Farm Credit Canada

2002/03 to 2006/07 Corporate Plan Summary

Customer for Life

Potential – Unlocked.

Corporate Plan Summary

For the 2002/03 to 2006/07 Planning Period

Operating Budget Summary

For the 2002/03 Budget Year

Borrowing Plan and Capital Budget Summary

For the 2002/03 Budget Year

Our passion is helping our customers succeed. Our core strength is agricultural knowledge and expertise. Last year, we said our plan was to do more for our customers throughout their life and business cycle, not just the life of the loan. We call this strategic direction Customer for Life.

This year's Corporate Plan Summary outlines how Farm Credit Canada (FCC) will build relationships with our customers, from start up to retirement. FCC believes that each agricultural enterprise and agribusiness has potential. Our plan is to unlock that potential through knowledge, solutions and connections.

Table Of Contents

EXECUTIVE SUMMARY

Farm Credit Canada (FCC) believes that each agricultural enterprise or agribusiness has potential. Our plan is to help unlock that potential through knowledge, solutions and connections.

Agriculture is a business. Tied to the land and to the rest of the world, it is impacted by climate, commodity prices and the overall health of the global economy. In the business of agriculture, there is no one key to success. No silver bullet. Decisions are weighed against risks and opportunities. In-depth knowledge of the customer and markets reveals opportunities and threats. Producers and agribusiness operators require business savvy, planning tools and financial instruments that will enable them to take the next step. Built on a solid foundation of community, primary producers and agribusiness entrepreneurs network and share knowledge and expertise. A unique combination of knowledge, solutions and connections unlocks potential.

"We will continue to grow as an organization if we are able to add value to the industry and for our customers. Five years from now we will be a very different organization from what we are today. I can see us as top of mind with the agricultural industry, offering a multitude of products and services. All this will be accomplished through strong leadership throughout the corporation." – John Ryan, President and CEO, October 2001, FCC Managers' Conference.

It's an exciting time to be involved in the agricultural industry. The Canadian agri-food sector, which includes primary agriculture and food and beverage manufacturing, contributed $36 billion in GDP in fiscal 2000. The GDP of the primary agriculture sector was about $16 billion the same year. Food and beverage manufacturing is growing more rapidly than ever before. The sector employs 1.9 million people, and represents 13.2 per cent of total Canadian employment.

FCC has doubled its portfolio in the past five years to $7 billion. This growth is a strong indication that FCC continues to provide the industry with lending solutions and that the agricultural industry is growing to meet the challenges of the global competitive environment. This year, we expect to exceed the $2 billion mark in new lending, setting a record for the corporation.

Customer for Life: Focus on the life of the customer, not just the life of the loan.

This Corporate Plan outlines FCC's strategic direction, "Customer for Life", which will enable the corporation to achieve its vision and fulfil its mission. It is the culmination of FCC's integrated planning process, which guides senior management in strategic resource allocation. It also ensures staff are focused on serving the needs of the customer through their individual objectives.

The corporation's new legislation received Royal Assent on June 14, 2001. This provides FCC with the opportunity to better serve primary producers and agribusiness by:

- offering financial services to farm-related businesses without the majority farmer-owned requirement;
- providing equity financing; and
- providing complementary financial and business services to producers and farm-related businesses.

Knowledge. Solutions. Connections.

Driven by the needs of primary producers and agribusiness, FCC will broaden its solutions and delivery offerings over the coming five years. FCC will grow and share its trademark knowledge of the industry we serve. We will continue to research and work to understand the agricultural environment so that we can offer solutions that are as unique and diverse as our customers' needs. We will continue to strengthen partnerships in the financial, business and agricultural communities to expand the offerings available. And we will make new connections and partnerships in an effort to clear the path for our customers' success. These plans are reflected in the corporation's objectives, goals, strategies and measures outlined in the Corporate Plan and acted on through the balanced scorecard.

As a federal Crown corporation 100 per cent focused on the agricultural industry, we will focus our efforts on unlocking the potential of the agricultural industry by helping our customers succeed with knowledge, solutions and connections.

FCC's Balanced Scorecard: Corporate Objectives and Strategies

Corporate Objective	**Goals**	**Strategies**	**Measures and Targets**
People Unique people leading our success.	1. Grow the capacity of FCC's workforce 2. Capitalize on the creative energy of employees	❑ Mentor, train and develop all staff ❑ Recruit skills that expand existing corporate competencies ❑ Expand leadership training ❑ Recognize and reward workplace innovation	❑ Training and development spending / salary dollars – target of 3.5% each fiscal year ❑ Acquire venture capital and complementary services expertise – target of March 31, 2003 ❑ Employee development plan completion – target of 100% by November 30 each fiscal year ❑ Implement the corporate innovation program – target of 10 innovative ideas sponsored by March 31, 2003 ❑ Establish a university recruitment program – target of March 31, 2003

Farm Credit Canada 2002/03 to 2006/07 Corporate Plan Summary
Customer for Life: Potential - Unlocked

Corporate Objective	Goals	Strategies	Measures and Targets
Customer Creating solutions for customer success.	1. Increase knowledge of our customers needs 2. Expand offering of financial and complementary services 3. Offer expert knowledge to customers 4. Grow support for primary production and agribusiness	❑ Implement Customer Relationship Management techniques ❑ Provide venture capital as a business line ❑ Develop and initiate complementary services ❑ Integrate knowledge management into the core business of FCC ❑ Implement new financial and business solutions addressing customer needs	❑ Apply Customer for Life segmentation – target of 30% of customers segmented by March 31, 2003 ❑ Establish venture capital business line – target of up to $5 million invested by March 31, 2003, and $25 million in five years ❑ Establish complementary services as a business line – target of two complementary services launched by March 31, 2003 ❑ Provide relevant syndicated or 3rd party information on the FCC Web site – target of 150 information pages by March 31, 2003 ❑ Disbursements for primary production, agribusiness, and alliances – target of primary production $1.48b, agribusiness $325m, Alliances $425m for fiscal 2003 ❑ Launch a product suite for new entrants to agriculture – target of March 31, 2003

Corporate Objective	**Goals**	**Strategies**	**Measures and Targets**
Service Making it easy for customers to do business with us.	1. Increase customer solutions delivery options 2. Strengthen business process effectiveness	❑ Integrate and grow Customer Service Centre, e-business, and Alliance capabilities ❑ Integrate flexible corporate information systems ❑ Re-engineer business processes	❑ Percentage of FCC disbursements via CSC, e-business, and Alliances – target of 20% for fiscal 2003 ❑ Implement IT strategy, supported by redesigned business processes – target of March 31, 2003 ❑ Corporate efficiency ratio – target of 48.1% for fiscal 2003
Financial Success The foundation of continued customer support.	1. Ensure long - term viability	❑ Create a portfolio vision spanning all business lines, ensuring a principal focus on primary production ❑ Proactively manage risk, investments and administrative expense levels ❑ Proactively create and grow FCC's support for communities across Canada	❑ Establish a portfolio vision for agribusiness – target of March 31, 2003 ❑ Return on equity – target of 10.05% for fiscal 2003 ❑ Debt to equity ratio – target of 9.2:1 at March 31, 2003 ❑ Strategic credit risk score on portfolio – target of less than 70 at March 31, 2003 ❑ Community investment – target of 1% of previous 3 year average net income invested by March 31, 2003

Strategic Framework

FCC Corporate Profile

Farm Credit Canada (FCC) offers flexible financing and business solutions to primary producers and agriculture. Established in 1959, FCC is Canada's largest agricultural term lender. Corporate office is located in Regina, Saskatchewan with 900 employees serving customers from 100 offices across Canada. The number of customers we serve has grown to 44,700. Our loan portfolio is approximately $7.5 billion as of November 30, 2001.

As a federal Crown corporation, FCC reports to Parliament through the Minister of Agriculture and Agri-Food. FCC's Board of Directors is comprised of 12 Directors who represent Canada from coast to coast. Their expertise, commitment and involvement in agriculture make a valuable contribution to the strategic direction of FCC.

Mission:
To enhance rural Canada by providing business and financial solutions for farm families and agribusiness.

Vision:
Visionary leaders and trusted partners in agricultural financing – putting the power of specialized knowledge and innovation to work for farm families and agribusiness across Canada

Values:
Focus on the customer, act with integrity, work together, give back to the community, achieve excellence

Strategic Direction:
Customer for Life – FCC will provide knowledge, solutions and connections that unlock potential.

Key areas of focus/Strategic Objectives:
People: Unique people leading our success.
Customers: Create solutions for customer success.
Service: Make it easy for customers to do business with us.
Financial success: The foundation of continued customer support.

Mandate

The purpose of the corporation is to enhance rural Canada by providing specialized and personalized business and financial services and products to farming operations, including family farms, and to those businesses in rural Canada, including small and medium-sized businesses, that are related to farming. The primary focus of the activities of the corporation shall be on farming operations, including family farms. (Bill C-25, June 14, 2001)

Amendments to the *Farm Credit Corporation Act* (Bill C-25) received Royal Assent on June 14, 2001. Farm Credit Canada (FCC) now has a broader mandate to provide more financial and business management options for Canadian producers and farm-related businesses.

Canadian producers and farm-related businesses need a broader array of financial and business services to compete in today's global marketplace and achieve long-term success. Farm Credit Canada will play an important role in helping meet that need.

Changing the name from Farm Credit Corporation to Farm Credit Canada and Financement agricole Canada in French better reflects the corporation's federal identity and demonstrates the federal government's commitment to rural Canada.

The new Act ensures FCC's long-term commitment to primary producers by including an amendment stating that producers will continue to be the major focus of FCC's activities.

"With its new lending powers, FCC can make an even greater contribution to the growth and health of our rural communities. The value-added and agribusiness sectors, in particular, are in critical need of innovative and diversified financing options. A stronger value-added agricultural sector will not only boost economic growth across rural Canada, it will provide primary producers with new and expanded domestic markets."

- The Honourable Lyle Vanclief, Minister of Agriculture and Agri-Food

The new legislation allows Farm Credit Canada to:

- provide financial services to any farm-related business on the input or output side of primary production;
- offer equity financing directly and in partnership with other equity investors; and

- provide both financial and business management services to producers and farm-related businesses. FCC works in partnership with the public and private sectors whenever possible to avoid duplicating existing services.

The new Act allows FCC to offer financial and business management services that anticipate and meet the emerging needs of the agricultural industry. Through FCC, producers and agribusiness entrepreneurs across rural Canada can now have increased access to a broader range of services to help them achieve long-term success through all stages of their life cycle. FCC has increased flexibility to contribute to job creation and economic growth in rural Canada. FCC's mission statement reflects the amendments to the Act and communicates FCC's public policy role:

To enhance rural Canada by
providing specialized financial and
business services for
primary producers and agribusiness.

Governance Structure

Board of Directors

FCC's Board of Directors is representative of the Canadian farming and agribusiness community. In combination, Board members possess leadership and vision as well as strategic skills, including entrepreneurial and communication skills. Board members are committed to serving Farm Credit Canada, and in so doing, serve Canadian agriculture through an emphasis on customer service, productivity, self-sustainability, cooperation and sound environmental stewardship.

The Governor in Council appoints the Chairperson and President. The Minister of Agriculture and Agri-Food appoints Board members who represent Canadian agricultural and financial communities, striving for gender, linguistic, employment equity target group and geographical representation.

Board Responsibilities

The Board is responsible for the corporate governance of the corporation. It ensures that FCC's business activities are in the best interests of the corporation and the long-term interests of the Government of Canada as required by and set down in the *Farm Credit Canada Act (FCCA)* and *Financial Administration Act*. Directors exercise a stewardship role, establishing and contributing to a good working relationship with management. The Board participates in FCC's strategic planning process each year and approves the strategic direction and Corporate Plan. The Board also exercises its responsibility to oversee and ensure that principal risks of FCC's business have been identified and appropriate systems and policies implemented to manage such risks.

Board of Directors

ROSEMARY DAVIS, Chair

Owner/Manager,
Tri-Country Agromart Ltd.,
Trenton, Ontario
Chair, Board of Directors
Appointed June 22, 2000

ROBERT M. COLPITTS

New Brunswick Department of Agriculture,
1958 to 1996,
Fredericton, New Brunswick
Appointed November 27, 2001

RASHPAL DHILLON

President and Chief Executive Officer, Richberry Farms Ltd.; General Partner and Chief Executive Officer, Pitt Meadows Farms Ltd.,
Richmond, British Columbia
Reappointed July 29, 1999

WARREN ELLIS

Proprietor, Warren Ellis Produce,
O'Leary, Prince Edward Island
Reappointed November 27, 2001

DONNA GRAHAM

Managing Partner, Graham Farms Ltd.,
Vulcan, Alberta
Appointed September 26, 2000

ELEANOR M. HART

Farm Partner/Owner, Lokoja Farms; Past-President, Ontario Home Economics Association, Woodstock, Ontario
Chair, Human Resources Committee
Reappointed August 28, 2001

MAURICE B. KRAUT

Co-owner and operator of cattle and grain farm enterprise; owner and operator of
Agriculture Consulting
Winnipeg, Manitoba
Appointed April 13, 1999

MARIE-ANDRÉE MALLETTE

Farmer, large-scale farming of commercial crops and beans; Lawyer specializing in agricultural law,
Saint-Paul-de-Châteauguay, Quebec
Chair, Audit Committee
Reappointed July 29, 1999

JOAN MEYER

Co-owner/Operator of mixed farming enterprise, Swift Current,
Owner/Operator, Swift Administration and Management Services,
Swift Current, Saskatchewan
Appointed September 26, 2000

JOHN J. RYAN

President and Chief Executive Officer,
Farm Credit Canada
Regina, Saskatchewan
Appointed September 1, 1997

MARILYN MARIE SCOTT

Lawyer and Partner in Law Firm,
Humboldt, Saskatchewan
Reappointed November 16, 1999

GERMAIN SIMARD

Dairy Farmer,
La Baie, Quebec
Reappointed August 28, 2001

Executive

The President is the Chief Executive Officer and is responsible for the supervision of the business of the corporation. With the approval of the Board of Directors and Chief Executive Officer, the corporation's executive (senior management team) sets corporate priorities and acts to achieve FCC's objectives consistent with the mandate and approved strategic direction. The *Financial Administration Act* serves to guide decision-making and business activities. Bound by the Employee Conduct and Ethics Policy, FCC's executive adheres to the highest ethical standards of business, professional and personal conduct. All executives, with the exception of the CEO are paid within the salary ranges and compensation policies approved by the Board of Directors. The Governor in Council sets the CEO's salary and benefits.

Integrated Planning Process

FCC's Integrated Planning Process facilitates sound decision making by aligning strategic initiatives to corporate objectives and goals, with the appropriate resource allocation. Strategic Planning and Financial Planning are closely linked processes that:

- specify strategic programs and initiatives of the corporation;
- identify timelines and responsibilities for implementation; and
- convert programs and initiatives into financial terms.

The Integrated Planning Process integrates corporate strategic planning, divisional planning, corporate financial planning, the annual budget process and annual employee performance plans.

Products and Services

FCC Financing Solutions

FCC's products and services are designed to help producers and small to medium-sized agribusiness grow and succeed. Flexible features, including multiple interest rates and payment options as well as a choice of amortization period, are available on all FCC's loans. We work with our customers to ensure that our loans meet their needs.

- Real property loans
- Personal property loans
- Farmbuilder Construction® loan
- Agristart™
  - Family Farm® Loan
  - 1-2-3 Grow Loan
  - Payday Loan
- Plant Now – Pay Later
- Flexi-Hog Loan
- Enhanced creditor life insurance
- Enviro-Loan

Other Services

- Property Management Services – Appraisal services, environmental assessments, land sales and leasing
- FCC-CULeasing leasing program
- National Dealer Equipment Financing Program
- Agricultural Value-Added Program

Alliances and Partnerships

Business alliances allow each party to maintain their independence and identity while at the same time adding value, through combining resources and expertise, to each of their operations and respective customers.

Alliances are relationships between FCC and other agricultural operations that enable more extensive services to customers. These include: equipment dealers, livestock brokers and input suppliers, as well as financial institutions.

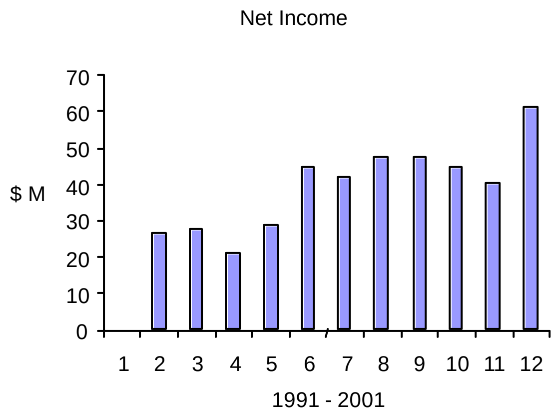
The objective is to improve products and services offered to clients by encouraging those with complementary services to work together for the good of the industry and individual producers.

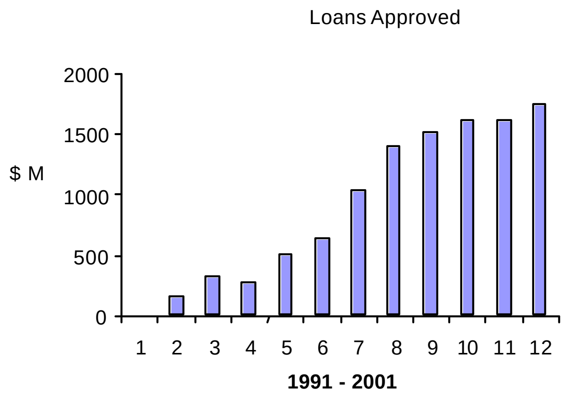
Some examples of FCC's alliances include:

- BDC/CCC/EDC/FCC financing team for small business
- FCC/BDC/Credit Union Central of Ontario
- National Dealer Equipment Financing Program
- Feeder/Breeder Finance Programs
- Western Economic Diversification Canada (WED), FCC and the Canadian Imperial Bank of Commerce (CIBC)
- FCC/Agricultural Financial Services Corporation of Alberta
- FCC/United Farmers of Alberta
- FCC/Credit Union Central of Ontario
- FCC/CULease Financial Services
- Saskatchewan Wheat Pool/FCC Crop Input Finance Program

Historical Financial Performance: 1991 - 2001

Farm Credit Canada is in a self-sustaining financial position. Operations in each of the last 10 years have resulted in positive earnings, and increases in loan approval most years.





Corporate Plan Summary

FCC's Operating Environment

Successful producers and agribusiness entrepreneurs know that unlocking a potential business idea requires dedication, commitment and a combination of key elements: knowledge of the marketplace, competitors and customers; financial and business solutions; and connections necessary for transacting business and accessing information. Agriculture is a business that requires management sophistication and access to capital.

Farm Credit Canada's role in providing primary producers and agribusiness with business and financial solutions has never been more crucial. Throughout their life and business cycle, our customers' needs are as diverse as Canada's agricultural industry. A producer starting up an operation has different financial and business requirements than someone in the middle or later stages of their operation. The corporation's challenge for the future is to help unlock the potential of producers and agribusiness across Canada, from berry growers in British Columbia, to aquaculture operations in New Brunswick.

The following discussion outlines issues that have an impact of FCC's delivery of financial and business solutions. These include:

- Agricultural environment
  - Changing Consumer Demand
  - Agricultural Policy
  - Agricultural Production and Prices
  - Competitiveness
  - Evolution of the Financial Services Sector
- Customer Needs
- FCC's Opportunities and Challenges

Agricultural Environment

Changing Consumer Demand

Convenience, indulgence, health and safety are important to consumers. In Canada, grocery store sales of products such as refrigerated bagged salad, frozen entrees, bottled water, and chocolate bars experienced double digit growth in 2000. [1] Today, food must be easy to prepare. Surveys indicate that 41 per cent of Canadians decide on the evening meal after lunch and 27 per cent decide after work. The majority of meals take less than 30 minutes to cook.[2] About 40 cents of each dollar spent on food in Canada is spent at a food service establishment and this proportion is growing.[3] Over the next five to ten years, the demand for food that is convenient is expected to grow because of convenience being habit forming, the faster pace of life, and larger numbers of inexperienced cooks.[4]

A survey of Canadian consumers found that food safety and environmental protection were equally important to them. Although the majority of respondents believe that Canada's food supply is safe and of high quality and that Canadian farmers are environmentally friendly, more protection is supported. Respondents strongly supported requiring each farm to have an environmental plan. [5]

The events of the past year significantly increased the awareness of the threat of agro-terrorism. Firms are taking steps to increase the security of their business network and in some cases are realigning their supply chain. These actions can be costly and will be felt throughout the value chain. The United States government's potential creation of "**Fortress US**" rather than "Fortress North America" would have significant negative impacts on agri-food exports to the US and would likely result in **lower investment in Canada and plant shut downs** in the longer run. The health of the Canadian agri-food sector is dependent on access to the US market.

Agricultural Policy

The new vision for Canadian agriculture is "to secure the long-term prosperity and success of the agriculture and agri-food sector by being the world leader in food safety, innovation and environmentally responsible production." On-farm food safety systems as well as identity-preserving and tracing systems for the food

---

1 AAFC, "Retail Sales in Canadian Grocery Stores (2000)", 2001.
2 Robin Garret, "What Consumers Are Telling Us They Need to Know", FCPMC, April 2001 Conference.
3 Canadian Grocer, AAFC, and CFRA.
4 Meating Place, "Convenience Biggest Driver of Red Meat Sales, Expert Predicts", September 21, 2001.
5 AAFC, "Public and Producer Opinion Regarding Agricultural Issues", 2001.

chain will enhance the safety and quality of Canada's food. The policy will encourage producers continue adopting sound environmental practices. Safety net programming will assist producers to manage their risk. Science will be used to create economic opportunities though the development of innovative products.[6]

Food safety is one of the key initiatives in the new policy. The agricultural devastation in Europe and Japan from Bovine Spongiform Encephalopathy (BSE) and Foot and Mouth Disease (FMD) underscore the importance of a systemic approach to food safety issues.

The new policy will also place greater priority on **environmental protection**. Domestic and international agricultural policy will be influenced in the future by the Kyoto Protocol. Under the Kyoto Protocol, and because of its relatively strong economic growth, Canada must reduce its greenhouse gas emissions by 26 per cent by 2012.[7] The Bonn agreement provides for countries to receive **credits for forestry and agriculture carbon sinks**. These measures will benefit Canada.[8]

The continuing downward trend in the prices of grain and oilseeds markets over the past 10 years is exacerbated by foreign trade subsidies. The export orientation of the Canadian agri-food sector means that **Canadian producers are directly affected by the agricultural policy of other countries.**

A new round of **WTO negotiations** was recently launched. The forthcoming negotiations on agriculture will cover: improvements in market access; reductions, with a view to phasing out export subsidies; significant reductions in trade-distorting domestic support; and special treatment for developing countries.[9] These negotiations, expected to be complete by 2005, are expected provide relief for Canadian producers in the longer term.

---

[6] Federal-Provincial-Territorial Communiqué, "Ministers Set Out a Vision for Agriculture", June 29, 2001.
[7] Government of Canada, "Canada and the Kyoto Protocol", November 2001.
[8] Government of Canada, "Canada and the Kyoto Protocol", November 2001.
[9] DFAIT, "Highlights of the Doha Ministerial Declaration", November 14, 2001.

Agricultural Production and Prices

Cash receipts from both crops and livestock are expected to improve in 2002. Net operating expenses are expected to increase only one per cent in 2002. Based on expected receipts and expenditures, Canadian net cash income in 2002 is forecast to be $7 billion while realized net farm income is expected to be $3.2 billion. In 2002, income levels will be above the 1996 to 2000 average.[10]

Canadian crop production is forecast to increase during the period 2001 to 2007. However, not all commodities are expected to increase in price over this time. The prices producers receive for wheat, durum, and barley are forecast to fall, while the price of corn is expected to remain constant. Both production and prices of oilseeds are forecast to increase. The production of special crops such as peas and lentils is expected to continue to increase as are their prices. Over the forecast period, cattle and hog prices are expected to fall, while marketing and slaughter numbers increase. Both beef and pork production and exports are forecast to increase. Steady growth in production and prices of supply managed commodities (chicken, turkey, eggs, and milk) is expected to occur. Canadian exports of agri-food products are expected to be $31.4 billion in 2007, a 29 per cent increase from 2001.[11]

Competitiveness

Concentration of output is occurring at the primary level of agriculture as producers attempt to increase productivity. In 1996, one per cent of farms accounted for 21 per cent of net cash income.[12] In the future, **viable farms** will tend to fall into three categories. **Large operations** will pursue a low cost strategy. The owners of this type of farm will perform the managerial functions of the business and hire others to supply the labour. The second type of viable farm will be smaller and could be called **working farms** in that the owner/operator supplies the vast majority of farm labor. The third type of viable farm will produce **differentiated products or be involved in value-added production**. These farms will be part of a value chain or network and may require specialized financial services such as hedging, foreign exchange, and the electronic transfer of funds.[13]

---

[10] AAFC, October 2001.
[11] AAFC, "Medium Term Policy Baseline", September 2001.
[12] Ray Bollman, Statistics Canada, "Rural Canada".
[13] Larry Martin, "Presidential Address", Canadian Agricultural Economics Society, May 2000.

Evolution of the Financial Services Sector

Change in the financial services sector is being driven by greater competition, product innovation, and technology. Competition will intensify as the legislation reforming the financial services sector becomes more operational. With the economy experiencing a downturn, many banks are considering the sale of operating units they consider extraneous to their core business. An extended economic slump could force many banks to consider divesting businesses they once considered essential. Access to capital could become a larger concern for residents of rural Canada.

Customer Needs

To ensure our product and process innovation continues to meet the needs of our customers, FCC dedicates itself to understanding the needs of our customers throughout their life and business cycle. We provide tools for their success in a globally competitive environment.

FCC defines a customer as primary producers and agribusiness, potential customers and agricultural industry stakeholders.

During 2001, FCC commissioned research regarding the needs of producers during their life and business cycles. Interviewed were 1,000 producers representing the full spectrum of the agricultural industry. The average producer surveyed is 50 years old and has been managing his or her operation for 21 years. A large majority (86 per cent) were raised on a farm. A small group (10 per cent) report having no farm background before deciding to pursue a career in farming.

FCC also participated in The Farm Management Benchmark, which compares Canadian farm management practices with those of two of Canada's global competitors – the United States and Australia. Interviewed were 750 participants from Canada, the United States and Australia earning more than $50,000 in sales. The average age was 50.

This survey revealed the correlation between success of the enterprise and the level of business management sophistication.

Management sophistication includes business and financial planning, human resource management and having the ability to build and access a network of knowledgeable experts. Increased levels of management sophistication correlates with producers who see the potential for growth, and plan for it. It leads to increased optimism for the future of the Canadian agricultural industry.

Acquiring equity is the single biggest barrier to entry that exists in farming today. Farming has become very capital intensive, so purchasing an existing operation is not feasible for most people considering a career in agriculture. This problem is not limited to those without a farm background. Insufficient equity is also a significant barrier for those who were raised on a farm and plan to take-over the operation.

There is a lack of understanding regarding options for entering and exiting farming. Most "start-ups" expressed that they were very uninformed regarding their options while producers who wish to exit farming are struggling with the details of their retirement and succession planning.

Lack of optimism expressed by many experienced producers discourages qualified and ambitious individuals from entering farming. More often than not, attention is focused on the difficulties faced by many of Canada's producers rather than the success stories. This translates into lost potential.

Farm Credit Canada's customer base is heavily populated with producers in the start-up and growth stages of the producer life cycle. The financing requirements of these individuals are more substantial, while producers in the sustaining and succession stages are more likely to have eliminated long-term farm debt.

FCC's Strategic Issues

FCC has focused on specific Strategic Issues and Customer Needs in developing its strategic response to today's environment. Following are the key issues and challenges for the planning period.

- FCC sees a need for increased access to business and financial solutions necessary to grow management sophistication practices in small and medium-sized primary production businesses.
- Business Planning is necessary for primary producers to increase their chance for success through understanding risks and challenges of the market place.
- Succession Planning requires that producers put a strategy in place to ensure a return on investment for the retiring farmer.
- The role of value-added activities and agribusiness is increasingly important for the viability of Canadian agriculture.
- The evolution of distribution channels for new and existing financial solutions is necessary to meet the needs of producers.
- Successful brand positioning in new markets is key to ensuring FCC effectively delivers solutions for customer success.

FCC's challenges for the future:

- Instilling a sense of pride in agriculture so that new entrants are attracted to primary production.
- Increasing management sophistication levels in primary production for enhanced competition in the local and global markets.
- Promoting an environment for growth through producer access to financial and business solutions.

FCC's Key assumptions:

- FCC will provide new financial solutions for primary producers and agribusiness, through various delivery channels, as enabled in the new legislation.
- FCC's competitive advantage will continue to be personalized customer service and superior agricultural knowledge of staff.
- Through alliances, FCC will offer complementary services delivery.
- FCC will continue to focus on and respond to the needs of primary producers.
- Financial success will be measured by FCC's ability to provide a financial return adequate to fund future growth.

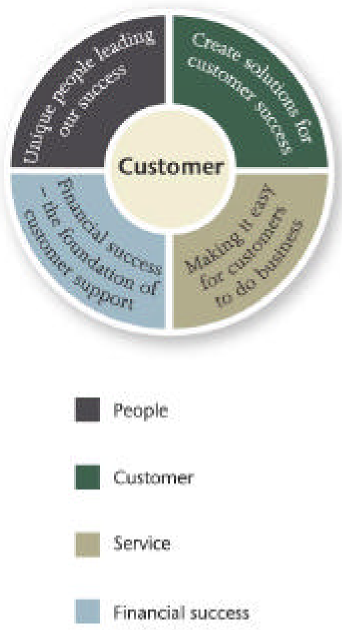
FCC’s strengths:

- FCC is 100 per cent focused on agriculture.
- FCC possesses strong brand recognition, a solid reputation for customer relationship building and management and a history of working in our customers’ best interests.
- FCC’s model for providing solutions to customers through business partners is proven and effective.
- FCC’s workforce has great expertise in primary agriculture.
- The corporation’s strong equity position and access to debt capital provides the capacity to grow.
- FCC’s sound enabling infrastructure and leadership ensure managed growth.
- The functionality of FCC’s strategic technology applications enables customer-focused service delivery.
- FCC’s culture is entrepreneurial and results-oriented.
- The corporation enjoys strong stakeholder support.

Combined, FCC’s strengths enable the corporation to:

- increase access to capital for primary producers and agribusiness through new financial solutions developed under the new legislative mandate;
- innovate to deliver solutions, both through FCC’s expertise, and through partnership with industry experts;
- leverage existing brand and customer loyalty into value-added opportunities in agribusiness and additional financial solutions for primary production; and
- raise the profile of the importance of agricultural knowledge management in Canada.

Strategic Direction: Customer for Life



FCC measures progress through its Balanced Scorecard, which translates FCC's vision into measurable strategic objectives. From the corporate level to the individual level, objectives, goals and measures are established for key performance areas. The Balanced Scorecard enables the corporation to maintain an overall perspective of operations and closely monitor progress in four key strategic result areas: People, Customer, Service and Financial Success.

This year's Corporate Plan - Customer for Life : Potential Unlocked - calls for an expansion of FCC's financing and business solutions. The following section outlines FCC's intentions over the five-year planning period.

Objectives and Strategies

Objective: Unique people leading our success.

Our commitment to serving the customer and building relationships is why FCC invests in the people who come to work every day for the customer. Each person in the corporation serves the customer, be it an account manager in Swift Current, Saskatchewan or Truro, Nova Scotia, or our Customer Service Centre staff who help customers by telephone or over the Internet. Building customer relationships requires a workforce that is dedicated, motivated and innovative. Through our goals and strategies, we will put the power of specialized knowledge and innovation to work for farm families and agribusiness across Canada.

Our goals

- Grow the capacity of FCC's workforce.
- Capitalize on the creative energy of employees.

FCC is working toward these goals through the following strategies.

Strategies

Mentor, train and develop all staff.

FCC views staff training and development as an investment. Specific programs, such as system accreditation, the Field Development Program, project management training and financial certification are part of FCC's efforts to develop skills for the future environment. These programs will be extended to an increasing number of employees.

FCC will also implement specific business education training programs that lead to further operational and financial competency development. FCC will continue to support and encourage professional accreditation for managers. FCC will offer training and education, ongoing communication and partnership opportunities to all staff toward building a corporate culture that embraces diversity.

FCC recognizes the importance of providing opportunities for lateral movement and advancement. Through identifying and developing high potential employees, succession planning will become a part of each manager's job. Mentoring will become formally integrated into required roles for managers.

Initiatives:

- Initiate workforce planning that meets operational needs.

- Expand management competencies to include mentoring and succession planning.
- Enhance operational and financial competency development through extension of existing training and development programs and implementation of specific business education training.
- Build a corporate culture that embraces diversity through training and education, ongoing communication and partnership opportunities.

Recruit skills that expand existing corporate competencies.

Having the right people to do the best job for the customer is key to FCC's Customer for Life strategic direction and central to our human resources attraction initiatives. As FCC establishes business lines in complementary services and venture capital, and seeks partnerships to enhance solution delivery, the corporation will focus on the following.

Initiatives:

- Expand core competencies through recruiting new skills such as venture capital expertise.
- Ensure competitive compensation and benefit structures for new business lines.
- Recruit farm finance and agribusiness account managers, credit officers and appraisers.

Leadership is something we develop day by day, and as we face new challenges we will need leadership skills. In the end, effective leadership is the only competitive advantage that will endure. – John Ryan, President and CEO, Farm Credit Canada.

Expand leadership training.

Anticipating and meeting customer needs requires continuous innovation and performance improvement. This can only be achieved through strong leadership.

FCC has invested significantly in current and future leaders through leadership development programs and succession planning. High-potential employees are identified through an assessment process.

Initiatives:

- Develop staff expertise and leadership through training, mentoring and competency development, and identification of high potential employees.
- Develop a *community of practice* designed for sharing best management practices for middle managers.

Recognize and reward workplace innovation.

Forward-looking companies inspire innovation among the workforce to continuously create new product lines, strategies and processes that truly impact the business and its customers. According to survey studies, innovative workplaces are consistently considered to be preferable places to work by employees. An innovation culture results in generally higher levels of expertise (knowledge and skills), systems and processes.[14] Both process and product innovation are central to FCC's ability to deliver on its Customer for Life strategic direction. FCC is developing an "Inspire Innovation Program" that seeks to help create an environment for ideas to be developed into commercially viable business propositions and to accelerate the cycle from idea to action.

Initiatives:

- Continue to enhance a positive environment and innovative culture that fosters attraction, development and retention of employees.
- Build closer internal business partnerships.
- Implement an innovation program during 2002/03 for inclusion in FCC's strategic competency and compensation framework.

Measures	*Targets*
Training and development spending/salary dollars	3.5% each fiscal year
Venture capital and complementary services expertise acquired	March 31, 2003
Employee development plan completion	100% by November 30 each fiscal year
Implementation of corporate innovation program	10 innovative ideas sponsored by March 31, 2003
Establish a university recruitment program	March 31, 2003

[14] Conference Board of Canada, 2001

Objective: Create Solutions for Customer Success

FCC is known for its specialized expertise and relationship building. We leverage our trademark knowledge and expertise to deliver solutions to primary producers and agribusiness. We make connections in the community to strengthen the agricultural community, from strategic alliances and partnerships to value-chain connections and community investment.

The corporation will strive to be a leader in solution innovation that serves the life and business cycle needs of primary producers and agribusiness.

Our goals

- Increase knowledge of our customers' needs.
- Expand offering of financial and complementary services.
- Offer expert knowledge to customers.
- Grow support for primary production and agribusiness.

FCC is working toward these goals through the following strategies.

Strategies

Implement customer relationship management (CRM) techniques.

FCC's aim is to increase customer value and earn their loyalty for life. Implementing CRM techniques in 2002 will enable tracking customer interactions at every touch point. Sales and service staff will have access to information they need to deliver accurate and timely customer service.

Customers will choose when, where and how they want to do business with us. We must deliver service through their channel of choice (face-to-face, telephone, Internet, alliances).

CRM is about building lifetime relationships with customers and leveraging the knowledge we gain to develop and deliver products and services to meet, anticipate and exceed their expectations. It is also about delivering these offerings with seamless coordination between sales, customer service, marketing and field support.

Initiatives:

- Integrate customer information and systems to deliver a consistent experience and accurate information every time customers interact with FCC.
- Align community investment, media, government and industry relations.

Provide venture capital as a business line.

There is a need for additional options for financing in the Canadian agricultural industry. As diversification of the industry continues, businesses will require venture capital to bring new products, processes and services to market.

FCC is well positioned to provide venture capital to the agricultural industry. To fill this role and enhance the industry's ability to grow and diversify, FCC will establish a venture capital business line in 2002/03.

Through either a partnering network, involvement in venture capital funds, or through directly managed investments, FCC will bring financial capital and sound knowledge of the industry and markets to contribute to the success of new agricultural ventures.

Initiatives:

- Establish and expand key stakeholder relationships and increase knowledge of FCC's operating environment as it relates to providing venture capital.
- Operationalize venture capital business line and related management processes.

Develop and initiate complementary services.

To assist our customers in enhancing management practices and having access to the information required to facilitate success, FCC will partner with industry experts to develop and deliver value-added complementary services.

Management sophistication is a key indicator of success in agriculture. Solutions, such as business planning and risk management practices, are necessary to manage the growth of an operation. Succession planning helps ensure the effective transition of the farming operation to the next generation

Initiatives:

- Increase knowledge of customer needs and profiles and incorporate into complementary services business plan.
- Align marketing, brand, product development, community investment, media relations, knowledge management and research activities to complementary services.

Integrate knowledge management (KM) into core business of FCC.

Knowledge Management (KM) facilitates the creation, sharing, and use of industry and other critical knowledge so that we remain the most knowledgeable lender and partner in agriculture and thereby improve our customers' business results. Knowledge Management is the sharing of information by leveraging expertise in a given subject matter. By forming *communities of practice*, participants are able to grow their knowledge.

FCC's knowledge management strategy provides for a systematic approach to gathering expertise, to centralizing information, and to "know what we know." The strategy provides for collaborative opportunities for employees, leading to timely, proactive product development. Through forums, tools and opportunities, staff will improve their knowledge

As FCC expands its offerings, the sharing of learnings, best practices and sector knowledge becomes more important. Knowledge management will provide this sharing through communities of practice for various subject areas, both for our staff and our customers.

Initiatives:

- Improve customer information management capability.
- Establish and expand key stakeholder relationships, and increase knowledge of FCC's operating environment.

Deliver new financial products and business solutions addressing customer needs.

FCC concentrates on the needs of current and potential customers when designing products and services. We understand the cyclical and diverse nature of farming across Canada. We will continue to proactively devise valuable solutions for agriculture.

Initiatives:

- Increase knowledge of customer needs and profiles and their operating environment.
- Align marketing, brand, product development, community investment, media relations, knowledge management with research findings.
- Establish and expand key stakeholder relationships.
- Work with AgriSuccess founding partners to increase offerings.

Measures	*Targets*
Apply Customer for Life segmentation	30% segmented by March 31, 2003
Establish venture capital business line	Up to $5 million invested by March 31, 2003, and $25 million by March 31, 2007
Establish complementary services as a business line	2 complementary services launched by March 31, 2003
Provide relevant syndicated or 3rd party information on FCC web site	150 information pages by March 31, 2003
Disbursements for primary production, agribusiness and alliances for fiscal 2003	$1.48 billion primary production $325 million agribusiness $425 million through alliances
Launch a product suite for new entrants to agriculture	March 31, 2003

Objective: Making it easy for customers to do business with us.

FCC recognizes that personalized service is highly regarded by primary producers and agribusiness entrepreneurs. FCC is dedicated to retaining our trademark personal touch, while recognizing that each customer has unique needs. Some want a face-to-face discussion, while others will prefer to work via telephone or online.

Our goals

- Increase customer service delivery options.
- Strengthen business process effectiveness.

FCC is working toward these goals through the following strategies.

Strategies

Integrate and grow FCC's Customer Service Centre, e-business and alliance capabilities.

FCC's business lines include Farm Finance, Agribusiness and Alliances. FCC will grow its capability for service delivery to meet customer expectations. At the same time, we will be preserving our reputation of great customer service, whether we communicate in person, over the phone or via the Internet.

This requires full integration across all channels and business lines. Through FCC's Customer Relationship Management (CRM), FCC will integrate people, processes and technology to maximize relationships with all customers and business partners.

Initiatives:

- Develop new partnerships to grow FCC's Alliance portfolio.
- Expand the capacity of FCC's Customer Service Centre (CSC) to receive telephone and Internet customer inquiries, and distribute information directly to customers.

Integrate flexible corporate information systems.

FCC will increase ease of access to management information for staff and improve its usefulness by standardizing and redefining the classification of transactions into lines of business. Enabling technology will support evolving administrative needs, and maximize efficiency and create capacity. The corporation will improve its ability to capture, store, share and access information across the organization.

Initiatives:

- Acquire Customer Relationship Management (CRM) software to enable a deeper customer knowledge and cross channel integration.
- Streamline corporate information through the corporation's intranet, *my inet,* as the key corporate information vehicle and further develop content management for *my inet* and the public Web site.
- Migrate to the latest release of automated financial module.

Re-engineer business processes.

FCC will ensure it continues to re-engineer business processes to effectively serve the customer. As FCC expands its delivery channels, including the launch of e-business and fully integrating its information management systems, FCC will continue examining existing business processes.

Initiatives:

- Enhance staff productivity and capacity through process redesign.
- Provide enabling technology to support planned growth.
- Implement policies and processes for acquisition and disposal of goods and services and for records management.

Measures	*Targets 2003*
Percentage of FCC disbursements via CSC, e-business and Alliances	20% for fiscal 2003
Implement IT strategy, supported by redesigned business processes	March 31, 2003
Corporate efficiency ratio	48.1% for fiscal 2003

Objective: Financial Success - the foundation of continued customer service

Financial viability is key to FCC's ability to serve its customers well and to provide support during all economic cycles. FCC must generate an adequate rate of return on its operations to be self sustaining and provide for future growth.

A financial framework has been established to indicate an adequate rate of return for FCC that takes into account the following key elements of sustainability: capital adequacy, net interest income, return on equity, and an internal efficiency ratio Over the planning period, FCC will continue to ensure its financial viability through financial management, risk management, and innovative financial solutions for customers.

Our goal

- Ensure long-term viability.

FCC is working toward this goal through the following strategies.

Strategies

Create a portfolio vision spanning all business lines, ensuring a principal focus on primary production.

FCC's current portfolio vision provides a balanced approach to Farm Finance portfolio management. It promotes diversification within the major sectors in order to manage risk effectively.

As the corporation grows its Agribusiness and Alliance business lines, FCC's portfolio vision will provide a corporate guide that includes descriptions of the desired geographical and enterprise concentrations, and an overview of the processes needed to manage credit risk in the portfolio.

Initiative:

- Develop a plan for growth and diversification of loan portfolio by business line and create a portfolio vision that spans Farm Finance, Agribusiness and Alliances business lines. Primary production will continue to be the principal component of FCC's portfolio.

Proactively manage risk, investments and administrative expense levels

Proactive risk management is key to protecting FCC's customers, business interests and future viability. FCC follows an integrated approach to risk management in order to better identify, evaluate and manage the variety of risks the corporation faces.

To further improve risk management within the organization, FCC will continue to identify and analyze cost drivers. Through the Integrated Planning Process, FCC will refine the process to generate detailed financial forecasts. Formal processes that enable FCC to establish corporate financial targets and conduct budget reviews will ensure strategic resource allocation, enabling FCC to better manage resources.

Initiatives:

- Ensure risk within FCC is properly identified and addressed.
- Develop a formal process to track actual cost of products and services, and develop and maintain a process to generate detailed financial forecasts within the integrated planning process.
- Develop a formal process to establish corporate financial targets.
- Enhance the formal process used for conducting budget reviews.
- Improve the availability and responsiveness of information technology.
- Strengthen the corporation's capacity to deliver internal information technology audits, as well as functional audits.

Proactively create and grow FCC's support for communities across Canada.

FCC works in partnership with many national organizations dedicated to improving quality of life in rural Canada and contributing to the agricultural community. We are focusing on activities that raise awareness of farm safety, food and hunger issues. Community partners include Canadian 4-H Council, Canadian Coalition for Agricultural Safety and Rural Health (CCASRH), Canadian Federation of Agriculture, Canadian Farmers with Disabilities and United Way.

The FCC Employee Volunteer Program provides incentives for staff involvement in volunteer activities benefiting charitable organizations, through grants to eligible organizations of the employee's choice.

The benefits of community investment include expanded employee skills and commitment, enhanced community reputation to customers and improved relationships with public stakeholders. Giving back to the community is one of FCC's five corporate values. By maintaining a strategic community investment direction and fully integrated strategy, FCC will grow customer loyalty, increase employee innovation and commitment and garner stakeholder support.

Initiative:

- Fund Community Investment Program.

Measures	*Targets 2003*
Establish a portfolio vision for agribusiness	March 31, 2003
Return on Equity	10.05% for fiscal 2003
Debt to equity ratio	9.2:1 at March 31, 2003
Strategic credit risk score on portfolio	<70 at March 31, 2003
Community investment	1% of previous 3 year average net income by March 31, 2003

Financial Plan – 2002/03 to 2006/07

The Financial Plan projects positive trend lines for the corporation's financial results and key financial ratios. This is primarily driven by continued growth in loans receivable combined with constant margins on new lending over the five year planning period. The efficiency ratio is projected to increase in 2002/03, but returns to a trend of annual improvement over the remaining four years of the plan. This reflects an increase in administrative expenses in 2002/03 to support the ongoing growth in lending and implementation of the expanded legislative mandate, followed by realization of the benefits from new business in subsequent years. The corporation has been granted an exemption from federal income and capital taxes effective April 1, 2002. Consequently, the Financial Plan does not reflect any expense for taxes.

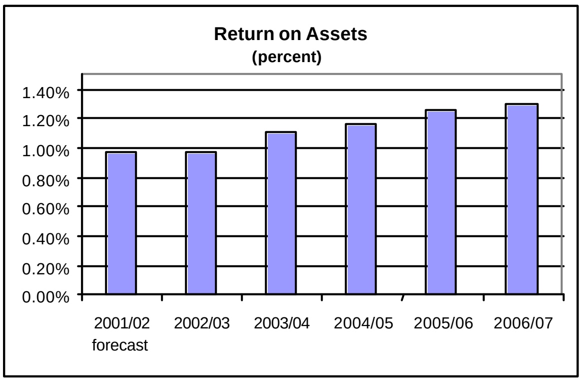
Management's Key Financial Targets ($Millions)

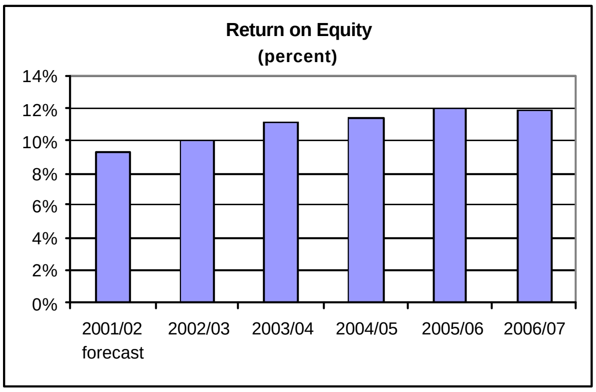
	Forecast 2001/02	Plan 2002/03	Plan 2003/04	Plan 2004/05	Plan 2005/06	Plan 2006/07
Loans Receivable	7,663.3	8,231.2	8,891.6	9,746.6	10,539.6	11,320.9
Portfolio Growth Rate	10.9%	7.4%	8.0%	9.6%	8.1%	7.4%
Loan Disbursements	2,112.6	2,230.0	2,510.0	2,840.0	2,950.0	3,060.0
Loan Renewal Rate	94%	95%	95%	95%	95%	95%
Arrears	38.0	55.4	59.2	64.3	69.0	74.1
Arrears Ratio*	0.5%	0.7%	0.7%	0.7%	0.7%	0.7%
Allowance for Credit Losses	313.3	350.0	382.5	419.0	453.0	487.0
Allowance as a % of Loans Receivable	4.09%	4.25%	4.30%	4.30%	4.30%	4.30%
Net Interest Income	212.4	243.8	274.8	303.2	330.1	350.8
Administrative Expenses	102.0	122.7	133.1	142.6	150.8	156.1
Efficiency Ratio	44.6%	48.1%	46.6%	45.4%	44.2%	43.1%
Net Income (before taxes)	73.7	79.3	96.3	109.9	128.2	141.9
Return on Assets	0.98%	0.98%	1.11%	1.17%	1.26%	1.29%
Return on Equity	9.31%	10.05%	11.05%	11.39%	11.94%	11.85%
Debt-to-Equity (:1)	9.5	9.2	8.9	8.7	8.4	8.0

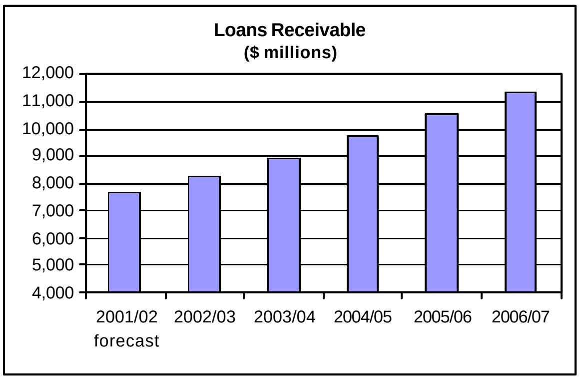
* expressed as a percentage of principal not due

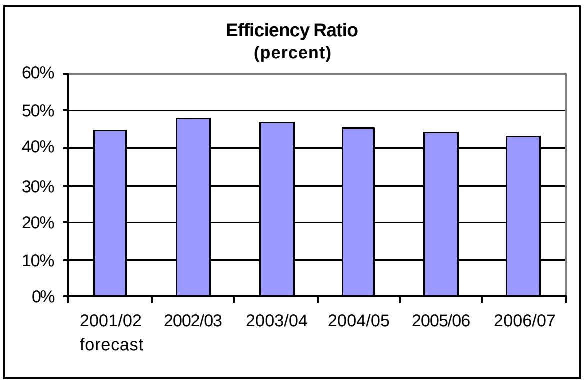
Financial Plan Highlights

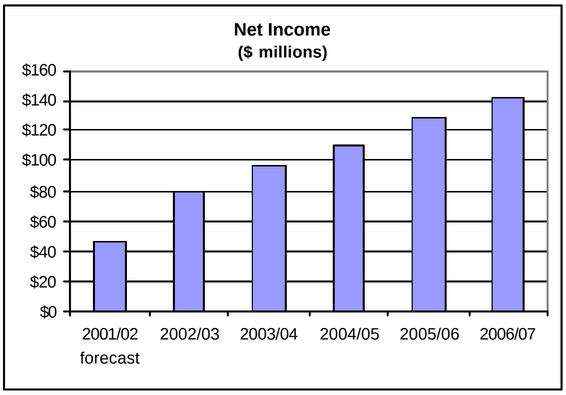
- Increase in annual disbursements and loan portfolio growth reflecting FCC's strategic initiatives.
- Annual increase in allowance for credit losses to provide adequate reserves for inherent credit risk in the loan portfolio.
- Constant margins on new and renewed lending.
- Higher administration expenses to support the corporate strategic initiatives. Efficiency ratio increases in 2002/03, but improves over remaining four years of the plan period.
- Annual improvement in profitability and key financial ratios primarily driven by the growing loan portfolio, constant lending margins and prudent management of administration costs.

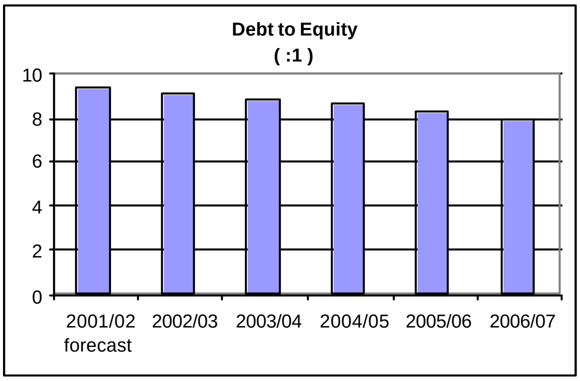








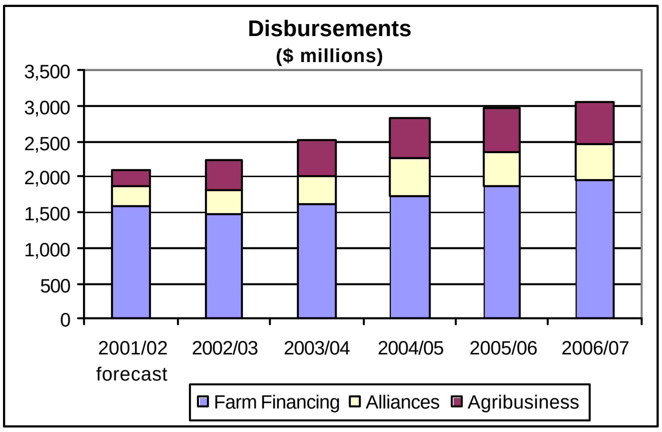




Discussion of Expected Results

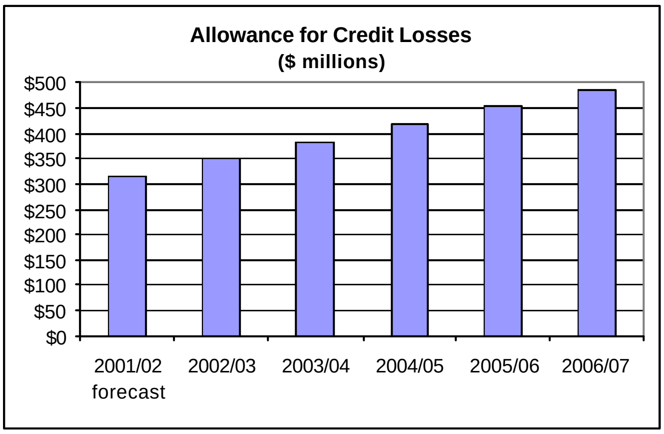
Balance Sheet

Loans receivable are projected to increase from $7.7 billion forecast for 2001/02 to $11.3 billion in 2006/07. This represents average annual growth of 8.1 per cent. The increase in loans receivable reflects ongoing growth initiatives for farm finance lending, new agri-business lending, opportunities provided by the change in legislation, and additional lending through partnership arrangements.



Primary producers will continue to be FCC's focus. Annual loan disbursements to primary producers (including partnerships) are projected to grow from $1.8 billion in the current year to $2.6 billion at the end of the planning period. Loans to primary producers will continue to represent over 80 per cent of the annual loan disbursements and overall loan portfolio throughout the planning period.

Arrears levels in dollar terms are expected to increase throughout the plan period. This is a direct result of the growing loan portfolio and does not reflect a change in management's tolerance for risk. In fact, arrears as a percentage of loans receivable remain constant over the five year plan period.



The ***allowance for credit losses*** is recorded in the financial statements each year and represents management's best estimate of credit losses on the loans receivable. The allowance is made up of three parts:

1. Specific – for loans known to be impaired

2. General allocated – for probable losses that exist in the portfolio, but have not yet been identified as impaired.

3. General unallocated – to reflect probable losses due to macro economic conditions and events that are not captured in the specific or general allocated allowance.

As the loan portfolio increases, the allowance for credit losses is projected to grow from the forecast of $313.3 million in 2001/02 to $487.0 million at the end of 2006/07. The allowance as a percentage of loans receivable is projected to increase to 4.25 per cent in the first year of the plan and then remain constant at 4.30 per cent of loans receivable over the remaining four years. The increase in this percentage over the 4.09 per cent forecast for 2001/02 reflects added risk as a result of the increase in agri-business lending.

Real estate acquired in the settlement of loans continues to decline, reflecting FCC's commitment to returning this land to the agriculture community. The corporation is selling this land to primary producers as long-term leases expire. It is expected that most of the remaining land inventory will be sold by March 31, 2003.

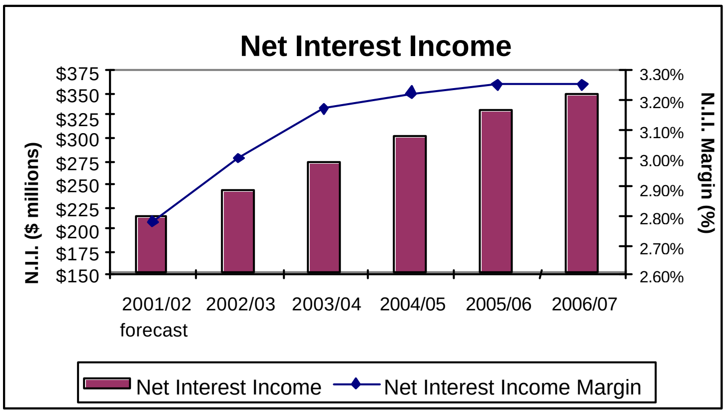
Other assets represent a future tax asset for loss carry forwards and other unused tax deductions to be claimed in future years. The future tax asset is eliminated from the balance sheet forecast for 2001/02 as a result of the exemption from federal income and capital taxes provided for in the December 10, 2001 federal budget. The future tax asset will be reduced by the future income tax expense of $26.5 million forecast for 2001/02. The remaining balance of $126.4 million will be written off with a corresponding decrease in retained earnings.

Borrowings are expected to increase from $7.1 billion forecast for the 2001/02 to $10.1 billion in 2006/07. This increase is the direct result of borrowing requirements to fund the growth in the loan portfolio.

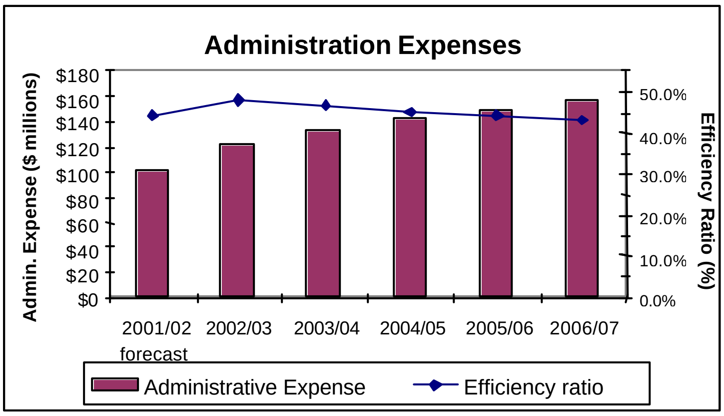
Statement of Operations and Retained Earnings

Net Interest Income is the difference between interest earned on assets, such as loans and securities, and interest expense on borrowings. Net interest income is required to cover risk of credit losses and administration expenses, as well as yield a sufficient profit to enable the corporation to remain financially viable and fulfill its role in supporting agriculture.

Net interest income increases significantly from $212.4 million forecast for 2001/02 to $350.8 million for 2006/07. This increase is primarily driven by the increase in the loan portfolio. Margins on new lending are expected to remain constant over the five-year period.



Provision for credit losses is charged to the income statement to bring the allowance for credit losses to a level determined appropriate by management. The provision for credit losses will increase each year through the five year planning period. This reflects an allocation for risk consistent with the level of portfolio growth and the increase in agri-business lending.



Net lease and real estate income is expected to be $0.8 million in 2002/03 generated by gains on the sale of land in that year. The corporation is in the final stages of selling its land holdings back to primary producers and expects this to be virtually complete by the end of fiscal 2002/03.

After 2002/03, income from real estate will be negligible.

Administration expenses are projected to increase significantly from $102.0 million forecast for 2001/02 to $156.1 million in 2006/07. This increase is required to support ongoing growth initiatives, as well as fund new strategic initiatives.

In June 2001, amendments were made to the *Farm Credit Corporation Act* to broaden FCC's mandate. The expanded mandate provides the ability to offer financial services to farm-related business without the majority farmer-owned restriction; to enter into venture capital arrangements; and to provide other financial and business management services. In addition to implementing these changes, management recognizes that knowledge management, industry expertise and alternate delivery channels are required to differentiate and keep FCC relevant in the market. As well, the corporate infrastructure must continue to develop to support the growing business. The five-year plan for administration expenses reflects the resources required to implement these strategies.

The ***efficiency ratio*** measures how well resources are utilized to generate income. It represents administration expenses expressed as a percentage of income before administration expenses, gains on sale of real estate and provision for credit losses. The efficiency ratio is expected to increase from 44.6 per cent forecast for 2001/02 to 48.1 per cent in 2002/03. This reflects higher administration expenses as the corporation moves to develop infrastructure required to support the planned growth and expansion of the business. Over the last four years of the plan period, the efficiency ratio is projected to improve annually dropping to 43.1 per cent in 2006/07 as revenue is realized from the new business.

Income tax expenses have been eliminated from the Financial Plan. On December 10, 2001, the federal budget included a provision to exempt FCC from federal income and capital tax. The exemption is effective April 1, 2002. This will help to ensure FCC remains self sufficient in terms of funding future business growth.

Net Income is projected to increase from the forecast of $73.7 million (before taxes) in 2001/02 to $141.9 million in 2006/07. This is mainly the result of the increase in net interest income driven by the growing loan portfolio, partly offset by corresponding increases to the provision for credit losses and administration expenses.

Dividends are projected to increase over the plan period. At the discretion of the Board, the corporation will pay dividends to its shareholder, the Government of Canada, up to 10 per cent of the prior year's net income, excluding recoveries of amounts previously written down on real estate acquired in the settlement of loans. The plan reflects payment of dividends to the Government of Canada totaling $45.7 million over the five-year period.

Financial Ratios

The positive financial results, summarized in the balance sheet and statement of operations section above, generate favorable trend lines for the corporation's key financial ratios explained as follows.

Return on assets is net income expressed as a percentage of average total assets. It measures how well the corporation is utilizing assets to generate income. The return on assets is projected to increase from 0.98 per cent forecast for 2001/02 to 1.29 per cent in 2006/07.

Return on equity is net income expressed as a percentage of average equity. It measures the return the corporation is earning on its equity, which represents the investment the Government of Canada has made in the corporation. Return on equity is projected to increase from 9.31 per cent forecast for 2001/02 to 11.85 per cent in 2006/07.

Debt to equity ratio represents how many dollars of debt the corporation is carrying for each dollar of equity on the balance sheet. This ratio measures the financial strength of the corporation. The projected debt-to-equity ratio for the five-year plan starts at 9.5:1 forecasted for 2001/02 and improves to 8.0:1 for 2006/07. This ratio is projected to remain well below the maximum 12:1 debt to equity ratio set under *The Farm Credit Canada Act*.

Financial Plan - Schedule 1

Farm Credit Canada
Balance Sheet
2002/03-2006/07 Financial Plan
($ millions)

	Actual 2000/01	Forecast 2001/02	Plan 2002/03	Plan 2003/04	Plan 2004/05	Plan 2005/06	Plan 2006/07
Assets							
Cash and short term investments	302.3	400.0	400.0	400.0	400.0	400.0	400.0
Accounts Receivable and other accrued assets	47.7	32.0	32.0	32.0	32.0	32.0	32.0
Long term investments	0.0	55.6	53.6	51.5	50.0	50.0	50.0
Loans receivable	6,907.6	7,663.3	8,231.2	8,891.6	9,746.6	10,539.6	11,320.9
Less: Allowance for credit losses	269.3	313.3	350.0	382.5	419.0	453.0	487.0
Net loans receivable	6,638.3	7,350.0	7,881.2	8,509.1	9,327.6	10,086.6	10,833.9
Real estate aquired in settlement of loans	25.1	11.0	2.0	1.0	1.0	1.0	1.0
Equipment and leasehold improvements	15.6	17.0	27.7	27.7	27.7	27.7	27.7
Other Assets	152.9	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	7,181.9	7,865.6	8,396.5	9,021.3	9,838.3	10,597.3	11,344.6
Liabilities							
Borrowings							
Short-term debt	1,893.5	2,931.0	3,408.7	3,905.4	4,280.6	4,545.5	4,715.4
Long-term debt	4,263.0	4,156.9	4,134.7	4,174.2	4,514.2	4,889.3	5,335.7
	6,156.5	7,087.9	7,543.4	8,079.6	8,794.8	9,434.8	10,051.1
Other Liabilities and deferred fees	192.8	26.4	26.4	26.5	28.0	29.7	31.5
	6,349.3	7,114.3	7,569.8	8,106.1	8,822.8	9,464.5	10,082.6
Equity							
Capital	507.7	507.7	507.7	507.7	507.7	507.7	507.7
Retained earnings	324.9	243.6	319.0	407.5	507.8	625.1	754.3
Total Equity	832.6	751.3	826.7	915.2	1,015.5	1,132.8	1,262.0
Total Liabilities and Equity	7,181.9	7,865.6	8,396.5	9,021.3	9,838.3	10,597.3	11,344.6

Financial Plan - Schedule 2

Farm Credit Canada
Statement of Operations and Retained Earnings
2002/03-2006/07 Financial Plan
($ millions)

	Actual 2000/01	Forecast 2001/02	Plan 2002/03	Plan 2003/04	Plan 2004/05	Plan 2005/06	Plan 2006/07
Interest income							
Loans receivable	524.6	529.2	543.4	624.9	724.0	812.3	895.0
Investment income	24.0	17.5	15.1	20.2	24.6	26.5	19.5
	548.6	546.7	558.5	645.1	748.6	838.8	914.5
Short term interest expense	83.6	90.0	96.9	157.5	219.3	250.0	269.3
Long term interest expense	300.5	244.3	217.8	212.8	226.1	258.7	294.4
Interest expense	384.1	334.3	314.7	370.3	445.4	508.7	563.7
Net interest income	164.5	212.4	243.8	274.8	303.2	330.1	350.8
Provision for credit losses	40.2	53.0	53.0	56.0	61.5	62.0	64.0
Net interest income after provision for credit losses	124.3	159.4	190.8	218.8	241.7	268.1	286.8
Lease and Real Estate Income							
Lease and other revenue	26.3	6.5	1.2	0.1	0.1	0.1	0.1
Property expense	1.1	0.7	0.3	0.1	0.1	0.1	0.1
Interest expense	2.0	0.4	0.1	0.1	0.1	0.1	0.1
Net lease and real estate income	23.2	5.4	0.8	-0.1	-0.1	-0.1	-0.1
Other Income	8.2	10.9	10.4	10.7	10.9	11.0	11.3
Net Income Before other Expenses	155.7	175.7	202.0	229.4	252.5	279.0	298.0
Administration expenses	94.5	102.0	122.7	133.1	142.6	150.8	156.1
Net Income before income taxes	61.2	73.7	79.3	96.3	109.9	128.2	141.9
Income Taxes	2.2	1.7	0.0	0.0	0.0	0.0	0.0
Future Income Tax	27.4	26.5	0.0	0.0	0.0	0.0	0.0
	29.6	28.2	0.0	0.0	0.0	0.0	0.0
Net Income for the year	31.6	45.5	79.3	96.3	109.9	128.2	141.9
Retained Earnings (Deficit) at beginning of the year	293.3	198.9 *	243.6	319.0	407.5	507.8	625.1
Dividends	0.0	0.8	3.9	7.8	9.6	10.9	12.7
Retained Earnings at end of the year	324.9	243.6	319.0	407.5	507.8	625.1	754.3

* 126.0 Million adjustment to remove Future Tax Asset in fiscal 2001/02

Financial Plan - Schedule 3

Farm Credit Canada
Statement of Cash Flow
2002/03-2006/07 Financial Plan
($ millions)

	Actual 2000/01	Forecast 2001/02	Plan 2002/03	Plan 2003/04	Plan 2004/05	Plan 2005/06	Plan 2006/07
OPERATING ACTIVITIES							
Net Income	31.6	45.5	79.3	96.3	109.9	128.2	141.9
Items not involving cash							
Future Income Tax	27.4	26.5	0.0	0.0	0.0	0.0	0.0
Provision for credit losses	40.2	53.0	53.0	56.0	61.5	62.0	64.0
Amortization of bond premium/discount	36.2						
Change in accrued interest receivable	32.8	(24.7)	(11.3)	(12.8)	(16.6)	(15.5)	(1.7)
Change in accrued interest payable	(46.4)	(5.1)	2.6	4.1	10.5	11.6	6.8
Other	15.9	(0.9)	(5.6)	(0.9)	3.9	5.8	5.2
Cash provided by operating activities	137.7	94.3	118.0	142.7	169.2	192.1	216.2
INVESTING ACTIVITIES							
Long-term investments	53.4	(55.6)	2.0	2.1	1.5	0.0	0.0
Loans receivable disbursed	(1,776.2)	(2,112.6)	(2,230.0)	(2,510.0)	(2,840.0)	(2,950.0)	(3,060.0)
Loans receivable repaid	1,159.2	1,459.6	1,691.1	1,865.2	2,009.8	2,176.0	2,280.9
Change in real estate held	39.7	14.1	9.0	1.0	0.0	0.0	0.0
Other	(9.9)	0.0	0.0	0.0	0.0	0.0	0.0
Cash used in investing activities	(533.8)	(694.5)	(527.9)	(641.7)	(828.7)	(774.0)	(779.1)
FINANCING ACTIVITIES							
Long-term debt repaid to Canada	(226.1)	(284.5)	(135.0)	(136.0)	(25.0)	0.0	0.0
Long-term debt from capital markets	567.2	1,340.2	1,116.8	1,105.6	1,031.7	1,334.1	1,449.0
Long-term debt repaid to capital markets	(815.0)	(1,378.1)	(1,045.7)	(959.5)	(712.7)	(1,006.2)	(1,043.3)
Change in short-term debt	863.5	1,021.1	477.7	496.7	375.2	264.9	169.9
Dividends paid	0.0	(0.8)	(3.9)	(7.8)	(9.6)	(10.9)	(12.7)
Cash provided by financing activities	389.6	697.9	409.9	499.0	659.5	581.9	562.9
Increase (decrease) in cash and short-term investments	(6.5)	97.7	0.0	0.0	0.0	0.0	0.0
Cash and short-term investments, beginning of year	308.8	302.3	400.0	400.0	400.0	400.0	400.0
Cash and short-term investments, end of year	302.3	400.0	400.0	400.0	400.0	400.0	400.0

Operating Budget – 2002/03

Summary of Key Financial Targets for 2002/03
($Millions - except where noted by *)

Loans Receivable	8,231.2
Loan Disbursements	2,230.0
Loan Renewal Rate *	95%
Loan Prepayments	685.3
Arrears	55.4
Allowance for Credit Losses	350.0
Net Interest Income	243.8
Administrative Expenses	122.7
Efficiency ratio *	48.1%
Net Income (before taxes)	79.3
Return on assets *	0.98%
Return on equity *	10.05%
Debt-to-equity (:1) *	9.2:1

Discussion of Expected Results – Operating Budget 2002/03

Balance Sheet

Loans receivable are projected to grow by 7.4 per cent increasing from $7.7 billion forecast for 2001/02 to $8.2 billion in 2002/03. The increase in loans receivable reflects growth initiatives for farm finance lending, new agri-business lending opportunities provided by the change in legislation, and additional lending through partnership arrangements.

Disbursements**,** the primary driver of the portfolio growth, are projected to increase from the forecast of $2.1 billion in 2001/02 to $2.2 billion in 2002/03. Lending to primary producers represents 85 per cent of total disbursements in 2002/03.

Renewals are expected to be $777.5 million in 2002/03, reflecting a renewal rate of 95 per cent.

Prepayments are expected to be $685.3 million in 2002/03, which is an increase in dollar terms compared to the prior year, but lower as a percentage of the portfolio.

Arrears are expected to be $55.4 million in 2002/03, an increase of $17.4 million compared to the forecast for the prior year. This reflects unusually low arrears in 2001/02, as well as the larger loan portfolio in 2002/03 and does not reflect a change in management's tolerance for risk.

The ***Allowance for credit losses*** is recorded in the financial statements each year and represents management's best estimate of credit losses on the loans receivable. The allowance is made up of three parts:

- Specific – for loans known to be impaired
- General allocated – for probable losses that exist in the portfolio, but have not yet been identified as impaired.
- General unallocated – to reflect probable losses due to macro economic conditions and events that are not captured in the specific or general allocated allowance.

The allowance for credit losses is projected to grow from the forecast of $313.3 million in 2001/02 to $350.0 million at the end of 2002/03. The allowance as a percentage of loans receivable is projected to increase from 4.09 per cent in

2001/02 to 4.25 per cent in 2002/03. The increase in this percentage reflects added risk as a result of the increase in agri-business lending.

Real estate acquired in the settlement of loans continues to decline, reflecting the corporation's ongoing initiative to sell this land to primary producers as long-term leases expire. It is expected that most of the remaining land inventory will be sold by March 31, 2003.

Other assets represent a future tax asset for loss carry forwards and other unused tax deductions to be claimed in future years. The future tax asset is eliminated from the balance sheet forecast for 2001/02 as a result of the exemption from federal income and capital taxes provided for in the December 10, 2001 federal budget. The future tax asset will be reduced by the future income tax expense of $26.5 million forecast for 2001/02. The remaining balance of $126.4 million will be written off with a corresponding decrease in retained earnings.

Borrowings are expected to increase from $7.1 billion forecast for the 2001/02 to $7.6 billion in 2002/03. This increase is the direct result of borrowing requirements to fund the growth in the loan portfolio.

Statement of Operations

Net Income Comparison
($ millions)

	Forecast 2001/02	Plan 2002/03	Change
Loan and Investment Income	546.7	558.5	11.8
Interest expense	334.3	314.7	19.6
Net interest income	212.4	243.8	31.4
Provision for credit losses	53.0	53.0	0.0
Net interest income after provision for credit losses	159.4	190.8	31.4
Net lease and real estate income	5.4	0.8	-4.6
Other Income	10.9	10.4	-0.5
Net Income Before other Expenses	175.7	202.0	26.3
Administration expenses	102.0	122.7	-20.7
Net Income before income taxes	73.7	79.3	5.6
Income Taxes	1.7	0.0	1.7
Future Income Tax	26.5	0.0	26.5
	28.2	0.0	28.2
Net Income for the year	45.5	79.3	33.9

Net Interest Income is the difference between interest earned on assets, such as loans and securities, and interest expense on borrowings. Net interest income is required to cover risk of credit losses and administration expenses, as well as to yield a sufficient profit to enable the corporation to remain financially viable and fulfill its role in supporting agriculture.

Net interest income increases from $212.4 million forecast for 2001/02 to $243.8 million for 2002/03. This increase is primarily driven by the increase in the loan portfolio, partly offset by a slightly lower margin on new and renewed lending in 2002/03.

Provision for credit losses is charged to the income statement to bring the allowance for credit losses to a level determined appropriate by management. The provision for credit losses of $53.0 million in 2002/03 remains at the same level as the forecast for 2001/02.

Net lease and real estate income is expected to decrease from $5.4 million forecast 2001/02 to $0.8 million in 2002/03. This decrease is caused by a reduction in acres sold and corresponding gains on the land sales. The corporation is in the final stages of selling its land holdings back to primary producers and expects this to be virtually complete by the end of fiscal 2002/03.

Administration expenses are projected to increase from $102.0 million forecast for 2001/02 to $122.7 million in 2002/03. This increase is required to support ongoing growth initiatives, as well as fund new strategic initiatives.

In June 2001, amendments were made to the *Farm Credit Corporation Act* to broaden FCC's mandate. The expanded mandate provides the ability to offer financial services to farm-related business without the majority farmer-owned restriction; to enter into venture capital arrangements; and to provide other financial and business management services. In addition to implementing these changes, management recognizes that knowledge management, industry expertise and alternate delivery channels are required to differentiate and keep FCC relevant in the market. As well, the corporate infrastructure must continue to develop to support the growing business. The 2002/03 Operating Budget for administration expenses reflects the first steps required to implement these strategies.

The ***efficiency ratio*** measures how well resources are utilized to generate income. It represents administration expenses expressed as a percentage of income before administration expenses, gains on sale of real estate and provision for credit losses. The efficiency ratio is expected to increase from 44.6 per cent forecast for 2001/02 to 48.1 per cent in 2002/03. This reflects higher administration expenses as the corporation moves to develop infrastructure required to support the planned growth and expansion of the business.

Equipment and Leasehold improvement spending is planned at $22.3 million, $16.3 million of which is for computer equipment/software and network infrastructure. The development plans for information technology include improvements to the corporation's business systems, upgrades to the network infrastructure and continued development of the e-business strategy. The remainder of the fixed asset spending relates to the continuation of the leasehold improvement program intended to increase federal presence in rural Canada through the upgrading and standardization of the corporation's "store-front" image. This will include installation of consistent signage and updating client meeting facilities and staff work areas.

Income tax expenses have been eliminated from the Financial Plan in fiscal 2002/03. On December 10, 2001, the federal budget included a provision to exempt FCC from federal income and capital tax. The exemption is effective April 1, 2002. This will help to ensure FCC remains self sufficient in terms of funding future business growth.

Net Income is projected to increase from the 2001/02 forecast of $73.7 million (before taxes) in 2001/02 to $79.3 million in 2002/03. This is mainly the result of the increase in net interest income driven by the growing loan portfolio, partly offset by the increase to administration expenses.

Financial Ratios

The positive financial results, summarized in the balance sheet and statement of operations sections above, generate increases in the corporation's key financial ratios, as explained below,

Return on assets is net income expressed as a percentage of average total assets. It measures how well the corporation is utilizing assets to generate income. The return on assets is projected to be 0.98 per cent in 2002/03, the same level as forecasted in 2001/02.

Return on equity is net income expressed as a percentage of average equity. It measures the return the corporation is earning on its equity, which represents the investment the Government of Canada has made in the corporation. Return on equity is projected to increase from 9.31 per cent forecast for 2001/02 to 10.05 per cent in 2002/03.

Debt to equity ratio represents how many dollars of debt the corporation is carrying for each dollar of equity on the balance sheet. This ratio measures the financial strength of the corporation. The projected debt to equity ratio is 9.5:1 for forecast 2001/02 and improves to 9.2:1 for 2002/03. This ratio is projected to remain well below the maximum 12:1 debt to equity ratio set under *The Farm Credit Canada Act*.

Borrowing Plan and Capital Budget

Borrowing Plan

Farm Credit Canada intends:

a) to borrow short-term funds from the domestic and international money markets, stand-by revolving credit facilities or bank lines of credit or loan agreement for liquidity purposes and the financing of short-term assets and investments. The maximum short-term debt outstanding at any time will not exceed $3.5 billion;

b) to borrow up to $1.70 billion of long-term funds from the capital markets to fund loans under the *Farm Credit Canada Act* and to repay maturing debt;

c) in addition to (b), to borrow additional long-term funds from the capital markets of up to 10 per cent ($850 million) of expected year-end 2002/03 loans receivable outstanding to meet general contingencies and to borrow additional long-term funds from the capital markets of up to $400 million to repay FCC's callable debt in the event it is called;

d) in addition to the long-term borrowings authorized in sections (b) and (c), FCC also requests authorization to borrow up to 5 per cent of expected year-end 2002/03 loans receivable outstanding ($425 million) for the potential acquisition of agricultural lending portfolios, subject to Treasury Board approval for amounts over $25 million;

e) to provide standing approval to issue debt obligations under the following:

I. Domestic Medium and Long-Term Note Program;
II. Euro Medium Term Note Program;
III. Japanese Retail Debt Program;
IV. Any other Canadian or International private or public markets.

The aggregate amount of borrowings issued under the aforementioned standing long term approvals should not exceed $3.0 billion in 2002/03 without prior Minister of Finance approval.

Interest Rate Risk Management

FCC's Asset Liability Committee (ALCO) is specifically responsible for the corporation's strategic management of interest rate risk and financial exposure. ALCO establishes policies on interest rate risk and financial exposure management, sets operational risk management guidelines, and monitors adherence to these guidelines. FCC's Treasury Division is tactically responsible for the day-to-day management of its interest rate risk exposures.

Capital Budget

The Capital Budget for the 2002/03 budget year is based on a gross long-term borrowing program. With these funds and internally-generated funds, FCC expects to make gross loan commitments of $2.23 billion pursuant to the FCCA and to repay maturing and prepaid CRF and domestic and international capital market debt. With new borrowings and, after all anticipated payments are made, the net amount of total debt outstanding is expected to increase by $459.5 million for the 2002/03 budget year.

Farm Credit Canada
2002/03 Capital Budget
Calculations Related to Long-Term Matched Funding Requirements
($ millions)

2001/02 Budget	Sources	2002/03 Budget
1,659.0	Borrowings – FCCA and Capital Markets	1,118.9
765.9	Repayments of Principal by Borrowers	1,005.7
512.0	Prepayments of Principal by Borrowers	685.3
(64.1)	Increase (decrease) in Short-term Notes	477.7
113.8	Cash from Operations	118.0
28.0	Change in Real Estate Held	9.0
1.1	Decrease in Investments	0.0
3,015.7	Total Sources	3,414.6

2001/02 Budget	Uses	2002/03 Budget
1,800.0	Loan Disbursements to Borrowers	2,230.0
155.7	Principal Payable to CRF – FCCA	135.0
1,046.7	Principal Payable to Capital Markets	1,045.7
9.9	Fixed Asset Acquisitions	0.0
3.4	Dividend Paid to Shareholder	3.9
3,015.7	Total Uses	3,414.6

Reference Information

If you require more information about FCC's Corporate Plan, or wish to provide feedback, please contact:

Daryl Nelson, Strategic Planning
Farm Credit Canada
1800 Hamilton Street
Regina, Saskatchewan S4P 4L3
Telephone: (306) 780-8639
Fax: (306) 780-5703
daryl.nelson@fcc-fac.ca

Jacques Lagacé, Government and Industry Relations
Farm Credit Canada
50 O'Connor, Suite 1100
Ottawa, Ontario, K1A 0S6
Telephone: (613) 993-9897
Fax: (613) 993-9919
Cell: (613) 724-6968
jacques.lagace@fcc-fac.ca

Pour le service en francais:
Edward Mulrooney
Financement agricole Canada
1800, rue Hamilton
Regina (Saskatchewan) S4P 4L3
Té1éphone (306) 780-3991
Télécopieur : (306) 780-5703
edward.mulrooney@fcc-fac.ca

Farm Credit Canada
1800 Hamilton Street
Regina, Saskatchewan
S4P 4L3
1-877-332-3301
www.fcc-fac.ca