



BUSINESS PLAN

2021-2022

Nova Scotia Fisheries and Aquaculture Loan Board

You see potential. So do we.



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Message from the Board Chair and CEO

The Nova Scotia Fisheries and Aquaculture Loan Board (FALB) was established over 80 years ago to help maximize the potential of the fisheries in our province. The ocean was then, and still is, an important economic driver in the Nova Scotia economy. Fish harvesting, aquaculture, and the related processing business is a critical piece of the economic landscape in rural Nova Scotia. The FALB works diligently on behalf of all Nova Scotians to support innovation, growth, sustainability, and employment in our seafood sector. From harvesters and sea farmers and up through the value chain to processors finding unique and innovative ways to utilize the outputs from Nova Scotia's ocean resource, the FALB is a respected partner working to maximize the value of Nova Scotia's seafood sector.

An Innovative Partner

The FALB will continue to develop partnerships to foster new ideas and growth. The roots of the FALB are based around developmental lending. To that end, we have been working hard to build partnerships with the Nova Scotia Department of Fisheries and Aquaculture, Perennia Food and Agriculture Inc., the Atlantic Fish Fund and others to ensure up and coming Nova Scotia based harvesters, producers, and processors see the FALB 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 FALB was working to support value add enterprises and our processors in the province to ensure we have access to a wide range of fresh, frozen, and prepared seafood right here at home. This work is allowing Nova Scotians to access more local options on store shelves than ever before.



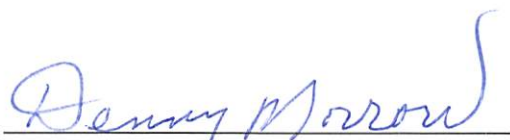
Export Recovery

Prior to the COVID-19 pandemic seafood exports were well established as Nova Scotia's top export. The pandemic caused an immediate and drastic drop in export volumes and cargo airlift to our largest markets, notably America and China. The FALB is not just a lender, we are a partner in ensuring our client's success and stability. To that end, the Board took quick action to offer deferral programs to our clients to ensure they had the resources available to weather a turbulent 2020. As we look toward 2021-22, we expect improving prospects for the sector as vaccine programs begin to roll out allowing international tourism and hospitality sectors to restart. This will support export recovery in our seafood sector as demand increases for the premium quality products for which Nova Scotia is well known.

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. The FALB has been moving in lockstep with our clients and partners to help them navigate these kinds of ups and downs for over 80 years. Our decisions are not driven by shareholder returns as our mission is clear in providing responsible lending to support sustainable seafood and related businesses here at home in Nova Scotia.

FALB's contribution to Nova Scotia's seafood sector and rural communities by supporting harvesters, sea farmers, and processors 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.



Denny Morrow
Chair



Jennifer Thompson
Chief Executive Officer (CEO)



Mission

The FALB supports the development of sustainable fisheries and aquaculture businesses in Nova Scotia through responsible lending.

Mandate

To support the fisheries and aquaculture industry through the provision of capital financing. It operates as a Crown Corporation established under the *Fisheries and Coastal Resources Act (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 fishing and aquaculture industries in the Province. Regulations made under the Act govern the terms and conditions of loans provided by the FALB.

Vision

The FALB is a recognized leader in fisheries and aquaculture lending, creating opportunities in rural and coastal Nova Scotia.

About the Fisheries and Aquaculture Loan Board

The FALB has been active since 1936 as Nova Scotia's fisheries and aquaculture development agency, acting to build a financially stable and sustainable fishing sector in Nova Scotia. FALB supports fishers and fishing enterprises by providing short, medium, and long-term capital with competitive interest rates.

The FALB is committed to serving industry by offering several products designed to meet specific lending needs ranging from small dollar micro-loans, to large loans for new vessels, licenses, and processing equipment, etc. The FALB works to set-up loans that work for the individual's business, with the ability to structure loans to meet client needs.

The CEO of the FALB reports to the Deputy Minister of Agriculture and is responsible for the operations of the FALB and the Nova Scotia Farm 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 industry, the economy, and the needs of those working in these sectors. They are recommended by the Minister of Fisheries and Aquaculture and appointed by Governor in Council.

The FALB is a critical link in the capitalization of rural Nova Scotia businesses with an estimated investment of \$238 million in provincial fishing, aquaculture, and processing enterprises. This capital is used to buy licenses, new and used vessels, vessel modifications, gear, seed stock, and processing equipment to name a few of the lending programs we support. The FALB believes that the entire community benefits when harvesters and processors have access to new and innovative technology.

Fisheries and Aquaculture Loan Board Focus

The arrival of the novel-coronavirus in the 2020 - 21 fiscal year presented many challenges across the province. For our seafood sector, access to foreign labour and export markets were a challenge. At the same time, demand for locally sourced 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.

The FALB 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 clients had adequate access to capital through a supportive, local lender.

In 2021 - 22, the FALB's 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 and export market demand already recovering. The eventual reopening of the tourism and hospitality sectors, including casinos and cruise ships which are important markets for crab and lobster exports will further support recovery efforts. FALB will be ready to serve our clients as a stable, local source of capital.

The FALB 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 FALB is responsible for an estimated \$238 million over 900 loans, invested with a lending cap of \$400 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 FALB 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 FALB invested an estimated \$62 million in 2020 - 21, contributing to Nova Scotia's ocean 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 FALB will invest up to \$60 million in 2021 - 22.



Performance Goals

The Crown Lending Agency, the administrative unit supporting the FALB, 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, and through timely communications and regular check-ins 2-3 times per year.
 - Development of staff through professional development 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 FALB 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 6 new stories on our website, and publishing one story in an industry publication.
 - 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, FALB strives to stay relevant adapting to new trends, and forming new partnerships to become the lender of choice for Fisheries and Aquaculture operations 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.
 - 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 fishers in the province by positioning the Board as a succession planning partner.

5. Positioning for **continued success** through effective systems and responsiveness to industry changes
 - FALB 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 elements of current products and developing new product offerings, developing and implementing improved information technology and reporting systems and using the new marketing and communication strategy to help inform change, including the launching of a social media presence. The board will continue to monitor the COVID-19 impacts and modify micro-loans and working capital loans to support clients adapting to public health and safety requirements.

In addition, the FALB advances the Department of Fisheries and Aquaculture's strategic themes in the following ways:

Enabling Responsible Economic Growth: FALB investments are positioning Nova Scotia as better and more productive place to harvest, grow and process seafood and related products. These investments support production of more local food and provide more food security for Nova Scotians. The export market for Nova Scotia seafood products has already entered recovery following the pandemic and the FALB will be positioned to support

producers and processors reaching new and existing markets. These investments support economic spin-offs in related industries such as boat building and material suppliers. This year, the Board will invest up to \$60 million in the development of the sector and growing the rural economy.

Supporting Research and Innovation: The FALB will continue to support innovative fishers, aqua-culturists and processors in the development of more efficient vessels, in the pursuit of improved processing techniques and in the adoption of new and innovative technologies.

Building Public Trust and Market Acceptance: The FALB will continue to disburse funds for food production, and processing and quality improvements including food safety, building confidence in our products for local and international consumers.

Increasing Trade and Market Access: The FALB 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 FALB encourages valued-added opportunities with good business potential. This includes expanding eligibility to shore-based infrastructure and operations, allowing industry to increase the value of its products while ensuring the sustainable and responsible use of related resources. 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.



Capital Funds

| Description | 2020-2021 | 2020-2021 | 2021-2022 |
|---|----------------|----------------|----------------|
| | Estimate | Forecast* | Estimate |
| | (\$ 000) | (\$ 000) | (\$ 000) |
| Opening principal | 189,705 | 195,914 | 235,415 |
| Add loan advances | 60,000 | 60,150 | 60,000 |
| Less repayments | (27,000) | (17,130) | (27,000) |
| Less principal written off | (-) | (-) | (-) |
| Closing principal | 222,705 | 238,934 | 268,415 |
| Provision for impaired accounts | | | |
| Opening provision | 1,822 | 2,669 | 3,519 |
| Less accounts written off | (-) | (-) | (-) |
| Additions (principal portion of bad debt expense +/- adjustments) | 850 | 850 | 850 |
| Closing allowance | 2,672 | 3,519 | 4,369 |
| Net portfolio at year end | 220,033 | 235,415 | 264,046 |

*Forecast data from March 2, 2021

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



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FISHERIES & AQUACULTURE
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