

NOVA SCOTIA
FARM LOAN BOARD

BUSINESS PLAN

2019 - 20

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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 2019 - 2020. The plan outlines the Board's commitment to support the rural economy by providing responsible lending services targeted for agriculture and agri-businesses in Nova Scotia.

The NSFLB prioritizes the needs of the industry, offering a diverse product line to meet the lending needs of individual farmers. Clients use loans to purchase farm land, quota, and equipment, adopt new technology and expand into emerging opportunities. The NSFLB aims to recognize the uniqueness of the NS farming industry and ensuring the continuation of sustainable Nova Scotia farming communities.

The Farm Loan Board Regulations were amended this past year to better position the Board to support our clients. Key highlights include reduced wait time for consideration of loans over \$ 2 million, offering risk adjusted rates and standardized fee structures. Changes also enabled alignment of administrative frameworks to the NSFLB and the Nova Scotia Fisheries and Aquaculture Loan Board, gaining efficiencies and providing more supports for both industries, while the Boards will continue to operate separately, maintaining our unique sector approach.



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 agricultural businesses in Nova Scotia through responsible lending.

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 any purpose which will encourage, sustain, improve or develop the agriculture industry in the Province. 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*.

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 businesses by providing short, medium and long-term capital with competitive interest rates.

The NSFLB is committed to serve industry, offering several products designed to meet specific lending needs, ranging from small dollar micro-loans, to large loans for things such as real estate, quota and orchard development loans. The NSFLB works to set-up loans that work for the individual's business, with the ability to structure loans to meet clients needs.

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

Operating Environment

The NSFLB is a critical link in the capitalization of rural Nova Scotia businesses with an estimated investment of \$164 million in provincial farms and agricultural processing. This capital is used to buy farm land, construct farm buildings, plant new crop varieties, improve animal genetics, purchase efficient equipment, adopt new agricultural technology, purchase marketing quotas and provide working capital.

Nova Scotia farm cash receipts declined in 2017 by 5.1% from the previous year. Revenue from crop production increased slightly however, led by significant increases in the value of apples, field vegetables, strawberries and Christmas trees.

Continued lower prices in the fur industry, mainly due to decreased global demand, combined with lower production volume, has resulted in a decrease in sector value. The largest increase in livestock product values was the dairy sector, which increased by 7% (\$10 million).

Final data for 2018 is unavailable at this time, however the Province experienced a severe frost event this past June which is expected to impact lending activities due to projected impact on the amount and quality of crops to be harvested this year. The most severely impacted crops are anticipated to include wine grapes, wild blueberries, apples and Christmas trees.

Portfolio Management

The developmental nature of the NSFLB means that the Board will work with clients who are unable to find reasonable rates or obtain loans at a traditional bank due to the nature of their business or industry and the risk involved. To better manage risk and provide greater likelihood for success, the Board works toward individually customized solutions, including credit and risk assessment.

The NSFLB invested an estimated \$28 million in 68 clients in 2018 - 19, contributing to Nova Scotia's agriculture economy in both local and export markets. The Board makes every effort to assist its clients by providing support through all business cycles including industry downturns. Whenever possible, innovation and value-added processing are also supported. The NSFLB will invest up to \$40 million in 2019 - 20.

Goals

The Crown Lending Agency (CLA), parent organization of the NSFLB, operates under two themes and five strategic goals:

Efficient and Effective Service

1. Increasing impact on industry through **quality lending** and superior client service
 - CLA will monitor the loans portfolio, including client profiles, client satisfaction and risk profiles, to assess trends and areas for improvement.
2. Building trusting relationships through **accountability** for quality and timely work
 - CLA will ensure accurate financial reporting, including an annual audit, update current reporting systems and encourage excellent service through regular client contact and industry outreach.
3. Improving team effectiveness through a positive work environment and **continuous improvements**
 - CLA will monitor trends in employee engagement and offer development opportunities to attract and retain high-performing employees. It will also streamline processes across the NSFLB and the Nova Scotia Fisheries and Aquaculture Loan Board, aligning Acts, Regulations and policies with the desired effect of more timely and efficient service to clients.

Positioned for Success

4. **Growing the rural economy** through responsible lending
 - CLA is committed to growing rural and coastal communities by providing a range of products and services designed to meet specific client needs, no matter their phase of business growth.
5. Positioning the Crown Lending Agency for **continued success** through effective systems and responsiveness to industry changes
 - The CLA will meet this goal by using market trends, building key partnerships, developing new products in response to industry needs, responding to client and industry expectations and improving the lending environment.

The Crown Lending Agency will develop projects in 2019 - 20 to advance the Crown lending goals of efficient and effective services, growing the rural economy through responsible lending and responsiveness to industry changes. These may include enhancing elements of current products, developing new product offerings, developing and implementing improved IT and reporting systems and improving their client survey.

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

Enabling Responsible Economic Growth: At over \$27 million in 2017 - 18 and an estimated \$28

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million in 2018-19, NSFLB investments make Nova Scotia a better and more productive place to harvest, grow and produce food and agri-products. These investments also support production of more local food for Nova Scotians and create economic spin-offs in related industries such as building and material suppliers, building contractors and equipment dealers. This year, the Board will invest up to \$40 million in the development of agriculture and growing the rural economy throughout the Province.

Supporting Research and Innovation: The NSFLB will continue to support innovative farmers in the development of new crops, in the pursuit of improved processing techniques and in the adoption of new technologies.

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

Increasing Trade and Market Access: In 2017, apple exports reached a new high of \$15.9 million. Total blueberry exports were \$80 million and wine exports were over \$371,000. These exports, combined with other fruit (\$4.5 million), made up almost one third of total agri-food exports for Nova Scotia in 2017. In the same year, apples, grapes/wineries and blueberries, along with other fruit, comprised 38% of the NSFLB portfolio. In 2019 - 20, the Board will continue to invest in growing export sectors.

Encouraging Value Added Opportunities: The wine industry continues to grow in Nova Scotia. Last year, 11% of the Boards portfolio was invested in grape and wine production. Though the risks can be higher for value-added products, so are the potential economic outcomes. The Board will continue to offer financial support to clients when taking on value added opportunities with good business potential.

Regulatory Changes

The NSFLB completed a review of the *Nova Scotia Farm Loan Regulations* to modernize and align it with the *Nova Scotia Fisheries and Aquaculture Loan Board Regulations*. Updated regulations were implemented in 2018 - 19. These regulatory amendments will support the Board's ability to streamline services and improve efficiencies by integrating the administrative and operational functions of the staff supporting the NSFLB and the Nova Scotia Fisheries and Aquaculture Loan Board. The two Boards will continue to operate separately to maintain their unique sector supports, making each Loan Board a more appealing institution for borrowers by providing

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businesses with greater and more flexible loan options that fit their needs and reducing loan turn-around times. These regulations will also help address risk issues, improve service quality and allow for continued financing solutions into the future.

Capital Funds

Description	2018-2019	2018-2019	2019-2020
	Estimate	Forecast*	Estimate
	(\$ 000)	(\$ 000)	(\$ 000)
Opening principal	189,189	187,497	167,355
Add loan advances	40,000	24,000	40,000
Less repayments	(28,000)	(27,000)	(28,000)
Less principal written off	(2,000)	(3,999)	(2,000)
Closing principal	199,189	180,498	177,355
Provision for impaired accounts			
Opening provision	16,889	16,889	13,143
Less accounts written off	(2,000)	(3,999)	(2,000)
Additions (principal portion of bad debt expense +/- adjustments)	253	253	253
Closing allowance	15,142	13,143	11,396
Net portfolio at year end	184,047	167,355	165,959

*Forecast data from January 22, 2019

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