

Nova Scotia Fisheries and Aquaculture
Loan Board

Annual Report

2017-2018

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Message from the Minister and the Board Chair

Message from the Minister and the Board Chair

The fishing and aquaculture industries are the backbone of this province as our #1 export. They provide good paying jobs, directly employing about 18,000 people, with thousands more in supporting industries. Now at \$2B, exports have more than doubled from \$923 M in 2012, making NS the biggest seafood exporter in Canada for the last five years.

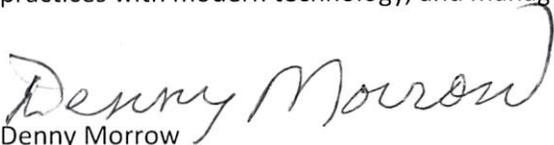
Since 1936, the Fisheries and Aquaculture Loan Board has helped support our economy by providing financial assistance directly to harvesters, aquaculture producers and members of the industry. For over 80 years, the Board has been providing loans that help develop and sustain our fishing and aquaculture industries. Loans used to finance the acquisition or construction of boats, licenses, equipment for fishing. The Board also finances seed stock and equipment for aquaculture.

New changes announced last month will make it easier for harvesters, producers and members of the fishing and aquaculture industries to grow their businesses.

The new regulations will mean:

- reduced loan approval wait times through increasing lending limits from \$1 million to \$5 million
- expanded financing to include loans for quota and other fishing and seafood related activities
- reduced interest rates for term loans and reduced fees
- open and closed specific term loans, and an increased amortization term from 20 to 30 years

The Nova Scotia Fisheries and Aquaculture Loan Board has been helping the industry grow for over 80 years, and we want to see it continue to offer support across the province for many more years to come. All communities benefit when new and aspiring fishers build on traditional family fishing knowledge and practices with modern technology, and management.



Denny Morrow

Acting Chair

Nova Scotia Fisheries and Aquaculture Loan Board



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

Minister

Nova Scotia Department of Fisheries and Aquaculture

About the Nova Scotia Fisheries and Aquaculture Loan Board

The Nova Scotia Fisheries and Aquaculture Loan Board (NSFALB) is a Crown lending agency that provides support to fisheries and aquaculture businesses in Nova Scotia through financing and credit counselling. It has supported a financially stable and sustainable fisheries base in Nova Scotia since 1936. The NSFALB provides short, medium and long-term capital with competitive interest rates.

Mission

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. Operates as a corporation of the Crown under the authority of 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.

NSFALB Staff

Director/CEO	Greg Cox
Solicitor to Board	William Laurence, Department of Justice
Auditor	PricewaterhouseCoopers LLP
Manager, Finance	Philip Green
Credit Manager	Maria McCurdy
Risk Manager	Jennifer Thompson
Loan Manager	Kris MacEachern
Senior Loan Officer	Neil Pardy
Loan Officer	Collen Frizzell
Loan Officer	Jennifer Mosley
Vessel Inspector	Vern Shea
Vessel Inspector, Term	Bernie Stockley
Administrative Supervisor	Vickie Birch
Loan Administration	Jackie Putnam

Loan Administration	Karen Tulkens
Loan Administration	Sharon Streach
Loan Administration	Tracy Hart
Financial Analyst	Susan Archibald
Accounting Analyst	Robbie Rushton
Accounting Technician	Jessica Thibodeau

The Director reports to the Deputy Minister of Fisheries and Aquaculture and is responsible for the operations of the Nova Scotia Farm Loan Board as well as the NSFALB.

Office Location

Crown Lending Agency offices are in Truro, Kentville and Yarmouth.

Board of Directors

The Board of Directors consists of Nova Scotia residents who have worked in the industry or are corporate or community leaders who understand the economy and needs of those working in these sectors. They are recommended by the Minister of Fisheries and Aquaculture and are appointed by Governor in Council. The Board of Directors provides leadership and direction to the Loans Board, offering insight into industry, and overseeing performance. It includes:

Dannie Hanson (Chair & Director): Dannie has a strong background in financing and lending. He has 16 years as Vice-President of Sustainability and Public Affairs for Louisbourg Seafoods Limited. Dannie served on several industry boards, agencies, committees and councils such as the National Seafood Sector Council, the Lobster Research Committee, Bras d'Or Oyster Management Board and the Canadian Food Inspection Agency.

Sean Borden (Director): Sean has a master's degree in business administration and a Bachelor of Engineering, Industrial Discipline. He has a strong accounting background with experience in reviewing funding applications with large scale budgets. He works for Nova Scotia Power as Director of Customer Experience and was Manager of Transmission and Distribution Capital Program.

Claude P. Poirier (Director): Claude has strong business and relationship experience with the fishing industry. He has been the owner of Cheticamp Welding and Machine Shop since 1993 and an employee there since 1973. He has served on numerous committees such as the Harbour Authority of Cheticamp, the Cheticamp Economic Council and the Cheticamp Development Council in various roles.

J. Donald Doucette (Director): Donald has over ten years of experience in the fishing industry. He has been a member of several boards and councils, such as the Atlantic Fisheries License Appeal Board, the Board of Directors for the Nova Scotia Fisheries Sector Council and the Nova Scotia Fishermen's Association, Scallop Sector.

Denny Morrow (Director): Denny has worked in administrative roles in the fishing industry since 1993 and currently runs his own consulting business. Denny has served on advisory committees related to the fishing industry and on several boards and groups in the Yarmouth area.

Nathan Boudreau (Director): Nathan has a strong accounting background and has been the Chief Operations Officer for Premium Seafoods Group in Arichat for over 16 years. He is an active member of his community and he has served on numerous committees.

Economic Landscape

Value of commercial fishery landings reaches record for third straight year

In 2017, the value of commercial fishery landings reached \$1.27 billion, an increase of 4.5% from 2016. This is the third straight year of record-setting landings values. The value per tonne of landings also reached a record in 2017 at \$4,935/tonne. Shellfish landings comprise approximately 88% of total landings value and 64% of volume. Lobster alone contributes over half the landed value (58% in 2017). Scallops and crab are also leading sectors with about 10% of production value.

International exports reach record for third straight year

International trade is a growing focus for economic growth in the agri-food sector with Canada negotiating trade agreements with many important trading partners in recent years including the: Comprehensive and Economic Trade Agreement; Comprehensive and Progressive Agreement for Trans-Pacific Partnership; Canada-Korea Free Trade Agreement; and the United States-Mexico-Canada Agreement. Exports are critical to the Nova Scotia fishery. Trading sought-after fishery products with the world is one of the significant contributors to economic well-being in the province. In recent years, fishery exports have been the single largest export from Nova Scotia. The value of international exports was \$2 billion in 2017.

As with landings, shellfish is the most important fishery sector, contributing 79% to the total export value in 2017. As with landings, halibut is the largest groundfish/pelagic export commodity at \$73.3 million and 3.7% of total export value.

Adjusting for inflation, fishery exports have more than doubled over the past five years (+104%).

Aquaculture becoming an increasingly important economic driver

The value of aquaculture production more than doubled between 2016 and 2017 reaching \$116 million (+107%). This increase is partially due to an increase in production by 70% to 13.4 million kilograms (kg) in 2017. The remaining increase is because the industry achieved more value for production; in 2017 the value per kg reached \$8.69/kg, up 25% from \$6.97/kg in 2016.

Finfish aquaculture, led by Atlantic salmon, increased 139% from 2016 and is largely responsible for the increased value of the industry. Global salmon prices have been strong in recent years due to rising demand and supply issues in major producing countries. Finfish aquaculture

accounts for 87% of total production and 89% of value. Shellfish aquaculture, which increased 35% in 2017, accounts for 12% of total production and 5% of value.

Nova Scotia Fisheries and Aquaculture Loan Program

The NSFALB is committed to meeting the needs of industry and to growing businesses by matching clients with viable loans programs and customized solutions based on credit and risk assessment and client need. Fisheries and Aquaculture Loan Program assists with loans for the purchase of new (construction) and used fishing vessels as well as for modifications and upgrades. It also provides loans for the purchase of fishing licenses which support succession and diversification within the fish harvesting sector. On the aquaculture side, the Board provides loans to aquaculture operators for the purchase of seed stock, gear and equipment.

Staff are well versed in the fishing industry, understanding various business cycles. Regularly visiting clients throughout the Province providing advice and connecting with industry, staff work to ensure loans are set up to meet clients' needs. Vessel inspection services, unique to the Loan Board, provide clients with guidance throughout the build of their new vessel or provide an independent assessment of used vessels being purchased. Clients can be confident if they finance with the Loan Board, that their loan has been fully analyzed and structure to meet their individual needs.

Year in Review by Product

The FALB extended 157 loans supporting vessel acquisition and construction in the amount of \$57.9 million. Thirty-six percent of loans applicants in 2017-18 represented new entrants.

Operations

The NSFALB supported the capitalization of rural Nova Scotia businesses, increasing new investments year over year and almost doubling lending in 2017-18 compared to the previous year, with a total investment of \$127 million in fisheries and aquaculture businesses. The capital was used to buy or build 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. The investment has the added advantage of spin-offs supporting building and materials suppliers, boat builders, bait and gear shops and marine brokers. This results in an overall positive spin-off for the Nova Scotia economy.

Progress on Goals

Enabling Responsible Economic Growth

- Provincial investments through Board loans make Nova Scotia a better and more productive place to harvest, grow and process fish
 - Partnered with other lending agencies, when it made good business sense, to share risk for the completion of loans approval

Supporting Research and Innovation

- The Board supports innovative fisheries and aquaculture businesses to extract value from new fisheries and species and in the adoption of new technologies
 - Partnered with ACOA and the Department of Fisheries and Aquaculture to fund unique aquaculture equipment

Building Public Trust and Market Acceptance

- The NSFALB disburses funds for seafood production and process improvements, as well as seafood quality improvements
 - Funded almost \$50 million in projects, representing over a doubling in investments from just two years ago

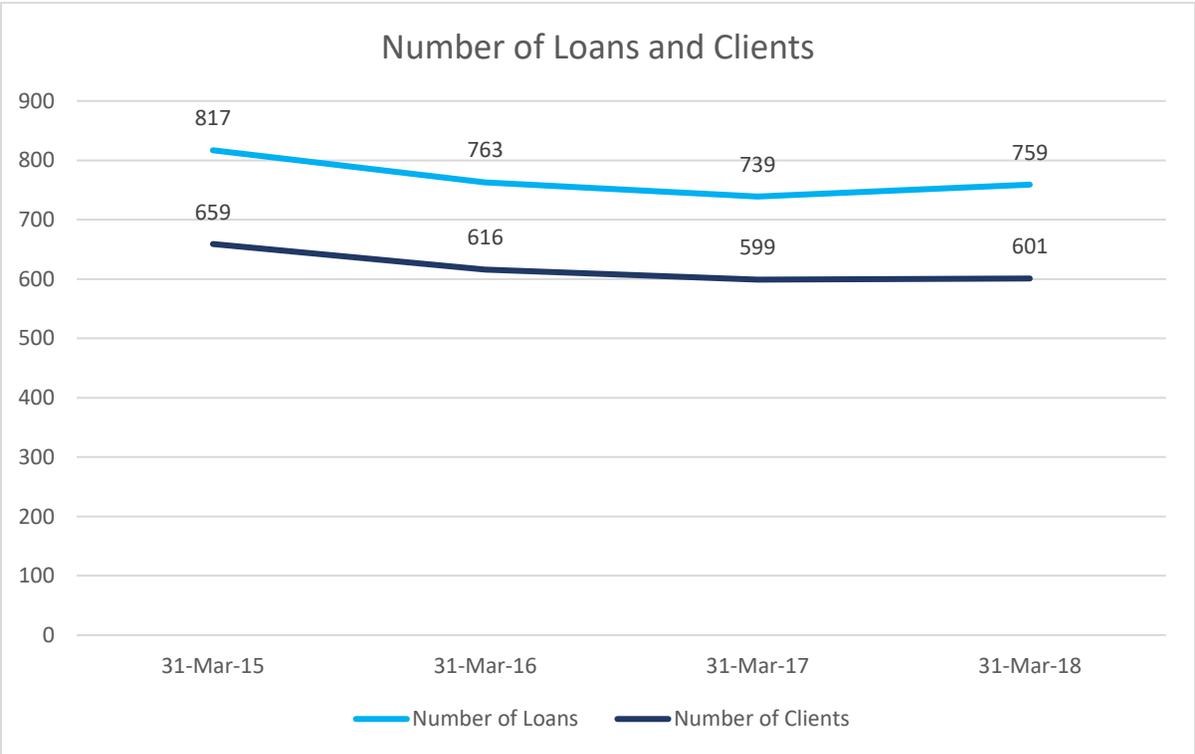
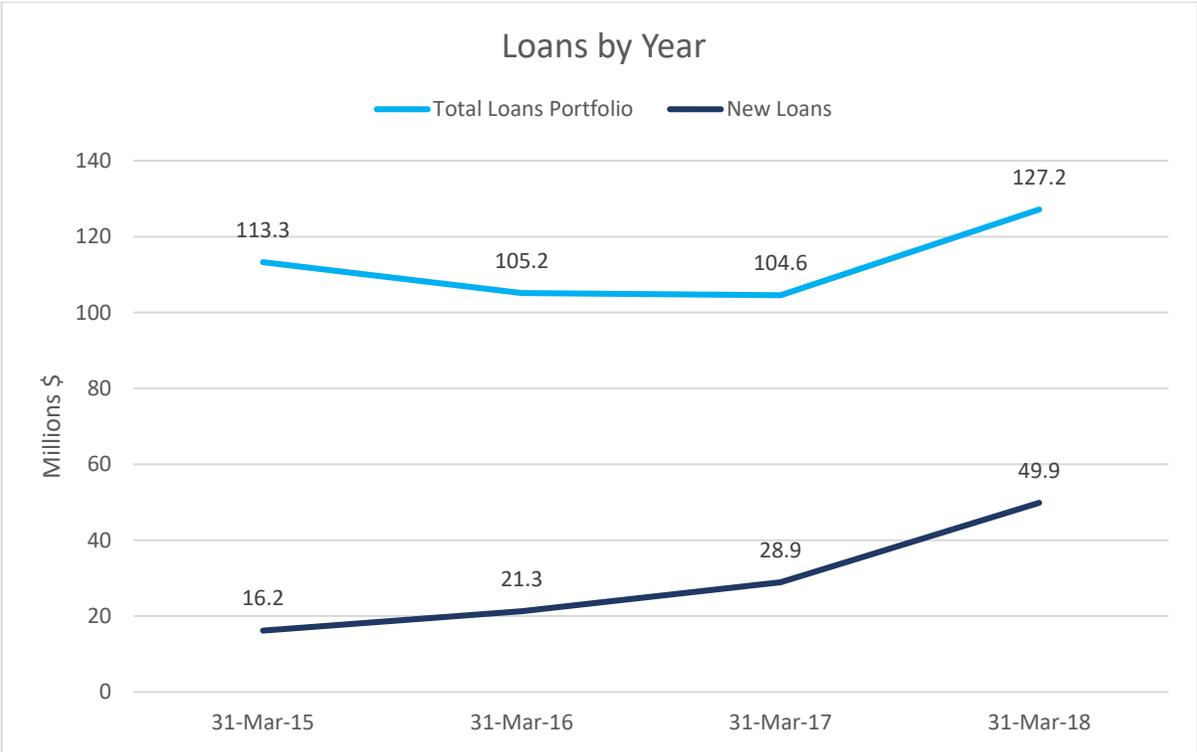
Increasing Trade and Market Access

- The Board continued to support businesses seeking new markets, both domestically and overseas

Regulatory Review

The NSFALB began a review of the Nova Scotia *Fisheries and Aquaculture Loan Board Regulations* to modernize and align it with the *Nova Scotia Farm Loan Regulations*. Proposed regulatory changes will enhance the Board's ability to streamline services, improve lending capabilities, address risk issues and allow for sustainable funding options. Improved efficiencies will be achieved by integrating the administrative and operational functions of the staff supporting the two Boards (Nova Scotia Farm Loan Board is the other). Desired outcomes also include an improved application process and website. The two Boards will continue to operate separately to maintain their unique sector supports. These changes will make the Loan Board a more appealing institution for borrowers by providing the industries with greater and more flexible loan options that fit their needs and by reducing loan turn-around times.

Lending Highlights



In 2017-18, the NSFALB approved 157 new applications, hitting an all-time annual lending high of \$50 million (\$49,861,830). Major accomplishments this year included implementing a life insurance program for fisheries and aquaculture clients, establishing the first regional office in Yarmouth, and launching two new loan programs - share purchase loans and preapprovals.

Other 2017-18 highlights:

- There was a slight increase in the number of clients and number of loans despite the overall declining trend. However, the NSFALB portfolio indicates loan principals have increased with a very slight decrease in client numbers. Anecdotally, industry has indicated the value of fishing licenses have increased and this trend might support that hypothesis. The value of fishing licenses made up 53% of the total lending portfolio, while new vessels comprised 28% and the purchase of used boats comprised 12%
- Aquaculture is on the rise as an economic contributor, representing five percent of the NSFALB principal portfolio. The Board hopes to work more with this sector in the future.
- 7% clients (43 out of 601) in arrears, compared to 9% (55 out of 606) in the previous year
- \$183K recovered in bad debt expense
- 14 clients received special credit counseling, although all clients received financial guidance through loans processing as part of the Board's regular services

Independent Auditor's Report and Audited Financial Statements

Key Financial Highlights

Highlight	Amount
Interest Revenue	\$6,680,835
Interest Expense	\$4,543,769
Net Interest	\$2,137,066
Bad Debt Expense	(\$183,283)
Operating Expenses	\$789,000