Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

REPORT:

Evaluation of the *Canadian Agricultural Loans Act* (CALA) Program

Office of Audit and Evaluation

The AAFC Evaluation Committee recommended this evaluation report for approval by the Deputy Minister on February 20, 2014.

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Executive Summary

This evaluation examines the relevance and performance of Agriculture and Agri-Food Canada's (AAFC) *Canadian Agricultural Loans Act* (CALA) program. This program is offered outside of the core suite of Business Risk Management (BRM) programs that are part of AAFC's national agricultural policy framework, Growing Forward 2 (GF2).

The evaluation was conducted by AAFC's Office of Audit and Evaluation (OAE) in accordance with the Treasury Board *Policy, Directives and Standards on Evaluation (2009)*. The results are intended to inform planning for the next phase of policy and program development. In addition, the evaluation will inform the five year legislative review of CALA with the tabling of the Report to Parliament which is to be completed in 2014.

Background and Profile

CALA is a federal government program designed to increase the availability of loans for the establishment improvement and development of farms and the processing, distribution, or marketing of products of farming by cooperative associations.[1] On June 18, 2009 CALA replaced the *Farm Improvement and Marketing Cooperatives Loan Act* (FIMCLA) of 1988, increasing access to credit for both producers and their cooperative associations. Loan limits were increased, beginning/startup farmers and intergenerational loans were included in the CALA program, as well as cooperatives that are not wholly farmer owned.

CALA-guaranteed loans are intended to help borrowers improve farm assets, adopt new technologies, and/or improve financial viability. Under CALA, loans can be issued by a financial institution to an existing farmer for 80% of the value of the asset purchased or to a beginning farmer for 90% of the value of the asset purchased.[2] Borrowers also benefit from advantageous interest rates, and flexible repayment terms.

The Minister of Agriculture and Agri-Food guarantees 95% of a net loss sustained by a lender on a CALA registered loan, provided that the requirements of the Act and the Regulations have been met. While financial institutions undertake their own due diligence to determine borrower and loan purpose eligibility, they do have access to CALA staff for eligibility rulings and guidance.

Methodology

The evaluation gathered quantitative and qualitative data using the following lines of evidence: documentation and literature (including AAFC studies/papers prepared for the OAE), a survey of CALA users, a review of program performance and financial data, and interviews with internal and external stakeholders.

Key Findings

Government support for the agricultural sector has been important in helping producers manage business risks and income variability. Income variability affects farmer well-being and investment decisions, and production levels will normally decrease as risk and uncertainty increases. Farmers view government programs as an important component in addressing the gaps in available private sector risk management tools. The CALA program is aligned with federal roles and department strategic outcomes.

The CALA program offers beneficial financing options to Canadian farmers and cooperatives. Its expansion appears to be particularly beneficial to beginning/startup farmers, which aligns with the priorities of the Canadian government. Intergenerational transfer loans are also supported, although there appears to have been very little uptake of this feature to date.

Participation in the CALA program is not as high as originally anticipated.[3] A total of 7,950 loans were guaranteed under CALA between its introduction in 2009 and December 2012.[4] During this time, the annual number of CALA loans remained relatively stable. Lower CALA participation rates in relation to FIMCLA might be a reflection of external environmental factors such as low prime interest rates and high commodity prices. Program participation is also influenced by the level of producer and lender awareness of the program and program buy-in by financial institutions.

Loans guaranteed under the program are, on average, well below the maximum loan limit. Although the CALA program is used for small purchases, producers and lenders expressed concerns about the loan limits being too low for large purchases such as land and equipment. Nearly half of surveyed farmers had accessed financing elsewhere, primarily with the FCC.

Farmers reported that the financing terms under CALA allowed them to increase their investments in their operations and improve the overall value of farm operations which ultimately facilitates the productivity and sustainability of their operations. The CALA program provides equal access to farm improvement loans across Canada, regardless of farm location, size, or age. Provincial financial assistance offerings to the agriculture sector are not consistent across Canada, which creates gaps in financial products/solutions for the agricultural sector. The CALA program both complements and supplements provincial programs, by ensuring producers have equal access to the same competitive loan terms across the country.

CALA is a low risk, low cost way to support the agricultural sector. Program risk is lowered due to the involvement of lenders in qualifying loans and collecting on defaulted loans, resulting in fewer defaults and fewer claims for loss by lenders. The administrative cost of the program is low as revenues from registration fees indirectly offset program administrative costs. The structure of the program limits the federal government's exposure to risk from individual financial institutions and the number of claims for defaulted loans is low.

Recommendation:

The evaluation includes one recommendation:

AAFC should review its current awareness efforts and if necessary, work to increase awareness of CALA among lenders and producers. This involves:

- ***improve program awareness;***
- ***improve clarity of guidelines about program eligibility and of the CALA claims process; and***
- ***increase awareness of and training on the new online registration system.***

Lenders play a crucial role in awareness, delivery, and take-up of the CALA program. It is important that lenders are supportive of and comfortable using the CALA program. Given the concern expressed by lenders regarding claim procedures, it would be beneficial to ensure that lenders have a clear and accurate understanding of what types of loans are guaranteed and how the claims process operates. Improved program awareness of lenders has the potential to improve program take-up.

Furthermore, lenders indicated that financial institutions do not use the program because of the administrative burden and associated costs. Promoting and supporting the use of the new online registration system would demonstrate the ease of registering a CALA loan and could increase the likelihood that lenders present the program as an option to producers.

List of Acronyms

AAFC	Agriculture and Agri-Food Canada
BRM	Business Risk Management
CALA	Canadian Agricultural Loans Act
CSBFP	Canadian Small Business Financing Program
FCC	Farm Credit Canada
FIMCLA	Farm Improvement and Marketing Cooperative Loans Act
FTEs	Full Time Equivalents
GF2	Growing Forward 2
OAE	Office of Audit and Evaluation
FAA	Federal Accountability Act
G’s & C’s	Grants and Contributions

1.0 Introduction

The Office of Audit and Evaluation (OAE) of Agriculture and Agri-Food Canada (AAFC) conducted an evaluation of the *Canadian Agricultural Loans Act* (CALA) in accordance with the *Treasury Board Policy, Directives and Standards on Evaluation (2009)* and the *Federal Accountability Act (FAA)* and is included in AAFC's Five-Year Departmental Evaluation Plan. The evaluation results are intended to inform planning for the next phase of policy and program development and CALA's five year legislative review.

1.1 Program Context

The CALA program is the newest iteration of a federal government program designed to increase the availability of loans for the improvement and development of farms, and the processing, distribution, and marketing of products of farming by cooperative associations. The earliest iteration of the program was established in 1944 with the *Farm Improvement Loans Act*, which was replaced in 1988 by the *Farm Improvement and Marketing Cooperatives Loans Act* (FIMCLA) and later revised in 1995 under the same name. On June 18, 2009 the CALA program received Royal Assent. Table 1.1 illustrates the key elements of FIMCLA versus CALA.

Table 1.1: Key Elements of FIMCLA and CALA

FIMCLA (1995)[i]	CALA (2009)[ii]
Farmers	
Available to: Established farmers	Available to: Established farmers Beginning/startup farmers
Maximum aggregate loan limit $250,000 Maximum loan term for additional land: 15 years Maximum loan term for all other purposes: 10 years Minimum down payment for existing operations: 20%	Maximum aggregate loan limit $500,000 Maximum loan limit for real property (land & buildings) $500,000 Maximum loan limit for all other purposes $350,000 Maximum loan term for real property: 15 years Maximum loan term for all other purposes: 10 years Minimum down payment for existing operations: 20% Minimum down payment for beginning/startup operations: 10%
Cooperatives	
Available to: Cooperatives with 100% farmer membership	Available to: Cooperatives with a majority (50% + 1) farmer membership or more
Maximum aggregate loan limit $250,000 Maximum $3 million loan guarantee for cooperatives with Minsiter's approval Maximum loan term for real property: 20 years Maximum loan term for all other purposes: 10 years Minimum down payment: 20%	Maximum aggregate loan limit $500,000 Maximum loan limit for real property (land & buildings) $500,000 Maximum loan limit for all other purposes $350,000 Maximum $3 million loan guarantee for cooperatives with Minsiter's approval Maximum loan term for real property: 20 years Maximum loan term for all other purposes: 10 years Minimum down payment: 20%
All Borrowers	

FIMCLA (1995)[i]	CALA (2009)[ii]
Maximum Floating Interest Rate: Prime +1% Maximum Fixed Interest Rate: Residential Mortgage Rate +1% Loan Registration Fee: 0.85%	Maximum Floating Interest Rate: Prime +1% Maximum Fixed Interest Rate: Residential Mortgage Rate +1% Loan Registration Fee: 0.85%

[i] Source: Agriculture and Agri-Food Canada. October 2004. *Evaluation of the Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA) Program*
[ii] Source: Agriculture and Agri-Food Canada. April 2011. *Canadian Agricultural Loans Act (CALA) Program*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1303139689562&lang=eng>

The major changes to the program design introduced by CALA were:

- inclusion of beginning/startup farmers and intergenerational farmers to address the aging population of Canadian farmers;[5]
- increasing the percentage of the value of the asset purchased eligible for a loan for beginning farmers;
- increased loan limits to better reflect current market prices for agricultural assets and keep CALA in synch with Canadian Small Business Financing Program; and
- including cooperatives that are not wholly owned by farmers.

The CALA program operates outside of the core suite of the Business Risk Management (BRM) programs offered as part of AAFC's national agricultural policy framework, Growing Forward 2 (GF2).[6] The CALA program is intended to help farmers and other participants in the agricultural and agri-food industry to make changes to their operations that will help increase their competitiveness and profitability, to meet consumer demands for food safety and environmental performance, and to manage risk proactively.[7]

The objectives of the CALA program are threefold. They are: to make guaranteed loans accessible to farmers and agricultural cooperatives on preferred terms; to provide famers access to loans for farm improvement; and to increase accessibility to loans for agricultural marketing cooperatives for the processing, distributing, and marketing of products of farming. Ultimately, as farmers and cooperatives invest in their agricultural enterprises, Canadian agricultural productivity is increased and sustained.[8]

Between June 18, 2009 to December 5, 2012 (end of data collection phase for this evaluation), 7,950 CALA-backed loans were issued, averaging 191 loans per month (Table 1.2).[9] Program take-up is concentrated in Saskatchewan, accounting for 85.2% of the total loans backed by the program. Manitoba, Alberta, and Ontario, together, account for 11.7% of the loans with the remaining 3.1% spread across the remaining provinces. Almost all loans (99.7%) were issued to farmers; only 25 loans were issued to cooperatives. Just over two-thirds (67.5%) of loans were issued for the purchase of implements.[10]

Table 1.2: Number of CALA Guaranteed Loans by Fiscal Year

Fiscal Year	Number of Loans	Loans per Month
2009/10*	1,889	201
2010/11	2,381	198
2011/12	2,311	193
2012/13*	1,369	167
Total	**7,950**	**191**

* The 2009/10 fiscal year included 9.4 months (June 18, 2009 to March 31, 2010), and the 2013/13 fiscal year included 8.2 months (April 1, 2012 to December 5, 2012).
Source: Program Data

1.2 Design and Delivery

CALA is a loan guarantee program that improves producers' access to financing investments in their operations. Through the program, financial institutions offer producers/cooperatives low interest rates,[11] a longer repayment period,[12] and lower down payments[13] compared to conventional bank loans. Financial institutions receive a guarantee in the event of a loss due to loan default covering 95% of the net loss to financial institutions.[14] The exposure of the federal government to claims made by a single financial institution is mitigated through the 5-year limited liability specified in the Act.[15]

Lenders present the CALA program as an option to farmers/cooperatives seeking financing for the purchase of agricultural assets/improvements. The lending institutions follow their internal lending guidelines, taking into consideration the loan terms offered by CALA. CALA's maximum floating rate is prime +1% and its maximum fixed rate is the comparable residential mortgage rate +1%. CALA offers different repayment terms depending on loan purpose. CALA offers a ten year repayment period for the majority of its loans, and a 15 year repayment period for land loans. The repayment terms under the program are more favourable for some asset classes, such as livestock for which the normal repayment period would be five years or less, but could be extended if a producer was experiencing difficulties. Approved loans are registered with the CALA program.

Loans registered with CALA require a registration fee of 0.85% of the total loan value. In the event of a loan going into default and the lender realizing a loss, a claim is made against the program. Upon review of loan eligibility and losses to the lender, a payment is issued to financial institutions, and the case is forwarded to the collections division of AAFC Corporate Management Branch for recovery.

In 2010/11, the CALA program began integrating an online registration system for loans designed in conjunction with Industry Canada for the Canadian Small Business Financing Program (CSBFP). The new online registration system streamlines the registration of loans with the CALA system. This system improves the transparency of the program, as well as reducing the administrative cost of issuing loans for financial institutions.

Responsibilities of lenders with respect to program delivery include:

- determining borrower and loan purpose eligibility for a CALA backed loan;
- submitting application form and registration fee to the CALA program;
- submitting amendments to loan terms to the CALA program;
- realizing loan security in the event of a default;
- filing a claim with the CALA program in the event of loan security being insufficient to cover the defaulted loan;
- paying the registration fee; and
- notifying the CALA program of a default.

Responsibilities of CALA program staff with respect to program delivery include:

- maintaining lending guidelines;
- corresponding (e.g., telephone, email) with lenders and producers;
- registering loans with the CALA program;
- reviewing cooperative applications/proposals for loans above the $500,000 program limit;
- providing eligibility rulings and advice to lenders;
- reviewing compromise settlement agreements;
- registering revision of loan terms, and defaults;
- determining eligibility of claims;
- dispensing eligible claim amount to lenders; and
- forwarding claims to AAFC's Corporate Management Branch for recovery.

The CALA program is available to farmers and cooperatives for the purchase of real property and other purchases. The types of real property (15 year maximum repayment terms) covered by the CALA program include:

- land;
- construction, repair or alteration of, or additions to, any building or structure on a farm; and

- purchase, movement to and installing on a farm of complete or partially complete structures and, where necessary, the completion of the installed structures.

The following is a list of other purposes (10 year maximum repayment terms) eligible under the CALA program:

- Major repair/overhaul of tools implements, apparatus, and machines;
- Improvement or development of land;
- Consolidation/refinancing;
- Shares for intergenerational farm transfers;
- Clearing, breaking, irrigating and reclaiming land;
- Implements (e.g., tractor, hay baler, swather);
- Livestock (breeding stock only); and
- Purchase or installation of equipment affixed to real or immovable property (e.g., electrical, ventilation).

1.3 Program Resources

The CALA program is wholly funded through statutory funding. Table 1.3 presents the AAFC expenditures for CALA for fiscal years 2009/10 to 2011/12. AAFC expenditures totaled $6.6 million, which includes both Vote 1 ($4.3 million) and Vote 10 ($2.3 million).[16] Vote 1 (Salaries, Non-Pay Operating) includes AAFC's expenditures to deliver the program. Vote 10 (Grants and Contributions) include AAFC payments resulting from defaulted loans (principal, interest, legal, and other).

Table 1.3: AAFC CALA Expenditures for 2009/10 to 2011/12

Type of Funding	2009/10*	2010/11	2011/12	Total
Vote 1 (Salary, Non-pay Operating)	$329,155	$2,510,814	$1,410,159	$4,250,128
Vote 10 (Grants and Contributions)	$1,828,948	$316,603	$164,679	$2,310,230
Total	**$2,158,103**	**$2,827,417**	**$1,574,838**	**$6,560,358**

*2009/10 fiscal year expenditures were adjusted to represent the portion of the year where the CALA program operated (9.4 months, or 78.6% of annual amount).
Source: Administrative Data

As can be seen in Table 1.3, CALA program expenditures have changed substantially. The large Grants and Contributions amount in 2009/10 is the result of a large claim ($2.3 million) made by a cooperative funded under FIMCLA.[17] Since that year, claims have been much smaller, as illustrated by the lower Grants and Contributions amounts in 2010/2011 and 2011/2012. The new online registration system, shared by CALA/CSBFP, was brought into the program in

2010/11(system went live in 2012/13); costing a total of $2.2 million ($1.5 million in 2010/11, and $730,000 in 2011/12).[18] During the evaluation period CALA operated with 6 FTE's.[19]

Table 1.4 presents the revenues and recoveries for CALA for fiscal years 2009/10 to 2011/12. Program revenues (from registration fees) and recoveries (from loan defaults) totaled $3.5 million.[20] Over the same period, 34 (0.4%) claims for loss have been paid by the program. All but one of the claims was from loans issued under FIMCLA. Registration fees accounted for $3.1 million (89.9%) of the total. Registration fees are deposited into the Consolidated Revenue Fund and, therefore, do not directly offset program funding or losses due to claims. Revenues from registration fees have remained relatively stable over the evaluation period (on average, $93,068 per month).[21]

Table 1.4: AAFC CALA Revenues and Recoveries for 2009/10 to 2011/12

Revenues and Recoveries	2009/10	2010/11	2011/12	Total
Registration Fees	$825,457	$1,167,074	$1,115,940	$3,108,471
Recoveries	$243,108*	$84,132	$23,637	350,877
Total	**$1,068,565**	**$1,251,206**	**$1,139,577**	**$3,459,348**

*2009/10 fiscal year recoveries by corporate finance were adjusted to represent the portion of the year where the CALA program operated (9.4 months, or 78.6% of annual amount).
Source: Administrative Data

2.0 Methodology

2.1 Evaluation Approach

The evaluation was conducted by AAFC's OAE employing internal and external resources to complete the research and analysis. The evaluation collected and examined both primary and secondary data from multiple lines of evidence to address the evaluation issues and questions.

2.2 Evaluation Scope

As per the 2009 *Treasury Board Directive on the Evaluation Function (2009)*, the evaluation examined the program's relevance and performance. Specifically, the evaluation examined: continued need for the program; alignment with government priorities and alignment with federal roles and responsibilities; achievement of intended outcomes; and the extent to which the program demonstrates efficiency and economy.

The evaluation examined the period from CALA's implementation on June 18, 2009 to December 5, 2012. Evaluation activities were undertaken between November 2012 and July 2013, inclusive.

2.3 Data Collection Methods

The evaluation included several lines of evidence.

A **document/literature review** was completed to gain a comprehensive understanding of the program and its forerunners, and to gather information relevant to the evaluation questions. The review examined foundational documents and other program documents, as well as relevant literature.

Program administrative and financial data from the CALA program were examined to determine program costs and administrative activities over the evaluation period. These data included information on program payments, program expenditures, the number of applications processed, and details of the loans backed by the CALA program.

A national **survey** was conducted by an external consultant specifically for the evaluation with Canadian producers who had received a CALA backed loan. The sample frame was randomly selected from the population of Canadian producers with a CALA loan registered in the evaluation period. A total of 327 completions were obtained, resulting in an overall sample error of ± 5.3% at the 95% confidence level.[22] The majority of survey respondents' were located in Saskatchewan and had large operations relative to the average farm size in Canada, and in Saskatchewan.[23] The survey was conducted in February and March of 2013. A breakdown of survey participation by province and loan purpose is contained in Table 2.1.

Table 2.1: CALA Survey Respondents by Region and Loan Purpose

Region and Loan Purpose	Population		Completions	
	#	%	#	%
Province				
BC	54	0.7%	8	2.4%
AB	287	3.6%	24	7.3%
SK	6,775	85.2%	230	70.3%
MB	393	4.9%	28	8.6%
ON	252	3.2%	16	4.9%
QC	58	0.7%	7	2.1%
Atlantic	131	1.6%	14	4.3%
Total	**7,950**	**100%**	**327**	**100%**
Primary Loan Purpose				
Implements	5,365	67.5%	208	63.6%
Livestock	738	9.3%	44	13.5%
Equipment	681	8.6%	23	7%
Land	660	8.3%	29	8.9%
Misc*	506	6.4%	23	7%
Total	**7,950**	**100%**	**327**	**100%**

*Misc includes all loan purposes not listed.
Source: Program Data and Producer Survey

Twenty-three **interview** sessions with a total of 30 key informants were conducted to gather perspectives on CALA from key stakeholder groups. Interviewees were selected to include government officials familiar with program delivery and management at AAFC and other departments, as well as representatives from financial institutions. Table 1.2 summarizes the number of key informants by organizational group.

Table 2.2: Key Informants by Organization

Organization	#
AAFC staff (including program staff)	9
Industry Canada	1
Farm Credit Canada	1
Credit union representatives	9
Bank representatives	3
Credit Union Central of Canada	7*
Total	**30**
*Only one interview with 7 representatives	

A **provincial program scan** was undertaken that consisted of a document/literature review of provincial lending programs for capital assets, as well as interviews with eight provincial representatives. Fourteen programs from eight provinces were selected based on their similarities to the CALA program, the prominence of the agricultural sector in their corresponding province, and/or the population size of their corresponding province. Programs in the following provinces were examined: New Brunswick, Nova Scotia, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia.[24]

2.4 Methodological Limitations

There are two considerations or limitations to note when examining or interpreting the evaluation results and findings.

First, the net or incremental impact of the CALA program on farmers could not be estimated due to producers obtaining multiple loans from various lenders. However, program take-up and loan amounts could be compared to stated goals/expectations and maximum limits set for the program.

Second, results of the interviews with financial institution representatives are not meant to be representative (i.e., generalizable) to all lenders. Rather, the interviews provide insight into the perspectives of a variety of types of lenders from different regions, particularly where agriculture is a primary economic sector.

3.0 Evaluation Findings

3.1 Relevance

3.1.1 Continued Need

The evaluation assessed the alignment of program activities with the original needs identified for Canadian producers.

The CALA program meets the needs of producers by ensuring they have access to loans at competitive terms. The CALA program reduces the uncertainty financial institutions may face when lending to agricultural operations.

The intent of the CALA program was to encourage investment in the agricultural sector in areas such as new machinery, livestock, buildings, and technology. Producers and agricultural cooperatives are provided access to affordable/competitive financing to develop their individual or collective agricultural businesses.

A review of program documents indicates that the CALA program provides producers access to favourable loan conditions. Favourable interest rates are assured through the program's interest rate cap. The CALA program benefits the agricultural sector with easier access to credit for the establishment, improvement and development of farms and for the processing, distribution, and marketing of products of farming.[25] The favourable interest rates increase the affordability of financing for producers through the reduction of interest and loan payments and help producers manage their business risk. The smaller down payment requires less cash-on-hand, supporting more timely investments in operations. The majority of producers surveyed (84.1%) reported that the CALA program helped them to address their financial needs and 90.6% reported the CALA program as being an important option for Canadian producers.

The changes introduced in CALA appear to have been well-received by Canada's agricultural sector. Within the first 10 months after CALA was introduced, the number of loans registered with the CALA program increased by 35% over FIMCLA.[26] The initial surge of program take-up slowed over the evaluation period, resulting in fewer loans per month being registered with CALA in 2012/13 than in 2009/10.[27] The average amount of a CALA backed loan increased over that same period ($51,000 in 2009 vs $59,000 in 2012/13).[28]

Nearly three quarters (74.6%) of loans were issued to grains and oilseeds producers.[29] CALA backed loans were used primarily for the purchase of implements (68.3%).[30] The distribution of take-up by province, loan purpose, and commodity for CALA backed loans did not change dramatically over the evaluation period.

The evaluation found that the CALA program addresses the needs of the agricultural sector by reducing the risk financial institutions may face when lending to agricultural operations. Financial institutions can face several challenges when providing loans to the agricultural sector. Agricultural production can be seriously affected by environmental factors that are outside the control of producers. The demand and supply of agricultural markets are sensitive to market trends and worldwide production, which can have a significant impact on producers' financial situations, affecting their income, repayment capacity and the value of their collateral; all of which makes the sector less credit worthy. As a result, agricultural loans are more likely to be considered high risk by lending institutions.[31]

A related challenge exists when there is a concentration of loans tied to a single sector within a region. Lending institutions in agriculture-dependent economies will have a large proportion of loans made to producers and other members of the agricultural sector. In these regions, factors impacting repayment of agricultural loans (e.g., environment and markets) could have a widespread effect on borrowers and a substantial impact on the local lending institutions.[32] The CALA program is intended to reduce the risk of lending to the agricultural sector, as the loan guarantee mitigates the lenders' exposure to losses resulting from loan defaults.

The CALA program provides cooperatives access to loans with terms similar to those offered to producers for the establishment or expansion of processing and distribution agricultural products. AAFC views CALA as providing a means by which to "renew […] the agricultural sector and enable cooperatives to better seize market opportunities."[33] Agricultural cooperatives are dependent on the local agricultural products of its members. In times of environmental hardship (e.g., droughts), production and marketing efforts can be hampered by an insufficient supply of agricultural products. The majority (73.3%) of cooperatives surveyed reported that the CALA program helps them to address their financial needs[34] and 87.8% consider the CALA program to be an important option for Canadian cooperatives,[35] although the take-up by cooperatives is low; only 25 loans representing 0.5% of all CALA loans have been issued to cooperatives.[36] Fourteen of the loans were issued to cooperatives in Saskatchewan, four to the other western provinces and seven to cooperatives in the rest of Canada.

The program also provides opportunities for outside investment in the agricultural sector through the inclusion of cooperatives that are not wholly owned by farmers. To date, no CALA backed loan has been issued to a cooperative with non-farming members.

Based on the survey, the CALA program was perceived to be forward looking by the majority of producers (63.2%) and cooperatives (76.7%); they viewed the program as being able to meet farmers'/cooperatives' financial needs over the next five years. In addition, as discussed later, the inclusion of intergenerational loans for the transfer of an incorporated family farm addresses the growing trend of family farms becoming incorporated. Some lenders and surveyed farmers felt the loan limits to be too low to support the purchase of large tracts of land or large equipment/implements (see Table 3.1). The administrative data, on the other hand, indicates that few farmers (0.2%) took out loans at the maximum amount for a single loan,[37] and the maximum limit across all loans was rarely reached (5% of all survey respondents).[38]

Table 3.1: Producer Agreement that the Maximum Loan Limits meet Needs

Loan Type	% Agree	% Neither agree nor disagree	% Disagree
Real property (n=300)	43.8%	20.7%	35.5%
Other than real property (n=307)	41.6%	27.2%	31.2%

Source: Producer Survey

The CALA program provides an option to beginning/startup farmers in financing investment in their operations.

The inclusion of beginning/startup farmers addresses Canada's aging farming population by encouraging young farmers to enter the agricultural sector and providing the tools they require, thus supporting the sector's perpetuation and revitalization.[39] The average age of Canadian farmers increased from 51 to 54 years between 2001 and 2011, with 48.3% of all producers over the age of 55,[40] suggesting there is a growing need for young farmers to enter the agricultural sector.

> *"These amendments will give new farmers, more agricultural cooperatives, and farmers taking over the family farm, easier access to credit to establish and improve farms."*[41]

Between 2006 and 2011, 33,490 new farmers entered the agricultural sector, accounting for 16.3% of all Canadian farmers.[42] These new farmers require financing for the successful establishment and expansion of their operations. The CALA program is one option available to them, as it was expanded to include increased financing for farmers with fewer than six years of experience and allows for the intergenerational transfer of incorporated farms.

Many lenders and government staff noted the importance of including beginning/startup farmers in the CALA program. Beginning/startup farmers face a myriad of difficulties in securing financing for the purchase of assets for the successful startup and growth of their operations. Beginning/startup operations may have little equity, insufficient off-farm income, and a limited credit history, all of which can interfere with the ability to secure affordable financing. The inclusion of new farmers under CALA allows them to facilitate their ability to establish a credit history as well as equity in their operations.

The structure of the CALA program also reduces the financial risks beginning farmers are exposed to while establishing their agricultural operation. This is achieved by offering favourable terms (lower down payment, favourable interest rates, and longer repayment period) that are traditionally offered to larger, more established, farmers, and serve to improve cash flow. In addition, the CALA program offers a higher level of financing (90% for beginning farmers vs. 80% for existing operations) to beginning farmers that, in turn reduces the risks that lending institutions are exposed to in financing a startup operation.

This allows beginning farmers to invest more in their operations,[43] and they obtained significantly larger loans ($97K) than did established operations ($55K).[44] Beginning farmers were more likely (29.7%) to use their loans for land, as compared to established farmers (7.5%). Established farmers were more likely to use the CALA loan for the purchase of implements than were beginning farmers.[45]

The proportion of CALA backed loans issued to beginning/startup farmers (farmers with less than 6 years' experience) is disproportionately low. According to AAFC's strategic issues survey, 16.3% of all farmers qualify as beginning/startup farmers[46] yet only 7.9% of all CALA backed loans in 2011/12 and 2012/13 were issued to beginning/startup farmers.[47] The low take-up by the group may be attributed to low levels of awareness or the presence of other more competitive financial products (e.g., Farm Credit Canada's Young Farmer Program).

Farm Credit Canada (FCC) has also adapted to the needs of young farmers (farmers under 40 years of age) with the introduction of the Young Farmer Program. The program offers loans for the purchase of agriculture-related assets up to $500,000 and has a different definition than CALA of what a young farmer is. The FCC offers comparative interest rates to CALA (prime + 0.5%) but there is no registration fee. As a result of its promotion and take-up, FCC's young farmer program distributed $1.9 billion in financing to young farmers in 2011/12, equal to 26.8% of all monies lent by the FCC.[48]

The inclusion of loans for the intergenerational transfer of family farms under CALA also presents more opportunity for beginning/startup farmers to purchase and be involved in the operation of the family farm. Under the CALA program, loans for the purchase of shares in incorporated family farms can be registered as intergenerational loans allowing for succession of incorporated Canadian family farms. Between 2006 and 2011, the number of incorporated farms increased by 11.2%. In 2011, 87.8% of incorporated farms were owned by a family.[49] Take-up of intergenerational loans has been very low. During the evaluation period, less than 10 loans were backed by the program for the intergenerational transfer of an incorporated family farm.[50]

Producers satisfaction with the CALA program depends on their size of farm operation. Farmers with larger operations have lower satisfaction with the CALA program while producers with smaller farm operations had higher satisfaction.

In the producer survey conducted for this evaluation, program satisfaction was related to the size of operations. Generally, surveyed producers with operations less than 3,200 acres viewed the program in a more favorable light than those with larger operations.[51] These producers felt the program was better able to meet their current and future needs. Producers with farms greater than 3,200 acres reported that the maximum loan amount and aggregate loan amounts, were insufficient to meet their needs. These producers were less likely to request a CALA backed loan from their lender than producers with under 3,200 acres or beginning/startup operations.[52]

The majority of loans (61.2%) were issued to individually owned operations (Table 3.2).[53] The proportion of loans to individually owned operations (sole proprietorships) is higher than that of the national average of 48% (but aligns with the percent of sole proprietorships in Saskatchewan).[54] Program take-up by cooperatives has been below expectations. Program staff suggested that this could be due to recent shifts in ownership structures moving away from the formation of cooperatives, and toward the establishment of corporations in order to take advantage of more lending options.

Table 3.2: CALA Loan by Operation Type

Operation Type	#	%
Individual	4,867	61.2%
Corporation	1,564	19.7%
Partnership	1,494	18.8%
Cooperative 100% farmer owned	25	0.3%
Cooperative 50% +1 farmer owned	0	0%
Total	**7,950**	**100%**

Source: Program Data

CALA provides financial institutions a risk management tool for lending to the agricultural sector. CALA allows credit unions to offer agricultural loans to farmers at rates that are competitive with the chartered banks and FCC.

Key informants, including representatives of financial lending institutions, considered the guarantee offered by the CALA program beneficial, as it decreases the risks financial institutions are exposed to in lending to agricultural operations, and more specifically to smaller, less established operations, with limited assets. The CALA program provides lending institutions another credit option, thus increasing lenders' flexibility in finding credit solutions for Canadian farmers/cooperatives.

A secondary benefit of CALA noted by credit union representatives is that it provides an avenue for competition between established lenders (e.g., banks) and smaller lenders (e.g., rural credit unions). The CALA program allows credit unions to offer agricultural loans to farmers at rates that are competitive with banks and the FCC. The majority of CALA loans are issued by credit unions. In 2012/13, 85.4% of all CALA loans were issued by credit unions, up from 74% in 2009/10.[55] The increase was primarily driven by Saskatchewan credit unions, which accounted for 81% of all CALA backed loans in 2012/13.[56,57]

The CALA program helps local credit unions continue operating in farming communities by reducing the risk of lending to agricultural operations. This in turn provides farmers with a local source of credit and leads to more local reinvestment of depository funds.[58] The participation of credit unions in the CALA program is substantial, accounting for 78% of all CALA backed loans during the evaluation period.[59]

The ownership of farm debt in Canada is shifting from the private sector to the public sector. While credit unions' loan portfolio has remained stable, chartered banks have been decreasing their overall agricultural loan portfolio over time and FCC has been increasing its loan portfolio.

As the share of outstanding farm debt owned by banks has decreased, the share held by government agencies has increased. FCC is the only national financial institution focused solely on agriculture and committed to its long-term success, providing financial and business services to farmers, suppliers and processors. The FCC has been well received by its customers with six out of ten giving the FCC perfect scores on their customer experience index.[60] FCC has grown and, at the end of its 2012 fiscal year, its loans receivable stood at $23.2 billion, compared to $7.7 billion in 2001-2002.[61] The increase in ownership of farm debt by FCC was also seen as potentially competing with CALA.

3.1.2 Alignment with AAFC priorities and strategic objectives.

The evaluation assessed the linkages between program objectives and federal government priorities and departmental strategic objectives.

CALA is in direct alignment with federal government priorities. CALA helps to foster competitiveness and economic growth, following one of the commitments in Budget 2013.

There is a long history of the federal government supporting Canadian farmers. CALA is one of several pieces of federal legislation directed specifically at enhancing farm competitiveness in Canada, with legislation dating back to the introduction of the *Farm Improvement Loans Act* in 1944, and the *Agriculture Stabilizing Act* in 1958. In a 2009 speech, Prime Minister Stephen Harper stated that "Farmers remain the backbone of the local economy for hundreds of communities throughout Canada... These farmers deserve to know that they can count on the credit they need to build and grow their operations."[62] CALA helps fulfill this commitment by facilitating access to the necessary financing to maximize farming potential, resulting in sustainable farms and a sustainable agricultural sector.

In Budget 2013, the Government of Canada committed to take action to ensure that Canada has the necessary conditions in place to foster innovation, including a system that supports Canadian businesses and economic growth, innovation, and activities that enhance business competitiveness. By supporting the renewal of the agricultural sector and enabling co-operatives to better seize competitive opportunities, the Government of Canada is contributing to its goal to foster business investment and growth.

As a legislated responsibility of the federal government, the CALA program is consistent with federal government priorities. The revisions to FIMCLA to create CALA are part of Canada's Economic Action Plan by reinforcing job creation in the agricultural sector.[63] The CALA program expanded support of the agricultural sector through the renewal of its workforce (i.e., new and entrant farmers) by encouraging young Canadians to enter the agricultural sector.[64] The federal government recognized that "young and beginning farmers face specific challenges including high capital requirements, which have made entry into agriculture more difficult and less attractive to young people."[65] The CALA program, specifically its inclusion of beginning/startup farmers, is consistent with AAFC objectives.

The CALA program is aligned with federal government priorities supporting Canada's agricultural sector as it innovates and grows.[66] Canada is supporting its agricultural sector by making financing available to established and beginning/startup farmers, to develop, maintain, and grow their farms. As well, the program assists cooperatives in taking advantage of market opportunities. Overall, CALA helps maintain Canada's economic growth by encouraging development of the agricultural sector.

CALA supports AAFC strategic and BRM objectives by providing producers with another tool to manage financial risk and remain competitive.

AAFC's mandate is to bring about a sustainable, competitive, and innovative agricultural sector in which risks are appropriately managed.[67] GF2, the current agriculture policy framework, is a shared initiative between federal and provincial/territorial governments that seeks to build a competitive, innovative, and profitable agricultural sector with appropriately managed risks.[68] The objectives of the Business Risk Management (BRM) programs are to provide producers effective tools to manage business risks that are largely beyond their control, such as drought, flooding, low prices, and increased input costs, and remain competitive within the agricultural sector, thereby helping them to stabilize their farm income.

While the CALA program complements GF2's BRM programs, it operates outside of the framework's core BRM programs.[69] AAFC's core BRM programs (AgriInsurance, AgriInvest, AgriStability, and AgriRecovery) offer income stabilization tools and production insurance. The Advance Payment Program offers repayable loans to producers on their product to improve their cash flow while they market their product. The CALA program provides a third important support for the improvement and development of agricultural operations. The BRM programs and CALA cohesively promote a secure and competitive agricultural sector, as well as sustainable individual farms. The CALA program helps producers manage financial risk through reduced interest/loan payments, and provides producers with access to capital necessary to expand or maintain their operations. The CALA program supports AAFC's second strategic outcome of "a competitive agriculture, agri-food and agri-based products sector that proactively manages risk."[70]

3.1.3 Alignment with federal roles and responsibilities.

The evaluation assessed the role and responsibilities for the federal government delivering the program.

CALA is a national program that equalizes opportunities for Canadian producers to obtain farm loans across all provinces. The program addresses gaps between provincial programs that support investment in agricultural operations.

The CALA program is an equal opportunity loan guarantee program for Canadian farmers and cooperatives regardless of province of operation. The program is available to operations of any size and age, allowing smaller operations and beginning/startup farmers the opportunity to access credit terms similar to those offered to larger, more established operations. The program provides consistency in the availability and terms of agricultural loans across provinces, as there is a wide variation in the types of programs available at the provincial level. Provincial programs are developed around a local/regional need identified by the provincial governments and operate to address said need.

The CALA program is particularly important for Saskatchewan, where provincial legislation[71] prevents financial institutions from seizing property that would affect the borrower's livelihood, thus reducing the amount of security available to lenders, making it difficult for Saskatchewan producers and cooperatives to obtain loans. The CALA program allows the property to be used as security for loans to finance the expansion/maintenance of their operations. The CALA program has been most frequently accessed by producers in Saskatchewan (Table 3.3).[72]

Table 3.3: Number and Amount of CALA Guaranteed Loans by Province (June 18, 2009 to December 5, 2012)

Province	Number of Loans	Percent of Loans	Average Amount ($)	Total Amount ($)
Saskatchewan	6,775	85.2%	51,735	350,504,234
Manitoba	393	4.9%	65,330	25,674,750
Alberta	287	3.6%	69,401	19,918,099
Ontario	252	3.2%	108,692	27,390,488
Prince Edward Island	63	0.8%	57,860	3,645,200
Quebec	58	0.7%	103,865	6,024,174
British Columbia	54	0.7%	79,694	4,303,462
New Brunswick	34	0.4%	102,868	3,497,503
Nova Scotia	14	0.2%	177,897	2,490,559
Newfoundland & Labrador	13	0.2%	114,345	1,486,481
Unidentified	7	0.1%	185,693	1,299,848
Total	**7,950**	**100%**	**56,130**	**446,234,798**

Source: Program Data

As a national program, CALA addresses gaps between provincial programs that support investment in agricultural operations. Farmers' use of provincial programs has been decreasing since peaking in 1987.[73] While the dollar amount of outstanding farm debt held by provincial lenders has remained relatively stable, the percentage of outstanding debt held by provincial lenders has decreased by two-thirds over the same period.[74]

The loan guarantee offered through the CALA program is similar to a few provincial programs but there is little overlap overall. In essence, CALA supplements or complements provincial programs that support investment in Canadian agricultural operations. The small overlap and large gaps between the

CALA program and provincial programs allows the provincial/territorial programs to piggyback on the CALA program, or vice versa. Provincial programs target regional/provincial needs for financial support of the agricultural sector, while the CALA program targets larger national issues. Comparison of provincial loan programs to CALA is provided in Annex D.

While FCC does a good job and has a lot of reach, not all producers want to deal FCC, but would like to maintain their existing business relationships with lending institutions that already manage their portfolios. This is a positive thing, in that it offers producers more choice and increases competition.

As previously stated the FCC is a major lender for agricultural loans, owning nearly one-third of all outstanding farm debt.[75] In 2011-12 the FCC issued 45,578 loans to 40,459 customers, valued at over $7.1 billion.[76] The FCC operates in all provinces and territories.[77] Both FCC and CALA generate revenues for the federal government. However, FCC generates revenues in the form of dividend payments.[78]

3.2 Effectiveness

The evaluation explored program use, impact, and take-up.

The CALA program has helped producers to improve operations and productivity. Loans backed by the CALA program have helped to improve the value of farm operations and increase investments, which have facilitated the productivity and sustainability of operations.

Between June 18, 2009 and December 5, 2012 the CALA program backed a total of $446 million worth of loans.[79] Three-quarters (75.3%) of the producers/cooperatives surveyed reported that the overall value of their operations increased as a result of the investment made from the farm improvement loan.[80] Close to eight out of 10 (78.9%) respondents attributed the interest rate associated with the farm improvement loan as allowing them to further invest in their operations.[81]

The majority (76.5%) of beginning/startup farmers surveyed agreed/strongly agreed that the low interest rate allowed them to invest more in their operation. Beginning/startup farmers typically took out significantly larger loans, almost 89% larger on average, than existing farmers.[82] The majority (76.5%) of surveyed beginning/startup farmers also attributed the lower down payment compared to a conventional bank loan as a contributing factor as to why they were able to invest more in their operation.

CALA loan limits appear to be reasonable. Generally, CALA loans were small ($56,000) relative to the maximum limit available.

Lenders and government staff indicated that the expansion of loan limits under CALA allows the program to better address the current needs of the agricultural sector by allowing greater use of the program for the purchase of larger assets. The CALA program is typically being used for small purchases, rather than for purchases of large agricultural implements (e.g., combine harvesters, self-propelled sprayers) or large parcels of land (e.g., full sections). The average CALA loan of $56,130 is well below the maximum loan limit of $500,000 for real property (buildings and land) and $350,000 for all other purchases (e.g., equipment, implements, livestock, and intergenerational loans). Loans issued by FCC in 2011 were substantially larger than those obtained through the CALA program even though FCC loans were still well below the maximum amounts allowed by CALA.[83] Only 19 producers over the evaluation period had CALA loans for the maximum allowable amount.[84]

The majority of loans (67.5%) issued over the evaluation period were for the purchase of agricultural implements. The average size of loans for implements was significantly smaller than loans for the purchase of land (Table 3.4).[85]

Table 3.4: Number and Total Amount of CALA Guaranteed Loans by Primary Purpose (June 18, 2009 to December 5, 2012)

Primary Purpose	Number of Loans	Percent of Loans	Average Amount ($)	Total Amount ($)
Implements	5,365	67.5%	49,076	263,290,261
Livestock	738	9.3%	36,375	26,845,004
Equipment	681	8.6%	53,278	36,282,397
Land	660	8.3%	133,389	88,036,992
Building	303	3.8%	60,101	18,210,485
Consolidation/Refinancing	108	1.4%	90,664	9,791,678
Improvement or Development	48	0.6%	39,121	1,877,796
Major Repair/Overhaul	33	0.4%	24,959	823,654
Intergenerational Loans	<10	0%	350,000	350,000
Other	13	0.2%	55,887	726,530
Total	**7,950**	**100%**	**56,130**	**446,234,798**

Source: Administrative data

The maximum loan size was reported by lenders and surveyed producers as being insufficient for real property and assets other than real property. Less than half of producers surveyed agreed that the loan limits for real property (43.6%) and things other than real property (41.6%) meet their needs.[86] Producers with operations of more than 3,200 acres or with multiple CALA backed loans were less likely to agree that the loan limits were sufficient to meet their needs.[87] Concern over the maximum loan limits, particularly for loan amounts for real property, emerges at a time when the price of land has been significantly increasing.[88]

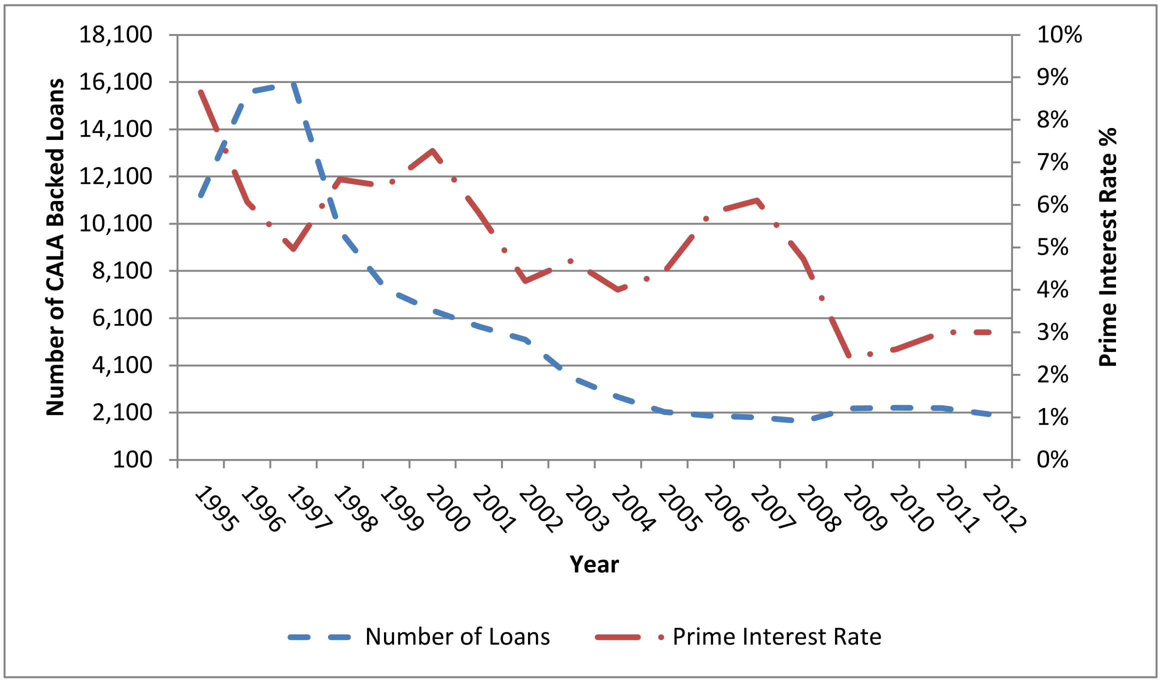
Producers who use CALA tend to access the program multiple times, and intend to use the program in the future. Over half (55.8%) of all surveyed producers/cooperatives reported having multiple loans registered with the CALA program. The majority (89.3%) of producers/cooperatives surveyed who plan on expanding their operation within the next five years plan to use the CALA program again.[89] Surveyed producers also access other sources of credit as nearly half (45.3%) of surveyed producers who have received loans backed by the CALA program have also secured loans from banks/credit unions, provincial programs, and from the FCC. The vast majority (94.3%) of these individuals have also accessed loans from the FCC.

Take-up of CALA by producers and financial institutions reflect the current economic conditions. Low interest rates and high commodity prices are expected to continue in the short term.

When the CALA program was introduced, it was thought that the program would guarantee $217 million annually or $1 billion over five years.[90] Between June 18, 2009 and December 5, 2012, the CALA program has guaranteed a total of $446 million worth of loans, an average of $128.7 million per year, much lower than expected.[91] During interviews program staff explained that the use of the CALA program is partially dependent on the current economic environment (price of commodities and cost of borrowing). In times of low interest rates and high commodity prices, the cost of borrowing diminishes and loans are easier for producers to obtain. In times of high interest rates and poor commodity prices, use of the program is expected to increase.

The evaluation period is characterized by low interest rates and high commodity prices. Between 2005 and 2010, the Farm Product Price Index for grains, oilseeds, and livestock increased substantially.[92] The prime interest rate decreased from 8.6% in 1995 to 3% in 2012.[93] During the same time, the number of CALA/FIMCLA backed loans also decreased from 11,305 in 1995 to 2,311 in 2011-12.[94]

Figure 1: Number of Loans Registered under the CALA program and Prime Interest Rate by Year



Source: AAFC CALA program data, Bank of Canada[95]

Description - Number of Loans Registered under the CALA Program and Prime Interest Rate

- In 1995, prime interest rate was 8.7%, and 11,305 CALA loans
- In 1996, prime interest rate was 6.1%, and 15,661 CALA loans
- In 1997, prime interest rate was 5 %, and 16,045 CALA loans
- In 1998, prime interest rate was 6.6%, and 9,818 CALA loans
- In 1999, prime interest rate was 6.4%, and 7,322CALA loans
- In 2000, prime interest rate was 7.3%, and 6,430 CALA loans
- In 2001, prime interest rate was 5.8%, and 5,751 CALA loans
- In 2002, prime interest rate was 4.2%, and 5,192 CALA loans
- In 2003, prime interest rate was 4.7%, and 3,576 CALA loans
- In 2004, prime interest rate was 4%, and 2,769 CALA loans
- In 2005, prime interest rate was 4.4%, and 2,129 CALA loans
- In 2006, prime interest rate was 5.8%, and 1,971 CALA loans
- In 2007, prime interest rate was 6.1%, and 1,895 CALA loans
- In 2008, prime interest rate was 4.7%, and 1,737 CALA loans
- In 2009, prime interest rate was 2.4%, and 2,273 CALA loans
- In 2010, prime interest rate was 2.6%, and 2,310 CALA loans
- In 2011, prime interest rate was 3%, and 2,285CALA loans
- In 2012, prime interest rate was 3%, and 2,038 CALA loans

While the Bank of Canada has held its benchmark interest rate unchanged for the past 32 months, this trend is not expected to last. Policy makers have hinted that the Bank of Canada (as of spring 2013) intends to raise borrowing costs in the near future.[96,97] It should be noted that although grains and oilseed prices are expected to plateau due to higher global supply, the prices are expected to remain high.[98]

Although the economic conditions may not be changing, farmers' perceptions are that current and future risks to their operations are increasing. In the 2013 Farm Financial Survey, producers expressed greater concern about the economy over the next five years as well as greater concern over weather conditions than they did in the 2011 survey.[99]

The national survey conducted for this evaluation found that over half (57%) of the participants viewed the registration fee as being reasonable and not impacting program uptake, whereas 21% of the respondents found the fee unreasonable. Other government programs, have registration fees as part of their programs. The CSBFP has a registration fee of 2% of the total amount loaned that must be paid by the borrower to the lender. The Farm Service Agency of United States Department of Agriculture also has a fee of 1.5% of the guaranteed portion of the loan under their loan program to producers.[100]

Given the current forecasted economic conditions, program take-up is not expected to increase in the short-term. The structure of the CALA program allows for the program to easily react to changes in market conditions on an as needed basis.

CALA is a lender-driven program. Low awareness and hesitation in using the program on the part of financial institutions also affects program take-up. The lenders are the producers' primary source of program information and the decision-makers on whether the producers obtain a CALA loan.

Program staff felt that the lack of knowledge about the CALA program among producers might be inhibiting take-up as they are unaware of how to qualify for or how to access the CALA loan guarantee. Program take-up and use by farmers is, in part, a function of program visibility and the promotion of the program by lending institutions. Program awareness is primarily driven by lending institutions, as 86% of surveyed producers reported that they first learned about the CALA program through lenders.

The program is also promoted to the agricultural sector by the AAFC through publications, media, advertisements, producer associations and trade shows; however, only 6.3% of producers surveyed learned about the program through those sources. Lenders reported that producers who typically requested CALA backed loans had previously secured a CALA backed loan.

Participation in the CALA program is driven by the financial institutions as they are the primary source of information about the CALA program and make the decision as to whether or not to issue a loan, and few farmers (30.9% of those surveyed) actually request CALA backed loans. Lender participation in the CALA program is a function of: program awareness; ease/cost of participation; previous experience with the program; willingness to lend to the agricultural sector; and how the CALA backed credit product compares to lender's other credit products.

Lenders reported that registering a CALA loan required additional paperwork and was viewed to be cumbersome as the lenders are required to collect additional information above and beyond what they would normally gather when administering a loan. As a result, the administrative cost to lenders of issuing a CALA backed loan was higher than other similar loan products. The interview data indicates that, in the current economic environment, some lenders may not offer the program as their own credit products match, or beat, the terms offered through the CALA program.

To address lenders' issues with the program, as well as the limitations of the program's database,[101] a new online registration system was implemented in 2012/13.[102] The new system utilizes an online registration system used by the CSBFP. Introducing the new electronic registration system changes presents new challenges. The first challenge is creating awareness of the new system among lenders who are not currently participating in the CALA program. The second challenge is the need to train/assist lenders in using the new system. The program officials do expect lender familiarity with the online registration process to improve program take-up. As well, the online system lessened the administrative burden on lenders, thereby reducing the cost of participating in the program. None of the lenders interviewed reported had experience using the new online registration system.[103]

Based on key informant interviews, a few lenders explained their hesitation to use the CALA program due to past negative experiences with the program or its precursor. Between 1988 and 2004, 20% of all claims to the program were rejected due to eligibility issues resulting from program rigidity and ineligible loans registered with the program.[104] As a result, some financial institutions became reluctant to submit claims for defaulted loans that were similar to claims that had previously been rejected, creating a negative perception of the value of the program's guarantee. CALA program staff are available to lenders to provide eligibility rulings if there are any questions.

3.3 Efficiency and Economy

The evaluation explored program delivery costs and the level of financial risk the program poses to the federal government.

The CALA program has been delivered as planned, and meets all of their service standards.

Program management and staff interviewed confirmed the application, registration, and claims processes of the program are being delivered as planned. The program meets their three service standards, consistently responding to telephone and email inquiries within one and two days, respectively, and registering loans within 15 business days.[105]

Program administration costs are low. CALA reduces the cost of the program to the federal government but is not intended to operate as a cost recovered program.

The department receives $2.1million annually for CALA from statutory funding, which covers the salaries of program staff and the maintenance fee for the new automated system.[106] For the 2009/10 to 2011/12 fiscal years administrative costs totaled $4.3 million, including $350,729 used for advertising and $2.2 million for an online registration system.[107] The average Vote 1 operating expenditure per year is $1.4 million, which is well below the allotted budget.

The CALA loan guarantee portion of the program is cost-neutral, as the claims paid out by the CALA program to lenders are offset by registration fees and recoveries. From 2009-10 to 2011-12, the CALA program operated with an average net cost of $1,033,670 after paying claims and collecting registration fees and defaults (see Table 3.5).[108]

Table 3.5: Impact of Recoveries and Registration Fees

Type of Expense	2009-10	2010-11	2011-12	Total
Administrative Cost (Operating and Salary)	$329,155	$2,510,814	$1,410,159	$4,250,128
Vote 10 Expenditures (Claims)	$1,828,948	$316,603	$164,679	$2,310,230
Recoveries/Fees	$1,068,565	$1,251,206	$1,139,577	$3,459,348
Net total (expenditures less recoveries/fees)	**$1,089,538**	**$1,576,211**	**$435,261**	**$3,101,010**

Average net cost per year	**$1,033,670**

Source: Administrative data

Program registration fees (in the absence of claims-Vote 10) have the potential to offset 53.2% of the program's average expenditure.[109] The revenues generated from program registration fees do not directly offset program costs or the costs of defaults as revenues are deposited into the Consolidated Revenue Fund. Collections done by the Corporate Management team are not intended to operate as cost recovery, but as a method of reducing the cost of the program to the federal government.

Program administration costs are kept low because of the key role financial institutions have as the lender. Using the lending institutions as the gatekeepers to the program lowers the burden placed upon the program in the terms of loan administration. Financial institutions provide the expertise required to conduct risk assessments and the issuance of loans. In the event of a default, lenders are required to engage in collection efforts just as they would for a non-CALA backed loan. This serves to reduce the number and amount of claims made against the guarantee as financial institutions are required to recover whatever losses possible from the default.

In a comparison with other loan programs, the CALA program costs are low. The average AAFC administrative cost per loan was $239.85 or $4.31 per $1,000 of loan from 2009-10 to 2011-12.[110] The CSBFP, based on 2008 information, averaged $344 per loan based on 9,015 loans worth one billion with $3.1 million in administrative costs.[111] The FCC, based on 2010-11 information, averaged $6,444 per loan based on 42, 021 loans worth $6.2 billion with $270.9 million in administrative costs.[112] While this is not a direct comparison, the similar delivery of CSBFP indicates that that the CALA program administrative costs are comparable or less than other federal loans programs.

CALA is a low risk program as it poses limited exposure to risk for the Government of Canada. This is accomplished through the lenders conducting their own due diligence on each CALA loan application.

The structure of the program places financial institutions as its first line of defence to ensure that borrowers and loan type qualify for the loan and to engage in collections in the event of a loan going into default. Over the evaluation period, the number of claims paid out by the CALA program have been low and claims have been indirectly offset by registration fees and recoveries.

Overall, claims to the program are low with the median size of a claim being $16,509.83.[113] Since June 18, 2009 only 35 claims have been paid by the program during the evaluation period. As previously discussed in Section 1.3, the majority (74%) of the claim amounts paid out by the program during the evaluation period was the result of one defaulting cooperative.[114]

Lending risks are assessed and mitigated by the financial institutions. Borrowers must qualify for CALA backed loans in the same manner they would if the loan was not backed by the CALA program. The operating premise is important, as poor risk management is not just bad for lenders, but bad for borrowers as well. The impact of poor risk management by lending institutions can have negative effects extending into rural communities and even the broader economy.[115] Appropriate prudence when administering CALA loan guarantees is integral to the health of both the financial and the agricultural sectors.

The CALA program's exposure to risk from a single lender is also mitigated through a diminishing rate of payment for claims. The amount paid out by the CALA program is dependent on the total amount of claims paid out to a lender during a fiscal year and the four preceding fiscal years. The guarantee offered by the CALA program is limited to 90% of the first million, 50% of the second million, and 10% for all amounts thereafter.[116]

In the event of a loan default, the lending institution follows its procedure for the realization of security and loan repayment, thereby reducing the number of defaulted loans resulting in a claim. Only in the event where a lending institution is unable to receive sufficient repayment by the borrower is a claim made to the CALA program. The vast majority of defaulted loans were issued under FIMCLA; only one default during the evaluation period was issued under CALA. Currently loan defaults under CALA are limited as the loans are still fairly recent; the median age of a defaulted loan being only 90 months during the evaluation period and at the time of the evaluation the oldest CALA backed loan was 42 months old.[117]

While claims are infrequent, the recovery rate is low; for every eight dollars paid out in claims, only one dollar is recovered from the borrower.[118] The main reason is these defaulted loans that have resulted in claims have already been subject to the lender's recovery process prior to the claim being submitted to CALA. As a result, it is very difficult to recover claims paid out to financial institutions as lenders have already done their due diligence and collected what they could.

4.0 Conclusions and Observations

4.1 Conclusions

The CALA program continues to offer beneficial financing options to Canadian producers and cooperatives. Its expansion appears to be particularly beneficial to beginning/startup farmers, which aligns well with the priorities of the Canadian government. Intergenerational transfer loans are also supported, although there has been almost no demand for this feature.

CALA is a low risk, low cost way to support the agricultural sector. Program risk is lowered due to the involvement of lenders in qualifying loans and collecting on defaulted loans, resulting in fewer defaults and fewer claims. The cost of the program is low as revenues from registration fees indirectly offset program costs. The structure of the program limits the federal government's exposure to risk from individual financial institutions and the number of claims for defaulted loans is low.

The CALA program provides equal access to farm improvement loans across Canada, regardless of province, size, or age of operation. Provincial financial assistance offerings to the agriculture sector are not consistent across Canada, which creates gaps in financial products/solutions for the agricultural sector. The CALA program can both complement and supplement provincial programs and ensure producers have access to the same competitive loan terms across the country.

Producers and lenders expressed concerns about the loan limits being too low for large purchases such as land and equipment. However, producers use the CALA program for small purchases. Nearly half of surveyed producers had accessed financing elsewhere, primarily with the FCC, which issues larger loans. One reason for the apparent contradiction may be related to the fact that CALA loans are obtained mainly by large scale producers and that their loan levels for land and equipment needs are much larger than what can be backed by CALA.

The lower than expected take-up of CALA by producers and cooperatives may reflect the current economic conditions of low interest rates, high commodity prices, and easy access to loans from lenders. When interest rates rise and commodity prices decrease, demand for the program is expected to rise.

Recommendation:

The evaluation includes one recommendation:

AAFC should review its current awareness efforts and if necessary, work to increase awareness of CALA among lenders and producers. This involves:

- ***improve program awareness;***
- ***improve clarity of guidelines about program eligibility and of the CALA claims process; and***
- ***increase awareness of and training on the new on-line system.***

Lenders play a crucial role in awareness, delivery, and take-up of the CALA program. Therefore, it is important that lenders are supportive of and comfortable using the CALA program. Given the concern expressed by lenders regarding claim procedures, it would be beneficial to ensure that lenders have a clear and accurate understanding of what types of loans are guaranteed and how the claims process operates. Improved program awareness of lenders has the potential to improve program take-up.

Also, lenders indicated that financial institutions do not use the program because of the administrative burden and associated costs. Therefore, promoting and supporting the use of the new on-line registration system would demonstrate the ease of registering a CALA loan and could increase the likelihood that lenders present the program as an option.

Annex A: Management Response and Action Plan

RECOMMENDATION	MANAGEMENT RESPONSE AND ACTION PLAN (MRAP)	TARGET DATE	RESPONSIBLE POSITION(S)
Recommendation #1: AAFC should review its current awareness efforts and if necessary, work to increase awareness of CALA among lenders and producers. • improve program awareness; • improve clarity of guidelines about program eligibility and of the CALA claims process; and • increase awareness of and training on the new on-line system.	Review current approach to increase program awareness and develop a communication strategy to better target efforts to increase awareness of the CALA program and its benefits among lenders and targeted producers. Engage lenders to identify weaknesses and work to strengthen the Lender's Guidelines where necessary. Engage the Canadian Bankers Association and Credit Unions to develop a strategy to increase awareness of the on-line registration system and ensure lenders are trained on the system.	October 2014 October 2014 September 2014	Director, Farm Financial Guarantee Programs Division Director General, Business Risk Management Programs Directorate

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Annex C: Glossary of Terms

Realize on security: In the event of a loan defaulting, the creditor takes possession of the asset used as collateral for the loan.

Real Property: The construction, repair or alteration of, or making of additions to, any building or structure on a farm, or the purchase of land.

Beginning/startup farmer: An individual who intends to be or has been engaged in farming in Canada for less than six years.

Primary Loan Purpose: Loans registered with the CALA program specify the property being purchased (loan purpose) and the type of production it will be used for (commodity). CALA backed loans can specify up to four different purchases. The primary purpose is the purpose specified by the loan that has the largest amount.

Annex D: Comparison of Provincial Programs to CALA

Program Features	**CALA**	**Feeder Associations Loan Guarantee Program**	**Bred Heifer Associations Loan Guarantee Program**	**Alberta Farm Loan Program**	**Specific Loan Guarantee Program**	**Livestock Loan Guarantee Program**
Province	National	BC	BC	AB	AB	SK
Program Terms						
Maximum loan amount for real property	$500,000	N/A	N/A	$5 million in total	N/A	$750,000
Maximum Loan amount for all other purchases	$350,000	$300,000	$200,000	$5 million in total	$5 million	$300,000
Registration fee	0.85%	1.5%	1.5%	None	3% per annum	None
Floating interest rate available (include %)	Prime + 1%	prime	prime	No	Determined by lender	Determined by lender
Fixed interest rate available (include %)	Residential Mortgage + 1%	No	prime	provincial borrowing yield curve + 1.75%	Determined by lender	Determined by lender
Down Payment	20% (10% for new farmers)	5% deposit	10% deposit	Determined by lender	Determined by lender	5 to 10% deposit
Amortization for real property (# of months)	120	N/A	N/A	12 to 240	N/A	N/A
Amortization for all other purchases (# of months)	60	12	60	12 to 240	Determined by lender	Determined by lender
Eligibility						
Existing Farmers	X	X	X	X	X	X
New Farmers (include definition)	Intending to farm, or less than 6 years.	No previous Feeder Agreements.	First year of membership in Breeder Association.	Net value under $500,000.	Open eligibility.	Open eligibility.
Incorporated Farms	X			X	X	X
Cooperatives	X				X	X
Eligible Purchases						
Land	X			X		
Farming Implements	X			X		
Farming Equipment	X			X		
Breeder Livestock	X		X	X		X
Consolidation/Refinancing	X			X		
Improvement or Development of real property	X			X		X
Major Repair/Overhaul	X			X		
Intergenerational loans	X			X		
Misc						
Loans administered by	Lending Institutions	Feeder Association	Bred Heifer Association	AFSC	Lending Institutions	Feeder and Breeder

						Associations
Guarantee (include %)	Yes (90%)	Yes (25%)	Yes (15%)	No	Yes (Unknown)	Yes (25%)
Gaps Filled by Provincial Program	N/A	Feeder livestock	N/A	Shares in cooperative, inputs	Working capital	Feeder livestock

Program Features	Enhanced Diversification Loan Guarantee	Livestock Associations Loan Guarantee	Commodity Loan Program	Feeder Cattle Loan Guarantee Program	Financing Program
Province	MB	MB	ON	ON	QC
Program Terms					
Maximum loan amount for real property	None	N/A	N/A	N/A	$5 million in total
Maximum Loan amount for all other purchases	None	$300,000	$750,000	$250,000	$5 million in total
Registration fee	None	None	None	None	None
Floating interest rate available (include %)	No	Determined by lender	No	No	Determined by lender
Fixed interest rate available (include %)	residential mortgage + 1.5%	Determined by lender	prime - 0.25%	prime - 0.25% to prime + 0.5%	Determined by lender
Down Payment	Determined by lender	5 to 10% deposit	25%	5% deposit	Determined by lender
Amortization for real property (# of months)	Determined by lender	N/A	N/A	N/A	Determined by lender
Amortization for all other purchases (# of months)	Determined by lender	6 to 84	12	12	Determined by lender
Eligibility					
Existing Farmers	X	X	X	X	X
New Farmers (include definition)	Open eligibility.	Open eligibility.	Open eligibility.	Open eligibility.	Open eligibility.
Incorporated Farms	X		X		X
Cooperatives	X				X
Eligible Purchases					
Land	X				X
Farming Implements	X				X
Farming Equipment	X				X
Breeder Livestock	X	X			X
Consolidation/Refinancing					X
Improvement or Development of real property	X				X
Major Repair/Overhaul	X				X
Intergenerational loans					X
Misc					
Loans administered by	Lending Institutions	Livestock Association	Agricultural Adaptation Council	Cattlemen's Association	Lending institutions
Guarantee (include %)	Yes (25%)	Yes (25%)	Yes (25%)	Yes (25%)	Yes (Unknown)
Gaps Filled by Provincial Program	Shares in coop. or quota	Feeder livestock	Crop inputs	Feeder livestock	Quota, shares

Program Features	Livestock Incentive Loan Program	Perennial Crop Establishment Loan Program	New Entrant Farmer Loan Program	FarmNEXT	Farm Loans
Province	NB	NB	NB	NS	NS
Program Terms					
Maximum loan amount for real property	N/A	None	$750,000	$30,000 in total	$2 million in total
Maximum Loan amount for all other purchases	$75,000	None	$750,000	$30,000 in total	$2 million in total
Registration fee	None	None	None	N/A	0.25%
Floating interest rate available (include %)	No	Provincial lending rate	Provincial lending rate	2.95% to 5.60%	No
Fixed interest rate available (include %)	prime + 1%	Provincial lending rate	Provincial lending rate	2.70% to 4.15%	2.70% to 4.15%
Down Payment	10%	25% of enhanced value	0%	N/A	10%
Amortization for real property (# of months)	N/A	N/A	240	N/A	12 to 360
Amortization for all other purchases (# of months)	18 to 84	120	240	60 to 360	12 to 360
Eligibility					
Existing Farmers	X	X			X
New Farmers (include definition)	Open eligibility.	Open eligibility.	A person who has never previously owned 50% or more of a farm.	A person purchasing or inheriting a farm to develop for the first time.	A person purchasing or inheriting a farm to develop for the first time.
Incorporated Farms		X	X	X	X
Cooperatives		X		X	X
Eligible Purchases					
Land		X	X	X	X
Farming Implements				X	X
Farming Equipment			X	X	X
Breeder Livestock	X		X	X	X
Consolidation/Refinancing				X	X
Improvement or Development of real property		X	X	X	X
Major Repair/Overhaul				X	X
Intergenerational loans				X	X
Misc					
Loans administered by	Livestock Association	Agricultural Development Board of NB	Agricultural Development Board of NB	NS Farm Loan Board	NS Farm Loan Board
Guarantee (include %)	Yes (90%)	No	No	No	No
Gaps Filled by Provincial Program	Feeder livestock	Crop inputs	Quota	Animal feed, quota	Animal feed, quota

Annex E: Endnotes

[1] Agriculture and Agri-Food Canada. 2012. *Canadian Agricultural Loans Act program*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1288035482429&lang=eng>.

[2] Loans issued to beginning/startup farmers are guaranteed for 90% of the value of the asset purchased.

[3] Initial program projections were for the guaranteeing of $217 million annually, or $1 billion over five years.

[4] Source: Program Data

[5] The average age of Canadian farmers increased from 48 to 52 years between 1996 and 2006 (Source: Parliament of Canada. March 2011. *Government response to the seventh report of the standing committee on agriculture and agri-food, entitled "Young farmers: the future of agriculture"*).

[6] The BRM suite of programs includes AgriInsurance, AgriInvest, AgriRecovery, and the Advance Payments Program.

[7] Agriculture and Agri-Food Canada. January 2013. *Growing Forward: Frequently Asked Questions*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1200344086309&lang=eng>.

[8] Agriculture and Agri-Food Canada Office of Audit and Evaluation. August 2012. *Evaluation of the Canadian Agricultural Loans Act (CALA) Program: Terms of reference* (Agriculture and Agri-Food Canada, Author) [PDF]. p. 4.

[9] Source: Program Data

[10] Ibid.

[11] Interest rates are capped for floating interest rates at prime +1% and fixed interest rates to their residential mortgage rate +1%.

[12] Amortization for loans for real property can be up to 15 years for producers and 20 years for cooperatives. Loans for all other purchases have a maximum length of 10 years.

[13] Minimum down payments for existing producers and cooperatives is 20% of the loaned amount; beginning/startup farmers have a minimum down payment of 10%.

[14] Loans to existing operations are guaranteed for 80% of the asset's appraised value at the time of the loan. Loans to beginning/startup farmers are guaranteed for 90% of the asset's appraised value at the time of the loan.

[15] The guarantee offered by the CALA program is limited to 90% of the first million, 50% of the second million, and 10% for all amounts thereafter.

[16] Source: Administrative Data

[17] Claims during 2009/10 were adjusted to represent the portion of the year where the CALA program operated. As a result only 78.6% of the $2.3 million default was attributed to the CALA program ($1.8 million) (Source: Administrative Data).

[18] The Industry Canada online registration system cost $1.5 million in 2010/11, and $730,000 in 2011/12 (Source: Administrative Data).

[19] Source: Program Data

[20] Source: Administrative Data

[21] Ibid.

[22] Source: Producer Survey and author's calculation

[23] Average operation size of surveyed producers was 2,748 acres, while average farm size in Canada was 778 acres and the average farm size in Saskatchewan was 1,668 acres (Source: Statistics Canada. 2011. *2011 Census of Agriculture*).

[24] A report summarizing the findings of the scan is available under a separate cover. A summary of provincial programs is included in Annex C.

[25] Agriculture and Agri-Food Canada. May 2009. *Proposed improvements to loans act will give farmers better access to credit.* Accessed from: <http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n90504a>.

[26] Wrobel, M. April 2010. *Study on young farmers and the future of farming*. Accessed from: <http://www.cba.ca/contents/files/submissions/sub_20100419_farmers_en.pdf>.

[27] In 2009/10, 201 loans per month were registered with the CALA program; in 2012/13, 167 loans per month were registered with the CALA program (Source: Administrative Data).

[28] In 2009/10, the average loan size was significantly smaller than that of 2012/13 ($51,000 vs. $59,000, respectively; $F(3,7946)=4.981$, $p<.05$). The average size of a loan registered with the CALA program over the entire evaluation period was $56,000 (Source: Administrative Data).

[29] Source: Administrative Data

[30] Ibid.

[31] Comptroller of the Currency Administrator of National Banks. December 1998. Agricultural Lending Comptroller's handbook. Accessed from: <http://www.occ.gov/publications/publications-by-type/comptrollers-handbook/_pdf/aglend.pdf>.

[32] Ibid.

[33] Agriculture and Agri-Food Canada. April 2011. *Canadian Agricultural Loans Act (CALA) Program*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1303139689562&lang=eng>.

[34] Thirty-six cooperatives were surveyed. Thirteen cooperatives reported that they did not know if the CALA program helps to address their financial needs.

[35] Source: Producer Survey

[36] 0.3% of all CALA loans made during the evaluation period (Source: Administrative Data).

[37] Source: Administrative Data

[38] During the evaluation period 19 loans reached the maximum loan amount, seven for real property ($500,000 maximum) and twelve for things other than real property ($350,000 maximum) (Source: Administrative Data).

[39] Parliament of Canada. March 2011. *Government response to the seventh report of the standing committee on agriculture and agri-food, entitled "Young farmers: the future of agriculture".* Accessed from: <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=5051365&Mode=1&Parl=40&Ses=3&Language=E>.

[40] Statistics Canada. May 2012. *Snapshot of Canadian agriculture*. Accessed from: <http://www.statcan.gc.ca/pub/95-640-x/2012002/02-eng.htm>.

[41] Agriculture and Agri-Food Canada. May 2009. *Proposed improvements to loans act will give farmers better access to credit*. Accessed from: <http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n90504a>.

[42] Statistics Canada. 2011. *2011 Census of Agriculture*.

[43] Seventy-six percent (76.5%) of beginning/startup farmers who were surveyed agreed that they were able to invest more in their operations as a result of the lower down payment.

[44] Over the evaluation period the average size of a loan for a beginning/startup farmer was $97,236.22 vs. $54,573.93 for more established operations; $t(7948)=11.435$, $p<.001$ (Source: Administrative Data).

[45] 68.5% of loans to existing farmers were for implements, compared to 40% of loans for new farmers (Source: Administrative Data).

[46] Agriculture and Agri-Food Canada. 2013. *2013 Strategic Issues Survey*.

[47] Source: Administrative Data

[48] Farm Credit Canada. 2012. *Agriculture More than Ever 2011-12 Annual Report*. Accessed from: <http://www.fcc-fac.ca/en/AboutUs/Profile/pdf/AR2011-12_LO_full_e.pdf>.

[49] Statistics Canada. May 2012. *Snapshot of Canadian agriculture*. Accessed from: <http://www.statcan.gc.ca/pub/95-640-x/2012002/01-eng.htm>.

[50] Program staff suggest this could be due to how loan purposes are being coded by lenders on the registration forms

[51] Source: Producer Survey

[52] Ibid.

[53] Source: Administrative Data

[54] Agriculture and Agri-Food Canada. 2013. *2013 Agricultural Producers Survey*.

[55] The proportion of loans issued by credit unions has increased from 73.6% in 2009/10 to 85.4% in 2012/13 (Source: Administrative Data).

[56] In the 2009/10 fiscal year, 68.2% of all CALA backed loans were issued by Saskatchewan Credit Unions; in 2012/13, 80.9% of all CALA backed loans were issued by Saskatchewan Credit Unions (Source: Administrative Data).

[57] Source: Administrative Data

[58] Kristensen, F., S. Markey, S. Perry. 2010. *"Our Liquidity is Trust, Not Cash" Credit Unions and the Rural Social Economy*. Journal of Rural and Community Development. Vol. 5, Iss. 3 pp. 143-161.

[59] Ibid.

[60] Farm Credit Canada. 2012. *Agriculture More than Ever 2011-12 Annual Report*. Accessed from: <http://www.fcc-fac.ca/en/AboutUs/Profile/pdf/AR2011-12_LO_full_e.pdf>.

[61] C.D. Howe Institute. February 2013. *Commentary No. 372. Reining in the Risks: Rethinking the Role of Crown Financial Corporations in Canada.* Accessed Online: <http://www.cdhowe.org/pdf/Commentary_372.pdf>.

[62] Prime Minister of Canada. May 2009. *PM announces plan to help Canadian farmers access credit and receive loans*. Accessed from: <http://pm.gc.ca/eng/media.asp?id=2551>.

[63] Agriculture and Agri-Food Canada. May 2009. *Proposed improvements to loans act will give farmers better access to credit*. Accessed from: <http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n90504a>.

[64] Program staff reported that new farmers view agriculture as a potentially profitable business. The lowering of barriers to entry into the industry allows entry into the industry to be more favorable.

[65] Parliament of Canada. March 2011. *Government Response to the Seventh Report of the Standing Committee on Agriculture and Agri-Food, Entitled "Young Farmers: The Future of Agriculture"*. Accessed from: <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=5051365&Mode=1&Parl=40&Ses=3&Language=E>.

[66] Government of Canada. June 2011. *Speech from the Throne*. Accessed from: <http://www.speech.gc.ca/eng/media.asp?id=1390>.

[67] Agriculture and Agri-Food Canada. November 2010. *Mandate*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1173965157543&lang= eng>.

[68] Agriculture and Agri-Food Canada. February 2008. *Growing Forward: Toward a new agricultural policy framework*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1204303600068&lang=eng>.

[69] Agriculture and Agri-Food Canada. February 2008. *Growing Forward: Toward a new agricultural policy framework*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1204303600068&lang=eng>.

[70] Agriculture and Agri-Food Canada. November 2012. *2011-12 Departmental Performance Report*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1348585375919&lang=eng>.

[71] Government of Saskatchewan. 2010. *The Saskatchewan Farm Security Act.* Accessed from: <http://www.qp.gov.sk.ca/documents/English/Statutes/Statutes/S17-1.pdf>.

[72] Source: Administrative Data

[73] Statistics Canada. June 2013. *Table 002-0008 Farm debt outstanding, classified by lender.* Accessed from: <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=0020008>.

[74] In 2012, provincial lenders owned $3.9 billion in outstanding farm debt; representing 5.4% of all outstanding farm debt (Source: Statistics Canada. June 2013. *Table 002-0008 Farm debt outstanding, classified by lender)*.

[75] Statistics Canada. June 2013. *Table 002-0008 Farm debt outstanding, classified by lender.* Accessed from: <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=0020008>.

[76] Farm Credit Canada. 2012. *Agriculture More than Ever 2011-12 Annual Report*. Accessed from: <http://www.fcc-fac.ca/en/AboutUs/Profile/pdf/AR2011-12_LO_full_e.pdf>.

[77] FCC's customers primarily reside in Ontario (26%), Saskatchewan (25%), Alberta (20.5%) and Quebec (10.7%) (Source: Farm Credit Canada. 2012. *Agriculture More than Ever 2011-12 Annual Report)*.

[78] Profits made by FCC are routinely paid out by the FCC to its shareholder, the federal government. In the 2011-12 fiscal year, FCC paid a dividend of $17.5 million to the federal government (Source: Farm Credit Canada. 2012. *Agriculture More than Ever 2011-12 Annual Report*).

[79] Source: Administrative Data

[80] 16.3% of respondents neither agreed nor disagreed, and 8.4% disagreed.

[81] Source: Producer Survey

[82] Average loan size for beginning/startup farmers was $97,000 vs. $55,000 for more established operations (Source: Administrative Data).

[83] The average size of a loan from the FCC in 2011 was $146,432 (Source: Farm Credit Canada. 2012. *Agriculture More than Ever 2011-12 Annual Report*).

[84] This represents 0.2% of all loans (Source: Administrative Data).

[85] Over the evaluation period the average size of loans for the purchase of implements was $49,075.54, and the average size of loans for the purchase of land was $133,389.38; $F(8,7941)=173.97$, $p<.05$ (Source: Program Data).

[86] Producers were also able to provide a neutral response (20.7% and 27.2%, respectively) (Source: Producer Survey).

[87] Source: Producer Survey

[88] During the second half of 2012, the average value of Canadian farmland increased by 10%. This increase followed increases in the previous two six-month periods of 8.6% and 6.9% (Source: Farm Credit Canada. April 2013. *Spring 2013 Farmland Values Report*).

[89] Seventy-three percent (73.2%) of surveyed producers/cooperatives reported that they were planning on making an eligible investment in their operation within the next five years.

[90] Agriculture and Agri-Food Canada. November 2012. *2011-12 Departmental Performance Report: Agriculture and Agri-Food Canada*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1348585375919&lang=eng>.

[91] Source: Program Data

[92] Between 2005 and 2010 the farm product price of grains increased by 45.9%, oilseeds by 51.3%, and livestock by 5.7% (Source: Statistics Canada. May 2012. *Snapshot of Canadian agriculture*).

[93] Bank of Canada. April 2013. *Canadian interest rates and monetary policy variables: 10-year lookup, V122495*. Accessed from: <http://www.bankofcanada.ca/rates/interest-rates/canadian-interest-rates/>.

[94] Source: Program Data

[95] Bank of Canada. April 2013. Canadian interest rates and monetary policy variables: 10-year lookup, V122495. Accessed from: <http://www.bankofcanada.ca/rates/interest-rates/canadian-interest-rates/>.

[96] Globe and Mail. May 29, 2013. *Bank of Canada outlook Brightens, Interest Rate Remains Same*. Accessed from: <http://www.theglobeandmail.com/report-on-business/economy/bank-of-canada-outlook-brightens-interest-rate-remains-same/article12220520/>.

[97] Agriculture and Agri-Food Canada. March 2013. *Medium Term Outlook (MTO) for Canadian Agriculture*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1328803950540&lang=eng>.

[98] Ibid.

[99] In 2013, 77% of producers expressed concern about the economy over the next five years, compared to 61% in 2011. In 2013, 19% of producers expressed concern over weather conditions, compared to 3% in 2011 (Source: Agriculture and Agri-Food Canada. June 26, 2013. *2013 Strategic Issues Survey Results)*.

[100] United States Department of Agriculture, Farm Services Agency information.

[101] In 2003, the program's database reached its size limit, and was no longer supported by the vendor. A new system was implemented to address the size issue; however, it was incapable of meeting the new reporting requirements of CALA (Source: Agriculture and Agri-Food Canada. 2010. *Business Case & Options Analysis – AAFC CALA System Project*).

[102] Lender familiarity with the CSBFP registration process is expected to improve program take-up through reducing the paperwork associated with the program and expediting the registration/claims process. In addition, the new system streamlines the registration and claims process.

[103] Agriculture and Agri-Food Canada. 2010. *Business Case & Options Analysis – AAFC CALA System Project*.

[104] Source: Agriculture and Agri-Food Canada. October 2004. *Evaluation of the Farm Improvement and Marketing Co-operatives Loans Act (FIMCLA) Program*.

[105] Source: Program Service Standard Data.

[106] Source: Key Informant Interview

[107] Source: Administrative Data

[108] On average, program registration fees and recoveries account for $1,153,116 annually, program outlays from claims account for $770,076 annually ($1,153,116 - $770,076 = $386,040). Annual average figures are reported as the average per twelve month period (Source: Administrative Data).

[109] Source: Administrative Data

[110] Ibid.

[111] Industry Canada (2009). Evaluation of the Canada Small Business Financing Program

[112] FCC Annual Report (2010-11).

[113] Source: Program Data

[114] Ibid.

[115] Wrobel, M. (2010, April). *Study on young farmers and the future of farming*. Accessed from: <http://www.cba.ca/contents/files/submissions/sub_20100419_farmers_en.pdf>.

[116] Source: Agriculture and Agri-Food Canada. April 2011. *Canadian Agricultural Loans Act (CALA) Program*. Accessed from: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1303139689562&lang=eng>.

[117] Source: Program Data

[118] Ibid.