

BUSINESS PLAN
2021-2022

Nova Scotia Farm Loan Board

You see potential. So do we.



**NOVA SCOTIA
FARM LOAN BOARD**



Table of Contents

Message from the Board Chair and CEO.....3

Mission.....5

Mandate.....5

Vision.....5

About the Farm Loan Board.....6

Farm Loan Board Focus7

Portfolio Management8

Community Pasture Program.....8

Performance Goals.....9

Regulatory Changes 12

Capital Funds..... 13



Message from the Board Chair and CEO

The Nova Scotia Farm Loan Board (FLB) was established over 100 years ago to help maximize the potential of agriculture in our province. Agriculture was then, and still is, an important economic driver in the Nova Scotia economy. Farming is a critical piece of the economic landscape in rural Nova Scotia. The FLB works diligently on behalf of all Nova Scotians to support innovation, growth, sustainability, and employment in agriculture. From primary producers and up through the value chain to processors finding unique and innovative ways to utilize the outputs from Nova Scotia farms, the FLB is a respected partner working to maximize the value of Nova Scotia's agriculture and agri-food sectors.

An Innovative Partner

The FLB will continue to develop partnerships to foster new ideas and growth. The roots of the FLB are based around developmental lending. To that end we have been working hard to build partnerships with the Nova Scotia Department of Agriculture, Perennia Food & Agriculture Inc., and others to ensure up and coming Nova Scotia based producers and processors see the FLB as a top choice financing option.

Buy Local. Finance Local

The past year was a challenging one with the onset of the COVID-19 pandemic. It has highlighted the importance of food security for all Nova Scotians and the vulnerability of supply chains to disruptions. Even before the pandemic, the FLB was working to support innovative projects to extend growing seasons and maximize efficiencies on farm, from new storage solutions to energy efficient LED lighting in greenhouses. This work is allowing Nova Scotians to access more local options on store shelves than ever before, even year-round in some cases.



Nova Scotia Based Clients. Nova Scotia Based Decisions

The pandemic has also offered a chance to reflect on the importance of having a Nova Scotia based lending partner. But the pandemic is just the latest example, from hurricanes to frost, the last number of years have offered up their share of challenges. The FLB has been moving in lockstep with our clients and partners to help them navigate these kinds of ups and downs for over 100 years. Our decisions are not driven by shareholder returns as our mission is clear in providing responsible lending to support sustainable agriculture and related businesses here at home in Nova Scotia.

Forestry Transition

The FLB also serves the forestry sector through the Nova Scotia Timber Loan Board (TLB). The TLB is established by the *Forestry Act* with its lending authority and operations assigned to the FLB. In 2020, to align with the work of the Forestry Transition Team, improvements were made to the regulations that govern the lending terms and eligibility criteria of the TLB. In 2021-2022 we will work to raise awareness of the re-imagined TLB to potential clientele in the sector.

The FLB's contribution to Nova Scotia's agriculture sector and rural communities by supporting farming and agri-food enterprises is outlined in our 2021-2022 business plan. Our overall goal is to remain a valued partner to our clients and to be a top choice for financing in the sectors we serve.

Danny Phinney
Chair

Jennifer Thompson
Chief Executive Officer (CEO)



Mission

The FLB supports the development of sustainable agriculture and rural agri-businesses in Nova Scotia through responsible lending.

Mandate

To support the agricultural industry through the provision of capital financing. FLB operates as a Crown corporation 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 loans provided by the FLB.

The lending authority of the TLB is allocated to the FLB by the *Forest Act*, allowing the board to support the forestry industry through provision of capital financing.

Vision

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

About the Farm Loan Board

The FLB has been active since 1919 as an agricultural development agency, acting to build a financially stable and sustainable agricultural base in Nova Scotia. It supports agriculture and rural agri-businesses by providing short, medium, and long-term capital with competitive interest rates.

The FLB is committed to serving industry, offering several products designed to meet specific lending needs, ranging from small dollar micro-loans to large loans for real estate, quota, orchard development, etc. The FLB works to set-up loans that work for the individual business, with the ability to structure loans to meet client needs.

The FLB also serves the Forestry sector through the TLB. The TLB was established over 55 years ago to provide access to capital for the forestry industry. The FLB is pleased to have dedicated forestry representation to provide expertise and guidance to the Board.

The CEO of FLB reports to the Deputy Minister of Agriculture and is responsible for the operations of both the FLB and the Nova Scotia Fisheries and Aquaculture Loan Board, collectively known as Crown Lending Agencies. 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.

The FLB is a critical link in the capitalization of rural Nova Scotia businesses with an estimated investment of \$175 million in provincial farms, agriculture processing, and forestry. This capital is used to buy farmland, construct farm buildings, plant new crop varieties, improve animal genetics, purchase efficient equipment, develop new agricultural technology, purchase marketing quotas, and provide working capital. The FLB believes that the entire community benefits when farmers, processors and foresters have access to new and innovative technology.

Farm Loan Board Focus

The arrival of the novel-coronavirus in the 2020-21 fiscal year presented many challenges across the province. For our farming sector, access to foreign labour at the onset of the growing season was a challenge that led to some crops not being planted. At the same time demand for locally produced products spiked as people looked to support the economy of the province and food consumption habits shifted amid restrictions on the dining and hospitality sectors. We expect this trend to continue into 2021-22 and have built our plan to be able to respond and adapt to support our clients where and when needed the most.

The FLB participated in a provincial program to allow payment deferrals to all clients. Our team made extensive efforts to personally contact every client to explain the program and other options available to assist through the pandemic. These efforts ensured that our producers had adequate access to capital through a supportive, local lender. While a full provincial deferral program is not anticipated in 2021-22, the FLB will continue to work with clients on a case-by-case basis offering deferrals and working capital to mitigate the impacts of the pandemic on their operations. The FLB provided loans that helped our clients pivot to meet their changing business environment, including financing equipment to modify distilling operations to produce hand sanitizer and working capital loans to provide much needed cash for farms to meet the COVID-19 related programming requirements of utilizing temporary foreign workers on farm. The FLB will continue to provide these supports into 2021-22 and will adapt as required to address new challenges presented by the pandemic.

In 2021-22, the FLB's main focus will continue to be supporting our clients, and the sector at large, through the coronavirus pandemic to the recovery phase. The outlook is promising with vaccine rollout underway. The FLB will be ready to serve our clients as a stable, local source of capital.

The FLB will undertake a review of its marketing and communication strategy to ensure producers in the province see the board as a top choice among potential lending partners. This work will build on the promotional efforts and rebranding work the board has undertaken in recent years.

We will continue to promote and expand our product offerings and services into the developmental and value-add sectors. At the same time, the board will refocus on our areas of strength, namely our connection to our clients and our shared Nova Scotia roots which uniquely position us to offer tailored solutions and responses developed right here at home.

Portfolio Management

The FLB is responsible for an estimated \$175 million over 660 loans, invested with a lending cap of \$250 million. We will continue to work closely with our clients, ensuring service excellence while at the same time navigating individual client and broader commodity challenges that can lead to complex financial circumstances.

The developmental nature of the FLB 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 risks involved. To better manage risk and provide greater likelihood for success, the board works toward individually customized solutions, including credit and risk assessment. In unfortunate circumstances where the board is forced to recover on loans, we will work to manage a maximum return on these assets on behalf of the Province.

The FLB makes every effort to assist its clients by providing support through all business cycles including industry downturns as evidenced by our swift response to the coronavirus pandemic. Whenever possible, innovation and value-added processing are also supported. The FLB will invest up to \$40 million to this end in 2021 - 22.

Community Pasture Program

The FLB has eight community pastures located throughout rural Nova Scotia. Developed in the 1950's, the community pasture program was designed to help beef farmers reduce their costs by providing grazing land for their animals throughout the summer months.

The pastures have nearly 6,000 acres of land, with 3,775 of those acres cleared. The FLB is proud to have this land available for farmers, and to keep large pieces of land in our province for agricultural use. Unfortunately, many of these pastures were underutilized, and not realizing their full benefits for not only the Agriculture industry, but also for the communities where that they are located. To address this and related issues, in 2020 - 21 we began work to make sure that the pastures continue to be a resource available to help grow the rural economy now and for future generations. We undertook two major projects, "Nova Scotia Community Pasture Assessment" as well as a "Establish a New Vision & Governance model for Nova Scotia Community Pastures". With these projects scheduled to be completed in late 2020 - 21, the FLB will be moving forward with a plan for implementation of recommendations in 2021 - 22.

Performance Goals

The Crown Lending Agency, the administrative unit supporting the FLB, operates under two themes and five strategic goals; actions within each of these areas are identified below.

Efficient and Effective Service: Providing new and existing clients, timely, accurate, and valuable lending experience. These goals strive to assist industry with quality programs and outstanding service they can trust.

1. Increasing impact on industry through **quality lending** and superior client service
 - Increase client touch points with one annual direct mail-out, timely communications and check-ins 2-3 times per year.
 - Development of staff through training opportunities in areas such as customer relationship building, including an all staff training seminar. Increase confidence in the role of the board and learn to tell our story.
 - Develop a balanced portfolio of established enterprises and developmental initiatives that have the potential to benefit multiple producers or sectors. Allocate five percent of new loans to new initiatives and highly developmental projects.

2. Building trusting relationships through **accountability** for quality and timely work
 - Continue work to replace legacy loans management software to enable better client contact, self service options, and easier, more timely reporting to stakeholders.
 - Independently audited financial statements, including an updated process for recording FLB assets, and streamlining the process for calculating bad debt.
 - Reasonable turn around times for applications, reducing times by 2 business days, and exceeding response times of other lenders to client inquires.
 - Review loan terms and risk ratings through a retention lens to maintain balance in the overall portfolio, aim to maintain 95% of our clients at their five-year renewal period.

3. Improving team effectiveness through a positive work environment and **continuous improvements**
 - Monitor trends in employee engagement and offer each staff member two development opportunities to attract and retain high-performing employees.

- Share and celebrate success stories internally and externally, publishing four stories in the Agri-News, one in the Federation of Agriculture's News and Views, and 6 new stories published on our website.
- Continue to practice the principles of LEAN by undertaking two new projects and "Quick Hits" to improve operations.

Positioned for Success: Growing and evolving with industry, FLB strives to stay relevant adapting to new trends and forming new partnerships to become the lender of choice for Agriculture and Forestry in Nova Scotia.

4. **Growing the rural economy** through responsible lending

- Growing rural and coastal communities by providing a range of lending products and services designed to meet specific client needs, no matter their phase of business growth.
- Complete a new marketing and communication strategy and begin implementation of recommendations. Promotion of the refreshed Timber Loan Board mandate
- Build strategic partnerships that help promote the work of the board, through supporting four industry newsletters with advertising features, offering webinars or in-person seminars to two industry groups
- Renew our focus on the next generation of farmers in the province by positioning the board as a succession planning partner, creating a targeted marketing brochure, and increasing the number of our succession loans by five.

5. Positioning for **continued success** through effective systems and responsiveness to industry changes

- FLB will use market trends, build key partnerships, develop new products in response to industry needs, respond to client and industry expectations and improve the lending environment.
- Respond to the growth in the value-add and processing sectors in the province that utilizes outputs from local primary producers.

Projects will be developed in 2021-22 to advance the Crown Lending Agency's themes and goals of efficient and effective services, growing the rural economy through responsible lending and responsiveness to industry changes. These will include enhancing and adapting elements of three current products for the forestry sector and as well as developing one new product offering for the sector, modifying the micro-loan and working

capital loans to support clients to continue to adapt to COVID requirements, developing and implementing improved information technology and reporting systems and using the new marketing and communication strategy to help inform change, including launching of a social media presence.

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

Enabling Responsible Economic Growth: FLB investments are positioning Nova Scotia as a better and more productive place to harvest, grow and produce food and agri-products. These investments support production of more local food and provide more food security for Nova Scotians. Creating 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.

Supporting Research and Innovation: The FLB 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 and innovative technologies, once they are at or near the commercialization stage.

Building Public Trust and Market Acceptance: The FLB will continue to disburse funds for food production, processing and quality improvements including food safety, and 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 FLB supports building public trust and market acceptance.

Increasing Trade and Market Access: The FLB supports development of new markets and export activity by providing access to capital for scaling up production and professional support such as marketing and food safety consulting.

Encouraging Value Added Opportunities: The FLB has invested millions in Nova Scotia's growing wine sector and is expanding to support the brewing and distillery sectors when there is sufficient use of Nova Scotia inputs. 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. In particular, the board is making investments in innovative technologies to extend the growing season and enhance our production and food security, new processing equipment, and new energy efficient builds and retrofits of existing facilities.

Regulatory Changes

In partnership with the Department of Agriculture, the Department of Lands and Forestry and the Forestry Transition Team, a review of the *Timber Loan Board Regulations* was undertaken to modernize and align the regulations with sister agencies, the Nova Scotia Fisheries and Aquaculture Loan Board and the Nova Scotia Farm Loan Board, which were similarly updated and implemented in 2018-19. Under the umbrella organization of Crown Lending Agencies, staff have been working to streamline and align processes for all three boards to increase efficiencies, lending capacity, and reduce administrative processes. The FLB staff and directors are committed to promoting the revamped regulations to potential borrowers in the forest sector. The board of directors will continue to have an appointed forestry representative to provide advice and guidance. The revamped regulations will provide unique sector supports and make the TLB a more appealing institution for borrowers by providing businesses with greater and more flexible loan options that fit their needs.



Capital Funds

Description	2020-2021	2020-2021	2021-2022
	Estimate	Forecast*	Estimate
	(\$ 000)	(\$ 000)	(\$ 000)
Opening principal	166,040	176,034	166,319
Add loan advances	40,000	26,050	40,000
Less repayments	(28,000)	(22,620)	(28,000)
Less principal written off	(2,000)	(2,943)	(2,000)
Closing principal	176,040	176,521	176,319
Provision for impaired accounts			
Opening provision	15,406	12,892	10,202
Less accounts written off	(2,000)	(2,943)	(2,000)
Additions (principal portion of bad debt expense +/- adjustments)	253	253	253
Closing allowance	13,659	10,202	8,455
Net portfolio at year end	162,381	166,319	167,864

*Forecast data from March 2, 2021

The operating costs of the Nova Scotia Farm Loan Board are consolidated with the Nova Scotia Fisheries and 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 and Treasury Board.



**NOVA SCOTIA
FARM LOAN BOARD**

Head Office

Edward F. Lorraine Building
74 Research Drive
Bible Hill, NS B6L 2R2
(902) 893-6506

Field Office

Kentville Agricultural Centre
32 Main Street
Kentville, NS B4N 1J5
(902) 679-6009

FLBNS@novascotia.ca

Visit our website for additional information.

novascotia.ca/farmloan