agriculture and also operates as the Timber Loan Board.

Availability of credit with stable long-term rates and understanding of the agricultural industry including cyclical swings in profitability are considered to be strengths of the board in encouraging development of this industry.

Operations and interest rates are managed so as to cover all direct costs of operation and provide a modest net income (averaging \$1.1 million before government contributions over a five-year period),

which offsets indirect costs of services provided by government to the board and provides resources for maintenance of systems and operations. At last year-end (March 31, 2005), the board's total loan portfolio totalled \$175 million in loans. Including lease property accounts, total lending to agriculture represents approximately 28.0 per cent of the debt capital of Nova Scotia farmers. Timber loans provided to forest mills to ensure a sustainable wood supply totalled \$847,000 for the forest industry.

Primary stakeholders in board operations include individual and potential borrowers and the province, in particular the Departments of Agriculture, Natural Resources, and Finance. Other important stakeholders include the Nova Scotia Federation of Agriculture and the various commodity groups, commercial lenders, equipment and feed suppliers, the wholesale and retail sectors for products produced in Nova Scotia, and others concerned with economic development within rural areas.

Link to the Corporate Path

Globally Competitive Business Climate

The Nova Scotia Farm Loan Board's mandate, mission, vision, and priorities

contribute directly to the Corporate Path by contributing to creation of winning conditions in the agricultural industry. By ensuring that long-term stable credit is available on a consistent basis, and by working with the industry through cyclical downturns, the board assists an industry that must be competitive with globally supplied alternatives to survive.

Vibrant Communities

Leader in Clean and Green Economy

In pursuing its main priorities, the board also contributes to the success of rural communities, and by supporting development of environmental plans and investment in good environmental choices helps enable environmental improvements within the industry

Planning Context

External Context

Overview

The agricultural industry is affected by local weather and other conditions affecting production and by conditions in competing regions that may affect general price levels for commodities produced, as well as market conditions, including the effects of branding, consolidation and national purchasing, and market access.



For the most part, general climatic conditions were favourable in Nova Scotia during the past year. Weather conditions and any change in expected patterns present an obvious concern to agriculture.

We continue to see a trend toward fewer, larger farms, a trend particularly noticeable in the dairy and poultry sectors. Changing technology, food safety concerns, and implementation of related health-protection measures are common challenges.

Technology is providing for increased mechanization and automation and is being felt in a wide range of applications. This trend is supporting a broader trend toward consolidation of agricultural operations into larger units in attempts to gain efficiency through economies of scale. In most sectors, entry as a producer involves significant initial cost for specialized buildings and equipment and quota (for supply-managed sectors). Larger operations and high start-up costs present difficulties to new entrants and for inter-generational transfer of family businesses, which must be addressed.

Producers must be constantly aware of environmental concerns and maintain up-to-date skills, procedures, and facilities and equipment to meet today's standards.

Review of Sectors in Which the Board Holds a Significant Value in Loans

Our largest sectors, dairy and poultry, are profitable and benefit from supply-

managed marketing systems; however, disease, such as an avian flu outbreak, could have a major impact. In the longer term, World Trade Organization (WTO) and other international negotiations may affect the supply management system, and this in turn may have a significant affect on profit levels and management of risk. The closure of the Maple Leaf poultry processing plant in Canard, announced in January to be effective April 2007, may result in a restructuring of marketing for poultry in the province.

Beef markets have begun to show signs of recovery with the opening of international borders to Canadian beef. The recent announcement of \$2.7 million in assistance from the province to pay down loans will assist producers in their cash-flow position and inject equity into their businesses. Further efforts in order to assist beef producers in developing, enhancing, and refining their farm business plans should assist in their recovery.

Low returns on hog production became critical in the fall of 2006 and early in 2007. In spite of assistance announced by the province, producers face extreme profitability and cash-flow problems, and some may need to exit this sector. Those remaining must pursue non-traditional options to generate sufficient returns. The board will be collaborating in the administration of the \$3.5-million grant program directed to Pork Nova Scotia and the hog producers by

the Department of Agriculture and will continue to work with producers in this sector to assist with their transition. Efforts to assist hog producers in developing, enhancing, and refining their farm business plans should assist in their recovery and/or identify future opportunities inside and outside of the hog industry. The board will work with each individual producer to explore their best options.

Vegetable producers are very affected by seasonal weather conditions but have good potential provided an appropriate marketing strategy is developed. Few producers have sufficient size on their own to supply major wholesalers, but direct and niche marketing including organic production may also be an option.

The blueberries sector is seen as having good profit potential, but does require significant pre-production development costs. Market prices are subject to world markets and expanding competitive production capacity. The long-term outlook for this sector is good, because Nova Scotia has a competitive advantage in production and processing.

Greenhouse production requires strong management skills to deal with international competition, high energy costs, and marketing issues. Lending to this sector is higher risk because of the specialized structures used in the industry.

The tree fruit sector faces strong competition, high costs of production,

including labour, and a long delay between investment and initial return. The industry is making a concerted effort to enhance its opportunities to increase returns through new varieties and collaboration within the sector.

The mink industry has enjoyed an increase in demand, and strong prices have continued through out 2006–2007. Price and demand for mink pelts are affected by global supply and demand and tend to be cyclical. The sector is expected to grow over the next few years; however, with increased world production, operational efficiency and long-term commitments will need to be closely monitored.

In addition to the commodities reviewed above, the board works provides assistance to many other commodities. The board will continue to evaluate new opportunities in primary agriculture, on-farm value-added processing or marketing, and other development opportunities that fit into its mandate.

Interest Rates

Interest rates remain relatively low, although up from last year. Indications are that rates will remain relatively stable over the next year. The interest rate situation presents an opportunity for those requiring long-term financing and will tend to support acceleration of capital investment and the trend towards greater reliance on technology. The gap between interest rates



for short-term and variable-rate loans as compared to term rates such as those provided by the board has narrowed. It is expected that this will result in greater demand for long-term loans.

Requirements for board financing are influenced by levels of investment in agriculture and timber businesses, rates of capitalization, general economic conditions, and the availability of funding from commercial lenders. The board offers fixed-interest loans with rates fixed for the full amortization period of the loan. Variable rates or term lengths of less than the amortization period are not offered, because it is felt that those alternatives increase the risk that clients will be unable to meet future loan payments if rates increase. The board will explore financial options and opportunities as they arise.

Lending by commercial and other lenders has increased significantly over the past

few years. It is believed that this has been driven in part by low short-term and variable-rate loan rates and a positive focus on agriculture by other lenders, as well as increased capital asset and quota values. Any change in outlook or lending policies by commercial lenders could result in significant request for financing from the board. The board is mindful of the activities of the commercial lenders and will monitor changes in demand.

Projections are for board to advance \$27.5 million in the 2006–2007 fiscal year for a net increase in the loan portfolio of \$8.5 million. Short-term and longer rates have returned to a closer relationship. Demand for board loans has been steady but not exceptional. Requirement for board funding is expected to be approximately \$28–30 million in 2007–2008.

Requirement for loan capital by the forestry sector continues to be of interest to the

Interest Rates Offered by the Board during the Year

| Term | April 1, 2006– June 30, 2006 | July 1, 2006– Sept. 30, 2006 | Oct. 1, 2006– Dec. 31, 2006 | Jan. 1, 2007– Mar. 31, 2007 |
|----------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|
| 1 to 5 years | 5.95 % | 6.45 % | 6.15 % | 6.15 % |
| 6 to 10 years | 6.25 % | 6.70 % | 6.15 % | 6.20 % |
| 11 to 15 years | 6.40 % | 6.95 % | 6.15 % | 6.20 % |
| 16 to 20 years | 6.50 % | 7.00 % | 6.20 % | 6.25 % |
| 21 to 24 years | 6.60 % | 7.10 % | 6.60 % | 6.60 % |

board, both in response to need of the industry itself, but also because of the relationship between forestry and agriculture. Many farms include woodland as part of the overall operation, and forestry management parallels crop management in many aspects, including some equipment.

The board will seek to operate on a cost-effective basis and present a positive net income on lending operations over the long term, while meeting client credit needs, providing counselling services, supporting to new entrants, and collaborating with departments and industry. The board intends to remain flexible in its approach and will be open to any type of development, loan products, or ventures that will assist agricultural development in this province.

Ongoing Planning Focus

The board understands its focus to be the long-term health and development of agriculture in Nova Scotia. To support that through our lending program requires that services specialize in knowledge of agriculture, long-term client relationships, a client focus in developing and providing services, flexibility in lending services and repayment, counselling services, and long-term interest rates. During the 2007–2008 year, the board will continue to assess and develop the client focus and counselling aspects of its service.

The board recognizes that training and development are an ongoing requirement in order to understand client issues, identify and use best-lending and administrative practices, and maintain a professional staff.

While ability to repay remains the basic criteria from granting loans, sound environmental and business planning practices and procedures will continue to be requirements, recognizing that these are required for industry and individual growth and sustainability.

Additional options to reduce risk for beginning farmers will be investigated as identified during this process.

A new lending system was implemented in March 2005 and will add some flexibility in loan repayment options. Work continues to develop and improve system capabilities.

Strategic Goals

The following goals have been developed to meet the board's mandate and at the same time support the established goals of the Province of Nova Scotia.

1. Ensure industry access to stable, cost-effective, long-term developmental credit

To create conditions that help the rural economy grow, support sustainable and environmentally responsible development of agricultural industries,



and support development of a competitive business climate to support economic growth and increase jobs in rural communities.

2. Assist in identification and analysis of growth opportunities for rural industries by promoting the use of financially sound business principles

To meet industry needs through provision of training and counselling to clients and sponsoring and promoting learning opportunities within the agricultural community.

3. Demonstrate sound financial administration, efficiency, responsibility in administration of public funds, and accountability in the board's own operations

Generate a positive net income as reported in published audited financial statements. Administer programs within guidelines and budgets. Measure and report on key success factors.

Core Business Areas

1. Lending

Providing long-term credit for development of agricultural and timber businesses is the primary mandate of the Farm Loan Board. This includes loan service development, client service and administration, efficient and responsible financial management, and also includes the distinct but closely integrated area of financial counselling.

The financial counselling function is provided by loan officers in conjunction with meetings with clients and potential clients and includes assessment of projects under consideration. Loan officers assist in sourcing the best available credit, as well as promoting and participating in industry seminars and workshops.

By providing a reliable source of long-term credit the board directly provides for development and growth of the agricultural and timber industries, and indirectly influences credit availability at reasonable rates through influence on, and partnership with, other participants in the lending industry.

2. Programs Administration

Programs administration involves the development and implementation of departmental loan-based assistance programs in areas related to the board's

financial operations and expertise such as the New Entrants to Agriculture Program and Ruminant Support Interest Grant.

Priorities for 2007–2008

1. Lending

Provide \$28 to 30 million of new loan capital to the agricultural and timber industries in the 2007–2008 fiscal year.

The focus is on development and long-term stability. Projections for 2006–2007 indicate that by year-end, loans advanced will total \$27.5 million and principal repayments approximately \$19.2 million. Interest rates are expected to remain stable for the medium range, and demand for credit is expected to remain strong.

Statistics Canada reports of total farm debt by Nova Scotia farms indicate that it grew by approximately 58 per cent between 2000 and 2005. If historical rates of growth in agricultural capital requirements continue, \$30 million of new loans will result in the board providing approximately 20 per cent of total agricultural lending in Nova Scotia in 2007.

Financial Counselling

The board will maintain its strengths in our understanding of agriculture, relationships with clients and client focus, flexibility in dealing with individual circumstances,

counselling services, and long-term interest rates. Priority focus for 2007–2008 continues to be on our client focus and counselling services.

Governance

The board has developed a governance manual and initiated audit and governance committees, which will provide the board with a stronger audit and governance orientation in the 2007–2008 fiscal year and into the future.

Timber Loans

The board will continue to work with the Department of Natural Resources to enhance services to modify products and services to meet needs for growth and development within this industry.

Reporting

The board will work with new technology and systems to improve client and administrative reporting.

Account Maintenance

The board will manage accounts such that write-offs and arrears remain stable in relation to the portfolio size, while maintaining a “patient lender” approach by supporting industries through cyclical downturns.

This approach includes accurate and appropriate appraisal and evaluation of security arrangements for loans, monitoring arrears, and financial



counselling, particularly for new clients and clients identified as having financial difficulty.

Lending will continue to be directed toward viable enterprises and projects with potential to repay and acceptable security to support the loan. During financially difficult times the board is committed to assisting those operations that appear to have a long-term future and a commitment to meet their obligations. This may include deferral of payments, restructuring of debt, financial counselling, or referral to other relevant services.

Contact with and counselling services for clients with repayment difficulties will continue to be a priority in 2007–2008.

2. Program Administration

Administer a New Entrants Program in concert with the Nova Scotia Department of Agriculture.

This program, now in its sixth year, provides assistance with loan interest. It is intended to assist up to 50 new entrants to agriculture, including approximately 25 inter-generational transfers in order to provide long-term stability and renewal of farm ownership. Thirty to forty applications are projected to be approved for the 2006–2007 year.

Further development of this program in collaboration with the Department of Agriculture, as well as development of other lending initiatives to assist new entrants

and farm succession will be priorities for the board during 2007–2008.

Flexible Loan Programs

The board will explore flexible loan programs and continue to review the needs and potential for expansion and development of industry sectors in collaboration with the Department of Agriculture and Nova Scotia Federation of Agriculture. This will require consultation with industry representatives as well as those of other departments.

Human Resource Strategy

Provincially, the Nova Scotia's Corporate Human Resource Plan 2005–2010 establishes goals, objectives, and strategies in order to ensure help focus on making a "meaningful, measurable contribution to the lives of all Nova Scotians."

Within the guidelines of that plan, and recognizing the importance of our human resources, the board has developed an updated human resource plan providing an analysis of staffing requirements, which is being reviewed with the Department of Agriculture. The board's plan anticipates a need of 18.3 FTEs in order to fulfil its mission, mandate, and goals.

Implementation of the SAP module has redefined many positions within the board and has increased the technical

requirements of some positions. A review of staff requirements and classifications is in progress.

The board will be mindful of the need for succession planning to deal with retirements and opportunities for advancement within the board and government. Succession issues will require introduction of new staff, training opportunities for new functions, and back-up plans.

Learning, through training and professional development and by sharing knowledge, is considered a priority of the board. An amount of \$6,100 is forecast for 2006–2007, and \$7,000 has been budgeted for 2007–2008. Training funds provide staff with technical training and opportunities to attend appropriate technical and professional workshops and conferences. Officers, staff and employees are appointed as required for the proper conduct, management and operations of the board.

Budget Context

Core Business 1. Lending

The board funds loans by arranging financing through the Department of Finance for terms similar to loans issued on a quarterly basis under an arrangement established in 1997. This arrangement allows the board to track and report an interest cost that is directly related to the

revenue generated and to report a net income including interest margins.

Since the funding arrangement became effective, the board has reported income before government contributions totalling \$7.8 million. Forecasts indicate a significant (\$3.6 million) loss before government contributions during the 2006–2007 fiscal year as a direct result of difficulties being faced by the hog sector. Having adjusted for expected repayment difficulties within this sector, the forecast for 2007–2008 is for a small (\$51,000) income before government contributions.

The board is assigned budgetary authority through the Department of Agriculture and is required to conform budget projections to the 2007–2008 budget authority assigned. Fee revenue has been assigned to the board based on historical revenue. Actual revenue will fluctuate depending on economic conditions. The largest fee component, early repayment fees, depends on prevailing interest rates compared with the interest rates on existing loans. Continued early repayment fee revenue at historical and budget levels is dependent on further interest rate decline. This area has been identified to the Department of Agriculture as a budget pressure for 2007–2008.

Significant portions of the board's expenses, most notably insurance costs under the board's life insurance program and bad debt expense, are variable, somewhat unpredictable, and beyond short-term



control. Projections to date are for a recovery of approximately \$150,000 in 2006–2007 and a similar amount in 2007–2008. Actuaries have advised that the results of this program will fluctuate from year to year. The board plans to review its current contract and explore options for increased stability in its insurance arrangement during 2007–2008.

Provincial estimates for 2007–2008 provide for 17.3 FTEs, down from 19.3 prior to 2005–2006. The board’s structure and number of positions are identified in the human resource strategy section. The required allocation of staff in order to meet the board’s mandate for the coming year will be reviewed with the Department of Agriculture.

Operational Income Statement

| 2006–07 Estimate \$(000) | 2006–07 Forecast \$(000) | Description | 2007–08 Estimate \$(000) |
|---|---|--|---|
| 10,800 | 10,985 | Interest | 11,390 |
| 150 | 150 | Insurance Operations * | 150 |
| 490 | 210 | Fee Revenue / Recoveries * | 582 |
| 11,440 | 11,345 | Total Revenue | 12,122 |
| (9,400) | (9,444) | Interest | (9,800) |
| (1,146) | (1,166) | Operating Expenses * | (1,317) |
| (317) | — | Amortization of Tangible Capital Asset | — |
| (310) | (4,310) | Bad Debt Expense | (350) |
| (11,173) | (14,920) | Total Expenses | (11,467) |
| 267 | (3,575) | Income before Govt. Contribution | 655 |
| 1,146 | 1,166 | Government Contribution | 1,317 |
| 1,413 | (2,409) | Net Income | 1,972 |

Note: Interest expense is established under terms of a Memorandum of Understanding arranged with the Department of Finance.

See budget context comments on the preceding page.

* Target assigned by Department of Agriculture

| 2006-07 Estimate (\$ 000) | 2006-07 Forecast (\$ 000) | Description | 2007-08 Estimate (\$ 000) |
|--|--|--|--|
| <i>Capital Funds</i> | | | |
| 183,955 | 184,182 | Opening Principal | 189,652 |
| 30,000 | 25,500 | Add Loan Advances | 30,000 |
| (18,000) | (19,170) | Less Repayments | (22,500) |
| (500) | (860) | Less Principal Written Off | (500) |
| 195,455 | 189,652 | Closing Principal | 196,652 |
| <i>Allowance for Doubtful Accounts</i> | | | |
| 7,127 | 7,155 | Opening Allowance | 10,605 |
| (500) | (860) | Less Accounts Written Off | (500) |
| 310 | 4,310 | Additions (Principal portion of Bad Debt Expense +/- adjustments) | 350 |
| 6,937 | 10,605 | Closing Allowance | 10,455 |
| 188,518 | 179,047 | Net Portfolio at Year-End | 186,197 |

Core Business 2: Program Administration

| 2006-07 Estimate (\$ 000) | 2006-07 Forecast (\$ 000) | Description | 2007-08 Estimate (\$ 000) |
|--|--|--|--|
| 600 | 500 | New Entrants to Agriculture Program— Expenditures | 600 |
| 600 | 560 | New Entrants to Agriculture Program— Approvals (grants cover interest in the two years following approval) | 600 |
| | | Focussed Financial Relief/Transitional Assistance Program (grants to retire Hog and Ruminant loans) | 6,200 |
| <i>Total Staff</i> | | | |
| 17.3 | 17.3 | Staff—FTEs | 17.3 |



Financial Management

Effective financial management is a priority for the board.

The board has initiated communication with the Department of Finance for further development of financing arrangements established by memorandum of understanding in 1997 and for clarification of the terms.

Implementation of the SAP loans module has resulted in significant changes to business processes, controls, and capabilities. Staff continue to review these changes, seek to find ways to improve the speed and availability of accurate information, and ensure that staff are fully trained to make most productive use of system capabilities. Most essential reports have been developed, and completion of priority items is anticipated by April 2007. Further development is ongoing; and review, testing, and training will be required as change occurs. Internal controls will be reviewed to ensure that an appropriate balance has been found in efficiency and effectiveness and that documentation is up to date.

The board will commence a review of business continuity planning including an assessment of risk to ensure that information and ongoing service are appropriately safeguarded.

Outcomes and Performance Measures

Core Business Area 1

Lending

| Outcome | Measure | Recent Results | Target 2006-07 | Target 2007-08 | Strategies to Achieve Target |
|------------------------------------|---|---|------------------|---|--|
| Efficient program delivery | Net income (before government contribution) as a % of the average active loan balance | 2004-05: -0.2% 2005-06: 0.4% Forecast 2006-07: -1.9% | 0.4% or above | 0.3% or above (based on a goal of a positive net income of up to \$1 million) | <ul style="list-style-type: none"> Maintain interest rate margins in accordance with regulations while matching draws used to fund loans as closely as possible to loans issued in term and amount Minimize operating expenses by efficient operating structure, practices, training, and electronic systems Income has been negatively affected by reduced payout fees and a substantial increase in the Provision for Impairment in recognition of potential losses in hog industry loans |
| Stable, long-term credit available | FLB Loans as a percentage of total NS farm debt (based on calendar year data) | Calendar 2004: 28.3% Calendar 2005: 25.0% Projected 2006: 22.8% | 28.4% or greater | 22.5% or greater | <ul style="list-style-type: none"> Reasonable long-term interest rates Trained professional staff available to identify meet needs for financial counselling and loan assistance \$30 million in new capital support to the industry Explore flexibility options for loan products Facilitate transfer of Landbank and ARDA lease program properties to industry ownership Long-term approach: As short-term interest rates become less attractive Farm Loan Board funding is expected become more in demand |



Core Business Area 1 Lending

| Outcome | Measure | Recent Results | Target 2006-07 | Target 2007-08 | Strategies to Achieve Target |
|---|---|--|----------------|----------------|--|
| Successful clients (as indicated by the proportion of accounts in difficulty) | Arrears as % of value of all accounts | 2004-05: 2.8% 2005-06: 3.3% Projected 2006-07: 3.0% | 2.5% or less | 3.0% or less | |
| | Defaulted accounts held as real estate as % of total of all accounts | 2004-05: 3.5% 2005-06: 2.5% Projected 2005-06: 2.0% | 3.1% or less | 3.0% or less | <ul style="list-style-type: none"> Implement follow-up visit policies and track and monitor follow-up visits Monitor arrears Refer clients to other industry resources Clear up existing accounts in process for recovery Arrears and defaulted accounts will vary from year to year depending on performance of the various agricultural sectors represented in the board's loan portfolio. Working with clients to achieve the best long-term outcome is the board's primary goal and will override short-term arrears goals. |
| Client satisfaction | Combined results for courtesy, promptness, knowledge, commitment on client survey | 2005-06: 96% Projected 2006-07: 95% | 90% or above | 90% or above | <ul style="list-style-type: none"> Monitor survey results Review procedures for efficiency gains Compare service results with commercial lenders to identify priorities for improvement |

Core Business Area 2

Programs administration

| Outcome | Measure | Recent Results | Target 2006-07 | Target 2007-08 | Strategies to Achieve Target |
|---|---|---|----------------|----------------|--|
| New entrances facilitated | Number of approved applications | 2004-05: 39 2005-06: 36 Projected 2006-07: 34 | 30-50 | 30-50 | <ul style="list-style-type: none"> Counselling by professional loan officers Industry awareness and monitoring suitability through consultation with industry organizations and representatives Identify appropriate modifications to existing programs, including budget allocations and additional funding and support mechanisms |
| Increased interest in farm ownership; start and retain new farmers | Percentage of new entrants assisted in last five years remaining in agriculture | 2005-06: 99% (3 new entrants who started since April 2001 have discontinued) | 80% or more | 80% or more | <ul style="list-style-type: none"> Program provides interest rate assistance for first two years on loans acceptable to a lending agency with expectation of repayment Requirement for business plan |
| More farms remain in family hands, succession planning is encouraged, and pace of consolidation reduced | # of transfers to younger family members using this program | 2004-05: 25 2005-06: 15 Projected 2006-07: 12 | 25 | 25 | <ul style="list-style-type: none"> Counselling family farm enterprises Support for industry succession management workshops Economic conditions have reduced the number of new entrant applications. In the longer term, applications are expected to return to targeted levels. |

Note that data reported excludes transfers to non-family members who may also be providing for farm succession.