



Crown Corporation

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

FOR THE FISCAL YEAR 2008–2009

Nova Scotia Farm Loan Board

Business Plan 2008–2009

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Message from the Minister and Board Chair

We are pleased to present the Nova Scotia Farm Loan Board business plan for 2008–2009. The plan outlines the board's goals and priorities for the coming year in line with its mission and mandate.

The primary focus of the board continues to be long-term stability of agricultural financing and provision of financial counselling in order to advance, encourage, and support the development of agricultural and timber businesses in Nova Scotia.

The Hon. Brooke Taylor
Minister,
Department of Agriculture

Mr. Leo Cox
Chair, Nova Scotia Farm Loan Board

Mission

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

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.

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 Forests 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 and refers to the Agriculture and Rural Credit Act for authority, board members, and staff.

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 2011. Leo is from Mabou and 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.

Member: Angela Hunter. Angela was appointed to the board February 2008, and her term expires February 2011. She operates Knoydart Farms with her family, an organic dairy and sheep farm on the Pictou-Antigonish border.



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 Nova Scotia Agricultural College 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 the Rotary Club. 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 2011. A graduate of the Nova Scotia Agricultural College and MacDonald College, Victor served for more than eight years as agricultural representative with the 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 a large fruit and vegetable operation. Victor is heavily involved in volunteer work and lives in New Minas, Kings County.

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. The board's mandate includes operation as the Timber Loan Board in dealing with applicable loans.

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 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, 2007), the board's total loan portfolio totalled \$180 million in loans. Including lease property accounts, total lending to

agriculture represents approximately 28.6 per cent of the debt capital of Nova Scotia farmers. Timber loans provided to forest mills to ensure a sustainable wood supply totalled \$612,000 for the forest industry.

Primary stakeholders in both the Nova Scotia Farm Loan Board and the Timber Loan Board 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 Province of Nova Scotia's Corporate Path by contributing to the 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.

Throne Speech Priorities

- Educating to Compete

Advice and counselling to clients and potential borrowers are considered an important element in the board's service to the agricultural sector. To the extent that clients are better aware of options and opportunities, they are placed in a better position to compete.

- Protecting our Environment

As noted above, by providing support for environmental planning and investment the board contributes to this priority.

The board contributes to sustainable prosperity by providing access to financing to support rural and agricultural businesses.

Social prosperity is similarly supported through support for investment and business development and opportunities for employment and independence in the rural communities.



Planning Context

External Context

In General

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.

Increases in the value of the Canadian dollar relative to the U.S. dollar have made exports to the United States less competitive or less profitable and have reduced the cost of some competitive imports. This is expected to have an affect on most sectors to some extent but will affect commodities most closely linked to external markets most particularly. Hogs, beef, blueberries, cranberries, and other fruit and vegetables for export are expected to be most strongly affected.

Increases in grain prices attributed to use of corn for alternative fuel may assist the relatively small grain-producing sector but will increase input costs for livestock production in general.

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) agreements 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.

Beef markets have begun to show signs of recovery with the opening of international borders to Canadian beef. The Transitional Assistance Program (TAP) program resulting in \$2.7 million in assistance from the province (2007–2008) to pay down loans will assist producers in their cash-flow position and inject equity into their businesses in order to make changes necessary for future operations. 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 conditions show no signs of improvement. In 2007–2008 the board is receiving loan payments under the \$3.5-million TAP 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 are focused on assisting hog producers in identifying 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 to date. Price and demand for mink pelts are affected by global supply and demand and tends 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's work provides assistance to many other commodities. The board will continue to evaluate new opportunities in primary agriculture and on-farm value-added processing and diversification of farm resources, as well as other development opportunities that fit within its mandate. The board will remain alert to emerging adaptations including those relating to agri-energy, environmental sustainability, and agriculturally related education and recreation opportunities.

Interest Rates

Interest rates remain relatively low, although up from last year. Indications are that rates may decline slightly late in 2007–2008 or early 2008–2009 and then 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 has narrowed as compared to longer-term rates such as those provided by the board. 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.

Interest Rates Offered by the Board during the Year

Term	April 1, 2007– June 30, 2007	July 1, 2007– Sept. 30, 2007	Oct. 1, 2007– Dec. 31, 2007	Jan. 1, 2008– Mar. 31, 2008
1 to 5 years	6.10 %	6.10 %	6.85 %	6.85 %
6 to 10 years	6.20 %	6.20 %	6.85 %	6.85 %
11 to 15 years	6.35 %	6.35 %	7.00 %	7.00 %
16 to 20 years	6.50 %	6.50 %	7.00 %	7.00 %
21 to 25 years	6.55 %	6.55 %	7.15 %	7.15 %
26 to 30 years	—	6.60 %	7.50 %	7.50 %

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. It is anticipated that commercial lending criteria will tighten as a result of the U.S. sub-prime credit situation. 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 the board to advance \$22.6 million in the 2007–2008 fiscal year for a net decrease in the loan portfolio of \$3.0 million. Short-term and longer rates have returned to a closer relationship. Demand for board loans has been lower than expected in 2007–2008; however, flexibility is necessary should commercial lending decrease sharply. Requested capital authority of \$30 million is expected to provide flexibility to respond to lending needs in 2008–2009.

Requirement for loan capital by the forestry sector continues to be of interest to the 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 meet client credit needs, providing counselling services, support to new entrants, analysing risk, and collaborating with departments and industry. A new Human Resources plan, once implemented, will add to the board's ability to meet monitoring, counselling, and analysis needs as they arise. 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. The board will continue to assess and develop the client focus and counselling aspects of its service. The board's recently approved Human Resources plan provides for additional resources for analysis, account status monitoring, and business assistance.

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 for 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.

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.

To generate a positive net income as reported in published audited financial statements; administer programs within guidelines and budget; and measure and report on key success factors.

Core Business Areas

Core Business Area 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, and efficient and responsible financial management. It 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.

Core Business Area 2: Programs Administration

Programs administration supports the development and implementation of departmental loan-based assistance programs in areas related to the board's financial operations and expertise such as the ongoing New Entrants to Agriculture Program and the Transitional Assistance and Ruminant Loan Income Support grant programs, which expire March 31, 2008. This area of responsibility is funded by departmental resources distinct from the board's lending program but administered by board lending staff. Program results are separate from and not included in the board financial report.

Priorities for 2008–2009

1. Lending

Provide up to \$30 million of new loan capital to the agricultural and timber industries in the 2008–2009 fiscal year.

The focus is on development and long-term stability. Projections for 2006–2007 indicate that by year-end, loans advanced will total \$22.6 million and principal repayments approximately \$25.6 million. Interest rates are expected to continue with a slight decline and then stabilize over the remainder of the year. Demand for credit is expected to increase if commercial lenders tighten credit availability as expected.

Statistics Canada reports indicate that total farm debt by Nova Scotia farms grew by approximately 35 per cent between 2001 and 2006. If historical rates of growth in agricultural capital requirements continue, \$30 million of new loans will result in the board providing approximately 25 per cent of total agricultural lending in Nova Scotia in 2008.

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 2008–2009 continues to be on our client focus and counselling services.

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 2008–2009.

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 inter-generational transfers in order to provide long-term stability and renewal of farm ownership. Thirty-one applications have been approved during the 2007–2008 year for grants in future years (subject to funding).

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 continue to be priorities for the board during 2008–2009.

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 the 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. The board's plan provides for increased emphasis on loan monitoring, analysis, and assistance to clients experiencing difficulty. This plan calls for an increase in staff to 21.3 full-time equivalent (FTE) positions. Currently 17.3 FTEs are assigned. The allocation of staff will be reviewed with the Department of Agriculture during the 2008–2009 year.

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 backup plans.

Learning, through training and professional development and by sharing knowledge, is considered a priority of the board. 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

Operational Income Statement

2007-08 Estimate \$(000)	2007-08 Forecast \$(000)	Description	2008-09 Estimate \$(000)
11,390	10,863	Interest	11,000
150	150	Insurance operations *	150
582	247	Fee revenue/recoveries *	582
12,122	11,260	Total revenue	11,732
9,800	9,507	Interest	9,640
1,317	1,214	Operating expenses *	1,377
350	7,100	Bad debt expense	350
11,467	17,821	Total expenses	11,367
655	(6,561)	Income (loss) before govt. contribution	365
1,317	8,314	Government contribution	1,727
1,972	1,753	Net income	2,092

Note: See Year-end Financial Statements for complete financial information and notes.

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

See budget context comments on the next page.

*Target assigned by the Department of Agriculture

2007-08 Estimate (\$ 000)	2007-08 Forecast (\$ 000)	Description	2008-09 Estimate (\$ 000)
<i>Capital Funds</i>			
189,652	190,739	Opening principal	187,365
30,000	22,600	Add loan advances	30,000
(22,500)	(25,600)	Less repayments	(18,000)
(500)	(374)	Less principal written off	(1,000)
196,652	187,365	Closing principal	198,365
<i>Provision for Impaired Accounts</i>			
10,605	7,796	Opening allowance	14,522
(500)	(374)	Less accounts written off	(1,000)
350	7,100	Additions (principal portion of bad debt expense +/- adjustments)	350
10,455	14,522	Closing allowance	13,872
186,197	172,843	Net portfolio at year-end	184,493

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 \$6.5 million. Forecasts indicate a significant (\$6.7 million) loss before government contributions during the 2007-2008

fiscal year as a direct result of difficulties being faced by the hog sector. Having adjusted for expected repayment difficulties within this sector and increased business support to sectors in difficulty, the forecast for 2008-2009 is for a smaller (\$365,000) loss before government contributions.

The board is assigned budgetary authority through the Department of Agriculture and is required to conform budget projections to the 2008-2009 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. Early repayment fees have decreased significantly and are projected to continue at a lower level than in the years immediately following significant rate declines of 2001–2002. This area has been identified to the Department of Agriculture as a budget pressure for 2008–2009.

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 2007–2008 and a similar amount in 2008–2009. 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 2008–2009.

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. Budgetary allocations are assigned based on staffing now in place.

Core Business 2: Program Administration

Note that staff of the board administer the following programs but the programs are reported for separately under the Department of Agriculture and are not included in the Operational Income Statement of the Board

2007–08 Estimate (\$ 000)	2007–08 Forecast (\$ 000)	Description	2008–09 Estimate (\$ 000)
600	456	New Entrants to Agriculture Program— Expenditures	600
600	600	New Entrants to Agriculture Program— Approvals (grants cover interest in the two years following approval)	600
6,200	6,200	Focussed financial relief/Transitional Assistance Program (grants to retire hog and beef loans)	—
Total Staff			
17.3	17.3	Staff—FTEs	21.3

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. It is anticipated that these will be completed by March 31, 2008, and if completed, may result in changes in the reporting of income disposition beginning in the year signed.

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. Further development is ongoing and review, testing, and training will be required as change occurs. Internal controls continue to be reviewed to ensure that an appropriate balance has been found in efficiency and effectiveness and documentation is up to date.



Outcomes and Performance Measures

Core Business Area 1 Lending

Outcome	Measure	Recent Results	Target 2007-08	Target 2008-09	Strategies to Achieve Target
Efficient program delivery	Net income (before gov. contrib.) as a % of the avg. active loan balance	2005-06: 0.4%. 2006-07: -0.7%* Forecast 2007-08: -3.6* * Includes bad debt expense previously funded by the Department of Finance and excluded. Bad debt expense 2006-07 and 2007-08 both unusually high due to difficulties in the hog sector.	0.3% or above	-0.2% or above (Adjusted to recognize current operating situation.)	<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 2005: 27.8% (revised from 25.0%) Calendar 2006: 28.4% Projected 2007: 26.1%	22.5% or greater (target was understated due to an error in the underlying statistics)	26.1% or greater (maintain proportion of total NS farm debt)	<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 Up to \$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 and credit available is reduced Farm Loan Board funding is expected to become more in demand

Core Business Area 1

Lending

Outcome	Measure	Recent Results	Target 2007-08	Target 2008-09	Strategies to Achieve Target
Successful clients (as indicated by the proportion of accounts in difficulty)	Arrears as % of value of all accounts	2005-06: 3.3%	3.0% or less	3.0% or less	<ul style="list-style-type: none"> Monitor account status, contacting clients in arrears and referring them to industry resources where appropriate Maintain contact and work with client to work out arrangements for payment Include larger arrears accounts in annual review process 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
		2006-07: 2.9%			
		Projected 2007-08: 3.0%			
Defaulted accounts held as real estate as % of total of all accounts		2005-06: 2.5%	3.0% or less	3.0% or less	<ul style="list-style-type: none"> Work with clients in arrears or experiencing difficulty to achieve the best chance of success in the long term (see arrears strategies above) Clear up existing accounts in process for recovery as rapidly as possible subject to legal procedures and fairness processes and timing necessary to achieve the best value
		2006-07: 2.0%			
		Projected 2007-08: 2.7%			
Client satisfaction	Combined results for courtesy, promptness, knowledge, commitment on client survey	2005-06: 96%	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
		2006-07: 94%			
		Projected 2007-08: 95%			



Core Business Area 2 Programs Administration

Outcome	Measure	Recent Results	Target 2007-08	Target 2008-09	Strategies to Achieve Target
New entrances facilitated	Number of approved applications	2005-06: 36 2006-07: 36 Projected 2007-08: 35	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 5 years remaining in agriculture.	2006-07: 99% (4 new entrants who started since April 2001 have discontinued). 2007-08: 91% (9 new entrants who started since April 2002 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	Recent results 2005-06: 15 2006-07: 12 Projected 2007-08: 6	25	25	<ul style="list-style-type: none"> • Counselling family farm enterprises • Support for industry succession management workshop • 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.