



Farm Credit Canada  
Financement agricole Canada

Canada

## CORPORATE PLAN SUMMARY

2009-10 to 2013-14

## OPERATING BUDGET, CAPITAL BUDGET and BORROWING PLAN

2009-10 Budget Year



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## 1.0 Executive Summary

FCC is a financially self-sustaining federal Crown corporation that reports to Parliament through the Minister of Agriculture and Agri-Food. FCC provides financing and other services to about 50,000 primary producers, value-added operators, suppliers and processors along the agricultural value chain.

FCC's public policy role provides that:

- **FCC serves all of agriculture, all the time – all sectors, all across Canada**
- **FCC is dedicated to agriculture and takes the long-term view**
- **FCC is visionary and operates its business in a sustainable manner**

Powerful trends that have significant implications for service providers like FCC are reshaping the agriculture and agri-food and banking and agri-finance industries. Intensifying climate change and environmental concerns, volatile food and energy prices, changing societal values and consumer demands, disruptive technologies, foreign competitors and geopolitical power shifts are remaking the industry.

Agriculture will be different in the future. Some say it's now linked to the six "f"s": food, feed, fibre, fuel, industrial feedstocks and "farm"-aceuticals.

FCC has studied these trends, and developed a vision for the corporation that addresses these trends, taking into account the corporation's public policy role.

Currently there is instability in financial systems around the world resulting in a global economic crisis. Financial institutions are finding it difficult to access funding, capital and readily available cash, leading to an international economic downturn of unpredictable length. Canadian banks have, for the most part, avoided these difficulties, although their cost of funds has increased, they have lost capital and they are having more difficulty in securitizing assets.

The effects of this crisis on agriculture and agribusiness could include a decline in global demand for agricultural products and deflation and loss of equity in owned assets. Since the situation is still unfolding, it is very difficult to identify or predict all the implications.

FCC is well positioned to respond to market challenges such as these. FCC is financially healthy, with a strong balance sheet. We have a significant reserve fund for credit losses. We are insulated from liquidity problems in the capital market because we borrow directly from the federal government. However, anything that decreases customer profit will impact the growth of their businesses and thus could impact FCC.

FCC will continue to do business as usual, while being extra vigilant about the current economic environment. Staff will make sound lending and pricing decisions that balance customer needs with the need for FCC to preserve its long-term viability.

FCC anticipates that the next two to three years will continue to see growth in loans and a relatively stable allowance for loan losses, and has reflected this anticipation in the Financial Plan.

As part of the strategic planning process, the corporation developed the following strategic priorities for 2009:

### 1. **Commitment to agriculture**

Desired outcome: FCC is known as "the" place to obtain knowledge and financial products and services tailored to agriculture. FCC is also known as a strong corporate citizen.

### 2. **Financial strength**

Desired outcome: FCC is financially viable and self-sustaining in the long term, while investing significantly in the agriculture industry.

### **3. Customer experience**

Desired outcome: Customers are passionate advocates of FCC.

### **4. Efficiency and execution**

Desired outcome: FCC makes it easy for customers and employees to do business.

### **5. Culture and employee experience**

Desired outcome: FCC is an employer of choice with a high-performance culture and strong employee engagement.

This corporate plan outlines Farm Credit Canada's strategies for providing products,

services and knowledge tailored to the unique needs of the agriculture industry.

This plan also details FCC's performance against past objectives and Financial Plan, including the operating and capital budgets and borrowing plan.

In summary, FCC is a visionary organization committed to helping producers and agribusiness operators succeed in the complex agriculture industry. The corporation looks forward to helping customers and others succeed in a challenging and exciting future.

## 2.0 Corporate Profile

### 2.1 Corporate Overview

Farm Credit Canada (FCC) operates 100 offices located primarily in rural communities. The corporation's 1,400 dedicated employees are passionate about the business of agriculture. FCC continues to expand to meet the changing needs of the industry, offering customized debt and equity financing, creditor insurance, management software, learning and knowledge.

FCC is a financially self-sustaining federal Crown corporation that reports to Parliament through the Minister of Agriculture and Agri-Food. FCC provides financing and other services to about 50,000 primary producers, value-added operators, suppliers and processors along the agricultural value chain. In addition, training and publications are provided to over 50,000 participants and subscribers.

Funds are raised primarily through direct borrowings from the federal Department of Finance. The Department of Finance consolidated the borrowing activities of Farm Credit Canada, Business Development Bank of Canada and Canada Mortgage and Housing Corporation in April 2008. Profits are reinvested to develop products, services and knowledge offerings that benefit agriculture.

FCC's healthy portfolio grew to nearly \$15 billion in 2007-08, representing 15 consecutive years of portfolio growth.

FCC's roots date back to 1929, when the Canadian Farm Loan Board was established to provide long-term mortgage credit to farmers. The organization was established through the Farm Credit Act in 1959 as an agent Crown corporation named in Part I of Schedule III of the Financial Administration Act, making FCC the successor to the Canadian Farm Loan Board.

#### The FCC customer value proposition

FCC proudly serves Canadian agriculture as the leading provider of financing to the industry since 1959.

We focus on the primary producer as well as suppliers and processors along the agricultural value chain.

We provide our customers with flexible, competitively priced financing, equity, insurance, management software, information and learning.

These services help our customers make sound business decisions and experience greater success.

We take time to get to know our customers, their individual needs, goals and vision for the future. We work with them through challenges and help them pursue opportunities.

We're easy to do business with.

Agriculture. We know it. We love it. We're in it for the long run.

On April 2, 1993, the Farm Credit Corporation Act was proclaimed into law. The Act provided FCC with an expanded mandate that included broader lending and administrative powers. It also combined the corporation's powers to provide financial services to farming operations, including individuals, farming corporations and farm syndicates under the authority of one Act.

On June 14, 2001, the Farm Credit Canada Act received royal assent, updating the previous Act. The new Act continued the corporation as Farm Credit Canada, allowing a broader range of services to be offered to producers and agribusiness operators.

The agriculture and agri-food industry plays an important role in the Canadian economy, providing one in eight jobs. That makes agriculture Canada's third largest employer and FCC is proud to support this vibrant industry.

## 2.2 Mandate and legislative provisions

**FCC is governed by the Farm Credit Canada Act, which states:**

4(1) 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 businesses related to farming. The primary focus of the activities of the Corporation shall be on farming operations, including family farms.

### Federal legislation applicable to FCC

FCC is governed by or subject to the requirements of the following federal legislation:

- Farm Credit Canada Act
- Financial Administration Act
- Official Languages Act
- Privacy Act
- Access to Information Act
- Federal Accountability Act
- Public Servants Disclosure Protection Act
- Conflict of Interest Act
- Canadian Human Rights Act
- Canada Labour Code
- Employment Insurance Act
- Employment Equity Act

Other federal and provincial legislation applicable to FCC include land titles, farm debt mediation, personal property security acts, environmental protection, bankruptcy, insurance, occupational health, safety and securities.

## 2.3 Public policy role and scorecard

FCC is a federal Crown corporation created through the Farm Credit Canada Act. The following describes how FCC fulfils its public policy role.

**FCC serves all of agriculture, all the time – all sectors, all across Canada**

FCC provides financing to Canadian producers. This includes operations of all sizes and producers of all ages.

FCC provides financing to agribusinesses, such as suppliers and processors that serve producers. A healthy value chain provides producers with stable purchasing and selling options.

FCC works with every sector across the country, primarily in rural areas.

**FCC is dedicated to agriculture and takes the long-term view**

FCC understands that agriculture is cyclical and that cycles impact even the best producers and agribusiness operators. That's why FCC consistently works with and supports its customers and agriculture sectors through the highs and the lows.

FCC is a commercial Crown corporation that partners and competes with other financial institutions to ensure primary producers and agribusiness operators have choice in the marketplace through all cycles.

FCC is profitable and financially self-sustaining, which enables us to lead the way in creating innovative products and services tailored to the dynamic business needs of agriculture. Our offerings recognize that it takes time for agricultural operations to flourish.

**FCC is visionary and operates in a sustainable manner**

FCC offers unique products and services that help young farmers and agribusiness entrepreneurs because it is good for the industry's future.

FCC recognizes that knowledge is key to the future success of Canadian agriculture. FCC provides workshops, publications and learning forums as educational offerings to the industry

and encourages knowledge sharing internally and externally.

FCC operates in a socially responsible manner with a special focus on customers; the environment, health and safety<sup>1</sup>; human rights; human resource management; community investment and involvement; and corporate governance.

FCC provides environmental information and products to customers and is working to reduce our corporate environmental footprint.

FCC gives back to the communities where our customers and employees live and work.

FCC hires and develops employees who are passionate and knowledgeable about Canadian agriculture.

### Public Policy Scorecard

FCC's purpose is to **"enhance rural Canada by providing specialized and personalized business and financial services to . . . small and medium-sized businesses, that are businesses related to farming."** These are exciting times in agriculture as the industry is constantly changing and evolving. From financing to training and software, community programs and knowledge, FCC's commitment to the agriculture industry remains strong.

FCC believes that the public policy role permeates everything it does. For example, the FCC brand is exemplified by its positioning line, "Advancing the business of agriculture." This positions agriculture – including the full value chain – as a business. It tells the public, including current and potential customers, centres of influence (referral sources such as accountants and lawyers) and business partners, that FCC is a visionary organization committed

to helping producers and business operators succeed in the complex agriculture industry.

### How FCC fulfils its public policy role – 2007-08 examples

**FCC serves all of agriculture, all the time – all sectors, all across Canada. Specific examples include:**

- served 48,019 customers with loans or other financial products out of 100 offices across Canada:  
British Columbia/Alberta – 11,625  
Saskatchewan/Manitoba – 18,743  
Western Ontario – 7,705  
Quebec – 3,942  
Atlantic and Eastern Ontario – 6,004
- Of the above 48,019 customers, the following were net new:  
AgProduction – 3,526  
AgValue – 171
- FCC Ventures invested \$10 million in venture capital funds, bringing total investments to \$72.9 million since its inception in 2002.
- Venture capital co-investment ratio was 1.5:1. Third party co-investors have contributed \$1.50 in venture capital for every dollar invested by FCC.

### FCC is dedicated to agriculture and takes the long-term view

- Customer support strategy provided relief to 168 hog-related operations
- FCC Ag Crisis Fund provided assistance to 84 families; donated \$25,000 to the Saskatchewan Association of Rural Municipalities to provide assistance for operations impacted by flooding in Saskatchewan
- FCC market share is 24.4 per cent of Canadian farm debt outstanding
- Over 1,100 Alliance partners
- Our loan portfolio grew to \$15 billion

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<sup>1</sup> including food safety



- AgExpert software provides producers with detailed management information to enhance decision-making
- AgriSuccess learning programs with an emphasis on succession, marketing and management skills
- CanadianFarmersMarket.com provides FCC customers with a place on the Internet where they can promote and sell products
- Accelerator Loan for young farmers – 309 farmers were approved for loans under this program in 2007-08
- \$1.28 billion in lending was disbursed to young farmers<sup>2</sup> through our custom and standard loan products in 2007-08, representing 35.77% of FCC's net disbursements.

**FCC is visionary and operates our business in a sustainable manner**

- Launched the AdvancerPlus product to provide short-term credit financing. Customers have the ability to request disbursements online.
- We provide training and publications to over 50,000 participants and subscribers every year via AgriSuccess Express and AgriSuccess Journal.
- In January each year we celebrate Ag Day in Canada, a special day where we gather in communities across Canada to recognize the people who live and breathe agriculture and make it one of Canada's most vibrant industries.
- See Corporate Social Responsibility section, including detailed scorecard on page 23.
- It is our duty under the Canadian Environmental Assessment Act to assess the environmental effects of projects. We

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<sup>2</sup> all customers under 40, who are primary borrowers, co-borrowers or guarantors for personal and corporate loans

also review environmental risks related to lending activities when accepting real property as loan security.

The environmental assessment process includes gathering information through a Customer Questionnaire and other sources, and then assessing the risk associated with the environmental effects. We capture Environmental Assessment results in our systems and report to the Canadian Environmental Assessment Registry on a quarterly basis.

- We incorporate well-balanced, environmentally aware business practices into our daily operations. We establish a bio-security protocol to ensure employees practise disease prevention when visiting customer operations.
- We adhere to the Canadian Centre for Philanthropy's Imagine program guidelines and donate 1.5 per cent of profits to communities where our customers and employees live and work.
- We promote farm safety, support causes that address food and hunger issues, provide education about agriculture and fund projects that improve the quality of life.
- The FCC AgriSpirit Fund now provides \$750,000 annually to rural capital projects: in 2007-08, 58 community organizations received funding.
- Our annual Drive Away Hunger Tours collected hundreds of thousands of pounds of food for rural food banks in 2007-08.
- We support World Food Day, Canadian Agricultural Safety Week and First Aid on the Farm training sessions.
- Customer Experience Index: 56.36% <sup>3</sup> derived from questions pertaining to customer

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<sup>3</sup> CEI scoreboard results focus on perfect "five out of five" ratings from customers on a series of questions, which make up the total index percentage.

satisfaction, loyalty, advocacy, ease of doing business with FCC – care, overall value and problem resolution.

- Reputation Index: score of +50<sup>4</sup> derived from a study of market and stakeholders groups in 2007

In summary, FCC is a visionary organization committed to helping producers and agribusiness operators succeed in the complex agriculture industry. The corporation looks forward to helping customers and others succeed in a challenging and exciting future.

## 2.4 Alignment with government priorities

### Minister's statement of priorities and accountabilities

In 2008 the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, outlined his expectations of FCC as follows:

- Continued attention to maintaining FCC as a profitable and self-sustaining Crown corporation. In this time of global economic instability, it is vital that FCC continues to make its full range of credit products available to the agricultural industry in Canada. Access to short-term credit, long-term mortgages, and venture capital are vital to the long-term viability and success of the entire agriculture value chain and all sectors of agriculture. FCC needs to continue to create innovative products and services that are tailored to the dynamic business needs of its customers and that are competitive with those offered by other financial institutions. As FCC's customers

grow, diversify, and expand both within and outside of Canada, FCC needs to grow with them.

- Continued support for renewal in agriculture. FCC will continue to work with new entrants in agriculture and with young farmers to offer products that will help them get established and that will help facilitate the intergenerational transfer of family farms throughout Canada. Working with stakeholders and in collaboration with AAFC, FCC will continue to offer unique business services, workshops, and learning forums, as well as publications and educational offerings tailored to the particular needs of producers and agribusiness operators. Knowledge is key in providing producers and agri-business operators with the ability to capitalize on opportunities. Continuing to hire and develop employees who are passionate and knowledgeable about Canadian agriculture is also important to this renewal.
- Continued presence as a socially responsible corporation. FCC will play an important role in promoting sustainable environmental practices and food safety by supporting traceability in the agricultural supply chain through products such as FCC's Field Manager PRO software. FCC will also continue to provide environmental information to its customers and continue to fulfill its obligations as a federal authority under the *Canadian Environmental Assessment Act* by conducting environmental assessments.
- Continued collaboration with AAFC in implementing its new policy for Canadian agriculture, Growing Forward.

### Growing Forward

In Québec City on July 11, 2008, the federal, provincial and territorial ministers of agriculture signed the multilateral *Growing Forward* framework agreement. This agreement is

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<sup>4</sup> Leger Marketing calculates a reputation score using a scale from -100 to +100. A score of +50 falls within the upper quartile of all possible scores, indicating a positive reputation among all stakeholder groups surveyed.

supported by a commitment of \$1.3 billion in funding over five years for non-Business Risk Management (BRM) cost-shared programs. The cost will be shared on a basis of 60/40 between the federal and the provincial and territorial governments and represents a \$330 million increase over non-BRM funding under the Agriculture Policy Framework.

This new five-year multilateral framework is paving the way for new programs that support the *Growing Forward* vision of a profitable and innovative agriculture, agri-food and agri-based products industry that seizes opportunities in responding to market demands and contributes to the health and well-being of Canadians.

*Growing Forward* will give farmers and others across the value chain a marketplace advantage to capture business success, both domestically and in export markets. The new framework includes programs that enable greater adaptation and quicker response to changing consumer markets. A commitment to reducing governments' regulatory burden and providing better tools for entrepreneurs to plan and evaluate their businesses are other examples of how *Growing Forward* will help the sector achieve long-term profitability.

*Growing Forward* also focuses on supporting the enhancement of food safety systems and the continued implementation of on-farm environmental actions. In addition, the framework commits Governments to continue to work with the sector to put in place traceability and biosecurity systems.

*Growing Forward* also includes an improved demand-driven suite of business risk management (BRM) programs.

**AgriInvest** – a savings account for producers supported by governments, which provides coverage for small income declines and allows for investments that help mitigate risks or improve market income.

**AgriStability** – a margin-based account that provides support when a producer experiences larger farm income losses. The program covers declines of more than 15% in a producer's average income from previous years.

**AgriRecovery** – a disaster relief framework that provides a coordinated process for federal, provincial and territorial governments to respond rapidly when disasters strike, filling gaps not covered by existing programs.

**AgriInsurance** – an insurance program that provides insurance against production losses for specified perils, expanded under *Growing Forward* to include more commodities.

FCC will support the *Growing Forward* framework through the continued development of innovative products, services and programs that promote a strong agriculture, agri-food and agri-based products industry.

## Government Programs

Upon request from the Government of Canada, FCC administers specific programs for the Government of Canada on a cost-recovery basis. Two such examples are the Ruminant Slaughter Equity Assistance Program and Canadian Farm Families Options Program, where FCC assists with completion of farm business assessments.

## Official languages

FCC respects the Official Languages Act, and adheres to Treasury Board Secretariat regulations and policies in terms of communications and services to the public, language of work and other required elements.

## 2.5 Corporate governance

### Board of Directors

The FCC Board of Directors represents the Canadian agriculture and business community. Their expertise contributes significantly to the vision and strategic development of the corporation. The Board ensures that FCC remains focused on its vision, mission, values and the fulfilment of the corporation's public policy role.

The Board of Directors is appointed by the corporation's shareholder, the Government of Canada. The Governor-in-Council appoints the Chair and the President and Chief Executive Officer (CEO). The Minister of Agriculture and Agri-Food Canada appoints Board members, striving to balance sector, gender, linguistic and geographical representation. Directors serve terms of up to four years and may be reappointed. Directors are paid an annual retainer and per diems. Amounts are set by the Governor-in-Council pursuant to the Financial Administration Act.

The Board is responsible for the overall governance of the corporation. It ensures FCC business activities are in the best interests of the corporation and the Government of Canada as required by the Farm Credit Canada Act and the Financial Administration Act. Directors exercise a stewardship role, participate in the strategic planning process and approve the strategic direction and corporate plan. The Board also exercises its responsibility to oversee and ensure principal risks associated with Farm Credit Canada's business have been identified and that appropriate systems and policies are implemented to manage risks.

The roles and responsibilities of the Chair, Board members, the CEO and all Board committees are set out in written profiles and charters. These documents articulate the Board's responsibility in six major areas: integrity including legal and ethical conduct, strategic planning, financial reporting and public disclosure, risk management and internal

controls, leadership development and succession planning, and corporate governance – including director orientation, continuing education and evaluation.

### **There are three sub-committees of the Board: Audit, Human Resources and the Corporate Governance Committee.**

The **Audit Committee** members are independent of management. The Audit Committee oversees FCC's financial performance and ensures the integrity, effectiveness and accuracy of the corporation's financial reporting, control systems, integrated risk management process and audit functions.

The **Human Resources Committee** reviews major human resources policy matters. The committee is responsible for advising the Board about all matters relative to the CEO, including required skills, goals and performance assessment.

The Human Resources Committee is also responsible for reviewing the corporation's succession plan.

The **Corporate Governance Committee** reviews and makes recommendations to the Board with respect to sound governance practices.

The Corporate Governance Committee regularly reviews the number, structure, composition and mandates of Board committees and is responsible for conducting Board evaluations concerning the performance of directors and committees and the Board as a whole. The committee also oversees Board policies with respect to ethics, conflict of interest and code of conduct for directors.

The committee also serves as the Board's nominating committee and is responsible for reviewing, reporting and providing recommendations to the Board and FCC's Minister regarding the appointment of Directors, the Board Chair and the corporation's CEO.

In addition, FCC has a **Pension Committee** that advises and provides recommendations to the Board of Directors on various plan matters, policies and other governance issues. The corporation's pension committee duties and responsibilities are listed in detail in the Executive Structure section (see page 20).

## Members of the Board of Directors

### **Gill O. Shaw, B.Sc.Ag, MBA**

Chair, FCC Board of Directors

Retired CEO

Manitoba Agricultural Credit Corporation

Brandon, Manitoba

Appointed Chair October 30, 2006

Gill O. Shaw has over 30 years of experience in agricultural and financial management, and is a specialist in large commercial credit administration. From 1991 to 2002, he served as chief executive officer of the Manitoba Agricultural Credit Corporation. During that time, he was a member of the executive committee of the Manitoba Department of Agriculture. From 1989 to 1991, he served as executive director of the Manitoba Farm Mediation Board. He lives in Brandon, Manitoba.

### **Greg Stewart, P.Ag**

President and CEO

Farm Credit Canada

Regina, Saskatchewan

Appointed January 1, 2008

Greg joined FCC in 1987 and worked in a number of progressively responsible positions, gaining extensive experience in operations and risk management. From 2002 to 2007, Greg was responsible for Farm Credit Canada's national operations, including sales and marketing. During this period, the corporation's portfolio nearly doubled as FCC enhanced its customer service and employee engagement. In 2005, Greg was appointed to the position of Executive Vice-President and in 2006, he was also named

Chief Operating Officer. In 2007, Greg became responsible for the strategic leadership of FCC in his current role as President and CEO.

A professional agrologist, Greg holds a Bachelor of Science in Agriculture from the University of Manitoba. He is a member of the Saskatchewan Institute of Agrologists. Greg volunteers as a member of the board of the Adult Learning Centre and the board of directors for Habitat for Humanity.

### **Caroline Belzile, D.T.A.**

Co-owner, beef, hog and grain farm and sugar bush

Saint-Elzéar, Québec

Appointed January 29, 2008

Caroline Belzile lives in Saint-Elzéar, Quebec, where she is the co-owner of a beef, hog and grain farm and sugar bush. In 2006, the farm received several honours, including the Fédération des producteurs de porcs du Québec's "Environnement et bon voisinage" award and the Commission de la santé et de la sécurité du travail's "Prix innovation en santé et sécurité du travail." In 2005, Ms. Belzile was named "Agricultrice de passion" at the Saturne gala of the Fédération des agricultrices du Québec. From 1989 to 2002, she was an insurance advisor for the Régie des assurances du Québec, advising local beef, grain, hog and sheep farmers in the region of Rimouski and the Beauce. She has been the president of Groupe Evolu-porc and a director with Fertior, a surplus manure management organization in Beauce. Over the past two years, she has also spoken to a variety of businesses.

**Donald Bettle**

Former dairy farmer  
Former chairman  
Canadian Atlantic Dairy Export Co-op  
Passekeag, New Brunswick  
Appointed January 25, 2007

Donald Bettle has spent the last 30 years working in the agriculture industry in New Brunswick. He was formerly the chairman of the Canadian Atlantic Dairy Export Co-op, which administers the Canadian Quality Milk Program. His past achievements include serving on a committee to develop Canada's trade position for agriculture and WTO, and serving as chairman and director for several organizations, including the New Brunswick Milk Transportation Committee, the Agriculture Producers Association of New Brunswick, the Kings County Soil and Crop, the Kings County Agriculture Environmental Conservation club and the Quota Management committee. He also served on the Canadian Federation of Agriculture, the National Milk Transportation Committee, the Inter-provincial Pooling committee and the Sussex and Studholm Agriculture Society.

**Jack C. Christie, B.Comm, FCA**

General Manager and CEO  
Northumberland Dairy Co-operative Ltd.  
Miramichi, New Brunswick  
Appointed November 27, 2003  
Reappointed October 20, 2005  
Chair, Audit Committee

Jack Christie is a Fellow of the Canadian Institute of Chartered Accountants and the general manager and CEO at Northumberland Dairy Co-operative Ltd. in New Brunswick, where he has been for the past 20 years. Mr. Christie is also a director and past-president of the Atlantic Dairy Council, and the president of the New Brunswick Milk Dealers' Association. He has served as president of the New Brunswick Institute of Chartered Accountants and as a member of the Board of Governors of the Canadian Institute of Chartered Accountants.

Mr. Christie is a past-president and a member of the Rotary Club of Newcastle.

**Brad Hanmer, B.Sc.Ag**

Co-owner/operator, commercial grain and pedigreed seed farm  
Runs a family-owned seed retail and seed processing and exporting business  
Govan, Saskatchewan  
Appointed January 25, 2007

Along with his parents and two brothers, Brad Hanmer currently owns and operates a commercial grain and pedigreed seed farm and runs a family-owned seed retail and seed processing and exporting business. He has served as president of the Saskatchewan Canola Growers Association, director for the Canadian Canola Growers Association and was the founding chairman of the Biodiesel Association of Canada -- fostering the commercialization of biodiesel in Canada.

**Ron Hierath**

Realtor, residential and agricultural sales  
Lethbridge, Alberta  
Appointed January 25, 2007

Ron Hierath currently works as a realtor in residential and agricultural sales in Lethbridge, Alberta. Before this, Ron was a member of the legislative assembly for the Government of Alberta, when he chaired the Standing Policy Committee on Agricultural and Rural Development and became a member of the Grain Marketing and Transportation Committee. Prior to that, Ron was a third generation wheat and barley producer for over 25 years, and a pork producer for over 20 years. He has also served as a member of the Alberta Grain Commission, Western Barley Growers Association, and director of the Western Canadian Wheat Growers Association.



**Caroline Granger**

President and CEO

The Grange of Prince Edward Vineyards and

Estate Winery

Hillier, Ontario

Appointed June 27, 2007

Caroline Granger was born in North Bay, Ontario and is an honours graduate of the Winery Management and Viticultural program from Loyalist College, Belleville, Ont. She is the founder and CEO of the Grange of Prince Edward Vineyards and Estate Winery, which is Prince Edward County's largest grape grower and winery. As President of The Grange, she oversaw every aspect of the construction project, including the restoration of an original Loyalist barn that houses the retail operation, resulting in her receipt of the 2004 Commercial Construction Project of the Year Award. In 2006, Ms. Granger was appointed to the Ontario Wine Council and sits as the representative of Prince Edward County wine region. She led the campaign for official recognition of The County as Ontario's newest designated viticultural area and successfully lobbied LCBO and Vintages to carry County wines. She was chosen as the 2006 Business Woman of the Year of Prince Edward County and was a nominee for the Rosemary Davis Award. Ms. Granger co-chairs the Prince Edward County Tourism Development Alliance, chairs Alternatives for Women in Prince Edward County, and sits on the Executive Committee of Taste the County.

**John Klippenstein, CMA**

COO, Klippenstein Management Services

Steinbach, Manitoba,

Appointed July 30, 2008

John Klippenstein lives in Steinbach, Manitoba, where he is in public practice as a CMA. Since 1972, Mr. Klippenstein has actively worked with farm clients in matters of financing, accounting, purchase and sale, expansion, intergenerational transfer, income taxes and analysis of government programs. Raised on the family dairy farm at Hanover, Manitoba, Mr. Klippenstein later operated the farm for a

number of years. From 1965 to 1970, he worked as general manager of the Manitoba Mennonite Mutual Insurance Company, after which he served as chief accountant for the Barkman group of companies from 1970 to 1972. Mr. Klippenstein has held many professional association positions, including president of the Manitoba Society of Management Accountants from 1992 to 1993. In 2001, he became the 12th Manitoba CMA to be awarded a life membership by the Manitoba Society of Management Accountants.

**Gilles Lapointe, B.Comm, CGA, CFP**

Associate, BDO Dunwoody LLP

Casselton, Ontario

Appointed March 11, 2008

Gilles Lapointe has considerable experience in accounting and financial management services, having worked since 1977 for BDO Dunwoody LLP, an accounting services and advisory firm. Mr. Lapointe, a Certified General Accountant since 1984 and a Certified Financial Planner since 1999, is currently an associate in BDO's Embrun, Ontario office. He serves a wide range of clients, such as farming businesses and small to medium-size enterprises. He also has work experience with co-operatives and Caisses Populaires clients. He is an advisor for his clients on different matters, including business transfers, succession planning, estate planning, assisting clients with government programs and providing financial statements and tax advice.

**Russel Marcoux, BA**

CEO, Yanke Group of Companies

Owner/operator, grain farm

Saskatoon, Saskatchewan

Appointed December 10, 2002

Reappointed August 29, 2005

Chair, Corporate Governance Committee

Russel Marcoux is Chief Executive Officer of the Yanke Group of Companies, an international transportation company employing more than 700 staff and operating a fleet of approximately

1,900 pieces of equipment. Mr. Marcoux is also involved in a grain farming operation at Viscount, Saskatchewan.

He is a member of the Canadian Council of Chief Executives, the Governor's Council of the Canadian Chamber of Commerce, the Dean's Advisor Council – Edwards School of Business, and a Shareholder and Director of F.R. Insurance, an offshore captive insurance company. Mr. Marcoux was awarded the Commemorative Medal from the Governor General of Canada and the Queen's Golden Jubilee Medal for significant contribution to compatriots, the community and Canada. He was also honored as one of the University of Saskatchewan's *100 Alumni of Influence* in 2007, in conjunction with the celebration of the university's 100<sup>th</sup> birthday.

**Sharon E. White, B.Comm, LL.B.**

Lawyer – Partner

Richards Buell Sutton LLP

Vancouver, British Columbia

Appointed December 18, 2006

A practicing lawyer since 1981 in the area of corporate/commercial law, Sharon White is a partner at Richards Buell Sutton LLP, one of British Columbia's oldest law firms, and is head of their Corporate Finance department. She also serves as a director of Partnerships British Columbia, a company owned by the Province of British Columbia, responsible for bringing together ministries, agencies and the private sector to develop projects through public-private partnerships. In addition, she serves as a director and chair of the Audit Committee of FreshXtend Technologies Corp., a company involved in the development and commercialization of life extension technologies for the fresh produce and flower industries. She is the past chair of the Securities Section of the B.C. Branch of the Canadian Bar Association. She is a member of the Law Society of British Columbia, the Canadian Bar Association, and a former member of the Bermuda Bar Association

and the Council of Canadian Administrative Tribunals.

## Executive

Bound by the code of conduct and ethics, senior management 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 establishes CEO compensation. Senior management is structured as follows.

**Executive Committee (EC)** consists of the President and CEO; Executive Vice-President and Chief Financial Officer; Executive Vice-President and Chief Operating Officer ; Senior Vice-President Human Resources; Senior Vice-President and Chief Information Officer; Senior Vice-President, Marketing; Senior Vice-President, Portfolio and Credit Risk; and Senior Vice-President, Strategy, Knowledge and Reputation. EC is responsible for corporate decision-making, including the strategic vision, investment strategy, allocation of enterprise resources and resolution of major strategic issues.

**Greg Stewart, P.Ag.**

**President and Chief Executive Officer**

See Greg's profile on page 14.

**Moyez Somani, CMA, MBA, FCMA**

**Executive VP and Chief Financial Officer**

Moyez provides leadership to FCC's financial function and has direct responsibility for the Treasury, Finance and Venture Capital, and Internal Audit divisions. This includes Corporate Security, Business Continuity Planning, Procurement and administration of the FCC Pension Plan Investments.

He is actively involved in the local community, serving as President of the Provincial Council for CMA Saskatchewan, a member of Board of Directors Chair of the Audit Committee for the Saskatchewan Cancer Agency and an honorary



board member of the Financial Management Institute. He is also a member of the Investment Committee for the AgriFood Equity Fund and a member of the Agakhan Economic Planning Board for Canada. Moyez brings over 20 years of senior management experience in the financial service sector to FCC.

### **Dan Bergen, P.Ag.**

#### **Executive VP and Chief Operating Officer**

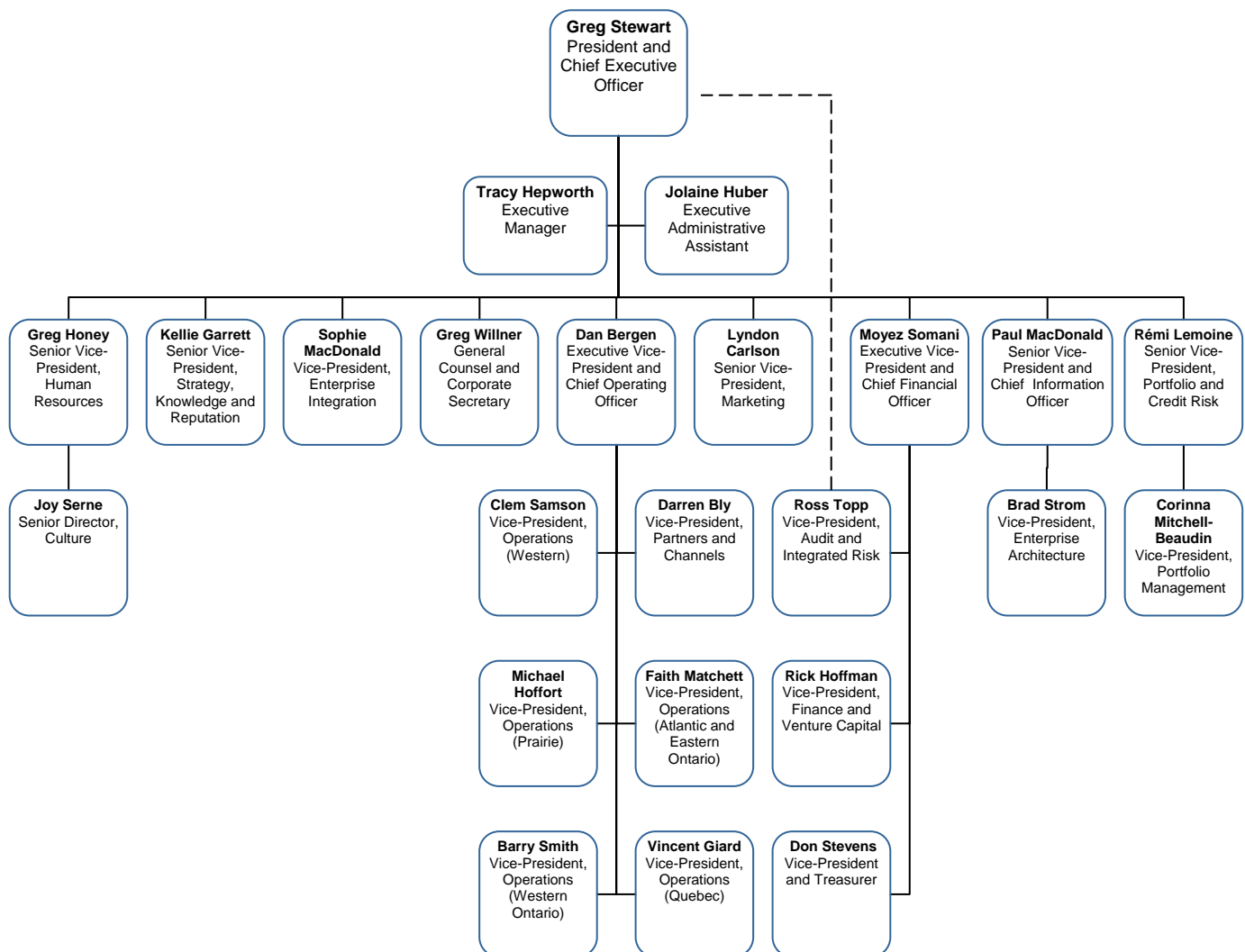
Dan is responsible for overall management of Farm Credit Canada's national lending operations, including alliances and channel management. Dan has worked with FCC for more than 30 years, holding various positions throughout the organization, including Account Manager; District Manager; General Manager, Agri-Land; VP, Operations - Prairie; and VP, Operations - Western Ontario. Dan is a professional agrologist and holds a Bachelor of

Science in Agriculture (High Honours) degree from the University of Saskatchewan. Dan has served on the campaign committee for the United Way of Regina and has been involved with orienting refugees and new Canadians to life in Canada. He is also an active supporter of Special Olympics, and is serving as the Chair for Special Olympics Saskatchewan's **2008** Gala Dinner and Auction.

### **Lyndon Carlson, P.Ag.**

#### **Senior VP, Marketing**

Lyndon is responsible for marketing, brand, market research, product development, pricing, brand, insurance, industry relations, AgriSuccess (knowledge and learning) and AgExpert (farm management software solutions). Lyndon has over 25 years of experience in several areas of agribusiness. He holds a Bachelor of Science in Agriculture from



the University of Saskatchewan. In addition to volunteering with his church, Lyndon serves as the Vice-President of the Canadian 4-H Foundation, Director of Agrivita Canada Inc., and Director of the Canadian Centre for Health and Safety in Agriculture.

**Kellie Garrett, ABC, MA Leadership  
Senior VP, Strategy, Knowledge and  
Reputation**

Kellie is responsible for FCC's business strategy and corporate project management, knowledge management, strategic intelligence, corporate communication, customer experience, corporate social responsibility and innovation. She is an Accredited Business Communicator (ABC) with a Master of Arts in Leadership from Royal Roads University and is a graduate of Harvard Business School's Advanced Management Program. Kellie is passionate about voluntarism and serves on the following boards: director of Canadian Business for Social Responsibility and Chair of the Hospitals of Regina Foundation. A regular speaker on topics ranging from leadership and strategy to personal brand, Kellie also counsels parents who receive autism diagnoses. In 2007, she was named one of Canada's 100 Most Powerful Women by the Women's Executive Network.

**Greg Honey  
Senior VP, Human Resources**

Responsible for all aspects of HR and national administration services, Greg possesses more than 20 years of human resources experience. He oversees human resources and Administration policies and direction for the 1,400 FCC employees across Canada. He is a member of the Conference Board Human Resources Executive Committee (West), the Human Resource Management Association and has been involved with the Canadian Pension and Benefits Institute and the Canadian Human Resource Planners throughout his career. Greg has a B.Ed. from the University of Regina.

**Rémi Lemoine, MBA, CCP  
Senior VP, Portfolio and Credit Risk**

Rémi is responsible for the Portfolio Management and Credit Risk areas at FCC. Rémi has over 15 years of experience at FCC and has held various management positions in operations, customer service, alliances and credit risk. Rémi holds a BBA and an MBA from the University of New Brunswick and attended the Nova Scotia Agricultural College Directed Studies in Agricultural Economics. He is active in the community and in local sport organizations, serving as Director of the Regina Soccer Association, as well as Director of the Regina East Soccer Club. As a Certified Credit Professional (CCP) Remi is a Director of the Saskatchewan Chapter of the Credit Institute of Canada.

**Paul MacDonald, B.Sc., M.A. (Economics)  
Senior VP and Chief Information Officer**

Paul is responsible for Information Technology and Enterprise Architecture at FCC. Since 2004, Paul has led the transformation of FCC's IT organization through the introduction of a wide range of new enabling information technologies, services and processes.

Paul has an M.A. (Economics) from Queen's University and a B.Sc. from the University of P.E.I. Before joining FCC in 2001, Paul held the position of Vice-President at Ipsos-Reid, a leading market research firm. He is a past member of the Board of Directors of the United Way of Regina and continues to serve the United Way as a member of the Resource Development Committee.

**Senior Management Team (SMT)**

The Senior Management Team sets corporate priorities to achieve strategic objectives consistent with the mandate and approved strategic direction. See page 18 for the complete list of FCC's senior management.

## Governance framework

In addition to the Board of Directors, EC and SMT, FCC has established a governance framework, including a number of committees, to guide corporate decision-making.

**Asset Liability Committee** directs and oversees the asset liability management function of the corporation, including establishing and maintaining prudent risk management policies and procedures and ensuring sufficient integration with corporate strategic and financial planning.

### **BK Executive Steering Committee**

The Business Process and Technical Transformation Program (BK) addresses the redesign and integration of certain major customer-facing processes, content and data across business lines and channels. The BK Executive Steering Committee ensures that the BK program, together with related technology renewal, aligns with FCC's strategy and that related risks are adequately addressed.

**Credit Committee** reviews and makes lending decisions on AgValue loan applications from customers with total exposure in excess of \$10 million for established operations and in excess of \$5 million for start-up operations; and on AgProduction applications from customers with total exposure in excess of \$15 million for established operations and in excess of \$7.5 million for start-up operations.

**Employee Experience Committee** provides direction and guidance on key aspects of the FCC employee experience, orientation and change management.

**Enterprise Architecture Committee** maintains the principles, standards, and guidelines of FCC's business and technical infrastructures.

**Enterprise Risk Management Steering Committee** facilitates the identification, assessment, ranking and action planning of significant risks to which FCC is exposed.

**Horizon Committee** provides strategic direction to Executive Committee on compensation and performance management issues. They also evaluate all jobs in relation to the company's classification system.

**Lending Policy Committee** oversees the development of lending policies to ensure the credit risk management policies reflect FCC's credit risk tolerance, industry best practices and compliance with federal, provincial and regional laws and regulations.

**Pension Committee** provides advice to the Human Resources Committee of the Board of Directors regarding monitoring the approved governance structure of support for the pension plan and reporting annually on the overall functioning of the plan, recommending changes to plan governance, developing and reviewing the plan's Statement of Investment Policies and Goals and monitoring and reviewing the performance and activities of the plan's investment managers.

**Pricing/Lending Models Governance Committee** oversees the design and development of FCC's credit risk-related models and lending scorecards.

**Security Coordination Committee** oversees the design and development of FCC's security policy and principles to ensure the protection of FCC employees and assets.

**Strategy Execution Team** is responsible for approving corporate projects that enable the execution of the business strategy.

**Venture Capital Investment Committee** is responsible for adjudicating all investment recommendations as well as reviewing the performance of the FCC Ventures legacy portfolio.

## 2.6 Values, Cultural practices and Code of conduct and ethics

### Corporate values

Our corporate values guide our conduct with colleagues, customers and stakeholders. FCC corporate values represent our core beliefs:

#### **Focus on the customer**

We succeed when our customers succeed. To help them, we listen and work to understand their needs.

#### **Act with integrity**

We treat people, colleagues and customers – with respect, balancing business decisions with individual needs.

#### **Working together**

We believe in the power of teamwork. We work together with customers to design services tailored to their needs. We partner with other organizations to benefit our customers.

#### **Give back to the community**

We believe in giving back to our communities – the communities where our customers and employees live and work.

#### **Achieve excellence**

We are committed to one thing – the success of the Canadian agriculture industry. We set our sights high, strive to learn more and work to build a business that benefits our customers and helps our employees achieve their potential.

### Cultural practices

Our cultural practices explicitly outline the behaviours employees and Board members are expected to demonstrate at all times with colleagues, customers, partners, suppliers and stakeholders.

1. We hold ourselves and each other accountable for our impact on business results and our impact on people.

2. We hold ourselves and each other accountable for delivering on commitments, agreements and promises.
3. We hold ourselves and each other accountable for building and sustaining committed partnerships.
4. We hold ourselves and each other accountable for creating a safe environment where people can speak up without fear.
5. We measure our success by how others perceive and respond to our leadership, not by our personal point of view.
6. We talk straight in a responsible manner. We are committed to the success of others – we do not engage in conspiracies against people.
7. We listen for contributions and commitment. We do not listen against people or ideas.
8. We are highly coachable. We actively seek and listen to coaching.
9. We clean up and recover quickly.
10. We acknowledge others often and celebrate both small and large successes.

### Code of conduct and ethics

New employees and Board members sign a commitment of adherence to the FCC code, with annual re-commitments thereafter during the lifetime of their service with FCC. Complaints of code non-compliance can be made anonymously by employees, Board members, or the general public by calling the FCC *ConfidenceLine* at 1-800-661-9675. Whistleblower protection is an important element of the code so that employees feel safe reporting any wrongdoing.

## Reputation Risk Policy

### Reputation Risk policy statement

FCC recognizes the impact our employees and Board of Directors have on our reputation. As a federal Crown corporation, we are accountable to all Canadians.

Employees and members of the Board of Directors must take reasonable steps, at all times, to adhere to all FCC policies and procedures – notably the following:

- the Code of Conduct and Ethics
- credit policies
- the Procurement and Disposal policy
- the use of Computers and Electronic Networks policy
- the Enterprise Documents and Records Management policy
- the Delegation of Authority policy
- the principles of corporate social responsibility – corporate governance, human resources management, community investment and involvement, environmental regulations, health and safety practices, human rights attentiveness and a commitment to our customers

Employees and members of the Board of Directors must comply with FCC policies and procedures in all written and verbal communication and in their interactions with other FCC employees, customers, industry partners, suppliers, media and the general public to avoid any real or perceived reputation risk.

Non-compliance could result in reputation damage to FCC and may be subject to disciplinary action.

## 2.7 Corporate social responsibility

Transparency in the pursuit of corporate objectives is a cornerstone of corporate social responsibility (CSR). FCC strives to conduct business in an economically, socially and environmentally sustainable manner.

## Corporate Social Responsibility statement

FCC is committed to conducting business in a responsible and sustainable manner. We are accountable and responsive to stakeholders through corporate governance, human resources management, community investment and involvement, environment, health and safety, human rights and a customer focus.

## Corporate Social Responsibility principles

### Corporate governance

FCC acts with integrity, balancing business decisions with individual needs. We are accountable to stakeholders and act in accordance with all laws and high ethical standards.

### Human resources management

FCC leverages employees' specialized knowledge and passion, developing and encouraging employees to be their best. Our cultural practices explicitly outline the behaviour expected of employees at all times with colleagues, customers, partners, suppliers and stakeholders.

### Community investment and involvement

We give back to the communities where our employees and customers live and work by promoting rural and farm safety, supporting causes that address food and hunger issues, providing education about agriculture and funding projects that improve the quality of life in rural Canada.

### Environment, health and safety

FCC is committed to sound environmental practices. We incorporate environmental sustainability considerations into our lending and community investment decision making and have an established bio-security protocol for farm visits.

### Human rights

FCC acts in accordance with human rights standards, including the Canadian Human Rights Act.



## Customer focus

FCC is committed to customer success. We focus on primary producers as well as suppliers and processors along the agricultural value chain. We provide our customers with flexible, competitively priced financing, equity, insurance, management software, information and learning.

## 2.7.1 CSR indicators

FCC takes corporate social responsibility seriously. We care about our impact on employees, customers and the communities where we live and work. According to the Conference Board of Canada, corporate

social responsibility (CSR) is about “transparently pursuing long-term corporate objectives in a manner that balances corporate decision-making, behaviour and performance with the evolving values, norms and expectations of society.”

The following summary was adapted from the Globe and Mail’s Report on Business as a measure of FCC’s performance in six key decision-making, behaviour and performance priority areas.

### CSR Indicators for the years ended March 31

2008

2007

#### Corporate governance

Statement of social responsibility	yes	yes
Statement of corporate values	yes	yes
Code of business conduct	yes	yes
Board Chair and company CEO are separate functions	yes	yes

#### Human resources management

Conducts employee satisfaction surveys. <sup>5</sup>	yes	yes
Provides employees with education and development	yes	yes
Conducts annual market compensation reviews	yes	yes
Policy on diversity and employment equity	yes	yes
Public reports on diversity issues	yes	yes
Offers employees diversity training	yes	yes
Benefits include additional maternity and paternity benefits	yes	yes
Percentage of women on the Board	25	36
Percentage of women among senior management team	23	24

#### Community investment

Policy statement on community donations is available to the public	yes	yes
Calculates donations based on one per cent of profits	yes – 1.5%	yes – 1.59%
Programs are in place to support employee giving and volunteering	yes	yes

#### Environment, health and safety

Corporate environmental management systems in place, including policies, programs and performance analysis	in progress	in progress
Reports on resource use (energy, materials, water)	in progress	not yet
External reporting on lending environmental risk management	yes	yes

<sup>5</sup> In 2007-08, FCC’s employee engagement score was 83% and the corporation was included in the Globe and Mail’s 50 Best Employers in Canada list and Maclean’s top 100 companies.

Lending environmental risk management policy and processes, including environmental risk assessment	yes	yes
Bio-security protocol for customer visits	yes	yes
Offers loans that reduce environmental impact	yes	yes
Internal environmental reporting, including policy, programs and initiatives, and performance data	in progress	in progress

### Human rights

Human rights policy and code of conduct	yes	yes
Policy/code of conduct governing the supply chain of procured items	yes	yes

### Customers

Conducts customer satisfaction surveys	yes	yes
Helps customers market their products:		
• 331 customers with 410 listings on CanadianFarmersMarket.com	yes	yes
Loans to meet the needs of new entrants into agriculture	yes	yes
Offers industry-related training:		
• AgriSuccess delivered 86 workshops, 8 forums and 7 learning tours	yes	yes

## 2.7.2 CSR scorecard

### Corporate governance

**FCC acts with integrity, balancing business decisions with individual needs. We are accountable to stakeholders and act in accordance with all laws and high ethical standards.**

At FCC, our corporate values are more than just words. They guide our interactions with colleagues, customers and stakeholders. We openly share our values with employees and customers, and challenge all stakeholders to ensure we act in accordance with those values. Our code of conduct and ethics includes whistleblower protection so employees feel safe reporting any wrongdoing. Measures are in place to monitor compliance to the code and ensure business activities at all levels of the organization are appropriate. We want to ensure an appropriate balance between public accountability and respect for customer confidentiality.

To ensure that our CSR commitments remain challenging, achievable and sustainable, FCC's Board and senior management receive quarterly status reports and discuss progress against our CSR strategy.

Our corporate governance principle focuses on the following key areas:

- 1) Supporting a vision of corporate social responsibility;
- 2) Demonstrating business ethics and transparency; and
- 3) Managing risk.

Status legend:



Ahead



Action required



On track



Caution/at risk

Initiative	Status
<b>1) Supporting a vision of corporate social responsibility</b>	
Advance the Corporate Social Responsibility agenda at FCC by: - refreshing CSR strategy and measures - holding quarterly meetings with the cross-divisional CSR committee	✓
Enhance planning and delivery of communications regarding FCC's CSR practices.	✓
<b>2) Demonstrating business ethics and transparency</b>	
Continue to communicate the Code of Conduct and Ethics to all employees, including an annual recommitment to the Code.	✓
Ensure employees understand the following policies: - community investment - environmental risk management	✓
Publicly report on all charitable and non-profit organizations that FCC supports.	✓
Report on significant/material instances of violations of the Code of Conduct and Ethics	✓
Ensure FCC acts in accordance with pension governance guidelines	✓
<b>3) Managing risk</b>	
Enhance enterprise risk management process (ERM) by implementing the Auditor General's 2007 special examination recommendation to further integrate ERM with corporate strategic planning.	✓
Continue to monitor contract compliance of the FCC AgriSpirit Fund and establish additional monitoring processes for the FCC Ag Crisis Fund.	✓



**FCC leverages people's specialized knowledge and passion, developing and encouraging employees to be their best. Our cultural practices explicitly outline the behaviour expected of employees at all times with colleagues, customers, partners, suppliers and stakeholders.**

FCC recognizes that our people are our strength. We strive to consistently provide a healthy work environment, respect in the workplace, and appropriate compensation and acknowledgement for the passion and commitment with which they approach their work. We encourage all employees to contribute to business solutions and exercise their leadership abilities, regardless of title or job description.

Our cultural practices set guidelines for working together, and our customer experience standards ensure employees deliver an extraordinary experience in every customer interaction.

FCC spends over 3.5 per cent of annual payroll on employee development every year. FCC is committed to the development of our employees. A comprehensive learning strategy has been developed and is being implemented over two years. This business plan for learning includes development of governance, performance metrics, performance based learning design, adding learning technology and fully leveraging formal and informal learning. These practices are hallmarks of effective learning organizations:

Our human resources management principle focuses on the following key areas:

- 1) Engaging and recognizing our employees;
- 2) Developing people through learning; and
- 3) Focusing on diversity.

Initiative	Status
<b>1) Engaging and recognizing our employees</b>	
Measure employee engagement and develop action plans based on the results.	✓
Conduct an annual market compensation review.	✓
Recognize employee achievements through the Encore recognition program including: - Wow Cards - Fantastique Award - Bravo Award - John Ryan Award - President's Club Award	✓
<b>2) Developing people through learning</b>	
Implement governance structure; Implement performance measures; Implement the Learning Strategy	✓
<b>3) Focusing on diversity</b>	
Implement new diversity strategy.	✓

## Community investment and involvement

**We give back to the communities where our employees and customers live and work by promoting safety, supporting causes that address food and hunger issues, providing education about agriculture and funding projects that improve the quality of life in rural Canada.**

FCC is a member of the Imagine Canada program, and we donate 1.5 per cent of annual profit to charitable and not-for-profits community and industry organizations e.g. 4-H, the Canadian Association of Food Banks, the Canadian Agricultural Safety Association and Agriculture in the Classroom. Of this donation, approximately 1.3 per cent of our donations are related to community investments, and the remaining 0.3 per cent consists of eligible marketing expenditures.

Much of what happens in agriculture happens in rural Canada, so we focus our efforts on enhancing the communities where our customers and employees live and work. Since 2004, the FCC AgriSpirit Fund has donated \$2.5 million to rural capital projects - communities who apply for funding can receive between \$5,000 and \$25,000. Successful projects have included fire trucks, playground and medical equipment, and recreation centres.

Since 2004, FCC has raised almost two million pounds of food for food banks across the country. In 2008-09, FCC's Drive Away Hunger program doubled its goal of collecting 500,000 pounds of food via four Drive Away Hunger Tours and a national food drive.

In 2007, to complement the AgriSpirit Fund, FCC launched the Regina Spirit Fund, supporting local projects in Regina for 2008, the fund is \$100,000 and applications for Regina Spirit funding will be accepted from charitable and non-profit organizations in January and August with \$50,000 donated each spring and the other \$50,000 each fall.

We encourage employees to give back to their communities through charities that touch their hearts. We offer three programs to help:

- Employee Matching Program: funds projects where three or more FCC employees are involved
- Employee Volunteer Program: employees who donate more than 20 hours of volunteer time to a charitable organization may be selected to receive funding for their organization.
- Community Team Volunteer Projects: FCC funds team projects needed to enhance the community providing lasting benefit to a large group of people and involving both FCC employees and community volunteers.

The Community Investment and Involvement principle focuses on:

- 1) Giving back to the community; and
- 2) Supporting volunteerism and employee giving.

Initiative	Status
<b>1) Giving back to the community</b>	
Donate 1.5% of profits with a focus on: <ul style="list-style-type: none"> <li>- enhancing rural Canada</li> <li>- fighting hunger</li> <li>- rural safety</li> <li>- employee giving and volunteering</li> </ul>	✓
<b>2) Supporting volunteerism and employee giving</b>	
Continue the FCC Community Involvement program, which includes: <ul style="list-style-type: none"> <li>- monthly volunteer draw</li> <li>- paid time off for volunteering</li> <li>- monthly volunteer opportunities</li> <li>- employee donation match</li> </ul>	✓

## Environment, health and safety

**FCC is committed to sound environmental practices. We incorporate environmental sustainability considerations into our lending and community investment decision making and have an established bio-security protocol in place for farm visits.**

FCC is responsible for environmental due diligence under the Canadian Environmental Assessment Act. We work with customers to review environmental risks through questionnaires, site inspections and assessment reports from qualified consultants.

We incorporate environmentally conscious business practices into our daily operations, such as recycling and energy-conscious purchases of light bulbs, paper and office-related supplies. We are tracking our use of paper and resources as a step toward reducing the environmental impact of our business operations across the country.

Bio-security is an important element of our business. Our bio-security protocol helps ensure that employees understand and practice disease prevention when visiting customers.

We keep employees safe through ongoing first aid and CPR training.

Our environment, health and safety principle focuses on:

- 1) helping our customers help the environment;
- 2) reducing our environmental footprint;
- 3) helping employees help the environment; and
- 4) helping our employees to be safe.

Initiative	Status
<b>1) Helping our customers protect the environment</b>	
Report on compliance with the Canadian Environmental Assessment Act (CEAA)	✓
Develop an environmental marketing strategy targeted toward FCC customers.	✓
Enhance employee environmental risk management skills to ensure FCC maintains a strong portfolio and its lending practices comply with current environmental legislation	✓
<b>2) Helping FCC to reduce its environmental footprint</b>	
Benchmark FCC's Corporate Office environmental footprint for 2007-08, including: -travel -paper -power -energy	✓
Reduce environmental pollution and waste by: - expanding and implementing Corporate Office recycling programs - benchmarking recycling practices at field level and developing an expansion plan	✓
<b>3) Helping our employees help the environment</b>	
Educate employees about how to reduce their environmental footprint by providing information and tools, e.g. "FCC Green Meeting Guide".	✓
<b>4) Helping our employees to be safe</b>	
Train employees to be safe via the following training programs: - first aid and CPR - fire extinguisher use - occupational health and safety - defensive driving (also teaches employees how to drive in an environmentally responsible manner)	✓
Research best business practices for bio-security protocols and implement required changes.	✓

## Human rights

### **FCC acts in accordance with human rights standards, including the Canadian Human Rights Act.**

We respect the rights of the individual as stated in the Canadian Human Rights Act: all individuals should have an opportunity equal to other individuals to make for themselves the lives that they are able and wish to have and to have their needs accommodated, consistent with their duties and obligations as members of society.

In all our interactions with customers, employees, suppliers or others, we take human rights very seriously. We have a rigorous code of conduct and ethics in place that is reviewed and acknowledged, in writing, by every employee every year.

The purpose of this Act is to extend the laws in Canada to give effect, within the purview of matters coming within the legislative authority of Parliament, to the principle that all individuals should have an opportunity equal with other individuals to make for themselves the lives that they are able and wish to have and to have their needs accommodated, consistent with their duties and obligations as members of society, without being hindered in or prevented from doing so by discriminatory practices based on race, national or ethnic origin, colour, religion, age, sex, sexual orientation, marital status, family status, disability or conviction for an offence for which a pardon has been granted.

Our Human Rights principle focuses on:

- 1) Ensuring respect and fair treatment

Initiative	Status
Research appropriate initiatives and develop a strategy including the development of partner and supplier relationship guidelines that incorporate CSR practices into requests for proposals.	✓

## Customer focus

### **FCC is committed to customer success. We focus on primary producers as well as suppliers and processors along the agricultural value chain. We provide our customers with flexible, competitively priced financing, equity, insurance, management software, information and learning.**

Our commitment is exhibited by the care we take with each customer, the ease with which they can do business with us and the value they get from all interactions with our employees. We know that the business of agriculture experiences many cyclical fluctuations, and we are ready with products and solutions that support customers through all cycles.

Our AgriSuccess management workshops and seminars help customers gain the skills they need to better manage not only their financial and human resource requirements, but plan for succession as well.






We have two initiatives that help customers during the challenging times. Through our customer support strategy, we proactively contact customers to develop plans to help manage through adversity. We evaluate situations individually and work with customers to defer payments or create flexible repayment schedules.

The FCC Ag Crisis Fund gives employees a mechanism for requesting support for an individual customer facing a difficult time. These situations often result from natural disasters like flooding, tornadoes or drought, or from serious illness, fire or farm accidents.

Our CanadianFarmersMarket.com website is a showcase for customer products in the world's biggest marketplace - the Internet.

Our Customer principle focuses on the following:

- 1) Customer satisfaction;
- 2) Helping our customers to succeed; and
- 3) Showing our customers we care.

Initiative	Status
<b>1) Customer satisfaction</b>	
Report on the Customer Experience Index (CEI) results The CEI target for 2008-09 is 56.36	
<b>2) Helping our customers succeed</b>	
Continue to offer AgriSuccess programs to increase customer management skills, including: - training workshops - learning tours - forums - Ag Day in Canada events - Journal publications - Express electronic newsletters	
Continue to promote customer products online at www.CanadianFarmersMarket.com	
Continue to research needs of young farmers to develop new solutions and sustain existing offerings	
<b>3) Showing our customers we care</b>	
Continue to offer the FCC Ag Crisis fund to customers and rural communities in short-term crisis.	

## 3.0 Corporate Strategy

### 3.1 Strategic issues and business environment

#### Introduction

Powerful trends that have significant implications for service providers like FCC are reshaping agriculture, agri-food and banking. Intensifying climate change and environmental concerns, volatile food and energy prices, changing societal values and consumer demands, disruptive technologies, foreign competitors and power shifts are remaking the industry.

This scan provides insights into the nature of FCC's changing business environment. It is based on ongoing review of a wide variety of information sources including media stories, industry studies and reports, books, journals, company newsletters, corporate websites, conference presentations and expert opinions.

Agriculture will be different in the future. Some say it's now linked to the six f's: food, feed, fibre, fuel, industrial feedstocks and "farm"-aceuticals. There will be real change. Some foresee a bumpy two-decade transition and industry transformation.

Risk and opportunity have increased dramatically. Volatile energy prices are having a significant impact on the entire agricultural value chain. On the other hand, timing has seldom been better for innovation and entrepreneurship to flourish.

#### Demographic shifts impacting future employees and consumers

Today's society is more global and tech savvy. People increasingly make employment and purchasing choices that match their personal values. Business must adapt to these new expectations or it will not have access to the

internationally mobile, technologically savvy employees of the future. Employers will need to offer more flexible working arrangements and fully embrace technology.

These same employees and consumers expect corporations to make ethical decisions and be socially responsible to avoid risking a public outcry and reputation damage.

#### Globalization and agriculture customers

Farming is a technologically advanced and global business. As costs increase, the risks multiply. Producers will become more sophisticated to survive, linking and contracting with suppliers and processors in their value networks instead of relying on spot markets for cash flow.

Canada's red meat sectors (hogs and beef) face tremendous financial pressures from many sources including higher input costs caused by high grain prices, the strong Canadian dollar and new Country of Origin Labeling requirements. The outcomes of World Trade Organization discussions on dairy and poultry, Canada's supply-managed sectors, is unknown. The need for traceability in the supply chain is increasing, demonstrated by the fact that McCain now insists that all of its growers use FCC's FieldManager PRO.

The future will bring a blend of global value networks and local niche-players. Some producers will adapt and be more sophisticated, while others will exit the industry. Enlisting a next generation of producers, including young farmers, immigrants and other entrepreneurs, will be a priority. Time is money to these new farm businesses and financiers who are timely in helping the business be more successful will be their preferred suppliers.

Financing the full agriculture value chain, providing AgExpert production software, sharing industry knowledge and providing an extraordinary customer experience will be even more important to the long-term sustainability of FCC in the future than it is today.



## Products and services

New businesses need capital and one size does not fit all. Producers can manage risk and increase profit in many ways, like forward contracting and growing specialty crops under contract if they have access to the right cash-flow. More sophisticated operators are also people managers that enhance their hiring and training, benefits, pension, risk management and commitment to occupational health and safety.

With new growth comes new opportunities for criminal activity including privacy violations, fraud, money laundering, food safety and security issues and identity theft. Strong risk management, control and audit practices must be in place to detect and prevent financial and reputation loss. Customers expect FCC to have sound business practices for their protection.

The globalization of agriculture brings new competition. Businesses are closely examining what they do and how they do it. There's no such thing as business-as-usual. In the global environment, technology is pervasive and will enable transformation.

## Environment

Farmers have traditionally been committed to sustainable farming practices. Today's consumer demands and rising costs take this concept to a whole new level. Innovative producers are reducing input costs by leveraging renewable resources such as biodiesel and geothermal heating systems. They are co-locating with complementary businesses, generating income by selling energy back to the grid and reducing and re-using waste through biodigesters. Local niche players enhance their farm brand by positioning the organic and environmental advantages.

Financial institutions are operating in more environmentally responsible ways because the public demands environmental stewardship. Some financiers are creating new lending products to support sustainable agriculture practice, dedicating a portion of sales to

environmental causes and providing discounts for energy retrofits or to customers following good environmental practices. In the future, lending decisions may bring increased portfolio risk or environmental liability and carbon credits may be used as security for loans.

## Conclusions

The agriculture industry has entered a period of profound change and transition. FCC expects to continue its important role in Canadian agriculture by focusing on tailored, knowledge-based product and service offerings. Industry restructuring and transition imply changing needs for agri-finance products and services. There are opportunities to create information and training supporting new and young producer entry and operator succession; the expansion and acquisition of farm businesses, equipment, machinery and facilities; automation and robotization; diversification into value-added; green business activity; upstream processing; and marketing. FCC will continue to provide timely and innovative products and services based on the needs of new and evolving agriculture sectors and customers. If agriculture is to position itself for success within an increasingly competitive global environment, other issues will require attention.

### 3.1.1 Global economic crisis

The United States banking crisis related to sub-prime lending has expanded into a full blown economic crisis. There is instability in financial systems around the world, with central banks now attempting to stimulate their economies. Financial institutions globally are finding it difficult to access funding, capital and readily available cash. This is leading to tighter credit standards and an international economic downturn.

Canadian banks have, for the most part, avoided these difficulties. However the cost of funds has increased for Canadian banks relative to the Government of Canada benchmark, they have



lost capital and they are having more difficulty in securitizing assets.

No one can predict how long this downturn will last. The effects of this crisis on agriculture and agribusiness could include a decline in global demand for agricultural products, and deflation and loss of equity in owned assets.

Since the U.S. is Canada's main trading partner for agricultural exports, especially for hogs, beef, greenhouse produce and forestry products, how this downturn affects the U.S. could have significant impacts on Canadian agriculture.

### Agricultural industry observations

Recently FCC has observed:

- The prices for livestock, grains, oilseeds and specialty crops are highly volatile. These prices have fallen dramatically compared to record highs in summer 2008.
- The volatility in oil prices is higher than normal. These prices have also fallen dramatically compared to summer 2008. This may result in agricultural input cost reductions and decreased demand for grain crops as inputs for biofuel production.
- The volatility in exchange rates is higher than normal. The value of the Canadian dollar has fallen over the last few months. A lower Canadian dollar encourages export demand for Canadian products and somewhat tempers the effect of declining world prices.
- Availability of credit from banks and other financial institutions is becoming more difficult for some agricultural customers.

### Impacts and implications for agriculture

- Primary producers will face tighter margins as input prices remain high while commodity prices have fallen.
- The impact on livestock producers will be high since there will be lower global demand for meat products. However, feed costs will be lower.

- The impact on crop producers will be moderate as they face reduced margins. They hold substantial land assets and may find it easier to obtain credit compared to other primary producers.
- The impact on commodities under supply management will be low as they do not rely on the export market.
- There will be a significant impact for agricultural processors as they face slowed economic growth domestically and abroad.
- Scrutiny of perceived high food prices will continue.
- Volatile markets will make risk management practices even more important and challenging.

### Credit availability for agriculture

Many of the suppliers, producers and processors involved in the agriculture value chain finance their operations with credit. Domestic and foreign end users utilize credit to purchase agricultural products. Even if the banking system remains stable in Canada, foreign buyers may not be able to access adequate credit. If credit availability is restricted, every element of the value chain is impacted, including FCC's customers.

FCC customers will continue to obtain operating credit through their current financial institutions and suppliers such as crop input and feed companies. Many suppliers have formed referral alliance partnerships with financial institutions such as Farm Credit Canada to provide operating credit facilities. We expect that financial institutions and input suppliers will be stricter with their credit, and may charge higher interest rates if they see risks increase due to greater volatility in the marketplace and a forecast of tighter margins. More producers may take advantage of the Agriculture and Agri-Food Canada's Advance Payment Program, which provides cash advances on the value of their produce.

## Implications for FCC

Since the situation is still unfolding, it is very difficult to identify or predict the implications.

FCC is well positioned to respond to market challenges such as these. FCC is financially healthy, with a strong balance sheet. We have a low level of debt in comparison to our equity and have a significant reserve fund for credit losses. We are insulated from liquidity problems in the capital market because we borrow directly from the federal government.

For FCC to sustain its success, our customers must be successful. Anything that decreases a customer's profit can impact their ability to repay existing loans and to obtain new credit for growing their businesses. Possible outcomes as the situation evolves that might negatively impact FCC's success include:

- more intense competition for the top-end customers
- changes to the cost and availability of operating capital through the banks, resulting in an inability for customers to meet short-term financial obligations
- continued slowing of the Canadian economy, which may result in reduced cash receipts for agricultural suppliers, producers and processors, declining asset values and changes to loan-to-security ratios

Other possible outcomes that could enhance FCC's results include:

- less intense competition for the low to middle-end customers
- more demand for FCC loans from customers having difficulty accessing credit elsewhere
- less pressure on interest rate pricing, especially for higher risk situations

At this stage of this downturn, FCC continues to experience strong lending opportunities and minimal pressure on the loan portfolio. Indicators of portfolio health remain strong with no notable indication of deterioration in credit quality.

New and existing customers may make more requests for loan products that could be used for operating credit, such as FCC's Advancer or AdvancerPlus products. There may be more requests for fixed rate rather than floating rate loans. As the availability of credit tightens, there may be the need for interest rate premiums to offset additional credit risk.

FCC will continue to do business as usual, while being extra vigilant about operating in the current economic environment. Staff will make sound lending and pricing decisions that balance customer needs with the need for FCC to preserve its long-term viability. They will exercise good judgment in assessing creditworthiness of customers and lending opportunities, including security valuations and income projections. They will also monitor the financial health of existing customers, since market issues may result in changes to their risk profile.

FCC anticipates that the next two to three years will continue to see growth in loans and a relatively stable allowance for loan losses, and has reflected this anticipation in the Financial Plan. Depending on how the economic crisis unfolds, however, the number and amount of arrears, defaults and impaired loans may increase beyond current expectations. In the interim FCC will continue to use sound lending and management practices to mitigate any potential adverse financial impacts.

## 3.1.2 Economics, business and trade

### Macro trends

**Globalization:** The world's national economies are becoming more integrated and interdependent, creating positive and negative impacts.

**Trade:** Globalization has led to integrated, global supply networks and changes in the movement of goods, services and investment.

**Export risk:** Globalization creates new risk in managing currencies that are affected by fluctuations in other countries.

**WTO:** Doha round trade negotiations have not as yet reconciled the competing demands of developed and developing WTO nations, especially those related to tariffs and trade access for agriculture products.

**BRIC:** In recent years, economic growth in the BRIC countries (Brazil, Russia, India and China) has clearly exceeded that of developed nations, creating a new dynamic in the global economy.

Asia's increasingly affluent middle class is eating more plant and animal protein, helping to push farm commodity prices to record levels. In 2006, Canada's agri-food exports to China and India totalled more than \$1B. The total market for food, beverages and tobacco in India and China is expected to reach U.S. \$828B by 2025.

**Green business:** Responding to the environmental movement, business is adopting environmentally friendly policies, products, services and business models. Investment in clean technology is on the rise.

**Alliances and mergers:** Pursuing economies of scale and other advantages, agribusiness firms are merging or forming strategic alliances, resulting in increased industry concentration.

#### Impacts and implications for agriculture

Canada's historic advantage producing bulk commodities for foreign markets is shifting to low cost producers like Brazil and Ukraine. Canada's products enjoy a strong reputation in some international markets and lack brand recognition in others. Addressing this will be important if Canada is to secure a stronger competitive footing in the global marketplace.

Some observers believe record commodity prices, high rural equity values and new investment is creating a window for rural

renewal. Growing demands for renewable energy and bio-based industrial materials are industry opportunities.

A growing segment of agriculture is integrating with global value networks dominated by multi-national agribusiness, others are organizing to meet local and regional demand for energy, biomaterials, feed and specialized food production.

#### Implications for banking and FCC

**New products:** Increasing business size and complexity and challenges related to international marketing are creating a growing demand for specialized expertise, consulting and other business management services such as risk management, human resource management and hedging.

**Knowledge:** With significant, multiple changes occurring in the agriculture industry within a global context, it is increasingly important that customers and employees understand the implications and plan accordingly for success.

### 3.1.3 Environment and natural resources

#### Macro trends

**Climate change:** There has been an increase in weather extremes and that may be linked to more frequent droughts and floods.

**Global oil peak:** Some believe that we are approaching a peak in global oil production. Global demand for oil is growing while oil reserves are shrinking and becoming more costly and difficult to exploit. Low-cost, efficient energy substitutes are not yet widely available, so a difficult transition to the next phase of energy can be expected. Many nations are competing for energy security.

**Loss of bio-diversity:** As plant and animal species are lost, there is increasing concern about healthy ecosystems, a healthy planet and the loss of plant genetics as raw material for medicines.

**Water deficit:** Some believe that the planet will have a vast fresh water deficit characterized by shrinking lakes, dropping water tables and rivers that are drying up.

**Soil sustainability:** There is a general decline in soil quality caused by loss of organic matter, wind and water erosion, and prime agriculture land being lost to urbanization. At the same time, demand for food is escalating.

#### Impacts and implications for agriculture

Climate change means increased risks in agriculture production. In response, companies are aggressively working to develop innovations such as drought-resistant crops.

Competition between agriculture and other water users is intensifying. The agriculture industry can expect more water constraints, allocations and increased price. Combined with a loss of productive soil and increasing demands for food, agriculture must be more productive.

Volatile transportation and energy costs directly and significantly impact prices for agricultural inputs. Climate change and other environmental concerns create demand for agriculture-based production of biofuels and biomass for other industrial uses.

#### Implications for banking and FCC

**Social policies and practices:** Financial institutions are operating in more environmentally-responsible ways. Some lenders dedicate a portion of sales to environmental groups.

**Green lending:** Some banks are opening branches dedicated to lending for green

businesses with loans that feature discounts for energy retrofits or environmentally-friendly features. For others, poor environmental factors are conditions of borrowing.

### 3.1.4 Governance, policy and regulation

#### Macro trends

**Biofuels:** In July 2008, Brazil and European Union leaders jointly urged the creation of an international market in sustainable biofuels – one that requires producers to meet strict global standards for environmental, labour and social impact.

**Bill C-33:** In June, Bill C-33 was passed by Parliament, establishing the bio-ethanol content for gasoline at five per cent and diesel content at two per cent by 2010 and 2012 respectively.

**U.S. farm bill:** In May, the U.S. Congress passed a farm bill priced at \$289 billion. As part of the farm bill, a new program – called Average Crop Revenue Election (ACRE) – was announced that links subsidies to recent record prices and also contains more than U.S.\$1 billion biofuel and bioenergy provisions. Section 9009 supports community-wide renewable energy systems.

**The U.S. Energy Independence and Security Act (2007):** This act mandates that biofuels will account for at least 36 B gallons of motor fuel by 2022, allowing for 15 B gallons from corn kernel starch while 21 B must come from next generation feedstock like corn stalks, switch grass, wood chips and algae.

**U.S. Country of Origin Labelling (COOL):** As of September 30, COOL is required for all meat raised, slaughtered or processed outside the U.S. Canada's beef and pork sectors are concerned that U.S. packers and consumers will discriminate against Canadian meat products and prefer to buy local.



**Energy strategy and carbon policy:** British Columbia's 2008 budget levies a carbon tax on fuels. Provincial regulations could appear and impact businesses working across borders.

**Growing Forward:** Federal, provincial and territorial ministers of agriculture reached agreement on the Growing Forward policy framework in July 2008. The framework encompasses \$1.3 B in existing funds for non-business risk management and cost-shared programs over five years, complementing the new suite of BRM programs launched in April 2008. Bilateral agreements and new programming are to follow by April 1, 2009.

**G8 Summit:** In June 2008, member nations discussed elevated oil and food prices, global inflationary pressure, stability of financial markets and protectionism. They agreed to cutting world greenhouse gas emissions by at least 50 per cent by 2050.

#### Impacts and implications for agriculture

International and national responses to globalization, technological change, consumer trends and advocacy will drive changes in policy and regulatory environments. The key issues are food security, humane animal care, climate change and environmental responsibility, consumer health and food safety and international trade.

Global pressure to abandon grain-based biofuel production such as wheat and corn is speeding up the shift to next generation feed stocks. A streamlined regulatory approval process is important to the international competitiveness of Canadian agriculture. Right now, separate regulatory processes exist for health, agriculture and other sectors. An integrated regulatory environment will support innovation and leadership in food, nutraceuticals and cosmeceuticals.

Reforms to "made in Canada" food labels could stimulate increased domestic demand and invite local marketing of food products.

#### Implications for banking and FCC

**Lending:** Those seeking to reduce heating costs, improve fuel efficiency or reduce other inputs costs may need loans to finance the retrofits and upgrades or new technology or machinery. Producers who want to brand their products may need financing for new product development, external consultants or expansion. Financing for second generation biofuel production or bio-refinery development will likely be required. The federal government's Growing Forward policy framework will stimulate innovation and entrepreneurship with a focus on rural renewal, leading in turn to a demand for new lending.

### 3.1.5 Science and technology

#### Macro trends

**Knowledge-based economies:** Leadership in science and technology now equals economic growth and international competitiveness. Canada is traditionally known as a commodity and resource-based economy.

**Genomics:** Advances in genomics will change diets, food engineering, health management, disease prevention, diagnosis and treatment.

**Nanotechnology:** Nanotech controls elements at the atomic and molecular scale level such as a gold nanoparticle rather than a gold brick. This technology will give us new products, services and processes in manufacturing, water, energy, healthcare, computing and packaging.

**Robotics and automation:** Technology advancements and labour shortages are increasing the demand for robots. This shift requires access to capital and employees with more advanced skills.

**Information technology (IT):** Computing and the worldwide web will be more powerful in the next decade. Radio frequency identification and Global Positioning Systems (GPS) are two technologies that are changing supply networks.

**Energy:** The energy sector is restructuring, focused on distributed power grids and diversified resources, including alternate and renewable energy.

### Impacts and implications for agriculture

According to Agriculture and Agri-Food Canada, “Science and innovation are the cornerstones of efforts to make the Canadian agriculture and agri-food sector the world leader in food safety, innovation and environmentally responsible production and to support its future success and prosperity (based on) new industrial, health and nutritional products obtained from plants, animals and micro-organisms.”

Agriculture now includes bio-products, energy and eco-services. The shift to a distributed power grid will present new economic opportunities for producers and rural economies.

The continued integration of IT with agriculture production will bring improved disease detection, increased consumer awareness, efficiency in farm input use and increased management productivity.

Agriculture production and processing can look for zero waste and net zero energy consumption through the creation of business ecosystems where waste from one business feeds the needs of energy or raw material by another.

Agriculture can expect continued controversy about the application of technologies inside and outside the industry. There are demands to pay attention to concerns for the impact on people, sustainability of the environment and the need to preserve the integrity of different food systems.

### Implications for banking and FCC

**Management sophistication:** Technology facilitates the management of increasingly larger enterprises and this demands increased management capacity and sophistication. Management risk increases accordingly for lenders. FCC can play a role in increasing the sophistication of farm managers through education workshops and information.

**Significant capital needs:** New businesses, expansions and diversifications into new eco-agriculture businesses, equipment and machinery retrofits, equipment upgrades and investment in producer-owned processing and marketing facilities will need significant capital.

## 3.1.6 Society and demographics

### Macro trends

**World population:** The United Nations has revised its year 2050 population forecast to 9.2 billion people because of increased births and longevity.

**Global consumers:** The Nexus generation, born 1975-1990, sometimes called Gen Y or Millennials, are generally more socially conscious, global-oriented and technology-savvy. They demand products and services that match their values, champion the environment, value experiences versus things and make trade-offs that buy more time.

**Global connectedness:** Increased world travel and immigration bring new disease threats to people and livestock, elevating concerns about pandemic outbreaks and the potential impact on human health and economies. Security and traceability is a cost of doing business.

**Criminal activities:** Personal information resides in multiple databases. Organized crime, hackers and forgers can seize control causing identity theft, fraud, and related hardship and economic losses. Consumers are demanding that corporations protect their personal data.

**Health costs and policy:** With longer life expectancy, aging nations face the escalating costs of health care.

**Information technology (IT):** There is a trend toward increasing global Internet connection and increased IT integration with the lives of individuals, families and work.

**Multiculturalism:** Doing business globally means working cross culturally – for example, other countries possess different values around debt.

#### Impacts and implications for agriculture

Using sustainable practices, agriculture will adapt and increase production to serve a larger market with different, individual needs. This will require security, traceability and full understanding of the value chain. In some cases, adding value may be as simple as adding more information to a label. In others, it will require the new processes or new value chains.

The nature of agriculture is changing as consumers demand more environmental stewardship, animal rights and pesticide-free products, while seeking farm fresh and organic products. There will be a need for new value networks and marketing approaches.

Disease risks to people and agriculture businesses and sectors are growing threats that need vigilance to guard against terrorist attempts targeting food systems.

With global food shortages and increasing hunger, public acceptance of grain-based biofuel production is unknown.

#### Implications for banking and FCC

**Intergenerational succession:** There is significant opportunity to offer transition services and convenient, full-service succession packages.

**Criminal activity:** A world without borders allows entry to everyone, including criminals. International terrorists and gangs are using mortgages as new way to launder cash. Banks are responding with stronger authentication policies, controls and procedures.

**Privacy and information security:** Customers are particularly concerned with the security of their personal information. Financial services are responding to the heightened need.

## 3.2 Agriculture overview

Overall, the financial landscape for Canadian agriculture has improved. In 2007, grain and oilseed producers across the country saw considerable increases in profitability. Profits for dairy and poultry producers remained stable, while cattle, hog, potato and vegetable producers, as well as businesses that process and export agricultural products, all saw profits decline.

Most input costs, with the exception of fertilizer, are expected to remain relatively stable or increase slightly over the next year. Therefore, it is expected that profitability will remain good for grain and oilseed producers, stable for dairy and poultry, and low for potato and other vegetable producers as well as value added processors. Profit margins are expected to improve for cattle and hog producers.

#### Farm succession planning

According to Statistics Canada, the average age of farm operators decreased by 5.5% between 2001 and 2006. Between 2001-02 and 2005-06, the number of FCC customers aged 36 to 45 decreased, while those aged 46 to 55 increased. In 2007, about 62 per cent of FCC customers were over 45. Operators aged 55 years and older hold \$86 billion in assets, over half of all assets of the agriculture sector. In 2006, the median age of retirement for farmers was 66. An

estimated 23,000 producers will exit agriculture in the next five years.

Independent business owners tend not to retire at age 55, so there is a need for most farms to transfer ownership over several years, creating an opportunity for succession products and services. Large operations may involve an extended family and this can be challenging. Retiring producers may seek to create value from their assets so they can retire comfortably. The next generation of producers may not be able to finance the full value of a farm and large down payment requirements with sufficient cash flow can be daunting for young farmers.

### International Trade

Canada's agricultural trade balance was \$9.3 billion in 2007, a 38 per cent increase over 2006. Canada's largest agricultural trading partners are the U.S. and Japan, followed by the European Union. In 2007, agricultural exports to the U.S. were \$6.4 billion, \$1.6 billion to Japan and \$1.4 billion to the European Union.

The Canadian dollar traded around par to the US\$ from October 2007 to August 2008. This had a negative effect on the competitiveness of all exported agricultural commodities, with the biggest impact on livestock and vegetables. In September 2008, the value of the Canadian dollar began to drop. In November 2008, strategists at Merrill Lynch commented that the currency markets are not gauging fundamentals during the crisis, but are serving as a measure of the fever hitting the global financial sector. Analysts have also said that extreme currency volatility has become the next phase of the global financial crisis and predicting where they will head next is almost impossible.

Negotiations continue in the Doha round of World Trade Organization (WTO). Member countries remain unable to reach an agreement. If an agreement is reached, we expect that Canada will achieve greater market access for agricultural products. Canada is seeking to retain existing tariff protection for supply managed products.

The U.S. Government continues to finalize the implementation of the Country of Origin Labeling (COOL) legislation. The intent of the retail labelling program is to provide consumers with additional information on which to base their purchasing decisions.

However, Canadian pork and beef producers remain concerned about the negative impacts of the legislation. Canadian stakeholders will be carefully assessing the market and trade impacts as COOL is fully implemented.

### Farm Revenue and Expenses

Statistics Canada reported total market cash receipts hit a record high in 2007. This was led by a 25 per cent increase in crop receipts which offset small declines in cattle and calves (2.8 per cent), hogs (2.5 per cent) and other livestock (6.3 per cent) cash receipts. Dairy and poultry/egg cash receipts saw increases of 7.5 per cent and 10.6 per cent respectively.

In 2007, the Farm Product Price Index (FPPI) for crops increased 19.4 per cent over 2006 and was 11.5 per cent higher than the 2002 to 2006 average. The total livestock FPPI had a marginal increase of 0.4 per cent over 2006 and 1.1 per cent over the five-year average. Cattle and hogs had declines in the index, while poultry/eggs and dairy had increases. In 2008, the Farm Product Price Index for cattle and hogs rose, but remains below last year's levels and five-year average levels. The FPPI for grains and oilseeds has continued to rise.

Although Statistics Canada information shows that farm products have risen in value, input costs have also risen. Input costs for fertilizer, fuel, labour, feed and seed reached record highs in the summer of 2008 but have since fallen. Fuel and fertilizer make up approximately 15 per cent of total Canadian farm expenses.



Land prices and land rent are also on the rise, partly due to increased demand from producers and investors.

### Grains and Oilseeds

Prices of grains and oilseeds began to rise in the fall of 2006 and have set record highs with unprecedented volatility. Higher prices can be attributed to low global stocks, greater demand for biofuels and greater demand from developing countries, especially China and India. Increased volatility is due to greater speculator participation in the markets augmented by reaction to weather events induced by tight world supply levels. Increased volatility and higher basis levels have reduced the options producers have to forward price.

Input costs, especially fuel and fertilizer, have also increased dramatically between June 2007 and January 2009. There are also issues of availability of supply, especially for fertilizer. Although margins are expected to generally be positive for the 2008 crop, margins for 2009 are uncertain. If prices remain relatively high compared to the past, margins should continue to be positive despite higher input costs.

Producers are bearing more risk as they are committing to inputs over a longer planning horizon, while the tools typically used to lock in crop prices are less effective. This puts a strain on cash flow and increases the need for input financing and marketing skills to manage the volatile commodity price swings that are expected to continue through this crop year and beyond.

### Beef

The Canadian beef industry experienced tight margins in 2008, with higher feed costs and lower prices. The high Canadian dollar, combined with lows in the price cycle and additional transportation and export costs have reduced prices. As a result, margins have been negative for feedlots and marginal for cow-calf operations.

The beef packing industry in Canada is also suffering, with low utilization levels reducing efficiency and profitability. Packers are facing increased costs due to legislated requirements to satisfy Specified Risk Material regulations that were brought about as a result of BSE.

### Pork

The pork industry in Canada faced unprecedented challenges in 2007 and 2008. Low hog prices, combined with higher feed and transportation costs, have lowered margins to the point where most producers have faced negative margins for 18 months or more. This has contributed to a reduction in the Canadian hog herd. The federal Cull Breeding Swine Program has provided financial assistance to hog producers downsizing or exiting the industry since November 2007. Various provincial programs provide advances or loans, and in some provinces direct payments to producers.

Consolidation in the hog processing industry continues. With fewer plants in Canada, producers have fewer marketing choices and higher transportation costs.

### Poultry

Despite higher feed and other input costs, poultry margins remain fairly consistent due to the fact that it is a supply managed commodity. Producer margins have been running near the five-year average.

In September 2007, Avian Influenza was discovered in a Saskatchewan barn. The affected barn was depopulated and sanitized, and there were no serious ramifications on the Canadian poultry industry.

Despite a seemingly high tariff rate for table eggs over the past three years, there have been brief periods where the world price plus the tariff and the currency exchange has remained below the domestic price. In today's environment, there is little room to raise

Canada's table egg price and effectively control imports. If there is a reduction to Canada's tariff protection, it could lead to lower prices for Canadian producers.

## Dairy

Milk prices have risen and despite higher feed and other input costs, profit margins for Canadian dairy producers remain stable as a result of supply management. While overall milk production has been trending higher, on a per capita basis consumption levels have been trending lower. Per capita consumption of fluid milk (fluid milk and cream) as well as some industrial milk products (butter, skim milk products, and condensed and evaporated milk) have declined from 1997 to 2007, putting downward pressure on domestic prices. However, over the same ten year period per capita consumption of other industrial products (cheese, yogurt and ice cream) has increased. Domestic milk prices are higher than the world price and a WTO agreement that reduces Canada's tariff protection may put additional downward pressure on domestic prices.

## Biofuels

Canada's current ethanol production is approximately 995 million litres per year, with an additional 62.5 million litres of capacity under construction, for a total of 1.62 billion litres per year. Biodiesel production is 97 million litres per year, with 225 million litres per year under construction for a total of 322 million litres per year.

In June 2008, the Canadian government passed the Renewable Fuel Bill, which requires approximately two to three billion litres of renewable fuel per year. The U.S. and other countries subsidize their biofuel industries to encourage production. Canada also provides support through various initiatives.

Demand from the biofuels sector will positively influence commodity prices for the next three to five years. Eventually, the increased use of cellulosic production will at least be partially

able to satisfy the feedstock demand. In the short to medium-term, FCC's grain and oilseeds producers will benefit from higher commodity prices, while livestock producers will face higher feed costs.

## Other

Forestry and greenhouses were among the agriculture operations negatively affected by higher-than-usual input prices and the strength of the Canadian dollar. In addition, the collapse of the sub-prime mortgage market has reduced lumber demand from the U.S. housing market. Softwood lumber prices reflect this reduced demand.

Consumer confidence in tomatoes was reduced when a salmonella outbreak raised concern in June 2008. The cause of the outbreak was eventually attributed to hot peppers grown in Mexico; however, the tomato industry was negatively affected by reduced demand while the investigation took place.

## Farmland values

Farmland values increased across the country by an average 5.8 per cent between January and June 2008. This is the second highest percentage increase since 2000, although it is lower than the 7.7 per cent increase in the last six months of 2007.

Alberta showed the highest at 6.7 per cent. Manitoba follows closely with an average 6.2 per cent increase. Three provinces experienced a similar percentage increase: Saskatchewan (5.6), Quebec (5.5) and Nova Scotia (5.2). Ontario values went up 4.6 per cent, while British Columbia's farmland values increased 3.0 per cent during the first six months of 2008.

Newfoundland and Labrador farmland values remain the same.

New Brunswick showed a decrease of 0.3 per cent and Prince Edward Island decreased 2.4 per cent.

### 3.3 Financial services industry

FCC operates within the Canadian financial services industry. The agricultural market is served by chartered banks, credit unions, provincial lending agencies, equipment manufacturer financing programs and independent financing institutions. New lenders are also entering the marketplace.

The main players nationally are Farm Credit Canada, the chartered banks and credit unions.

Canada currently has six major chartered banks in addition to:

- 22 domestic banks
- 50 foreign bank branches and subsidiaries
- 35 trust companies
- over 70 life insurance companies
- over 1,000 credit unions and caisses populaires

Federal and provincial government programs that serve agriculture include:

- ATB Financial (formerly Alberta Treasury Branch)
- Agriculture Financial Services Corporation (AFSC)
- La Financière agricole du Québec
- Manitoba Agricultural Services Corporation
- Nova Scotia Farm Loan Board
- P.E.I. Lending Agency

In terms of the chartered banks' focus on agriculture in 2007, RBC's AgProduction portfolio was \$5.4 billion (restated), Scotia Bank \$3.8 billion, BMO \$3.5 billion, CIBC \$2.9 billion, TD \$2.5 billion and National Bank \$2.0 billion.

Prepayments to other financial institutions indicate the degree to which other financial institutions attract business away from FCC. Nationally, 2007-08 competitor prepayments were \$173.9 million, up slightly from 2006-07 (\$165.9 million). However, as the portfolio has grown, competitor prepayments have fallen

slightly from 1.24 per cent to 1.17 per cent of principal not due (PND). The highest amount of prepayments for 2007-08 was from the credit unions at \$31.8 million.

Market share of Canadian farm debt outstanding as at December 31, 2007, shows the chartered banks holding 41.2 per cent, Farm Credit Canada 24.4 per cent and the credit union and caisses populaires 17.2 per cent.

As publicly traded companies, the six major chartered banks must return value to their shareholders in the midst of increasing foreign bank competition. As a result, there is increased focus to improve efficiency ratios. In 2007, the six major banks reported efficiency ratios between 56 per cent and 77 per cent. Although calculated differently, these percentages are well above Farm Credit Canada's efficiency ratio of 44 per cent.

Credit unions differentiate themselves from the chartered banks on many of the same attributes as FCC. Recent credit union mergers have taken place to allow for an expanded range of product and service offerings, increased integration, better overall service, and enhanced capital efficiency.

#### Credit unions and caisse populaires

At the end of 2007, there were 1,059 credit unions and caisse populaires, with \$209B in assets. This represents a decline of 18 per cent from March 31, 2003 due to amalgamations; however, the system is still maintaining its number of locations in Canada with a decline in the number of branches over the same time period being four per cent.

Retail credit unions cannot merge across provincial borders due to regulation. However, credit union centrals have been allowed to merge.

Concentra Financial, owned by Credit Union Centrals in Alberta and Saskatchewan, is the first financial institution within the credit union

system to be granted regulatory approval to operate across Canada because of its unique ownership structure. Credit Union Centrals in British Columbia and Ontario have voted to merge to serve credit unions across the country. Other financial institutions may view these larger businesses as attractive business partners.

In Alberta, the Red Deer Community Savings, Lloydminster Commonwealth and Edmonton Servus credit unions have voted to merge, creating the first province-wide credit union in Canada. The new credit union will be the third largest in Canada and opens for business November 1, 2008.

Affinity Credit Union in Saskatchewan has completed a merger with FirstSask and Nokomis Credit Unions. The newly formed institution holds \$1.6 B in assets and ranks number 13 among other Canadian credit unions.

Foreign financial institutions such as Rabobank have indicated a desire to become more active in Canada, showing a particular interest in the AgValue and venture capital markets, and alliances. Rabobank has a primary focus on agriculture financing and has been very successful in expanding to countries such as

Australia, New Zealand and the United States.

### Competitors have their eye on transition opportunities

National Bank offers the services of tax specialists, notaries, appraisers and agronomists to producers during the farm transfer process. They also promote separate business transfer services to other commercial customers.

Scotiabank offers a farm succession program called Scotia Farm Legacy Services including banking, investment and estate planning services and a Scotia Farm Legacy Mortgage for farm transfers.

La Financière agricole du Québec has business transfer services, including a buyer-seller program for farmers who want to gradually transfer ownership of their farm and for new farmers who want to purchase a farm.

Desjardins' farm succession services include the advice of agriculture lending specialists and lending products to guide farm transfers. They promote La Financière agricole du Québec's buyer-seller program, which benefits the seller and the buyer of the farm.

#### FARM DEBT OUTSTANDING - (\$ thousands) as at December 31, 2007

	2003	2004	2005	2006	2007	2006-07 % Change	2003-07 % Change
<b>Debt</b>							
1) Chartered banks	20,730,691	21,173,621	21,444,677	21,783,785	22,311,109	2.42%	7.62%
2) Farm Credit Canada	8,914,629	9,966,453	10,973,179	12,054,469	13,250,652	9.92%	48.64%
3) Business Development Bank of Canada	28,645	30,898	29,552	28,488	33,368	17.13%	16.49%
4) Credit unions	7,657,633	8,106,522	8,545,891	8,931,133	9,342,949	4.61%	22.01%
5) ATB Financial	1,509,363	1,427,983	1,446,497	1,462,638	1,437,661	-1.71%	-4.75%
6) Provincial government agencies	1,527,606	1,481,584	1,527,997	1,542,719	1,564,160	1.39%	2.39%
7) Insurance, trust companies and/or other	561,084	635,372	568,698	516,897	593,355	14.79%	5.75%
8) Machinery & Supply companies	1,655,478	1,446,956	1,521,077	1,694,775	1,603,942	-5.36%	-3.11%
9) Private individuals	3,452,099	3,815,828	3,221,695	3,240,704	3,072,885	-5.18%	-10.99%
10) Advance Payment Programs	605,262	652,446	770,712	883,440	988,555	11.90%	63.33%
<b>Total debt outstanding</b>	<b>46,642,490</b>	<b>48,737,663</b>	<b>50,049,975</b>	<b>52,139,048</b>	<b>54,198,636</b>	<b>3.95%</b>	<b>16.20%</b>
<b>Market Share</b>							
1) Chartered banks	44.45%	43.44%	42.85%	41.78%	41.17%	-0.61%	-3.28%
2) Farm Credit Canada	19.11%	20.45%	21.92%	23.12%	24.45%	1.33%	5.34%
3) Business Development Bank of Canada	0.06%	0.06%	0.06%	0.05%	0.06%	0.01%	0.00%
4) Credit unions	16.42%	16.63%	17.07%	17.13%	17.24%	0.11%	0.82%
5) ATB Financial	3.24%	2.93%	2.89%	2.81%	2.65%	-0.15%	-0.58%
6) Provincial government agencies	3.28%	3.04%	3.05%	2.96%	2.89%	-0.07%	-0.39%
7) Insurance, trust companies and/or other	1.20%	1.30%	1.14%	0.99%	1.09%	0.10%	-0.11%
8) Machinery & Supply companies	3.55%	2.97%	3.04%	3.25%	2.96%	-0.29%	-0.59%
9) Private individuals	7.40%	7.83%	6.44%	6.22%	5.67%	-0.55%	-1.73%
10) Advance Payment Programs	1.30%	1.34%	1.54%	1.69%	1.82%	0.13%	0.53%
<b>Total market share</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		

### 3.4 Enterprise Risk Management

Enterprise Risk Management (ERM) creates a common understanding of risk, provides a framework to comprehensively identify risks and risk interdependence, and ensures risk management practices are appropriate to meet customer needs and shareholder expectations.

The Enterprise Risk Management business unit facilitates a comprehensive view of risk across the organization and ERM is incorporated in the strategic planning process. The ERM function

facilitates the assessment and ranking of significant risks identified by management, and supports business units in developing actions to address business risks while enhancing FCC's ability to capitalize on developing opportunities.

In the fall of 2008-09, FCC senior management identified the following enterprise risks as requiring additional attention to ensure they are properly scoped, assessed and managed:

Risk Summary	Description
Changes in market/economic conditions	Market and economic conditions negatively impact FCC (e.g. commodity prices, weather, disease, health issues, trade issues).
Credit risk at the loan and portfolio level	FCC customers are unable to fulfill their contractual obligations or FCC has a significant imbalance in the risk-reward relationship in our loan portfolio.
Inadequate risk and control framework	Reputation damage and/or financial loss due to undefined risk tolerances, lack of clear accountabilities or ineffective internal control mechanisms.
Customer sophistication exceeds staff capabilities and the inability to grow knowledge	Inability of FCC employees to stay ahead of the competition as industry specialized knowledge advances and customers increase their sophistication about the business of agriculture.
Inability to attract and retain employees and to create the desired employee experience	Increased competition for skilled workers and the inability to engage employees so they want to stay at FCC and do their best.
Capacity to execute major new initiatives	Inability to allocate enough resources (people and dollars) toward strategic initiatives because of limited resource supply and the need to focus on numerous business-as-usual-activities.
Fraud	Reputation damage and/or financial loss due to fraudulent activity committed by internal or external parties.
Failure to deliver the brand promise/ the desired customer experience	Failure to sustain and reinforce foundational standards for the key customer touch points that will allow FCC to deliver a consistent, valuable, intentional and differentiated customer experience each and every time.
Business process and technology transformation	Inability to deliver the information technology transformation program on time, budget and scope, which negatively impacts the desired customer and employee experience objectives.
Brand reputation damage caused by information security or privacy breach	An event negatively impacts FCC's reputation or brand caused by unauthorized disclosure of private customer, employee or business information or that FCC, without proper authorization, collects, uses or discloses personal information concerning customers or employees.



Watch list	
Business disruption	Major impact on time-critical business processes due to significant disruptive events such as power outages, natural disasters, accidents, acts of sabotage or pandemic.
New and changing competitors	Losing customers and market share to new competitors (e.g. Rabobank, Wells Fargo) and changing competitors (e.g. Credit Unions, banks) pursuing FCC's customers.

## 3.5 Vision

### FCC Vision statement

**FCC's long-term vision is:** Visionary leaders and trusted partners in finance and management services tailored to agriculture – leveraging our people's specialized knowledge and passion to create an extraordinary customer experience.

## 3.6 Strategic planning process

The FCC strategic planning process engages the Board of Directors and the Senior Management Team to develop the corporation's business strategy. This process includes reviewing the operating environment; establishing the future direction, objectives and success measures; assessing the current state and developing strategies and initiatives to move FCC towards its vision. The plan is cascaded to employees through divisional planning, and is incorporated in annual team and employee objectives.

This corporate plan is an output of the strategic planning process, outlining how the corporation will achieve its vision, mission, and value proposition.

The main components of the corporate plan include:

- The **public policy role, vision, mission, value proposition, values and cultural practices** outline the corporation's desired future, purpose, what FCC offers customers and how it expects employees to behave with colleagues and customers.
- **Strategic themes**, which represent FCC's key areas of focus and high-level desired outcomes.
- **Strategic objectives**, which span a three- to five-year time frame and represent the outcomes required to realize the strategic themes.
- **Performance measures and targets** demonstrate how FCC will determine success against the strategic objectives and themes. Targets represent key milestones over the five-year period.
- **Strategic initiatives** are actions that will enable FCC to achieve the measure targets and strategic objectives.
- **Financial Plan** explains the projected financial results as well as the major underlying assumptions used in the projections.
- The **strategic issues and business environment**, which identifies future trends and current impacts for FCC and the Canadian agriculture and agri-food industry.

### 3.7 Strategy Map 2009-14

This corporate plan identifies corporate strategic objectives for the next five years and initiatives for 2009-10 that will start the progress towards meeting those objectives.

Strategic Theme	Commitment to agriculture	Financial Strength	Customer Experience	Efficiency and Execution	Culture and Employee Experience
Description	<i>FCC is known as "the" place to obtain financial products, knowledge and services tailored to agriculture. FCC is also known as a strong corporate citizen</i>	<i>FCC is financially viable and self-sustaining in the long term, while investing significantly in the agriculture industry</i>	<i>Customers are passionate advocates of FCC</i>	<i>FCC makes it easy for customers and employees to do business</i>	<i>FCC is an employer of choice with a high-performance culture and strong employee engagement</i>
Corporate strategic objectives	<ul style="list-style-type: none"> <li>Significant investment in initiatives that enhance producer and agribusiness success (education, awareness, knowledge)</li> <li>Aggregated knowledge and innovations impacting agriculture industry (sense making for industry)</li> <li>Fully implemented Corporate Social Responsibility program (including championing the environment and employees recognized as strong rural community leaders)</li> </ul>	<ul style="list-style-type: none"> <li>Profitability framework targeting portfolio growth, risk, margins and returns</li> <li>Diversified income sources beyond traditional lending model to non-interest sources</li> <li>Venture capital strategy outlining investment levels to increase FCC's presence in the AgValue marketplace</li> <li>Dynamic and sophisticated pricing model balancing risk and return and incorporating market forces</li> <li>Future growth strategy</li> <li>Internal control framework</li> </ul>	<ul style="list-style-type: none"> <li>Known in Canada as a best practice organization that consistently provides an extraordinary customer experience</li> <li>Disciplined sales management culture</li> <li>Sophisticated, innovative products that differentiate FCC</li> <li>Offerings and customer experience tailored to AgValue</li> <li>Increased awareness of FCC with AgValue prospects</li> </ul>	<ul style="list-style-type: none"> <li>Continuous process improvement and reengineering of all corporate functions. Excel at ease, speed and efficiency of processes</li> <li>FCC is an agile organization able to change priorities to capitalize on complex new business opportunities</li> <li>Mix of external and internal capability to maximize corporate performance</li> <li>High-performing, optimized and agile technology portfolio that creates competitive advantage for FCC and its customers</li> </ul>	<ul style="list-style-type: none"> <li>FCC offers a stellar employee experience</li> <li>FCC sustains and grows its culture of accountability and high performance</li> <li>FCC recruits and retains high-performing employees, and possesses a bilingual and diverse workforce</li> <li>FCC provides learning and knowledge that equips employees to serve sophisticated customers and prospects</li> <li>Flexible compensation and rewards programs</li> <li>Leaders offer consistent employee experience</li> </ul>



## 3.8 Corporate strategies – corporate scorecard

### Strategic theme: Commitment to agriculture

FCC is known as "the" place to obtain financial products, knowledge and services tailored to agriculture. FCC is also known as a strong corporate citizen

**Critical outcome:** By 2018, 85 per cent of customers and 25 per cent of stakeholders consider FCC to be the first choice in the marketplace as a credible provider of agricultural financial products, knowledge and services. FCC is viewed as a strong corporate citizen by 85 per cent of target stakeholders by 2018.

Corporate measures	Target – Year 1	Target – Year 2	Target – Year 3	Target – Year 5
Total investment in agriculture	\$12.5 million	TBD	TBD	TBD
Social impact measure	Develop measure and set target	Measure against target	Measure against target	Measure against target
Corporate social responsibility scorecard	Report against scorecard	Report against scorecard	Report against scorecard	Report against scorecard
Corporate reputation index	+50 or more	N/A: Bi-annual measure	+50 or more	+50 or more
Media favourability index	10 points above global average for financial institutions	10 points above global average for financial institutions	10 points above global average for financial institutions	10 points above global average for financial institutions
<b>Five-year strategic objectives</b>	<b>2009-10 initiatives</b>			
Significant investment in initiatives that enhance producer and agribusiness success (education, awareness, knowledge)	Allocate new investment in agriculture budget (choose, prioritize and implement initiatives)			
	Enhance AgriSuccess by expanding content providers, delivery channels (online), and AgValue content			
	Position FCC as supporter of agriculture and agri-food industry in marketing and communication, including advertising			
Aggregated knowledge and innovations impacting agriculture industry (sense-making for industry)	Deliver leading edge, targeted knowledge program to customers and other industry stakeholders			
	Interact directly with customers and other stakeholders online			
Fully implemented Corporate Social Responsibility program (including championing the environment and employees recognized as strong rural community leaders)	Offer customers learning tools regarding sustainable agriculture practices			
	Provide farm safety training in collaboration with others			
	Expand national Drive Away Hunger program			
	Adopt a green strategy			

## Strategic theme: Financial strength

FCC is financially viable and self-sustaining in the long term, while investing significantly in the agriculture industry

**Critical outcome:** By 2018, FCC will have a diversified and efficient balance sheet with a substantial AgValue portfolio. FCC will have an ROE of 12 per cent with significant income derived from both lending and non-interest sources.

Corporate measures	Target – Year 1	Target – Year 2	Target – Year 3	Target – Year 5
Net income	\$226.8 million	\$249.8 million	\$269.1 million	\$325.4 million
ROE	11.2%	11.2%	10.9%	10.8%
Efficiency ratio	47.2%	47.4%	47.2%	46.9%
Venture capital invested	\$67.3 million	\$75.4 million	\$103.8 million	\$151.4 million
Debt-to-equity ratio	7.5:1	7.2:1	7.0:1	6.5:1
<b>Five-year strategic objectives</b>	<b>2009-10 initiatives</b>			
Profitability framework targeting portfolio growth, risk, margins and returns	Define, communicate and reinforce the desired lending culture			
	Develop a framework for profitability reporting by field location			
	Develop a capital management framework based on economic capital principles which reassesses capital requirements, portfolio risk and diversification limits			
	Comply with International Financial Reporting Standards			
Diversified income sources beyond traditional lending model to non-interest sources	Examine non-interest income sources and propose options for income generation and diversification			
Venture capital strategy outlining investment levels to increase FCC's presence in the AgValue marketplace	Develop a comprehensive, long-term venture capital strategy			
Dynamic and sophisticated pricing model balancing risk and return and incorporating market forces	Create a pricing strategy uses economic capital concepts			
	Implement pricing optimization incorporating elements such as competitive environment, customer attributes and regional market share.			
Future growth strategy	Create a growth and market share strategy that balances market opportunity, volume and margin to create the optimum AgProduction and AgValue portfolio			
Internal control framework	Develop and implement an enterprise risk and control framework.			

## Strategic theme: Customer experience

Customers are passionate advocates of FCC

**Critical outcome:** By 2018, FCC will deliver an extraordinary customer experience to producers, suppliers and processors, with a strengthened reputation among AgValue customers and prospects. FCC's customer experience index score is at 65 or higher, and its loan portfolio is at \$25 billion.

Corporate measures	Target – Year 1	Target – Year 2	Target – Year 3	Target – Year 5
Customer Experience Index – scorecards	57.94%	58.44%	58.94%	59.94%
Customer advocacy	47.22%	47.72%	48.22%	49.22%
Portfolio growth – AgProduction	5.24%	5.31%	6.51%	6.43%
Portfolio growth – AgValue	10.06%	7.46%	11.17%	9.70%
Products tailored to agriculture	71%	72%	73%	75%
New lending to young producers	\$1.43 billion	\$1.51 billion	\$1.60 billion	\$1.80 billion
<b>Five -year strategic objectives</b>	<b>2009-10 initiatives</b>			
Known in Canada as a best practice organization that consistently provides an extraordinary customer experience	Implement a brand ambassador program			
	Sustain customer experience standards			
Disciplined sales management culture	Integrate customer experience and sales process			
Sophisticated, innovative products that differentiate FCC	Expand lease product to field channel			
	Research and develop young farmer product needs			
	Research services and products to assist customers with environmental responsibility			
Offerings and customer experience tailored to AgValue	Tailor products to AgValue market			
Increased awareness of FCC with AgValue prospects	Develop and execute an awareness campaign for AgValue			

## Strategic theme: Efficiency and execution

FCC makes it easy for customers and employees to do business

<b>Critical outcome:</b> In 2018, FCC is a highly efficient, effective and agile organization in the eyes of customers, business partners and employees (as per major measures).				
Corporate measures	Target – Year 1	Target – Year 2	Target – Year 3	Target – Year 5
Customer Experience Index (easy to do business indicators)	52.57%	53.07%	53.57%	54.57%
Employee engagement (work processes indicators)	Measure performance against targets (baseline to be set in Q4 of 2008-09)	Measure performance against targets	Measure performance against targets	Measure performance against targets
Benefits realization	Develop measure	Set baseline	TBD	TBD
Project management maturity	OPM3 ProductSuite project management maturity score of 37%	OPM3 ProductSuite project management maturity score of 40%	OPM3 ProductSuite project management maturity score of 42%	OPM3 ProductSuite project management maturity score of 44%
<b>Five-year strategic objectives</b>	<b>2009-10 initiatives</b>			
Continuous process improvement and reengineering of all corporate functions. Excel at ease, speed and efficiency of processes	Increase number of key corporate processes that are accomplished electronically			
	Define decision rights for key processes and projects			
	Further develop content management capabilities and processes			
	Ensure lending processes fulfill needs of AgValue strategy			
FCC is an agile organization able to change priorities to capitalize on complex new business opportunities	Implement initiatives to enhance project management maturity			
Mix of external and internal capability to maximize corporate performance	Identify corporate functions, services or processes for alternate methods of service delivery			
High-performing, optimized and agile technology portfolio that creates competitive advantage for FCC and its customers	Implement business and technology transformation program			
	Implement redesigned information technology operating model to ensure the ongoing maintenance, optimization and agility of technology investments			

## Strategic theme: Culture and employee experience

FCC is an employer of choice with a high-performance culture and strong employee engagement

**Critical outcome:** By 2018, FCC is a highly desirable employer for people with a passion for excellence. Employees know they will grow their career (knowledge, skills, abilities and attitudes). FCC delivers on its commitment to provide all employees with inspirational leadership. FCC will attain an employee engagement score greater than or equal to the average of the top 50 Canadian employers .

Corporate measures	Target – Year 1	Target – Year 2	Target – Year 3	Target – Year 5
Employee engagement index	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers
Employee engagement – employee experience indicators	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers
Employee engagement – "easy to do business with" employee indicators	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers
Employee engagement – leadership indicators	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers	Greater than or equal to the average for the top 50 employers
<b>Five-year strategic objectives</b>	<b>2009-10 initiatives</b>			
FCC offers a stellar employee experience	Design a holistic health and well-being strategy that supports employee wellness			
FCC sustains and grows its culture of accountability and high performance	Develop the leadership coaching capabilities of formal leaders relative to FCC's culture of accountability and high performance			
	Develop a program to enhance the understanding and behaviours of all employees relative to FCC's culture of accountability and high performance			
FCC recruits and retains high-performing employees, and possesses a bilingual and diverse workforce	Define, develop and implement a talent supply process, which encompasses bilingualism and diversity			
FCC provides learning and knowledge that equips employees to serve sophisticated customers and prospects	Develop and implement a knowledge strategy that helps employees to keep pace with increasingly sophisticated AgProduction and AgValue customers			
	Implement the learning strategy, providing just-in-time, easy to access learning and learning events, using blended learning methods			
	Develop tools to support learning strategy including a Learning Content Management System and a Learning Management System			
Flexible compensation and rewards programs	Research long-term incentives tying employee compensation to the performance and success of the organization			
Leaders offer consistent employee experience	Design and implement a new leadership development program that supports FCC's vision and future direction			

## FCC Strategic themes overview

Each year, FCC senior management reviews and assesses the operating environment and corporate strengths, weaknesses, opportunities and threats. Management also identifies the most significant enterprise risks that require additional attention to ensure they are properly managed.

FCC's mandate is to provide specialized financial products and services to primary producers and agribusiness operators. In addition, FCC is committed to conducting business in a responsible and sustainable manner. We are accountable and responsive to stakeholders through corporate governance, human resources management, community investment and involvement, environment, health and safety, human rights and a customer focus.

### 3.8.1 Strategic theme descriptions –

#### Commitment to Agriculture

FCC is known as "the" place to obtain financial products, knowledge and services tailored to agriculture. FCC is also known as a strong corporate citizen.

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Solid reputation and awareness with AgProduction stakeholders</li><li>• External recognition and awards</li><li>• Positive media coverage (favourability index of 66)</li><li>• Management training and publications to 51,000 participants/subscribers (AgriSuccess)</li><li>• Promotion of customer products on CanadianFarmersMarket.com</li><li>• Rural community support through AgriSpirit capital giving program</li></ul>	<ul style="list-style-type: none"><li>• Limited awareness in AgValue markets</li><li>• Ability to ensure employees possess sophisticated knowledge about rapidly changing agriculture, agri-food and finance markets</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>• Position FCC as customer oriented and knowledgeable</li><li>• Package knowledge and research for customers and public</li><li>• Create solutions for young farmers and build loyalty for long term</li><li>• Explore alternative energy strategy</li><li>• Develop additional AgriSuccess offerings</li><li>• Continue to grow public awareness and knowledge of agriculture</li><li>• Provide environmental information/products</li></ul>	<ul style="list-style-type: none"><li>• Disruption to FCC's critical business functions as a result of the unavailability of FCC facilities, technology or people</li><li>• Reputation damage due to fraud, information security or privacy breaches</li></ul>

## Enterprise risks impacting Commitment to Agriculture

- **Customer sophistication exceeds staff capabilities and the inability to grow knowledge**
- **Brand reputation damage caused by information security or privacy breach**
- **Changes in market/economic conditions**

## Corporate strategies under Commitment to Agriculture

### **Strategy: Significant investment in initiatives that enhance producer and agribusiness success (education, awareness, knowledge)**

FCC plans to increase its annual investment in programs and activities that support agriculture and rural Canada. AgriSuccess product offerings will be expanded in terms of content and delivery channels. FCC will explore development of an online agriculture community and distribute content via this channel. FCC will position itself as a supporter of the agriculture and agri-food industry in its marketing, communication and advertising.

### **Strategy: Aggregated knowledge and innovations impacting agriculture industry (sense making for the industry)**

It is essential that employees, customers and partners understand the leading edge and best practices of the industry. FCC will expand the knowledge offerings it provides to the industry and to employees using various delivery methods including expanded online interaction with customers and other stakeholders.

### **Strategy: Fully implemented Corporate Social Responsibility program (including championing the environment and employees recognized as strong rural community leaders)**

FCC is committed to advancing Canada's agriculture industry in a socially responsible way. FCC will enhance its community investments by expanding programs such as Drive Away Hunger and supporting rural environmentally sustainable practices. FCC is committed to a green corporate citizenship and reducing the corporation's environmental footprint. FCC will explore providing farm safety training in collaboration with others organizations.



### 3.8.2 Strategic theme descriptions – Financial Strength

FCC is financially viable and self-sustaining in the long term, while investing significantly in the agriculture industry

FCC endeavours to maintain a level of financial strength and stability that will enable it to serve agriculture for the long term. Diversifying income sources, developing a profitability framework and growth strategy and effectively managing risk will contribute to a diversified and efficient balance sheet.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Financially viable federal Crown corporation - strong capital structure               <ul style="list-style-type: none"> <li>○ 13.1% ROE</li> <li>○ record net income levels</li> <li>○ portfolio growth (15 consecutive years)</li> <li>○ \$17 billion portfolio</li> <li>○ low arrears</li> <li>○ credit risk within managed range</li> <li>○ strong efficiency ratio</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Narrowing net interest income</li> <li>• Lack of risk scoring tools that provide differentiated credit risk perspectives</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Growth through partnerships to enhance FCC service offerings</li> <li>• Grow AgValue portfolio</li> <li>• Expand non-interest revenue</li> <li>• Venture capital investments</li> </ul>	<ul style="list-style-type: none"> <li>• Potential impact of World Trade Organization on supply management</li> <li>• Margin pressure due to increased competition</li> <li>• Impact of climate change on agriculture</li> <li>• Lending money is a commodity business; FCC's advantage is relationships</li> <li>• Threat of animal, crop or weather problems impacting major areas of FCC portfolio (avian flu, BSE, drought, etc.)</li> <li>• Fraudulent activity committed by internal or external parties, or losses due to deficiencies in internal controls</li> <li>• Changes in market conditions (e.g. commodity prices, weather, disease, health issues, trade issues)</li> </ul>

### Enterprise risks impacting Financial Strength

- Credit risk at the loan and portfolio level
- Fraud

### Corporate strategies under Financial Strength

#### **Strategy: Profitability framework targeting portfolio growth and risk as well as margins and returns**

FCC continuously develops and updates governance structures, processes and business decision tools. A capital management framework based on economic capital principles will be developed and implemented. FCC will ensure its loan loss allowance methodology complies with the new International Financial Reporting Standards.

#### **Strategy: Diversified income sources beyond traditional lending model to non-interest and alternative financial sources**

FCC is examining options for income generation and diversification.

#### **Strategy: Well-defined venture capital strategy outlining investment levels to increase FCC's presence in the AgValue marketplace**

FCC is developing a comprehensive, long-term venture capital strategy to grow existing investment levels, and will be considering various partnership models.

#### **Strategy: Dynamic and sophisticated pricing model balancing risk, return and market forces**

FCC is creating a pricing strategy that uses economic capital principles and defines FCC's pricing position in the marketplace. FCC will implement price optimization in its product marketing and develop new profitability measures.

#### **Strategy: Appropriate future growth strategy**

FCC is developing a growth and market strategy that balances marketing opportunity, volume and margin to define an optimum portfolio size for the AgProduction and AgValue markets. This strategy is for existing markets, new markets, non-interest income products and related infrastructure, and will use marketing information and pricing principles, incorporating elements such as competitive environment, customer attributes and regional market share.

### 3.8.3 Strategic theme descriptions – Customer Experience

Customers are passionate advocates of FCC

In order to deliver exceptional customer service to agricultural producers, suppliers and processors, FCC will sustain and enhance its existing customer experience standards and continue to regularly measure how well it is delivering on its customer experience promises.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Canada's largest agricultural term lender</li> <li>• Strong AgProduction market share</li> <li>• 50,000 customers (producers, suppliers and processors)</li> <li>• Customer channel choice through field offices, call centres, on-line functionality</li> <li>• Products tailored to unique needs of agriculture</li> <li>• Customer scoreboard research indicates a strong customer experience rating</li> <li>• Service in both official languages</li> <li>• Ag Crisis Fund and Customer Support Program to help customers through personal disasters and industry challenges</li> <li>• Promotion of environmental business practices, bio-security protocols for farm visits and education on bio-security management practices</li> <li>• Web site usage is growing</li> <li>• Customer experience standards ensure consistency across Canada</li> </ul>	<ul style="list-style-type: none"> <li>• Eligibility restricts ability to serve Canadian-based customers with global operations</li> <li>• Customer experience is inconsistent depending on the office and employee involved</li> <li>• Customer experience brand promise not known by some key stakeholders</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Further define extraordinary customer experience</li> <li>• Enhance knowledge of the "customer of the future"</li> <li>• Develop holistic strategy to attract, develop and retain young producers</li> <li>• Explore new service offerings</li> <li>• Formalize cross-selling and automatic pre-approvals as part of the sales process</li> <li>• Strengthen partnerships (centres of influence, alliances, etc.)</li> <li>• Enhance awareness of FCC offerings</li> <li>• Enable customers to work internationally</li> <li>• Enable customers to network</li> <li>• Develop sophisticated product offerings</li> </ul>	<ul style="list-style-type: none"> <li>• Competitors promoting agriculture knowledge and customer experience. Largest world agriculture financier, Rabobank, is now in our market</li> <li>• Increased competition in commodity production (Brazil, Russia)</li> <li>• FCC remaining relevant to large and sophisticated customers in a consolidating industry</li> <li>• International market forces in agriculture, finance and technology</li> <li>• Legal liability for producers related to traceability</li> </ul>

## Enterprise risk impacting Customer Experience

- **Failure to deliver the brand promise/ the desired customer experience**

## Corporate strategies under Customer Experience

### **Strategy: Known in Canada as a best practice organization that consistently provides an extraordinary customer experience**

FCC will continue to implement best practices to embed the desired customer experience culture into the way that FCC operates at every location. FCC learns from customer issues and promotes customer experience as a key differentiator.

### **Strategy: Disciplined sales management culture**

FCC utilizes sales management concepts such as team selling and customer relationship management tools. FCC intends to ensure the desired sales management approach is fully integrated with achieving the desired customer experience.

### **Strategy: Sophisticated, innovative products that differentiate FCC**

FCC is increasing its emphasis on the AgValue market, young farmers and future producers. Differentiated AgValue, Alliances and dealer solutions are being developed based on direct input from customers about what they require. FCC offers a leasing product through the National Equipment Dealer Financing Program and will consider offering it through the field channel. FCC is considering development of revolving term loans for equipment. FCC is considering expanding access to the AdvancerPlus Loan through additional channels. FCC is investigating expansion of its insurance offerings to insure customers for larger amounts, offer creditor disability insurance, offer life insurance through more alliance partners and provide umbrella coverage for multiple loans. FCC will research services and products to assist customers with environmental responsibility.

### **Strategy: Offerings and customer experience tailored to AgValue**

FCC will develop expanded products and knowledge that meet customer and partner needs in the AgValue market place. A strong value chain of input suppliers and agricultural product processors directly benefits primary production and rural Canada.

### **Strategy: Increased awareness of FCC with AgValue prospects**

FCC will develop and execute an advertising campaign to increase awareness of FCC and its product offerings, especially in the AgValue marketplace.

### **Strategy: FCC's sophistication matches that of AgProduction and AgValue customers and prospects**

FCC is developing a Centres of Influence research program and will be establishing specific regional customer research for each of its districts across Canada.

### 3.8.4 Strategic theme descriptions – Efficiency and Execution

FCC makes it easy for customers and employees to do business

FCC is providing employees with the technological infrastructure, processes and training, in order for FCC to continue to be viewed as an efficient, effective and agile organization by customers, business partners and employees.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Scorecard and risk scoring tools provide differentiated credit risk perspective for AgProduction</li> <li>Process and technology enhancements are underway to make it easy for customers and employees to do business</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate capacity to execute major new initiatives</li> <li>Manual processes and workarounds for work beyond lending</li> <li>Need to have internal controls permeate culture</li> <li>Limited automated reporting capabilities</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Enhance FCC public web site and online functionality</li> <li>Leverage AgExpert to provide traceability support to the government of Canada's food safety initiatives</li> <li>Leverage Customer Service Centre to promote full-service offerings and expand customer contact options</li> <li>Leverage delivery partners to increase IT capacity</li> </ul>	<ul style="list-style-type: none"> <li>Information technology or security breach (internal or external)</li> <li>Privacy breach</li> <li>Impact of a business disruption</li> </ul>

#### Enterprise risks impacting Efficiency and Execution

- Capacity to execute major new initiatives
- Inadequate risk and control framework
- Business process and technology transformation

#### Corporate strategies under Efficiency and Execution

**Strategy: Continuous process improvement and reengineering of all corporate functions. Excel at ease, speed and efficiency of processes**

A decision rights matrix for key processes, an enhanced AgValue lending process and an increase in the number of key corporate processes accomplished electronically are some of the initiatives for improving the customer and employee experiences.

**Strategy: FCC is an agile organization able to change priorities to capitalize on complex new business opportunities**

FCC is implementing and integrating additional corporate project management processes and change management methodologies.

**Strategy: Mix of external and internal capability to maximize corporate performance**

FCC will identify corporate functions, services or processes for alternate methods of service delivery.

**Strategy: High-performing, optimized and agile technology portfolio that creates competitive advantage for FCC**

FCC is developing flexible technology solutions capable of quickly adapting to business change, and is standardizing component-based architecture and enhancing system reliability and performance. It is also implementing a re-designed operating technology model.

### 3.8.5 Strategic theme descriptions – Culture and Employee Experience

FCC is an employer of choice with a high-performance culture and strong employee engagement

FCC wants to be an employer of choice, where employees can make a difference, grow their careers and be appropriately recognized and rewarded. FCC wants to ensure a workplace where employees are highly engaged, and want to stay at FCC and do their best.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• High employee engagement</li> <li>• High-performance culture practices</li> <li>• Agricultural knowledge</li> <li>• Knowledge sharing through communities of practice</li> <li>• Employee passion and volunteer spirit</li> </ul>	<ul style="list-style-type: none"> <li>• Not fully embedded change management practices</li> <li>• A comprehensive workforce plan that identifies competencies needed to serve future customers</li> <li>• Attracting high-performance, bilingual, diverse workers in all locations</li> <li>• Not known as an employer of choice in every market</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Leverage Top 50 Employer status and elements to attract high-performance employees</li> </ul>	<ul style="list-style-type: none"> <li>• Attracting and retaining employees needed for the future</li> <li>• Different values of the next generation workforce</li> <li>• Customer sophistication may exceed staff capabilities</li> <li>• Loss of critical subject matter expertise</li> </ul>

#### Enterprise risks impacting Culture and Employee Experience

- **Inability to attract and retain employees and to create the desired employee experience**

#### Corporate strategies under Culture and Employee Experience

##### **Strategy: FCC offers a stellar employee experience**

FCC is implementing initiatives such as a wellness program to encourage the health and productivity of employees and considering developing an employee service centre to speedily address employee workplace needs.

##### **Strategy: FCC sustains and grows its culture**

FCC has a strong internal culture that emphasizes trust, respect, teamwork and high performance. FCC will enhance the coaching abilities of formal leaders, and the understanding and behaviours of all employees relative to FCC's desired culture.

##### **Strategy: FCC recruits and retains high-performing employees, and possesses a bilingual and diverse workforce**

A corporate talent supply process will satisfy gaps and opportunities in FCC's complement of employees identified through workforce planning. Strategies for attraction, retention, official languages and diversity will be implemented.

##### **Strategy: FCC provides learning and knowledge that equips employees to serve sophisticated customers and prospects**

FCC has developed a corporate learning strategy that will be implemented to provide employees with applied and aggregated industry knowledge.

**Strategy: Flexible compensation and rewards programs**

FCC is researching flexible rewards and incentives where long term compensation is tied to the performance and success of the organization.

**Strategy: Leaders offer consistent employee experience**

FCC is enhancing leadership development programs to support its vision and future direction.



## 4.0 Performance Against Past Objectives

### 4.1 Assessment of results – 2008-09 balanced scorecard

The following pages summarize the corporate measures, targets and projected results for the 2008-09 fiscal year (as of October 2008).

#### Commitment to agriculture

Measures	2008-09 Plan targets	2008-09 Projected results
Venture capital: co-investment ratio	1.4:1	On track
Venture capital: FCC's capital invested – fiscal year	\$7.8 million	On track
Venture capital: FCC's total capital outstanding	\$52.2 million	On track
Total investment in agriculture	Between 3% and 5% of the total administration budget	On track
CanadianFarmersMarket.com: number of unique visitors per month	31,000	On track
Corporate reputation index	Will be conducted during 2009-10 fiscal year	The Reputation Index is conducted bi-annually. The next index will be conducted during the 2009-10 fiscal year.
Media favourability index	Score of 65	On track
Develop measure for the corporate objective: A leader in sharing aggregated industry knowledge and innovations	Develop measure and set baseline	In progress
Corporate social responsibility (CSR) scorecard	Report against CSR scorecard	On track (see p. 23 for 2007-08 results)

#### Financial strength

Measures	2008-09 Plan targets	2008-09 Projected results
Portfolio growth	6.9%	Ahead
Non-interest revenue	\$25.4 million	On track
Net disbursements	\$3,956.7 million	Ahead
Net income	\$173.2 million	Ahead
% of PND in arrears	Less than 6%	On track
Return on equity and investment	10.0%	Ahead
Core efficiency ratio	42.2%	On track
Total efficiency ratio	47.3%	On track
Debt-to-equity	Under 10:1	On track

## Enhance customer experience

Measures	2008-09 Plan targets	2008-09 Projected results
Gross customer retention, net customer acquisition and net customer growth	Develop measure and set baseline	On track.
Customer advocacy	Develop measure and set baseline	On track
Channel usage: number of unique website visitors (monthly average)	21,000	Ahead
Customer experience index	56.36%	Ahead
Custom product penetration	60%	Ahead

## Optimize execution and efficiency

Measures	2008-09 Plan targets	2008-09 Projected results
Easy to do business with customers	Develop measure and set baseline	On track
Easy to do business with employees	Develop measure and set baseline	On track
Dollars disbursed of Customer Service Centre (CSC) direct lending	\$370 million	Ahead
Efficiency index	Develop measure and set baseline	This measure has been deleted
Business and technology architecture capability	Establish targets	On track
Project management maturity	Level 2 with an average greater than or equal to 2.5 across 12 capabilities	On track
Efficient and execution-focused business climate	Develop measure and set baseline	On track

## Enhance employee experience

Measures	2008-09 Plan targets	2008-09 Projected results
Engagement score	Equal to or better than the average of the Top 50 Best Employers <sup>6</sup>	On track
Employee experience index	Annual Hewitt Survey score for the five selected drivers greater than or equal to the average of the Top 50 Employers score	On track
Change management maturity	Approve change management maturity model and establish target	On track
Code of conduct	100% of employees review Code of Conduct and Ethics and sign Declaration of Fidelity and Secrecy annually	On track

<sup>6</sup> Original target was "Minimum threshold of 80%". Target was changed to a floating target. The new target is based on the average score of the Hewitt Top 50 employers which allows for any major fluctuations in the business environment.

## 4.2 Operational and financial highlights

For the years ending March 31

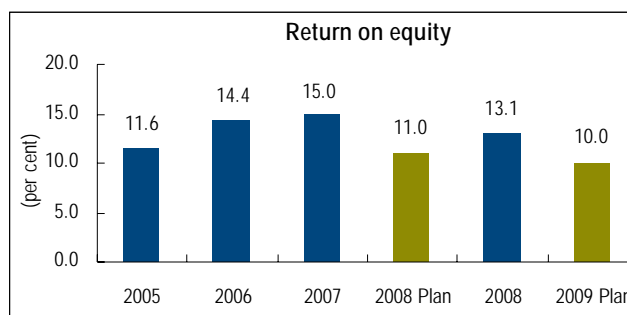
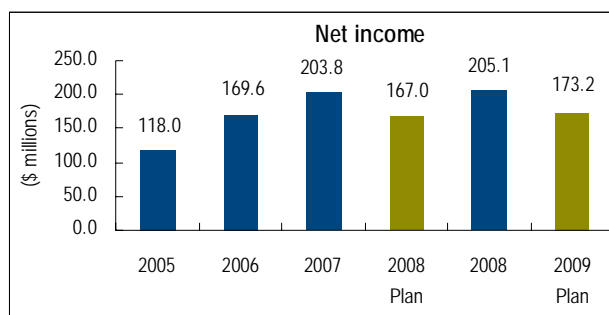
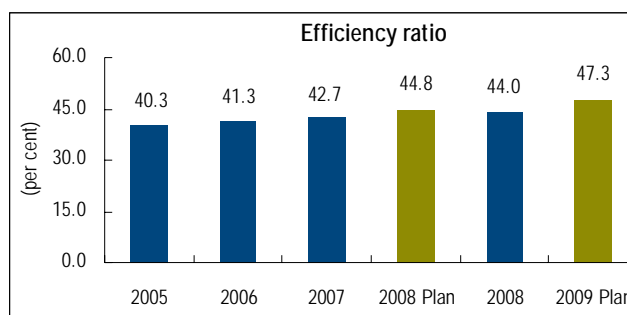
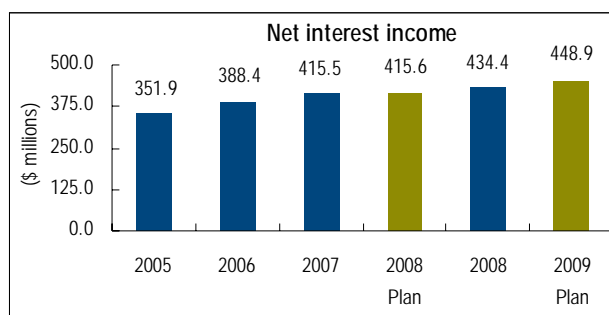
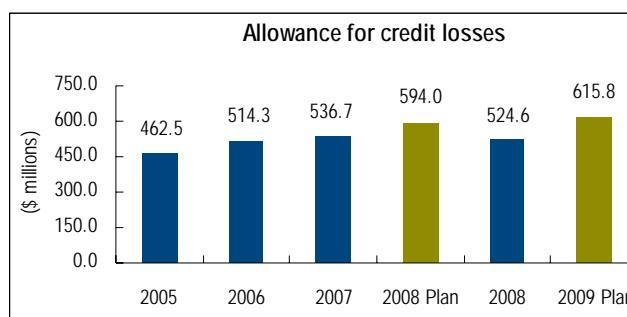
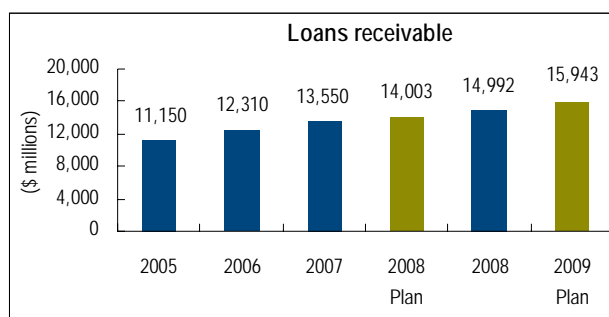
Operational	2008	2007	2006	2005	2004
<b>Loans receivable portfolio</b>					
Number of loans	98,066	101,470	95,768	90,492	87,423
Loans receivable (\$ millions)	14,992.1	13,550.4	12,310.2	11,150.0	10,039.0
Net portfolio growth (per cent)	10.6	10.1	10.4	11.1	14.0
Loans receivable in good standing (per cent)	97.4	97.4	97.5	96.9	96
<b>New lending</b>					
Number of loans disbursed	32,561	28,684	28,634	27,948	26,529
Net disbursements (\$ millions)	4,285.0	3,714.7	3,317.3	3,067.2	2,861.7
Average size of loans disbursed (\$)	131,600	129,504	115,852	109,747	107,871
<b>Financial</b>					
<b>Balance sheet (\$ millions)</b>					
Total assets	15,470.5	13,834.2	12,576.3	11,405.0	10,203.9
Total liabilities	13,693.7	12,372.1	11,312.5	10,320.5	9,258.7
Equity	1,776.8	1,462.1	1,263.8	1,084.5	945.2
<b>Income statement (\$ millions)</b>					
Net interest income	434.4	415.5	388.4	351.9	314.4
Provision for credit losses	5.0	38.9	62.4	95.2	84.0
Other income	14.4	7.7	6.6	5.0	4.1
Administration expenses	197.6	180.5	163.0	143.7	128.9
Fair value adjustment *	(41.1)	-	-	-	-
Income before income taxes	205.1	203.8	169.6	118.0	105.6

\*The fair value adjustment is a new component of net income and is a result of changes to the accounting standards related to financial instruments.

## Key results

In 2007-08 FCC's portfolio experienced growth for the 15<sup>th</sup> consecutive year, growing by \$1.4 billion or 10.6 per cent. Equity continues to grow with increases in net income. This is composed of growth in net interest income, lower provision for credit losses and higher other income, offset by higher administration expenses and fair value adjustments. The corporation continues to build its strong financial foundation, ensuring sufficient resources for continued growth and viability while supporting customer during all economic cycles.

- In 2007-08, portfolio growth exceeded plan by \$1.0 billion and represented growth of 10.6 per cent over 2006-07. Net disbursements increased to \$4,285.0 million.
- Allowance for credit losses was below plan at \$524.6 million, and decreased slightly from 2006-07 levels at 3.9 per cent of the opening loans receivable.
- Net interest income exceeded plan by \$18.8 million, increasing to \$434.4 million primarily due to the increased lending volume partially offset by a lower net interest margin.
- The 2007-08 efficiency ratio was lower than plan due to the higher than plan portfolio growth and resulting increase in net interest income.
- Net income was \$38.1 million above plan, mainly due to higher portfolio growth and lower provision for credit losses.
- Return on equity exceeded plan targets primarily due to higher portfolio growth and increased net income.



## 5.0 Financial Plan Summary

Farm Credit Canada is a self-sustaining Crown corporation, projecting growth and continued viability through sound financial and risk management practices.

The current economic environment has created more uncertainty than what would be experienced under normal business conditions. As a result of this uncertainty it is important to understand some of the key variables in the financial plan and their impact on the financial results. FCC monitors these key variables throughout the year to ensure timely management of the potential impacts.

### Sensitivity and scenario analysis

FCC employs a financial model to determine the five-year plan targets based on inputs received from various divisions throughout the organization. The model has been tested and has proven to generate consistent projections based on the data inputs. The input assumptions for this financial plan are consistent with historical experience and are approved by management and the Board of Directors.

In addition to the financial plan projections provided in this document, the corporation runs a wide range of alternate sensitivity and scenario analyses. These analyses assist in financial planning, risk management, and resource allocation by testing financial strength across a range of financial plan assumptions. This information assists in ensuring that the corporation is making prudent financial and risk management decisions over the long term, including situations where the financial results may be less favourable than the projections provided in this document.

The table below shows the impact of changes to key variables on projected net income. The table provides the impact on net income for 2009-10 for each variable.

Major drivers (\$ millions)	Change in Net Income Change	2010 Plan
Loan disbursements *	+/- 10%/year	+/- 6.7
New lending margins **	+/- 10 bps/year	+/- 5.0
New lending mix (F/V)	+/- 10% fixed	+/- 2.0
Interest rate curves **	+/- 100 bps	+/- 0.1
Provision for credit losses	+/- \$10/year	-/+ 10.0

\* assumes that disbursements are made throughout the year.

\*\* bps is basis points

## 6.0 Operating Budget

The operating budget provides details of our forecasted revenues and expenses for the fiscal year ended March 31, 2010, and is submitted for Treasury Board approval in accordance with Section 123 of the Financial Administration Act. The table below summarizes financial targets for 2009-10.

Fiscal year ending March 31 (\$ millions)	2010 Plan
<b>Portfolio growth</b>	
Loans receivable	17,735.0
Loan disbursements *	4,599.2
Loan renewal rate (per cent)	96.0
Prepayment rate (per cent)	7.0
<b>Credit quality</b>	
Arrears	80.5
Impaired loans	266.0
Provision for credit losses	65.1
Allowance for credit losses	567.9
<b>Efficiency and cost control</b>	
Administration expenses	260.1
Efficiency ratio (per cent)	47.2
<b>Financial results</b>	
Net interest margin (per cent)	3.07
New lending margin (per cent)	2.47
Net interest income	541.9
Total other income	9.1
Net income	226.8
Return on equity (per cent)	11.2
Debt to equity (\$ of debt per \$1 equity)	7.5
Return on assets (per cent)	1.28
<b>Funding activities</b>	
Borrowings	15,774.2
Total capitalization	2,764.3
Gross assets not requiring debt financing (per cent)	14.7
<b>Business services</b>	
<b>Venture Capital</b>	
Investments - total capital outstanding	67.3
Investments - fair market value	66.5
Co-investment ratio (\$ co-invested per FCC \$)	1.5
<b>AgExpert</b>	
Net sales revenue	1.8
<b>Agri-Assurance</b>	
Gross insurance revenue	14.4
Net insurance revenue	7.2

\* Net of FCC refinancing



## 6.1 Discussion of expected results – 2008-09 forecast versus 2009-10 financial plan

### Portfolio growth

#### Loans receivable

Loans receivable is projected to grow by 6.4 per cent, increasing from \$16,665.0 million forecast for 2008-09 to \$17,735.0 million in 2009-10. The increase in loans receivable reflects the projected lending through the AgProduction, AgValue and Alliances business lines and modest growth in FCC's share of the farm debt market.

#### Net disbursements

Net disbursements is the primary driver of portfolio growth and is expected to decrease by \$87.5 million from the forecast level of \$4,686.7 million in 2008-09 to \$4,599.2 million in 2009-10. Alliances and AgValue are expected to increase by \$275.0 million and \$37.8 million respectively. AgProduction is expected to decrease by \$400.3 million. Lending to primary producers represents 87.6 per cent of total net disbursements in 2009-10.

Renewals are expected to be 96.4 per cent in 2008-09 and 96.0 per cent in 2009-10. Prepayments are expected to be 6.7 per cent of loans receivable in 2008-09 and 7.0 per cent of loans receivable in 2009-10.

### Credit quality

#### Arrears

The arrears balance is forecast to be \$67.4 million in 2008-09 and increase to \$80.5 million in 2009-10, primarily due to a higher overall loans receivable balance in 2009-10.

#### Impaired loans

Impaired loans are expected to be \$266.0 million in 2009-10, an increase of \$32.5 million over the forecast for 2008-09 of \$233.5 million. This increase is due primarily to the larger portfolio in 2009-10 compared to 2008-09 and an increase in impaired loans as a percentage of loans receivable from 1.40 per cent to 1.50 percent which is due to the softening of the current economic environment.

#### Provision for credit losses

The provision for credit losses is expected to increase in 2009-10 to \$65.1 million from the 2008-09 forecast of \$47.9 million. The projected increase in provision for credit losses is reflective of the anticipated growth in loans receivable.

## Allowance for credit losses

The allowance for credit losses represents management's best estimate of credit losses on loans receivable. The allowance is made up of two components:

1. Specific allowance – provides for probable losses on specific loans which have become impaired. Loans are classified as impaired when, based on management's judgment, there is no longer reasonable assurance of the timely collection of principal and interest.
2. General allowance – management's best estimate of probable losses that exist in the portfolio that may end up classified as impaired. The general allowance considers specific events to identify loans that have shown some deterioration in credit quality, but have not yet been classified as impaired. The allowance also considers management's best estimate of probable but unidentified losses in the portfolio. This assessment is supported by a review of recent events, changes in economic conditions and general economic trends going forward. This is to allow for credit losses within the portfolio where deterioration in credit worthiness has not yet been observed.

The allowance for credit losses is projected to grow from the forecast of \$533.7 million in 2008-09 to \$567.9 million at the end of 2009-10. The allowance as a percentage of ending loans receivable is projected to remain unchanged at 3.20 per cent. Although actual losses are anticipated to increase slightly, the overall risk within the portfolio is not anticipated to change significantly.

The 2008-09 forecasted allowance has been adjusted to reflect a refinement in estimates used to project the allowance balance. Actual results could vary significantly from this estimate as the refinements are finalized.

## Efficiency and cost control

### Administration expenses

Administration expenses for 2009-10 are planned to increase to \$260.1 million from the 2008-09 forecast level of \$233.7 million. This reflects ongoing requirements to support the growing business as well as fund strategic initiatives. In addition, in 2009-10 FCC plans to invest additional spending in support of its commitment to agriculture.

Permanent staff levels expressed as full-time equivalents (FTEs) are projected for planning purposes at 1,450 FTEs in the 2008-09 forecast. Modest increases are anticipated for 2009-10 driven primarily by portfolio growth. The average annual increase in FTE's over the past three years has been 70.

### Efficiency ratio

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 and provision for credit losses. An efficiency ratio of 43.7 per cent is forecast for 2008-09. In 2009-10, the efficiency ratio is expected to increase to 47.2 per cent as a result of the increases described above.

The increase in efficiency ratio anticipated is a result of increased spending required to support the growing portfolio and fund strategic initiatives. In addition, FCC plans to invest additional spending in support of its commitment to agriculture. The total efficiency ratio before considering the increased investment in agriculture is held constant at 45.0 per cent throughout the plan period.

## Financial results

### Net interest income

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 is expected to increase from \$527.4 million forecast for 2008-09 to \$541.9 million for 2009-10. This increase is primarily driven by the growth in the loan portfolio partially offset by a decrease in net interest margin resulting from increasing borrowing costs.

### Net interest margin

Net interest margin is the net interest income expressed as a percentage of average total assets. The net interest margin is projected to decrease from 3.22 per cent forecast in 2008-09 to 3.07 per cent in 2009-10. The credit crisis has resulted in favourable borrowing rates through the consolidated revenue fund, reducing overall borrowing costs in 2008-09. The decrease in margin in 2009-10 is mainly due to the assumption that the credit markets and borrowing costs will return to more historical levels relative to 2008-09.

### Net income

Net income is projected to decrease from the 2008-09 forecast of \$263.7 million to \$226.8 million in 2009-10, mainly due to the lower net interest margin as discussed above, higher administration expense levels to support growth, strategic initiatives and additional investment in agriculture plus an increase in the provision for credit losses. This is offset slightly by an increase in other income.

### Return on assets

Return on assets measures how well the corporation is utilizing its assets to generate income. The return on assets is projected to be 1.28 per cent in 2009-10, a decrease from 1.61 per cent forecast in 2008-09. The decrease is due to the items discussed in the net income section.

### Return on equity

Return on equity measures the return on the investment the Government of Canada has made in the corporation. Return on equity is projected to decrease from 14.6 per cent forecast for 2008-09 to 11.2 per cent in 2009-10. The decrease is mainly due to the slowdown in portfolio growth and is compounded by lower net interest margin, increased administration expenses and an increase in provision for credit losses.

### Debt to equity

The projected debt to equity ratio for 2009-10 is 7.5 to 1, a decrease from the forecast of 7.9 to 1. The decrease reflects anticipated funding of a larger portion of loans receivable through equity. This ratio is projected to remain well below the maximum 12 to 1 debt to equity ratio set under the Farm Credit Canada Act.

## Funding activities

### **Cash provided by operating activities**

After adjusting net income for non-cash items, FCC expects to realize \$253.4 million from operating activities in 2009-10. Cash provided by operating activities is projected to increase by \$102.1 million from the 2008-09 forecast.

### **Cash provided by (used in) investing activities**

Loans receivable disbursed: (\$4,599.2) million

Loans receivable disbursed to customers are expected to total \$4,599.2 million in 2009-10, compared to \$4,686.7 million forecasted in 2008-09.

Loans receivable repaid: \$3,551.8 million

A total of \$3,551.8 million in principal repayments from borrowers is anticipated, compared to \$3,005.5 million forecasted in 2008-09.

Change in temporary investments: \$44.2 million

FCC anticipates temporary investments of \$244.7 million in 2009-10. This reflects a decrease of \$44.2 million from forecasted temporary investments of \$288.9 million in 2008-09.

Venture capital purchased: (\$12.4) million

FCC expects to invest \$12.4 million in venture capital opportunities, including management fees paid to Avrio Ventures in 2009-10, up from \$10.3 million in 2008-09.

### **Cash provided by (used in) financing activities**

Long-term debt borrowings: \$3,399.2 million

FCC anticipates long-term funding of \$3,399.2 million in 2009-10. This is down \$72.2 million from the \$3,471.4 million forecasted for long-term funding in 2008-09.

Long-term debt maturities: (\$2,838.5) million

Principal payments on long-term debt are expected to be \$2,838.5 million compared to \$2,491.4 million in 2008-09.

Change in short-term debt: \$141.4 million

FCC anticipates short-term debt of \$6,655.2 million in 2009-10. This is an increase of \$141.4 million from forecasted short-term debt of \$6,513.8 million in 2008-09 and reflects expected refinancing of long-term structured notes.

Dividend paid to Government of Canada: (\$21.9) million

A dividend of \$21.9 million is projected to be paid to the Government of Canada in 2009-10, at the discretion of the Board of Directors. A dividend of \$21.9 million is anticipated for 2008-09.

## Business services

### Venture Capital

FCC Ventures, the corporation's venture capital division, was formed in 2002. This initiative has been successful in addressing the need for more venture capital to support growth in the agriculture industry. At the end of 2008-09, the corporation is forecasting \$53.2 million in total capital outstanding. In addition to its own investment, FCC is expecting investment by other third party co-investors totalling \$1.50 for every \$1 invested by FCC. In 2006, the corporation became the lead limited partner in and committed \$50 million to a new venture capital fund created under the Avrio Ventures Limited Partnership. FCC will invest \$10.3 million including management fees into the new fund in the 2008-09 forecast, and \$12.4 million in 2009-10.

### AgExpert

AgExpert is Canada's leading publisher of farm management software, offering the AgExpert Analyst accounting software and AgExpert Field Manager programs and related support to primary producers. AgExpert net sales revenue is expected to remain fairly consistent at \$1.7 million in 2008-09 and \$1.8 million in 2009-10.

### Agri-Assurances

FCC has offered loan life and accident insurance since 1960, providing protection for customers, their families and businesses. Gross insurance revenue is forecast to be \$13.2 million in 2008-09 and is projected to increase to \$14.4 million in 2009-10. Net insurance revenue, after insurance claims, is forecast to be \$5.5 million in 2008-09, and is projected to increase to \$7.2 million in 2009-10.

Agri-Assurances group creditor insurance plans are underwritten by Sun Life Assurance Company of Canada.

## 6.2 Capital Budget

The 2009-10 capital budget is submitted for Treasury Board approval in accordance with Section 124 of the Financial Administration Act.

Capital spending is not anticipated to exceed \$25.0 million in 2009-10 which is consistent with historical levels. FCC has undertaken a significant redesign of core information systems and infrastructure over the past few years and has begun transitioning over to the new systems in 2008-09 with most of the transition planned to occur in 2009-10. The development plans for information technology also include normal hardware and software purchases and improvements to the corporation's business systems. The remainder of capital spending relates to regular furniture, fixture and equipment replacements and incremental purchases of these items and leasehold improvements.

Detailed capital spending is approved annually in March through the annual budgeting process. Additional capital spending approval occurs throughout the year as part of FCC's project management process and is approved by the Strategy Execution Team based on the alignment with corporate strategy, capacity and other qualitative and quantitative considerations.

## 6.3 Future accounting changes

### International Financial Reporting Standards

On February 13, 2008 the Accounting Standards Board of Canada (AcSB) formally announced that Canada would adopt International Financial Reporting Standards (IFRS) for all publicly accountable enterprises (PAEs) effective for fiscal years beginning on or after January 1, 2011.

Consistent with the Implementation Strategy also issued by the AcSB, FCC will adhere to the following timeline:

- 2008-09 – Assess accounting policies with reference to IFRSs and develop a plan for convergence. This plan, as well as the anticipated qualitative effects of the change to IFRS, will be disclosed in the 2008-09 Annual Report.
- 2009-10 – Disclose an updated plan for convergence that includes quantification of the anticipated effects of the change to IFRS.
- 2010-11 – Collect information necessary for the completion of financial statements consistent with IFRS. These financial statements will be presented as comparatives in the 2011-12 Annual Report.
- 2011-12 – Prepare the Annual Report consistent with IFRS.

The 2009-10 to 2013-14 Corporate Plan does not include any of the potential impacts of converting to IFRS.



## Financial Instruments – presentation and disclosure

In December 2006, the CICA issued two new accounting standards for the presentation and disclosure of financial instruments. CICA Handbook Section 3862 – Financial Instrument Disclosures and Section 3863 – Financial Instruments – Presentation, revise the current standards on financial instrument disclosure and presentation.

Section 3862 places an increased emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The objective of which is to enable users to evaluate:

- the significance of financial instruments for the corporation's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the corporation is exposed; and
- how the corporation manages those risks.

These recommendations are effective for fiscal years beginning on or after October 1, 2007 and, therefore, the corporation will implement them for its year ending March 31, 2009. It is anticipated that the additional amount of disclosure required will be significant.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance with classification of financial instruments, from the perspective of the issuer, between liabilities and equity. These recommendations are effective for fiscal years beginning on or after October 1, 2007 and, therefore, the corporation will implement them for its year ending March 31, 2009. It is anticipated that adoption of this standard will have little, if any, impact.

## Capital disclosures

In December 2006, the CICA issued a new accounting standard for capital disclosures. CICA Handbook Section 1535 - Capital Disclosures establishes guidelines for the disclosure of information regarding a corporation's capital and how it is managed. Enhanced disclosure with respect to the objectives, policies and processes for managing capital and quantitative disclosures about what a corporation regards as capital are required. These recommendations are effective for fiscal years beginning on or after October 1, 2007 and, therefore, the corporation will implement them for its year ending March 31, 2009. It is anticipated that the additional amount of disclosure required will be moderate.

Farm Credit Canada  
Consolidated Balance Sheet  
2009-10 Corporate Plan  
(millions of dollars)

As at March 31	2008 Actuals	2009 Forecast	2010 Plan
<b>Assets</b>			
Cash and cash equivalents	\$ 269.8	\$ 561.6	\$ 475.7
Temporary investments	478.6	288.9	244.7
Accounts receivable	10.4	15.2	15.2
	<u>758.8</u>	<u>865.7</u>	<u>735.6</u>
Loans receivable	14,992.1	16,665.0	17,735.0
Allowance for credit losses	524.6	533.7	567.9
Loans receivable (net)	<u>14,467.5</u>	<u>16,131.3</u>	<u>17,167.1</u>
Venture capital investments	54.5	51.4	66.5
Equipment and leasehold improvements	46.7	55.6	47.2
Derivative-related assets	111.7	153.4	153.4
Other assets	31.3	31.0	32.0
	<u>244.2</u>	<u>291.4</u>	<u>299.1</u>
<b>Total assets</b>	<b>\$ 15,470.5</b>	<b>\$ 17,288.4</b>	<b>\$ 18,201.8</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 40.0	\$ 41.0	\$ 41.0
Accrued interest on borrowings	151.0	144.6	143.3
	<u>191.0</u>	<u>185.6</u>	<u>184.3</u>
Borrowings			
Short-term debt	5,864.3	6,513.8	6,655.2
Long-term debt	7,435.0	8,415.0	8,975.7
	<u>13,299.3</u>	<u>14,928.8</u>	<u>15,630.9</u>
Other liabilities	34.1	38.4	46.0
Derivative-related liabilities	169.3	103.7	144.2
	<u>13,693.7</u>	<u>15,256.5</u>	<u>16,005.4</u>
<b>Shareholder's equity</b>			
Capital	547.7	547.7	547.7
Retained earnings	1,132.0	1,373.8	1,578.7
Accumulated other comprehensive income	97.1	110.4	70.0
	<u>1,776.8</u>	<u>2,031.9</u>	<u>2,196.4</u>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 15,470.5</b>	<b>\$ 17,288.4</b>	<b>\$ 18,201.8</b>

Farm Credit Canada  
Consolidated Statement of Operations  
2009-10 Corporate Plan  
(millions of dollars)

Fiscal year ending March 31	2008 Actuals	2009 Forecast	2010 Plan
<b>Interest income</b>			
Loans receivable	\$ 961.3	\$ 919.8	\$ 964.7
Investments	32.2	22.7	20.2
	993.5	942.5	984.9
<b>Interest expense</b>			
Short-term debt	199.5	133.3	158.6
Long-term debt	359.6	281.8	284.4
Total interest expense	559.1	415.1	443.0
<b>Net interest income</b>	434.4	527.4	541.9
Provision for credit losses	5.0	47.9	65.1
<b>Net interest income after provision for credit losses</b>	429.4	479.5	476.8
Total other income	14.4	7.0	9.1
Income before administration expenses	443.8	486.5	485.9
Administration expenses	197.6	233.7	260.1
<b>Income before fair value adjustment</b>	246.2	252.8	225.8
Fair value adjustment	(41.1)	10.9	1.0
<b>Net income</b>	\$ 205.1	\$ 263.7	\$ 226.8

Farm Credit Canada  
Consolidated Statement of Comprehensive Income  
2009-10 Corporate Plan  
(millions of dollars)

Fiscal year ending March 31		2008 Actuals		2009 Forecast		2010 Plan
Net income	\$	205.1	\$	263.7	\$	226.8
<b>Other comprehensive income</b>						
Unrealized gains and losses on available-for-sale financial assets		0.2		(0.3)		0.2
Reclassification adjustment for gains and losses included in net income		0.0		0.0		0.0
Change in unrealized gains and losses on available-for-sale assets		0.2		(0.3)		0.2
Gains and losses on derivatives designated as cash flow hedges		89.5		14.8		(38.1)
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to net income		8.7		(1.2)		(2.5)
Change in gains and losses on derivatives designated as cash flow hedges		98.2		13.6		(40.6)
<b>Comprehensive income</b>	\$	<b>303.5</b>	\$	<b>277.0</b>	\$	<b>186.4</b>

Farm Credit Canada  
Consolidated Statement of Changes in Shareholder's Equity  
2009-10 Corporate Plan  
(millions of dollars)

Fiscal year ending March 31	2008 Actuals	2009 Forecast	2010 Plan
<b>Capital</b>			
Balance, beginning of year	\$ 547.7	\$ 547.7	\$ 547.7
Capital contributions during the year	0.0	0.0	0.0
Balance, end of year	547.7	547.7	547.7
<b>Retained earnings</b>			
Balance, beginning of year	914.4	1,132.0	1,373.8
Cumulative impact of adopting new accounting requirements for financial instruments on April 1/07	18.0	0.0	0.0
Net income	205.1	263.7	226.8
Dividends paid	(5.5)	(21.9)	(21.9)
Balance, end of year	1,132.0	1,373.8	1,578.7
<b>Accumulated other comprehensive income</b>			
Balance, beginning of year	0.0	97.1	110.4
Impact of remeasuring available-for-sale financial assets to fair value on April 1/07	(0.1)	0.0	0.0
Unrealized gains and losses on available-for-sale assets arising during the year	0.2	(0.3)	0.2
Total unrealized gains and losses on available-for-sale financial assets	0.1	(0.3)	0.2
Impact of new cash flow hedge accounting rules on April 1/07	(1.2)	0.0	0.0
Gains and losses on derivatives designated as cash flow hedges arising during the year	98.2	13.6	(40.6)
Total gains and losses on derivatives designated as cash flow hedges	97.0	13.6	(40.6)
Balance, end of year	97.1	110.4	70.0
<b>Total shareholder's equity</b>	\$ 1,776.8	\$ 2,031.9	\$ 2,196.4

Farm Credit Canada  
Consolidated Statement of Cash Flows  
2009-10 Corporate Plan  
(millions of dollars)

Fiscal year ending March 31	2008 Actuals	2009 Forecast	2010 Plan
<b>Operating activities</b>			
Comprehensive income	\$ 205.1	\$ 263.7	\$ 226.8
Items not involving cash and cash equivalents:	0.0	0.0	0.0
Provision for credit losses	5.0	47.9	65.1
Fair value adjustment of venture capital investments	0.6	(6.6)	(1.0)
Other fair value adjustment	40.5	(4.3)	0.0
Change in accrued interest receivable	(13.3)	(15.4)	(12.0)
Change in accrued interest payable	23.4	(6.4)	(1.3)
Change in derivative-related assets	3.2	(41.7)	0.0
Change in derivative-related liabilities	1.8	(65.6)	40.5
Change in foreign exchange on long term debt	0.1	0.0	0.0
Other	45.6	(20.3)	(64.7)
<b>Cash provided by operating activities</b>	<b>312.0</b>	<b>151.3</b>	<b>253.4</b>
<b>Investing activities</b>			
Loans receivable disbursed	(4,285.0)	(4,686.7)	(4,599.2)
Loans receivable repaid	2,840.8	3,005.5	3,551.8
Change in temporary investments	(114.4)	189.7	44.2
Venture capital investments purchased	(10.0)	(10.3)	(12.4)
Proceeds on disposal of venture capital investments	3.2	20.0	(1.7)
Other	(24.0)	14.8	(2.2)
<b>Cash used in investing activities</b>	<b>(1,589.4)</b>	<b>(1,467.0)</b>	<b>(1,019.5)</b>
<b>Financing activities</b>			
Long-term debt borrowings	1,039.2	3,471.4	3,399.2
Long-term debt maturities	(1,819.7)	(2,491.4)	(2,838.5)
Dividends paid	(5.5)	(21.9)	(21.9)
Capital contribution	0.0	0.0	0.0
Proceeds on sale of derivatives	3.8	0.0	0.0
Change in short-term debt	2,013.8	649.5	141.4
<b>Cash provided by financing activities</b>	<b>1,231.6</b>	<b>1,607.6</b>	<b>680.2</b>
Change in cash and cash equivalents	(45.9)	291.9	(85.9)
Cash and cash equivalents, beginning of year	315.6	269.7	561.6
<b>Cash and cash equivalents, end of year</b>	<b>\$ 269.7</b>	<b>\$ 561.6</b>	<b>\$ 475.7</b>



## 7.0 Borrowing Plan Summary

FCC requests authority to borrow from the Crown Borrowing Framework and from the capital markets in order to meet its forecasted funding requirements. Capital market borrowings will only be used in the event that Crown Borrowing Framework borrowing is not available for a prolonged period and will be subject to individual transaction approval by the Minister of Finance.

Authority is requested to:

- a) Borrow short-term financing from the Crown Borrowing Framework and/or domestic money markets, stand-by revolving credit facilities, and bank lines of credit or loan agreements. Total short-term borrowings outstanding will not exceed a maximum limit of \$9.0 billion.
- b) Borrow short-term US dollar financing from domestic money markets for the purposes of match funding US dollar assets. Total short-term US dollar borrowings outstanding will not exceed a maximum limit of \$500 million.
- c) Borrow medium and long-term financing through the Crown Borrowing Framework and/or domestic Medium and Long-Term Note program. Total medium and long-term borrowings will not exceed a maximum limit of \$7.0 billion in 2009-10.

Total short-term borrowing outstanding of \$9.0 billion is required to meet 2009-10 financing needs. Farm Credit Canada's short-term borrowing requirement has increased in order to support the continued growth in loans receivable. It is important that the limit provides latitude to meet business requirements and manage cash flow uncertainties.

Total medium and long-term borrowing of \$7.0 billion is required to meet 2009-10 financing needs. This amount provides flexibility and latitude to effectively finance Farm Credit Canada's balance sheet and business requirements.

## 8.0 Reference information

### 8.1 Glossary of terms

#### **AgProduction**

AgProduction refers to customers who have loans from FCC and includes agricultural operations that produce raw commodities such as crops, beef, pork, poultry, sheep and dairy as well as fruits, vegetables and alternative livestock. These include but are not limited to vineyards, greenhouses, forestry (cultivation, growing and harvesting of trees), aquaculture (growing of fish, both ocean and inland) and lifestyle customers.

#### **AgValue**

AgValue refers to agribusiness and agri-food customers who have loans from FCC. It includes customers who are suppliers and/or processors that are selling to, buying from, and otherwise serving primary producers. These include equipment manufacturers and dealers, input providers, wholesalers, marketing firms, and processors.

#### **Alliances**

Relationships established by contract between FCC and other agricultural or financial organizations designed to pool talents and offer expanded customer services.

#### **Allowance for credit losses**

Management's best estimate of credit losses in the loans receivable portfolio. Allowances are accounted for as deductions from loans receivable on the balance sheet.

#### **Arrears**

Arrears are defined as all amounts greater than \$500 that are past due.

#### **Available-for-sale (AFS) financial assets**

AFS financial assets are those non-derivative financial assets that are designated as AFS, or that are not classified as loans and receivables, held-to-maturity investments or held for trading.

#### **Basis point**

One hundredth of one percent, used when describing applicable interest rates or the yield of an investment (e.g., 1 bps = 0.01 per cent).

#### **Corporate social responsibility (CSR)**

CSR is about accessibility, accountability and transparently pursuing long-term corporate objectives in a manner that balances corporate decision making, behaviour and performance with

the evolving values, norms and expectations of society.

#### **Counterparty**

The opposite side of a financial transaction, typically another financial institution.

#### **Counterparty risk**

The risk that the counterparty will not be able to meet its financial obligations under the terms of the contract or transaction into which it has entered.

#### **Credit rating**

A classification of credit risk based on investigation of a company's financial resources, prior payment pattern and history of responsibility for debts incurred.

#### **Customer Support Strategy**

Plans developed to proactively assist customers who may experience loan repayment difficulties during down turns in a particular segment of the agriculture industry. Individual plans can include deferred payments or flexible repayment schedules.

#### **Debt-to-equity ratio**

The level of debt expressed as dollars of debt per one dollar of equity before accumulated other comprehensive income.

#### **Derivative financial instrument**

A financial instrument where value is based on and derived from an underlying price, interest rate, exchange rate or price index. Use of derivatives allows for the transfer, modification or reduction of current or expected risks from changes in interest rates and foreign exchange rates. Types of derivative contracts include interest rate swaps, interest rate options, currency swaps, and forward contracts.

#### **Effective interest method**

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

#### **Efficiency ratio**

A measure of how well resources are used to generate income calculated as administration expenses as a percentage of revenue (composed of net interest income, net lease income and other income).

**Embedded derivative**

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

**Enterprise**

Specific type of agricultural operation, for example, dairy, cash crops, beef, etc.

**Enterprise risk management**

The balance of the corporation's risk-taking activities and risk management practices within the context of executing corporate strategy and achieving our business goals and objectives.

**Fair value**

The amount an independent party would pay to purchase or sell a financial instrument in the marketplace. It can be estimated as the present value of cash flows, adjusted for risk.

**Foreign exchange risk**

The risk of financial loss due to adverse movements in foreign currencies.

**Hedge**

A risk management technique used to protect against adverse price, interest rate or foreign exchange movements through elimination or reduction of exposures by establishing offsetting or risk-mitigating positions.

**Held for trading (HFT) financial assets or financial liabilities**

HFT financial assets or financial liabilities are acquired or incurred principally for the purpose of selling or repurchasing in the near term; or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or are derivatives, except for derivatives designated in effective hedging relationships; or are financial instruments designated upon initial recognition as HFT.

**Held-to-maturity (HTM) investments**

HTM investments are non-derivative financial assets with fixed term to maturities, fixed or determinable payments and for which the corporation intends and is able to hold to maturity.

**Impaired loans**

Loans where, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan where a payment is 90 days past due is classified as impaired unless the loan is fully secured.

**Interest and currency rate swaps**

Contractual agreements for specified parties to exchange currencies and/or interest payments for a specified period of time based on notional principal amounts.

**Interest expense**

Expense to the corporation incurred on debt.

**Interest income**

Income earned on loans receivable, cash and investments.

**Interest rate option**

A right, but not an obligation, to pay or receive a specific interest rate on a notional amount of principal for a set interval.

**Leverage**

The relationship between total liabilities and the equity of a business.

**Loan renewal rate**

Percentage ratio of principal dollars renewed to principal dollars matured.

**Market value of portfolio equity (MVPE)**

The net present value of assets less liabilities. It is used to measure the sensitivity of the corporation's net economic worth to changes in interest rates.

**Net disbursements**

Represents disbursement of funds against approved loans excluding refinancing of existing FCC loans.

**Net interest income (NII)**

The difference between the interest earned on assets, such as loans and securities, and interest expense on borrowings.

**Net interest income margin**

Net interest income expressed as a percentage of average total assets.

**Notional amount**

The amount considered as principal when calculating interest and other payments for derivative contracts. This amount traditionally does not change hands under the terms of the derivative contract.

**Other comprehensive income (OCI)**

Represents unrealized gains and losses due to changes in fair value that are temporarily recorded outside of net income in a section of shareholder's equity called Accumulated Other Comprehensive Income (AOCI).

**Prepayments**

Prepayments are defined as unscheduled principal payments prior to interest term maturity.

**Principal not due (PND)**

The principal balance owing on loans. PND is a useful measure of growth between business lines, geographic areas and enterprises. It excludes items such as arrears and interest accruals that are normally included in loans receivable.

**Provision for credit losses**

The provision for credit losses is charged to the income statement by an amount necessary to bring the allowance for credit losses to a level determined appropriate by management.

**Return on assets (ROA)**

Net income expressed as a percentage of average assets.

**Return on equity (ROE)** Net income expressed as a percentage of average equity before accumulated other comprehensive income.

**Risk scoring and pricing system (RSPS)**

A tool used to evaluate the type and potential impact of risks present in each loan to ensure FCC is adequately compensated for the risk in its portfolio.

**Strategic credit risk model (SCRM)**

A tool to measure overall credit risk present in the portfolio, which reflects the impact of corporate priorities, credit culture, risk strategy and risk controls.

**Value-added**

Agricultural businesses on the input or output side of primary production that produce, transport, store, distribute, process or add value to agricultural commodities.

**Variable interests**

Contractual, ownership or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets.

**Variable interest entity**

An entity that by design does not have sufficient equity at risk to permit it to finance its activities without additional subordinated financial support, or in which equity investors do not have the characteristics of a controlling financial interest.

## 8.2 Products and services

FCC cares about customers and takes the time to listen, learn and understand their business goals. FCC offers a combination of financing, insurance, management software, information and learning products and services. FCC focuses on creating extraordinary customer experiences.

### AgProduction

FCC lends money to primary producers and loans are tailored to the unique needs of agriculture. Diverse customers include those who produce raw commodities like crops, beef, hogs, poultry, sheep, dairy, fruits and vegetables. FCC employees build relationships with customers in order to ensure the right combination of terms, security and payment schedules meets their current and future needs.

### AgValue

FCC lends money to those who buy from and sell to primary producers. These are the equipment manufacturers and dealers, input providers and processors along the agriculture value chain. If customers need financing to do business, they can talk to an FCC Relationship Manager or sales team member who helps them take advantage of opportunities.

### Alliances

FCC provides lending services where our customers do business through a team of equipment dealers, input, livestock and manufacturer partners. Equipment dealers are able to help their customers obtain equipment loans by becoming a member of the National Equipment Dealers Finance Program.

Alliances programs support the core business objectives of FCC partners while conveniently offering innovative financial solutions to producers at point of sale. FCC currently has alliance relationships with 525 agriculture equipment retailers, over 70 suppliers, financial

institutions, other agricultural groups and co-ops.

### AgriSuccess

FCC strengthens the relationship with customers through management training, information and learning. Workshops, learning tours and speaker sessions include the following topics: managing farm finances, human resources, succession planning and others. In 2008-09, FCC continues the FCC Forum customer event series, held in nine cities across Canada, featuring informative speakers addressing the theme of Big Ideas for your Future. The second annual FCC Ag Day in Canada recognizes the contributions of our customers and agriculture in a one-day national celebration of the industry on January 28, 2009. Every week customers can get the latest in agriculture e-news with AgriSuccess Express. This publication shares provincial, national and international news and trends that affect agriculture – and their bottom line. AgriSuccess Express is delivered free, on a weekly basis, to subscribers and customers with e-mail addresses.

Customers can learn more about farm management strategies with AgriSuccess Journal, which is published every two months. With this free national farm management magazine, customers get tips and insight from other industry experts and producers.

### AgExpert software

FCC offers AgExpert, the number one software designed for Canadian producers - AgExpert Analyst and AgExpert Field Manager PRO.

AgExpert Analyst software allows customers to enter income and expenses, track inventory and capital assets and prepare financial statements. With just a few clicks, a completed GST return is ready. It's the accounting software that's designed specifically for Canadian agriculture.

AgExpert Field Manager PRO software is an innovative crop record-keeping and planning

system that gives customers access to all of their crop production data – any time, anywhere. Using this application customers get a complete picture of their operation as it is and as it could be on a desktop PC or handheld.

### **FCC Insurance**

FCC offers creditor loan life and accident insurance protection for borrowers, spouses, shareholders, guarantors and key persons that manage their businesses. Insurance coverage of up to \$1.5 million per customer is available. Customers can either fully or partially insure their loans. They can also choose individual or joint coverage for up to four applicants. Proceeds from insurance claims can be applied to reduce the loan balance or to make future loan payments.

The sale of loan life and accident insurance is a solid source of revenue for FCC. In 2007-08, FCC introduced tele-underwriting, to improve the customer experience when medical underwriting of a policy is required. If an application requires underwriting customers are guided through the process by phone, receiving a decision in days rather than weeks.

FCC offers the following types of creditor loan life and accident insurance:

- **Reducing Balance Coverage** – this core insurance plan can be used to insure all loans except Cash Flow Optimizer, Advancer, AdvancerPlus and American Currency. Coverage reduces as the loan balance reduces, but premiums do not change as the customer ages.
- **Fixed Coverage**– this plan offers a fixed amount of insurance to cover future payments. It is ideally suited for Cash Flow Optimizer loans or loans that a customer wants to partially insure loans.

- **Revolving Coverage** – this plan offers insurance protection for loans where the balance fluctuates. The coverage and premiums fluctuate with the loan balance. The Revolving Coverage plan is used with the Advancer and AdvancerPlus loans.

Sun Life Assurance Company of Canada underwrites the FCC creditor insurance plan.

### **FCC Ventures**

FCC Ventures, the corporation's venture capital division, has taken a leadership role in successfully addressing the need for non-traditional capital financing in Canada's agriculture industry.

In 2007-08, FCC Ventures invested \$10.0 million in venture capital funds, bringing the total provided to the industry to \$72.9 million since its inception in 2002. In addition to FCC's investments, third party co-investors have invested another \$109.6 million

The Avrio Ventures Limited Partnership was launched in 2006 with FCC committing \$50 million and has grown to nearly \$75 million in 2008 with other investors joining the limited partnership. This fund capitalizes on the convergence of agricultural sciences and industrial technology and is focused on Canadian commercialization-to-growth stage companies in three emerging sectors: industrial bio-products, food technology and nutraceutical ingredients.

The Avrio Ventures fund meets Canada's need to be competitive on the world stage, and is consistent with the Government of Canada's focus on providing leadership in agricultural science and innovation.



Avrio Ventures Limited Partnership is a separate legal entity, operating and making its investment decisions independent of FCC. However, as the lead sponsor of the fund, FCC sets the investment objectives that Avrio must follow. The management and ownership of Avrio Ventures consists of experienced and well-qualified venture capitalists with a proven track record working with FCC and other venture capitalists. The employees of Avrio Ventures work closely with FCC field staff to offer venture capital financing to customers. Avrio Ventures is represented across Canada with offices located in Calgary, Alberta; Oakville, Ontario and Montreal, Quebec.

Investments made directly by FCC are managed by Avrio Investments Inc. under an investment management agreement. Each of these investments will remain as an asset of FCC until it is appropriate for FCC to exit. FCC Ventures is an active division within FCC and will continue to pursue other opportunities to support agriculture with venture capital financing.

### Online Services

FCC makes it easy for customers to do business. Customers can check their entire portfolio online, review farmland values reports, use an online farm finance kit and watch commodity futures prices, the weather and news, 24 hours a day, seven days a week.

### CanadianFarmersMarket.com

FCC developed CanadianFarmersMarket.com, a website to bring buyers and sellers together and help customers market their products and services. Consumers can purchase Canadian products online, direct from producers, while learning what agriculture has to offer. Our *Farmer to Farmer* section allows producers to sell their products and services to each other. Categories include livestock and feed, seed and inputs, nursery plants, equipment and special services.

## 8.3 FCC Loans

### Customized loans

#### Accelerator Loan

Are you a young farmer looking to build your farm? Get as low as zero down – and flexible payment options.

#### Advancer Loan

Use this pre-approved, secured loan with the flexibility to re-advance funds at your discretion.

#### AdvancerPlus Loan

Need financing that provides working capital? Keep your day-to-day operations running smoothly with this revolving, pre-approved loan you can access any time.

#### American Currency Loan

If you derive a lot of your revenue in U.S. dollars, you can borrow and make payments in U.S. dollars.

#### Capacity Builder Loan

Purchase quota or breeding livestock with pre-approved financing for up to 18 months and the option to capitalize interest.

#### Cash Flow Optimizer Loan

Make interest-only payments while reinvesting funds into other areas of your operation, giving you the control to make principal payments when you choose.

#### Construction Loan

Defer your principal payments while you build or expand, with interim financing for up to 18 months on construction projects.

#### Enviro-Loan

Defer loan payments when constructing, improving or expanding your environmental facilities.

#### First Step Loan

Use your post-secondary education to buy your first farm-related asset.

#### Flexi-Loan

Defer principal payments for up to one year to take advantage of opportunities or ease cash flow during adverse conditions.

#### 1-2-3 Grow Loan

Manage your cash flow with interest-only payments until you get a return on your investment.

#### Payday Loan

Use your off-farm income to start or expand your farm business.

#### Performer Loan

Get rewarded with lower interest rates when your business achieves pre-set financial goals and ratios.

#### Start Now – Pay Later Loan

Defer payments in your operation until you start seeing rewards for your efforts.

#### Spring Break Loan

Match your payment schedule to the forestry harvesting season.

#### Transition Loan

Help the next generation purchase your property at retirement. Get the equity from your farm without risk.

### Standard loans

#### Closed rates

FCC's lowest rates fixed for the term of your personal property or mortgage loan

#### Fixed rates

Fix a low mortgage rate for the term of the loan with a 10 per cent prepayment option included.

#### Open rates

Have the benefit of prepayment without penalty with a low rate fixed for the term of your personal property loan.

#### Variable rates

Enjoy maximum flexibility with a rate that floats as interest rates rise and fall. Prepay any amount at any time for personal property loans, or with the Open Variable Rate mortgage loans. Prepay up to 10 per cent any time for standard variable rate mortgage loans.

## 8.4 FCC Office locations

### **British Columbia**

Abbotsford, Dawson Creek, Duncan, Kelowna, Surrey

### **Alberta**

Barrhead, Brooks (S), Calgary, Camrose, Drumheller, Edmonton, Falher, Grande Prairie, Leduc, Lethbridge, Lloydminster, Medicine Hat, Olds, Red Deer, Stettler (S), Stony Plain, Vegreville, Vermilion, Westlock

### **Saskatchewan**

Assiniboia, Carlyle, Humboldt, Kindersley, Moose Jaw, North Battleford, Prince Albert, Regina, Rosetown, Saskatoon, Swift Current, Tisdale, Weyburn, Wynyard (S), Yorkton

### **Manitoba**

Arborg, Brandon, Carman, Dauphin, Killarney (S), Morden, Neepawa, Portage la Prairie, Shoal Lake (S), Steinbach, Stonewall (S), Swan River, Virden, Winnipeg (S)

### **Ontario**

Barrie, Campbellford, Chatham, Clinton, Embrun, Essex, Guelph, Kanata, Kingston, Lindsay, Listowel, London, North Bay, Oakville, Owen Sound, Simcoe, Stratford, Vineland, Walkerton, Woodstock, Wyoming

### **Quebec**

Alma, Drummondville, Gatineau, Granby, Joliette, Québec, Rivière-du-Loup, Salaberry-de-Valleyfield, Sherbrooke, St-Georges-de-Beauce, St-Hyacinthe, St-Jean-sur-Richelieu, St-Jérôme, Trois-Rivières, Victoriaville

### **New Brunswick**

Grand Falls, Moncton, Sussex, Woodstock

### **Newfoundland and Labrador**

Mount Pearl

### **Nova Scotia**

Kentville, Truro

### **Prince Edward Island**

Charlottetown, Summerside

### **Corporate Office**

1800 Hamilton Street, P.O. Box 4320  
Regina, Saskatchewan S4P 4L3  
Telephone: 306-780-8100  
Fax: 306-780-5167

### **AgExpert Management Software**

1800 Hamilton Street, P.O. Box 4320  
Regina, Saskatchewan S4P 4L3  
1-800-667-7893  
Telephone: 306-721-7949  
Fax: 306-721-1981

### **FCC Ventures**

1800 Hamilton Street, P.O. Box 4320  
Regina, Saskatchewan S4P 4L3  
Telephone: 306-780-5708  
Fax: 306-780-8757

### **Government and Industry Relations**

Room 841, Sir John Carling Building  
930 Carling Avenue  
Ottawa, Ontario K1A 0C5  
Telephone: 613-993-9897  
Fax: 613-993-9919

(S) Satellite office – limited hours

[www.fcc.ca](http://www.fcc.ca)

[csc@fcc-fac.ca](mailto:csc@fcc-fac.ca)

Customer toll-free number – extended hours: 1-888-332-3301

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FCC's venture capital business is delivered through: Avrio Ventures

### **Calgary**

340-2618 Hopewell Place N.E.  
Calgary, Alberta T1Y 7J7  
Telephone: 403-215-5490  
Fax: 403-215-5495

### **Toronto**

36 Toronto Street, Suite 850  
Toronto, ON M5C 2C5  
Telephone: 905-465-0885

### **Montreal**

1155 René Lévesque Blvd. W.  
Suite 2500  
Montreal, Quebec H3B 2K4  
Telephone: 514-868-1079

[www.avrioventures.com](http://www.avrioventures.com)

[info@avrioventures.com](mailto:info@avrioventures.com)

## 8.5 Contacts

If you require more information about Farm Credit Canada's Corporate Plan Summary or wish to provide feedback, please contact:

**Corporate Office:**

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Regina SK S4P 4L3  
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Si vous désirez obtenir de plus amples renseignements sur le Résumé du plan d'entreprise de FAC ou fournir des commentaires, veuillez communiquer avec:

Siège social:  
1800, rue Hamilton, C.P 4320  
Regina SK S4P 4L3  
Téléphone: 1-888-332-3301 heures  
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