

**NOVA SCOTIA  
FISHERIES AND AQUACULTURE  
LOAN BOARD**

**BUSINESS PLAN**

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**2018-19**

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## Message from the Minister and the Board Chair

We are pleased to present the Nova Scotia Fisheries and Aquaculture Loan Board ("NSFALB") business plan for 2018-2019. The plan outlines the Board's commitment to providing responsible lending services that encourage, sustain, improve and develop the fishing and aquaculture industries in Nova Scotia.

The NSFALB strives to ensure the needs of the industry are always our priority, and that we are evolving our services to meet the challenges clients are facing in today's global economy. This is made possible with a Board consisting of individuals from both industry and corporate 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 industries and downturns that can be faced by our clients. The structure of the NSFALB also aims to recognize the uniqueness of the NS fishing and aquaculture industries. Through credit counselling and our individual approach, the NSFALB has been consistently reducing the percentage of loans with payment issues.

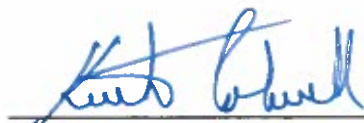
Review is underway to update the Board's regulatory and policy framework to enhance the Board's effectiveness in addressing industry changes; improving service quality; developing innovative and creative programs and financing solutions; and alleviating undue risk to Board investments. This regulatory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



Dannie Hanson

Chair

Nova Scotia Fisheries and Aquaculture Loan Board



Honourable Keith Colwell. E.C.N.S.

Minister

Nova Scotia Department of Fisheries and Aquaculture

## Mission

The Nova Scotia Fisheries and Aquaculture Loan Board ("NSFALB") supports the development of fisheries and aquaculture businesses in Nova Scotia through responsible lending.

## Vision

The NSFALB is a recognized leader in fisheries and aquaculture lending, creating opportunities in rural Nova Scotia through its market focus and service-orientation. The NSFALB adapts and responds along with the industry it serves to deliver competitive, relevant and meaningful products. Maintaining a balanced and diversified portfolio, and supporting industry succession and development while managing and taking calculated risks is fundamental to success.

## Mandate

The mandate of the NSFALB is to support the fisheries and aquaculture industry through the provision of capital financing. The NSFALB operates as a Crown Corporation established under the *Fisheries and Coastal Resources Act*. This Act provides authority to the NSFALB to make loans to, or guarantee loans of a borrower for any purpose which, in the opinion of the Governor in Council, will encourage, sustain, improve or develop the fishing industry in the Province. Regulations made under the Act govern the terms and conditions of loans provided by the NSFALB.

## Operations

The NSFALB is a fisheries and aquaculture development agency, acting to build a financially stable and sustainable fisheries base in Nova Scotia since 1936. It supports fisheries and aquaculture rural business development by providing short, medium and long-term capital with competitive, fixed rates of interest. The NSFALB has developed several products designed to serve financing needs for acquisition or construction of boats, for licenses, or for fishing or aquaculture equipment.

## Operating Environment

The NSFALB forms a critical link in the capitalization of rural Nova Scotia businesses with an investment of \$120 million in Nova Scotia fisheries and aquaculture businesses. The capital is

## Nova Scotia Fisheries and Aquaculture Loan Board Business Plan 2018-2019

used to: buy or construct fishing vessels; purchase commercial fishing licenses; purchase aquaculture equipment and seed stock; modify or upgrade commercial fishing vessels; and adopt new fisheries or aquaculture equipment or technology.

Fish and seafood is currently Nova Scotia's largest export at \$ 2 billion in 2017. Lobster, crab, scallop and shrimp the largest of the fish exports, valued at \$947 million, \$314 million, \$144 million and \$126 million, respectively. The NSFALB has made significant investments in many of these sectors and in particular lobster, where exports have increased by over \$594 million from 2008 to 2017.

These investments make Nova Scotia a better and more productive place to harvest, grow or process fish as well as to provide opportunities for Nova Scotians to purchase local seafood. With an estimated total of \$44 million in new funds advanced in 2017-2018, these investments support a great deal of related industries including: building and materials suppliers; boat builders; marine brokers; and provide a very significant spin-off impact through the entire Nova Scotia economy.

The NSFALB enables responsible economic growth and has a positive impact on the rural economy of Nova Scotia. The staff that support the NSFALB and its Board Directors are very aware of the responsibility they have as stewards of this provincial investment. The percentage of accounts in arrears has dropped from 2.1% in 2016-2017 to 1.7% in 2017-2018.

The NSFALB encourages valued added opportunities where possible and has recently expanded eligibility to include shore-based infrastructure and operations. This will allow the fisheries and aquaculture industry to increase the value of the products it provides while ensuring the sustainable and responsible use of the related resources. Risks can be higher for value-added operations, but so are the economic impacts. This expanded eligibility will provide further support to clients when taking on value added opportunities with good business potential.

## Portfolio Management

The developmental nature of the NSFALB 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 nature of their industry, the fact that they are new entrants, or that their work is considered too risky. To better manage this risk and provide greater likelihood of success, the Board works toward individually customized solutions, as well as on credit and risk assessment.

The NSFALB currently has invested in 640 clients, with an additional 100-150 loan applications in 2017-2018. This results in an overall investment in the Nova Scotia fishing and aquaculture

economy of \$120 million, contributing to local and export markets.

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

## Regulatory Review

The NSFALB is completing a review of the *Nova Scotia Fisheries and Aquaculture Loan Board Regulations* to modernize and align it with the *Nova Scotia Farm Loan 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 more competitive with other financial institutions.

## Budget Context

### NSFALB Operational Income Statement

Description	2017-2018 Estimate (\$000)	2017-2018 Forecast (\$000)	2018-2019 Estimate (\$000)
Interest revenue	6,500	6,540	6,600
Loan fees	204	420	204
<b>Total revenue</b>	<b>6,704</b>	<b>6,960</b>	<b>6,804</b>
Interest expense	4,300	4,690	4,700
Operating expenses	693	805	693
Bad debt expense	78	78	78
<b>Total Expenses</b>	<b>5,071</b>	<b>5,573</b>	<b>5,471</b>
<b>Net income (loss)</b>	<b>1,633</b>	<b>1,387</b>	<b>1,333</b>
Transferred to the province	(1,633)	(1,387)	(1,333)
Remaining	0	0	0

## Capital Funds

Description	2017-2018 Estimate (\$000)	2017-2018 Forecast (\$000)	2018-2019 Estimate (\$000)
<b>Opening principal</b>	102,284	103,751	103,751
Add loan advances	35,000	44,000	60,000
Less repayments	(25,000)	(25,000)	(27,000)
Less principal written off	(2,000)	(-)	(-)
<b>Closing principal</b>	<b>110,284</b>	<b>122,751</b>	<b>136,751</b>
<b>Provision for impaired accounts</b>			
Opening provision	2,393	2,832	2,471
Less accounts written off	(2,000)	(0)	(-)
Additions (principal portion of bad debt expense +/- adjustments)	78	(361)	78
<b>Closing allowance</b>	<b>471</b>	<b>2,471</b>	<b>2,549</b>
<b>Net portfolio at year end</b>	<b>109,813</b>	<b>120,280</b>	<b>134,202</b>