

**NOVA SCOTIA  
FARM LOAN BOARD**

**BUSINESS PLAN**

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**2018-19**

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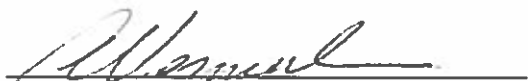
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## Message from the Minister and Board Chair

We are pleased to present the Nova Scotia Farm Loan Board ("NSFLB") business plan for 2018-2019. The plan outlines the Board's goals and priorities for the coming year in line with its mission and mandate, as well as the Province's economic and sustainable growth.

The primary focus of the NSFLB continues to be the provision of agricultural financing and credit counselling to advance, encourage, and support the development of agricultural and timber businesses in Nova Scotia. The NSFLB strives to ensure the needs of the industry are always our priority, and that we are evolving our services to meet the challenges clients in these industries are facing in today's global economy. The introduction of the Micro-Loan will provide direct to market small scale producers with loans for capital or operating projects to assist in expanding their businesses. As well, the NSFLB is working with farmers transitioning to the growing NS grape industry to provide value added products. This is made possible with a Board consisting of individuals from the industry and corporate or community lenders who understand the economy and needs of those working in these sectors. We provide an in-depth understanding that is not matched at other financial institutions regarding the cycles of the industry and downturns that can be faced by our clients. The structure of the NSFLB aims to recognize the uniqueness of the NS farming industry and ensuring the continuation of sustainable Nova Scotia farming communities.

A review is underway to update the Board's regulatory and policy framework to enhance the Board's effectiveness in addressing industry changes; improving service quality; developing innovative and creative programs and financing solutions; and alleviating undue risk to Board investments. This regulatory review will also align the *Farm Loan Board Regulations and Fisheries and Aquaculture Loan Board Regulations*. This will offer us the ability to streamline our services to offer more supports for both industries, while the Boards continue to operate separately, maintaining our unique sector supports.



Andrew Vermeulen  
Vice-Chair  
Nova Scotia Farm Loan Board



Honourable Keith Colwell, E.C.N.S.  
Minister  
Nova Scotia Department of Agriculture

## Mission

The Nova Scotia Farm Loan Board ("NSFLB") supports the development of agriculture and agricultural business in Nova Scotia through responsible lending.

## Vision

The NSFLB is a leader in agricultural lending, creating opportunities in rural Nova Scotia.

## Mandate

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

The NSFLB also serves the forest industry, as the Timber Loan Board established by the *Forest Act*. The *Forest Act* provides for credit to acquire forested land for forest product mills. Regulations of the Timber Loan Board, which govern terms and conditions of credit provided are made under the *Forest Act*.

## Operations

The NSFLB has been active since 1932 as an agricultural development agency, acting to build a financially stable and sustainable agricultural base in Nova Scotia. It supports agriculture and rural business development by providing short, medium and long-term capital with competitive fixed interest rates. The NSFLB is committed to meeting the needs of the industry by assessing loans and programs to grow businesses. Several products designed to serve specific lending needs have been developed including asset acquisition or construction, working capital, long development projects like orchards and grapes, and new entrants supports. The NSFLB has implemented the Micro-Loan Program to assist direct to market small scale working groups to expand their agricultural businesses. Loans of \$50,000 or less are available for capital or operating projects. Other programs to assist and develop the farming industry include programming to encourage and support new farmers to establish commercial farms in Nova Scotia, loans for quota, and the "Deferred Product Options Loan" for apple and blueberry development. This provides cash flow generation during the implementation processes of these sectors which can take 2-5 years to see

cash flow returns. The "Fast Tractor" program provides a preapproved purchasing line of credit for new or used equipment.

## Operating Environment

The NSFLB forms a critical link in the capitalization of rural Nova Scotia businesses with an investment of \$189 million in Nova Scotia farms and farm processing. This capital is used to: buy farm land; construct farm buildings, plant new crop varieties; make animal genetic improvements; purchase new efficient equipment; adopt new agricultural technology; purchase marketing quotas; and provide working capital.

These investments make Nova Scotia a better and more productive place to farm, as well as providing more local food for Nova Scotians. These investments support a great deal of related industry including: building and material suppliers; building contractors; equipment dealers; and provide a very significant spin off impact through the entire Nova Scotia economy.

The Department of Agriculture has identified five strategic themes. While all are valued, the Board's activities primarily focus on:

**Enabling Responsible Economic Growth:** The NSFLB has a positive impact on the rural economy of Nova Scotia. The staff that support the NSFLB and its Board Directors are very aware of the responsibility they have as stewards of this provincial investment.

**Increasing Trade and Market Access:** While most Nova Scotia fresh produce is sold in province, a large and growing sector in apples, blueberry (both wild and high bush) and certain cole crops such as kale are making significant in-roads in cross border sales to the USA and Europe. As an example, 75% of the honeycrisp apples (a relative new variety that grows especially well in Nova Scotia's climate) are sold in the USA.

**Encouraging Value Added Opportunities:** One exciting opportunity in Nova Scotia is the development of the wine industry. The NSFLB has supported several growers in this transition. Risks can be higher for value-added products, but so are the economic impacts. The Board will continue to offer financial support to clients when taking on value added opportunities with good business potential.

## Portfolio Management

The developmental nature of the NSFLB means that the board is willing to provide financing to clients who are not able to find reasonable rates or obtain loans at a traditional bank due to the cyclic nature of their industry, or the fact that they are new entrants. To better manage this risk and provide greater likelihood of success, the Board works toward individually customized

solutions as well as on credit assessment, risk assessment.

The NSFLB currently has invested in 500 clients, with an additional 100-200 loan applications in 2017-2018. This results in an investment in the Nova Scotia economy of \$189 million, contributing to local and export markets. The Board makes every effort to assist our clients by providing support for established clients through all cycles including industry downturns. Wherever possible, innovation and value added processing are also supported.

The Director reports to the Deputy Minister of Agriculture and is responsible for the operations of the Nova Scotia Fisheries and Aquaculture Loan Board in addition to the NSFLB. The Board of Directors consists of Nova Scotia residents who have worked in the industry and corporate or community lenders who understand the economy and needs of those working in these sectors. They are recommended by the Minister of Agriculture and appointed by Governor in Council.

## Regulatory Review

The NSFLB is currently completing a review of our *Nova Scotia Farm Loan Regulations* to modernize and align it with the *Nova Scotia Fisheries and Aquaculture Loan Board Regulations* to continue to improve our effectiveness and lending capabilities. The proposed regulatory changes will offer the Board the ability to streamline services and improve efficiencies by integrating the administrative and operational functions of the staff supporting the two boards, as well as areas such as application processing and website. The two Boards will continue to operate separately to maintain their unique sector supports. These changes will make the Loan Boards a more appealing institution for borrowers by providing the industries with greater and more flexible loan options that fit their needs and reducing loan turn-around times.

## Budget Context

### NSFLB Operational Income Statement

Description	2017–2018	2017–2018	2018–2019
	Estimate	Forecast	Estimate
	(\$ 000)	(\$ 000)	(\$ 000)
Interest	5,800	5,891	5,800
Life Insurance revenue	22	24	24
Fee revenue / recoveries	209	110	200
<b>Total revenue</b>	<b>6,031</b>	<b>6,025</b>	<b>6,024</b>
Interest	4,700	4,155	4,300
Operating expenses	1,651	1,554	1,651
Bad debt expense	253	2,252	253
<b>Total expenses</b>	<b>6,604</b>	<b>7,961</b>	<b>6,204</b>
<b>Net income (loss)</b>	<b>(573)</b>	<b>(1,936)</b>	<b>(180)</b>
Transferred to the province	573	1,936	180
Remaining	0	0	0

## Capital Funds

Description	2017-2018	2017-2018	2018-2019
	Estimate	Forecast	Estimate
	(\$ 000)	(\$ 000)	(\$ 000)
<b>Opening principal</b>	180,415	183,119	189,189
Add loan advances	40,000	31,000	40,000
Less repayments	(30,000)	(24,000)	(28,000)
Less principal written off	(2,000)	(930)	(2,000)
<b>Closing principal</b>	<b>188,415</b>	<b>189,189</b>	<b>199,189</b>
<b>Provision for impaired accounts</b>			
Opening provision	14,906	15,567	16,889
Less accounts written off	(2,000)	(930)	(2,000)
Additions (principal portion of bad debt expense +/- adjustments)	253	2,252	253
<b>Closing allowance</b>	<b>13,159</b>	<b>16,889</b>	<b>15,142</b>
<b>Net portfolio at year end</b>	<b>175,256</b>	<b>172,300</b>	<b>184,047</b>