



Crown Corporation

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

FOR THE FISCAL YEAR 2009–2010

Nova Scotia Farm Loan Board

Business Plan 2009–2010

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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 2009–2010. 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 Honourable John MacDonell
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 board contributes to rural economic results by ensuring that loan financing is available to producers at reasonable costs and that availability is maintained in all economic conditions and through agricultural cycles.

Mandate

The board functions as the Timber Loan Board (for loans to forest product mills) as well as the Nova Scotia Farm Loan Board. Plans and reports combine these roles.

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 provides authority to the board to make or guarantee loans for the purpose of acquiring or improving any farm, plant, machinery, or equipment; to acquire, hold, and dispose of farms, buildings, livestock, machinery, and lands; to collaborate with the Department of Agriculture personnel; and to take on other purposes, duties, and powers as the Minister approves.

The Timber Loan Board's authority is from regulations made pursuant to the *Revised Statutes of Nova Scotia* 1989, the Forest Act 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 Agriculture. Day-to-day operations are delegated to staff who are responsible for ensuring 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.

Vice-Chair: 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 in Kentville near his three grown children, where he operates a financial planning firm. Steve is a graduate of NSAC and the University of Guelph (BSc (Agri)). He has been involved in the Kentville Town Council, the Kings branch of the VON, and the Rotary Club (past president). Community projects such as the Annual Acadia Hockey Celebrity Dinner and the NSAC Foundation continue to be of importance to Steve and his family.

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 2011. 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 Federations of Agriculture.

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 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.

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.

At last year-end (March 31, 2008), the board's total loan portfolio totalled \$187 million in loan principal. Including lease property accounts, total lending to agriculture represents approximately 25.8 per cent of the debt capital of Nova Scotia farmers. Timber loans provided to forest mills to ensure a sustainable wood supply totalled \$510,000 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.

Alignment with Departmental Priorities

The Nova Scotia Farm Loan Board contributes to the priorities of the Department of Agriculture in several ways, most directly contributing to its business plan's Core Business Two, Industry Growth and Development.

Board activities support competitive agriculture and food businesses that create economic growth and employment in rural communities by ensuring that long-term credit funding is available throughout business cycles. By supporting development of environmental plans and investment in good environmental choices, board lending contributes to sustainable resource management. Specifically, the following priorities of the Department of Agriculture are supported:

Priority # 3: Promote transition in the agriculture industry towards improved competitiveness and self-sufficiency.

Support for competitiveness and self-sufficiency is provided through stable financing and financing of new initiatives, as well as counselling and advice.

Priority # 5: Attract new entrants to the agriculture and agri-product industries.

In addition to providing financing and guidance to new entrants, the board continues to administer the New Entrants to Agriculture Program to assist new producers with grants against interest costs.

Priority # 6: Expand investment in the agriculture and agri-product industries to capture growth opportunities.

Board funding provides for farm development and investment in land, buildings, equipment, livestock, and horticultural development, as well as on-farm processing and working capital to



enable growth and for marketing and other activities necessary to grow and develop opportunities.

Priority # 7: Increase the international competitiveness of Nova Scotia's agriculture and agri-product industries.

By facilitating the investment and growth noted above, the board supports development of strong agricultural businesses, which are then able to develop and compete locally and internationally.

Priority # 8: Increase the value of Nova Scotia's agriculture sector.

Support for investment, growth, and competitiveness through long-term stable financing, as well as working capital, will support increases in the value of the agricultural sector overall.

Planning Context

External Context

In General

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

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

Volatility in grain prices may assist the relatively small grain-producing sector but could increase input costs for livestock production in general.

Industry representatives suggest that additional emphasis should be placed on assisting new entrants, counselling services, and low-cost loans. Many clients have indicated that they would prefer to find more flexibility in loan options available from the board, possibly including short-term mortgages with longer amortizations (similar to commercial mortgages), variable rates, and operating type loans.

The board will continue to react with patience in sectors experiencing cyclical downturns and with caution for sectors that appear to be entering such a downturn, and will ensure that capital remains available in sectors that are able to invest, providing repayment terms suited to the timing of returns.

Interest Rates

Interest rates have fluctuated, beginning to rise over fiscal year (2007–2008) and falling again during the 2008–2009 year to date. Actions by the Bank of Canada to reduce interest rates and projections of relatively low growth suggest that short-term interest rates will remain relatively low into 2009–2010.

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 continues to offer fixed interest loans with rates fixed for the full amortization period of the loan; however, staff are moving to react to requests for variations to provide shorter terms, variable rates, and renewal options. Potential new loan products under consideration for the 2009–2010 year include variable-rate loans, mortgages with term lengths of less than the amortization period, and flexible lending secured by real property. Consultation with the Departments of Finance and Justice will be required and has already begun.

The board will work to ensure that credit tightening by commercial lenders, if any, is offset by its own lending to ensure that agricultural businesses remain successful.

New loan advances are forecast at \$26 million in the 2008–2009 fiscal year for a net increase in the loan portfolio of \$4.0 million. Demand for board loans has been at the lower end of the expected range to date in 2008–2009; 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 2009–2010.

Requirement for loan capital by the forestry sector continues to be of interest to the board, not only 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, supporting new entrants, analysing risk, and collaborating with departments and industry. A human resources plan, approved within the department but awaiting resources for implementation, 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.

The Economy

It is anticipated that clients will be somewhat protected from the current economic downturn because most sectors provide basic food products. Non-food products such as the fur and ornamental horticulture may be subject to higher risk. Most clients are protected by supply management or income stability programs.

Ongoing Planning Focus

The board understands its focus to be the support of 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, support for new entrants, and long-term lending. The board will continue to assess and develop the client focus and counselling aspects of its service. The board's recently approved human resources (HR) plan provides for additional resources for analysis, account status monitoring, and business assistance. As noted under interest rates, the board is pursuing new loan products to meet borrowing requirements of clients.

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 criterion 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.

While working to meet client needs, the board will also work towards strengthened lending and management information to meet lending, decision-making, and financial reporting needs.

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, asset-backed developmental credit

- 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.
- Provide flexible loan products adapted to the needs of the agricultural industry.

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

- Develop and enhance loan management capability, including risk-rating abilities, corporate loan and collateral information, and annual review and other processes and procedures to improve management information and auditability.
- Work to ensure that information is available to meet current and changing accounting and reporting standards and deadlines.

Core Business Areas

Core Business Area 1: Lending

Providing flexible, asset-based credit for development of agricultural and timber businesses is the primary mandate of the Farm Loan Board. This includes loan product development, loan service development, client service and administration, and efficient and responsible financial management, as well as financial analysis and 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 flexible asset-financed 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, including the ongoing New Entrants to Agriculture Program and other programs as they arise. 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 reported with departmental accountability reports, separate from and not included in the board financial report.

Priorities for 2009–2010

1. Lending

Provide up to \$30 million of new loan capital to the agricultural and timber industries in the 2009–2010 fiscal year.

The focus is on development and long-term stability. During 2008–2009 the board advanced \$26.7 million and received principal repayments of \$20 million. Demand for credit may increase if commercial lenders tighten credit availability as expected. However, early indications are that clients are able to borrow and are seeking lower short-term lending rates from commercial lenders.

Statistics Canada reports indicate that total farm debt by Nova Scotia farms grew by approximately 44 per cent between 2002 and 2007. 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 2009.

The board will work towards introduction of new loan products to meet client needs in 2009–2010. Loans with terms of less than the amortization period are an initial option, providing clients who have sufficient security and risk tolerance with greater flexibility and reduced short-term cost. Other products will be investigated, possibly including a flexible agricultural and rural mortgage to provide for operating capital needs and to permit quicker response to funds requests on well-secured clients; variable-rate mortgage loans; and options for open loans (repayable at any time). Staff will work with legal advisors, the Department of Finance, and others to develop and implement workable options. In order to promote understanding of the flexibility available to clients, the board will work toward development and presentation of specifically targeted and identified loan product offerings, reducing reliance on individual customization, without limiting current options.

Financial Counselling

The board places importance on maintaining an understanding of agriculture, development of relationships with clients and understanding their needs, flexibility in dealing with individual circumstances, counselling services, as well

as specific loan product offerings. As noted in the human resources strategy, proposals provide for development of additional capacity for analysis and for follow-up with clients experiencing business and repayment difficulty.

Timber Loans

The board will work to provide funding for agriculturally related forest ventures and will work with the Department of Natural Resources to enhance services to modify products and services to meet needs for growth and development within the timber industry as interest develops.

Reporting

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

Account Maintenance

The board manages accounts such that write-offs and arrears conditions are monitored and minimized in relation to the portfolio size while maintaining the priority of a "patient lender" approach, supporting industries and individuals through cyclical downturns and working towards the best outcome for all parties.

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 meeting their obligations. This may include deferral of payments, restructuring of debt, financial counselling, or referral to other relevant services.

This also includes counselling and follow-up for clients with repayment difficulties.

2. Program Administration

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

This program, now in its seventh year, provides assistance with loan interest. It is intended to assist up to 50 new entrants to agriculture, including intergenerational transfers in order to provide long-term stability and renewal of farm ownership. Twenty-two applications have been approved during the 2008–2009 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 2009–2010.



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 government's Corporate Human Resource Plan 2005–2010 establishes goals, objectives, and strategies in order to 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 and an increase in staffing resources to facilitate this. The allocation of staff will be re-evaluated and reviewed with the Department of Agriculture during the 2009–2010 year.

Succession planning will form an important element in the board's response to future retirements and staffing changes within the

board. The ability to introduce and train staff, and to back up critical functions is vital. The human resources plan under consideration is expected to strengthen the board's ability to meet this need.

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.

Communication Strategy

The board communicates with the department informally through regular contact, through the CEO/Director as part of the Industry Development and Business Services Branch, and through the monthly budget submission process.

Communication to existing clients is by payment receipt or arrears notices, annual statements upon request, loan officer contact in response to a request or significant arrears, or through the annual loan file review process requiring updated information. Clients may call or visit to request information on their accounts, to inquire about additional loans, or to discuss payment difficulties.

To communicate loan offerings and interest rates, the board produces a printed pamphlet about board lending and a quarterly rate sheet, both of which are available at board offices, and maintains a website where similar information is provided, along with contact information for the board. Staff attend, and man a booth, at annual NSFA meetings and sector meetings.

Communication with the public is coordinated through the Department of Agriculture.

Future

Online access by clients for balance and other information about their accounts is contemplated but on hold until other system improvements can be implemented.

Periodic direct mailings to advise of board offerings and activities and upcoming events may be used to remind clients and further explain about annual reviews and to advise clients to get their loan requests in early near busy times and around our year-end to avoid delays.

Budget Context

Financial Management

Effective financial management is a priority for the board.

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 that documentation is up to date.

The board has undertaken an annual review process for loans, focusing priority on higher-risk loans to meet management, financial reporting, and audit requirements. Initial results achieved during 2007-2008 were positive, with full implementation planned over 2008-2009 and 2009-2010. Considered necessary to meet informational requirements, this process consumes considerable staff time and requires support of systems not yet in place. Staff resources as outlined in the Human Resources plan are considered to be minimal for full implementation. Further training, development of internal processes, and systems development or acquisition will continue to be priorities during 2009-2010.

It does not appear at this point that the board will require application of International Financial Reporting Standards (IFRS). IFRS standards and application rules will continue to be monitored.

Internal processes and information systems will be reviewed during 2009-2010.



See notes following Operational and Capital Funds statements for information regarding forecasts and estimate requests.

Operational Income Statement

2008-09 Estimate \$(000)	2008-09 Actual \$(000)	Description	2009-10 Estimate Request \$(000)
11,000	10,802	Interest	10,980
150	222	Insurance Operations	150
582	218	Fee Revenue/Recoveries	230
11,732	11,242	Total Revenue	11,360
9,640	9,749	Interest	9,920
1,377	1,263	Operating Expenses	1,520
—	4,763	Bad Debt Expense	500
11,017	15,775	Total Expenses	11,940
715	(4,533)	Net Income (Loss)	(580)
(715)	4,533	Transferred to the Province	580
0	0	Remaining	0

Note: See Year-end Financial Statements for complete financial information and notes.
 Interest expense is established under the terms of a Memorandum of Understanding arranged with the Department of Finance.
 See notes following the capital funds statement.

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.

Accounting adjustments are subject to the approval of the Department of Agriculture. The board is assigned budgetary authority

through the department and is required to conform the forecast and estimate authority to the amount assigned. Authority assigned for insurance, fees, operations, and bad debt expense is based on funding availability. The significant problems in the hog industry have resulted in much higher-than-usual bad debt experience in the past two years and have resulted in a large group of non-performing loans still on the books, reducing forecast income for 2009–2010.

2008-09 Estimate (\$ 000)	2008-09 Actual (\$ 000)	Description	2009-10 Estimate Request (\$ 000)
<i>Capital Funds</i>			
187,365	186,953	Opening principal	193,542
30,000	26,718	Add loan advances	30,000
(18,000)	(20,090)	Less repayments	(21,000)
(1,000)	(39)	Less principal written off	(1,800)
198,365	193,542	Closing principal	200,742
<i>Provision for Impaired Accounts</i>			
14,522	16,509	Opening provision	21,233
(1,000)	(39)	Less accounts written off	(1,800)
—	4,763	Additions (Principal portion of Bad Debt Expense +/- Adjustments)	500
13,522	21,233	Closing allowance	19,933
184,843	172,309	Net portfolio at year-end	180,809

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. Actuaries have advised that the results of this program will fluctuate from year to year. A review of current insurance arrangements and alternative options is planned for completion during 2009-2010.

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.

2008-09 Estimate (\$ 000)	2008-09 Actual (\$ 000)	Description	2009-10 Estimate Request (\$ 000)
600	512	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	—	Focused Financial Relief/Transitional Assistance Program (grants to retire hog and beef loans)	—
Total Staff			
17.3	17.3	Staff—FTEs	21.3

Outcomes and Performance Measures

Core Business Area 1

Lending

Outcome	Measure	Recent Results	Target 2008-09	Target 2009-10	Strategies to Achieve Target
Efficient program delivery	Net income (before government contribution) as % of the average active loan balance	<p>2006-07: -0.7% (-\$1,260,000) *</p> <p>2007-08: -4.3% (-\$7,833,000) *</p> <p>Forecast 2008-09: -2.5% (-\$4,533,000) *</p> <p>* Bad debt expense in 2006-2007, 2007-2008, and 2008-2009 is unusually high due to difficulties in the hog sector</p>	-0.2% or above (set in recognition of loan difficulties)	-\$750,000 in income before government contributions (-0.4% of the active portfolio). This recognizes that additional account problems may be experienced in the current economic climate, and that the board will continue to hold a higher-than-usual inventory of security for disposal, which will earn no income contribution.	<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. Develop additional loan products to meet client needs, including clients with lower inherent risk and less likelihood of loss. Additional loan products with terms shorter than the amortization period, variable interest rate, and asset-secured operating loans will be investigated and possibly adopted during 2009-2010, allowing the board to support client needs and maintain strong clients within the portfolio. 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. The high priority placed by the board on continued patience in resolving the unusually large group of problem accounts will inevitably result in lower income in the short term. Loans classified as impaired and default accrue no interest revenue but do tie up funds, resulting in higher interest expense.



Core Business Area 1 Lending

Outcome	Measure	Recent Results	Target 2008-09	Target 2009-10	Strategies to Achieve Target
Stable, long-term credit available	FLB loans as % of total Nova Scotia farm debt (based on calendar year data)	Calendar 2006: 31.1% (revised from 28.2%) Calendar 2007: 27.6% Calendar 2008: 26.7%	26.1% or greater (Maintain proportion of total Nova Scotia farm debt)	25.0% or greater (Reverse declining trend during the year and stabilize after significant declines in early 2009)	<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 Introduce loans with short terms (3-5 years) and long-term amortizations to meet client needs; explore flexibility options for loan products, including variable-rate loans, the use of real estate security for operating, and flexible repayment loans 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 become more in demand

Core Business Area 1

Lending

Outcome	Measure	Recent Results	Target 2008-09	Target 2009-10	Strategies to Achieve Target
Successful clients (as indicated by the proportion of accounts in difficulty)	Total arrearage as % of value of all accounts (Note: This measure is revised effective 2009-2010 to include arrearage on accounts classified as "in default" and replaces both the previous arrearage measure and the previous measure of defaulted accounts.)	2006-2007: 2.9% old basis/ 3.8% new basis 2007-2008: 2.8% old basis/ 3.6% new basis 2008-2009: 3.4% old basis/ 4.5% new basis (Hog industry difficulties expected to continue)	3.0% or less old basis/ 3.8% or less new basis	4.5% 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. Additional staff identified in the draft human resources plan will contribute to success in this objective, as will a planned review of lending practices by improving early identification of potential problem accounts. Maintain a balance of high-risk and lower-risk clients by broadening loan products available to meet a range of requirements Hog sector difficulties will take some time to work through windup of loans. 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



Core Business Area 1 *Lending*

Outcome	Measure	Recent Results	Target 2008-09	Target 2009-10	Strategies to Achieve Target
	Defaulted accounts held as real estate as % of total of all accounts	2006-2007: 2.0% 2007-2008: 4.2% 2008-2009: 5.3%	3.0% or less	Measure discontinued in favour of one inclusive measure—see arrears measure above	Measure discontinued
Client satisfaction	Combined results for courtesy, promptness, knowledge, and commitment on client survey	2006-07: 94% 2007-08: 89% 2008-09: 90%	90% or above	90% or above	<ul style="list-style-type: none"> Monitor survey results Review procedures for efficiency gains; work to improve promptness score through reallocation of staff to permit focus on struggling clients, analysis, and documentation, while maintaining capacity for new loan work as identified in the human resource strategy

Core Business Area 2

Program Administration

Outcome	Measure	Recent Results	Target 2008-09	Target 2009-10	Strategies to Achieve Target
New entrances facilitated	Number of approved applications	2006-07: 36 2007-08: 31 2008-09: 22	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	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) 2008-09: 95% (9 new entrants who started since April 2003 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. • Require business plan preparation by applicants

