

**NOVA SCOTIA
FISHERIES AND AQUACULTURE
LOAN BOARD**

BUSINESS PLAN

2019 - 20

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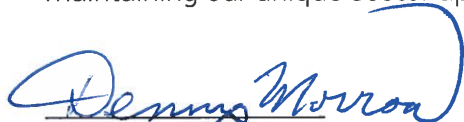
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Message from the Minister and the Board Chair

We are pleased to present the Nova Scotia Fisheries and Aquaculture Loan Board (NSFALB) business plan for 2019 - 2020. The plan outlines the Board's commitment to support the rural economy by providing responsible lending services that develop and grow the fishing and aquaculture industries in Nova Scotia.


The NSFALB recognizes the uniqueness of the NS fishing and aquaculture industries and for over 80 years, has strived to make industry needs our key priority. Services have continued to evolve, with loans currently use to finance the acquisition or construction of boats, licenses, seed stock and equipment.

Changes to Fisheries and Aquaculture Loan Board Regulations the finalized this past year better position the Board to support our clients. Key highlights include reduced wait time for consideration of loans over \$ 1 million, offering loans for quota and other seafood related activities, and reduced interest rates and fees. Updates have also enabled alignment of administrative frameworks to the NSFALB and the Nova Scotia Farm Loan Board, gaining efficiencies and providing more supports for both industries, while the Boards will continue to operate separately, maintaining our unique sector approach.



Denny Morrow
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.

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 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 NSFALB.

Operations

The NSFALB is a fisheries and aquaculture development agency that has supported a financially stable and sustainable fisheries base in Nova Scotia since 1936. It provides fisheries and aquaculture rural businesses with short, medium and long-term capital at competitive interest rates. The NSFALB offers products designed to serve the fishing and seafood industry by providing short, medium and long-term capital with competitive interest rates.

The Director of Crown Agencies reports to the Deputy Minister of Agriculture and is responsible for the operations of the NSFALB and the Nova Scotia Farm Loan Board. 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.

Operating Environment

The NSFALB is a critical link in the capitalization of rural Nova Scotia businesses with an estimated investment of \$124 million in Nova Scotia fisheries and aquaculture businesses. This capital is 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. With new regulations in last fiscal, the NSFALB will be expanding its commitment to the industry by lending for a broader range of fishing and seafood projects, such as specialized equipment and other value add opportunities.

Fish and seafood are currently Nova Scotia's largest export at \$2 billion in 2017 and expected to surpass \$2 billion for 2018. Lobster, crab, scallop and shrimp are 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, particularly in lobster, where exports have increased by over \$594 million from 2008 to 2017.

Portfolio Management

The developmental nature of the NSFALB 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 NSFALB invested an estimated \$45 million in 157 clients in 2018 - 19, contributing to Nova Scotia's fisheries and aquaculture economy in both local and export markets. The NSFALB will invest up to \$60 million in 2019 - 20.

Goals

The Crown Lending Agency (CLA), parent organization of the NSFALB, 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 NSFALB and the Nova Scotia Farm 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, NSFALB advances the Department of Fisheries and Aquaculture strategic themes in the following ways:

Enabling Responsible Economic Growth: With almost \$45 million advanced in 2017 - 18 and the same amount estimated in 2018 - 19, these investments make Nova Scotia a better and more productive place to harvest, grow and process fish. They also provide opportunities for Nova Scotians to purchase local seafood and create economic spin offs in related industries such as building and materials suppliers, boat builders and marine brokers. Accounts in arrears dropped to 7% in 2017-18 compared to 9% the previous year and are down to an estimate of 5% of the total fisheries and aquaculture portfolio in 2018.

Supporting Research and Innovation: The NSFALB will continue to support innovative fisheries and aquaculture businesses to extract value from new fisheries and species and in the adoption of new technologies.

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

Increasing Trade and Market Access: The Board will continue to support businesses seeking new markets, both domestically and internationally.

Encouraging Value Added Opportunities: The NSFALB 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.

Regulatory Changes

The NSFALB has completed a review of the *Nova Scotia Fisheries and Aquaculture Loan Board Regulations* to modernize and align it with the *Nova Scotia Farm Loan Regulations*. Expected 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 NSFALB and the Nova Scotia Farm Loan Board. These Boards will continue to operate separately to maintain their unique sector supports making each Loan Board a more appealing institution for borrowers by providing businesses with greater and more flexible loan options that fit their needs and by reducing loan turn-around times. Updated regulations will also help address risk issues, improve service quality and allow for continued financing solutions into the future.

Capital Funds

Description	2018-19 Estimate (\$000)	2018-19 Forecast* (\$000)	2019-20 Estimate (\$000)
Opening principal	103,751	126,364	154,918
Add loan advances	60,000	55,000	60,000
Less repayments	(27,000)	(24,000)	(27,000)
Less principal written off	(-)	(1,147)	(-)
Closing principal	136,751	156,217	187,918
Provision for impaired accounts			
Opening provision	2,471	2,368	1,299
Less accounts written off	(-)	(1,147)	(-)
Additions (principal portion of bad debt expense +/- adjustments)	78	78	78
Closing allowance	2,549	1,299	1,377
Net portfolio at year end	134,202	154,918	186,541

*Forecast data as of January 22, 2019

The operating costs of the Nova Scotia Fisheries & 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 & Treasury Board.