Operating budget | Capital budget | Borrowing plan

2012-13 to 2016-17

Corporate Plan Summary

Farm Credit Canada
Advancing the business of agriculture

Canada

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1.0 | Executive summary

Agriculture is a modern and economically important industry. Farmers and agribusiness operators are sophisticated business owners. They work in a complex industry affected by volatile markets, international economics, evolving consumer trends, human resource challenges and many other factors.

Given the uncertainty in the global marketplace, a trustworthy and stable financial partner has never been more important. Farm Credit Canada (FCC) continues to demonstrate an unwavering commitment to the agriculture and agri-food industry.

FCC is a financially self-sustaining Crown corporation, providing financial and business services to 100,000 primary producers, value-added operators, suppliers and processors along the agriculture value chain.

FCC's purpose is to enhance rural Canada by providing specialized and personalized business and financial services and products to family farms, farming operations and small and medium-sized business related to farming. FCC is dedicated to agriculture and takes a long-term view.

As a federal commercial Crown corporation, FCC understands the importance of remaining financially viable through all economic cycles to support customers through good and challenging times. FCC has met or exceeded its financial targets for almost two decades and is strong and stable. FCC's stellar financial performance will enable the corporation to serve the needs of the agriculture industry well into the future.

Federal deficit reduction action plan

The federal government introduced a federal deficit reduction action plan in Budget 2011 to examine direct program spending as appropriated by Parliament. Although FCC does not receive appropriations from the Government of Canada, FCC will abide by the spirit and intent of the federal deficit reduction action plan. The corporation will continue its track record of high performance and efficiency, and conduct itself in a manner that is mindful of the current climate of fiscal constraint.

Strategic planning process

The FCC strategic planning process engages the Board of Directors and the Senior Leadership Team in developing the corporation's business strategy. This process provides an opportunity to consider trends that may impact FCC, assess the current state and develop strategies to move FCC toward its vision and mission. FCC uses a balanced scorecard approach to monitor and measure progress in achieving its strategy.

Enterprise risk management is integrated with the strategic planning process to ensure that the identification, assessment and evaluation of risk is considered from a strategic vantage point. Effective risk management enables FCC to fulfil its mandate, create value for stakeholders and ensure long-term viability.

The corporate plan for the 2012-13 to 2016-17 planning period is an output of the strategic planning process and outlines how the corporation will achieve its vision, mission and value proposition.

To achieve the vision and mission, FCC has chosen four areas of focus, called strategic themes, as follows:

- financial and risk management
- customer experience
- efficiency and execution
- employee experience

Financial and risk management

As mentioned earlier, FCC needs to be financially sustainable to serve customers and the industry through all cycles. FCC pays an annual dividend to its shareholder, the Government of Canada. A number of financial strategies and initiatives are included in the corporate plan to ensure that FCC continues to safeguard its strong financial position.

Ensuring corporate understanding and management of significant risks to maintain long-term business viability is crucial. FCC employs an enterprise risk management (ERM) approach to manage risks across the organization in a consistent, coordinated manner. Over the next five years, FCC plans to further integrate ERM with corporate-wide initiatives and practices.

Financial institutions recognize that reputation management is a vital driver of customer loyalty and attraction, and employee recruitment and morale. FCC enjoys a very positive reputation within the agriculture industry and intends to protect and grow its reputation with all stakeholders. Given the current economic climate and perceptions of financial institutions in general, FCC will continue to pay significant attention to reputation risk over the next business planning cycle.

Customer experience

A key component of the five-year plan is to retain FCC's focus on delivering an extraordinary customer experience. The goal is to ensure that customers feel respected and valued. Surveys consistently indicate that customers choose FCC for the following reasons:

- FCC's knowledge of agriculture and commitment to the industry
- its focus on relationships
- a flexible approach to doing business

The customer experience goes beyond the loans, insurance and software offered by FCC. The corporation also has a major program to educate and inform customers and others involved in the industry. This includes publications, learning events and workshops on a range of subjects that enhance knowledge and help producers and agribusinesses to run successful operations. FCC plans to expand these services, which are offered free of charge to all those involved in agriculture.

Efficiency and execution

FCC prides itself on running a highly efficient organization. FCC understands that continuously improving corporate processes is a practice that enhances agility and efficiency. FCC is nearing completion of a multi-year Business Process and Technology Transformation Program (BK) that will streamline and automate many business processes and support lending activities with more flexible technology. The corporation will continue to review internal processes, procedures and systems to optimize performance over the planning period.

Employee experience

Research and experience show that highly engaged employees provide superior service to customers. This is why FCC is committed to sustaining a climate that fosters a positive employee experience. FCC is well-known for its cultural practices, which outline explicit behavioural expectations for employees at all levels, including senior management and the Board of Directors.

Central to the employee experience is the quality of leadership. FCC provides training and coaching to managers at all levels to ensure that every employee reports to a manager with strong leadership skills.

In addition, the corporation emphasizes the importance of continuous learning to ensure that employees remain current with industry trends and professional developments.

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Pursuing initiatives under each of the above strategic themes will result in the successful implementation of the 2012-13 to 2016-17 Corporate Plan. This will allow FCC to remain self-sustaining and dedicated to the Canadian agriculture industry's success through all economic cycles.
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2.0 | Mandate

2.1 Corporate mandate

FCC is Canada's leading provider of financial and business services tailored to the agriculture industry.

FCC's mandate is described in the Farm Credit Canada Act as follows:

> *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 is on farming operations, including family farms.*

FCC fulfils its mandate by offering loans and services to the agriculture and agri-food industry. Other offerings include management software, learning programs and knowledge to help customers and others involved in agriculture make sound decisions. FCC’s main focus remains primary producers, who represent 85 per cent of the portfolio. The corporation also serves agribusinesses along the value chain – from suppliers to processors.

FCC’s roots date back to 1929, when the Canadian Farm Loan Board (CFLB) was established to provide long-term mortgage credit to farmers. In 1959, the Farm Credit Act established FCC as an agent Crown corporation named in Part 1 of Schedule III of the Financial Administration Act, making it the successor to the CFLB.

On April 2, 1993, the Farm Credit Corporation Act was proclaimed into law. It provided the corporation with an expanded mandate and broader lending and administrative powers. It also combined these powers allowing FCC 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, further broadening the corporation’s range of services to producers and agribusiness operators.

Upon request, FCC also delivers specific programs for the Government of Canada on a cost-recovery basis.

In addition to the Farm Credit Canada Act, FCC is governed by or subject to the following federal legislation:

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

FCC complies with other federal and provincial legislation, such as land titles, farm debt mediation, personal property security acts, environmental protection, bankruptcy, insurance, occupational health and safety, and securities.

2.2 Official languages

As a federal Crown corporation, FCC adheres to the Official Languages Act, and serves customers in both official languages.

One of the ways that FCC supports the use of both official languages in minority language communities across Canada is through the Expression Fund. This fund supports projects that contribute to the vitality of official language minority communities and help residents express the cultural and linguistic diversity of the area.

2.3 Public policy role

The public policy role is based on FCC's mandate and is the foundation of corporate initiatives. Serving agriculture through all cycles and tailoring products and services to the unique needs of the industry are some of the ways that FCC fulfils its public policy role. Successful business owners require information to make good decisions and plan for the future in this dynamic and complex industry. That is why FCC supports those involved in the industry with value-added knowledge that contributes to their future growth.

FCC has created a public policy statement that outlines the many ways the corporation fulfils its mandate as outlined below.

FCC serves all of agriculture, all the time – all sectors, all across Canada.
The corporation 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.

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

FCC is dedicated to agriculture and takes the long-term view.
The corporation understands that agriculture is cyclical and that cycles impact even the best producers and agribusiness operators. For that reason FCC consistently works with and supports its customers and agriculture sectors through the highs and lows.

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

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

FCC is visionary and operates business in a sustainable manner.
The corporation offers unique products and services that help young farmers and agribusiness entrepreneurs because it is good for the industry's future.[1]

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.

As a socially responsible corporation FCC has a special focus on customers, the environment, health and safety, human rights, human resource management, community investments and corporate governance.

The corporation provides environmental information and products to customers and is working to reduce its corporate environmental footprint.

[1] FCC defines young farmers as all customers under 40.

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

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

Examples that demonstrate how FCC fulfilled its public policy role in 2010-11 are provided below.

Highlights

FCC currently has approximately 100,000 customers.[2] In 2010-11, 37,891 customers received loans or other financial products through one of FCC's 100 offices, located primarily in rural areas across Canada:

British Columbia/Alberta - 10,107
Saskatchewan/Manitoba - 11,971
Ontario - 10,571
Quebec - 3,812
Atlantic - 1,430

Of these customers, 36,035 are primary producers and 1,856 are agribusiness or agri-food operators.

The corporation offers loans, management software, information and learning opportunities tailored to the unique needs of the agriculture industry, including:

FCC Transition Loan assists young farmers to start or expand an operation.

FCC Management Software allows producers to track detailed management information to enhance decision-making.

CanadianFarmersMarket.com provides customers with a website where they can promote and sell their products.

FCC also provides financing through alliances in order to supply products and services to producers, retailers and wholesalers. FCC has 2,031 alliances that include equipment dealers and manufacturers, crop input retailers, co-operatives and livestock operations. Offering loans where customers want to do business supports the local communities where dealers and suppliers operate. FCC customers also can purchase new or used farm equipment through equipment loan financing. Approximately 1,000 equipment dealer locations across Canada offer FCC financing. In 2010-11, $449.8 million in equipment loan and lease financing was disbursed to customers.

The FCC customer support strategy helps producers manage when unexpected challenges arise. FCC works with clients to provide flexible timing to payments on their existing loans. In 2010-11, FCC proactively supported hog customers across Canada as well as crop producers in Alberta, Saskatchewan and Manitoba affected by excess moisture and flooding. FCC also helps customers who experience a personal crisis (such as fire or critical illness) with the FCC Ag Crisis Fund. In 2010-11, FCC helped 122 customers with $179,150 in funds.

FCC offers young farmers customized loan products. In 2010-11, FCC disbursed over $1.6 billion in loans to help young farmers build their dreams.

FCC shares knowledge with customers, stakeholders and the industry in a variety of ways. FCC Learning programs offer insights and knowledge that advance farm management practices. Over 13,900 people attended 151 FCC learning events last year. Through the Knowledge Insider publication, FCC offers in-depth analysis of various issues and opportunities affecting Canadian agriculture.

[2] FCC currently has approximately 100,000 customers, which include all customers with active loan balances who are primary borrowers, co-borrowers or guarantors for personal and corporate loans, including primary production, agribusiness and agri-food, and alliances.

FCC is environmentally responsible in its business practices. The corporation adheres to established bio-security protocols, ensuring that employees practice disease prevention when visiting farms and agribusiness operations.

FCC assesses environmental risk as part of credit risk analysis. As part of the loan approval process, lending staff assess environmental risk, and work with customers to complete questionnaires, site inspections and assessment reports.

The corporation also provides the Canadian Environmental Assessment Registry with a quarterly report of projects assessed under the Canadian Environmental Assessment Act.

In 2010-11, FCC measured its greenhouse gas emissions in seven locations across the country (representing 50 per cent of FCC's leased square footage) and conducted a waste audit at two Regina offices. FCC plans to expand measurement in this area and then use two consecutive years of data as a benchmark. This will inform reduction targets that will be set for 2012-13 and beyond.

Community matters – that's why giving back to the communities where FCC customers and employees live and work is a corporate value. FCC gives back in a number of ways. Examples from 2010-11 are as follows:

- Field offices collected food in support of the FCC Drive Away Hunger program. More than 1.7 million pounds of food was collected for food banks nationwide. FCC also donated $25,000 to Food Banks Canada to support the National Food Sharing System.
- FCC AgriSpirit Fund provided $1 million to 104 rural community enhancement projects across Canada. A list of all 2010 recipients is available at www.AgriSpirit.ca.
- FCC Regina Spirit Fund provided $500,000 to 18 Regina charity and not-for-profit organizations. FCC's headquarters are in Regina, which is where 600 of our 1,500[3] employees are located.
- FCC Ag Safety Fund was launched in partnership with the Canadian Agriculture Safety Association. FCC awarded $100,000 to nine projects to increase the number of people trained in agriculture safety.

2.4 Alignment with government priorities

Collaboration with AAFC

FCC is committed to supporting the priorities of the Government of Canada and this includes collaboration with Agriculture and Agri-Food Canada (AAFC) and other Crown corporations.

FCC is providing input on several aspects of the Growing Forward 2 agriculture policy development. In addition, during the consultation process, AAFC was provided with access to FCC's 9,000 member Vision Panel. In 2010, AAFC senior leadership members were provided with highlights of several key studies from the Vision Panel, including themes regarding young farmers, use of social media and risk mitigation. More recently, FCC was a witness to the Standing Committee for Agriculture and Agri-Food on their study of Growing Forward 2 on the theme of Competitive Enterprises. AAFC often consults with FCC to obtain an up-to-date understanding of financing and credit issues faced by farmers. In addition, FCC offers a variety of services, tools and training to help farmers develop their business management skills as well as to plan for farm succession and transfers, which complement AAFC's business development initiatives.

FCC's President and CEO maintains a strong relationship with the Deputy Minister of Agriculture and Agri-Food and actively participates in meetings of the agriculture portfolio heads. FCC supports the Portfolio

[3] Includes permanent full and part-time employees

Coordination Secretariat through participation at several levels and information sharing. FCC provides advice and input on sector-specific issues as well as new policy.

Supporting farmers

FCC ensures that the agriculture industry has access to capital by providing a range of customized credit products tailored to the needs of the industry. FCC also offers venture capital that addresses the need for alternative financing in the agriculture industry. FCC will remain a fair competitor among financial institutions, offering neither the lowest nor the highest priced loans.

Market access

In addition to working with AAFC, FCC collaborates with Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) to support access to international markets for Canadian agribusinesses. FCC and EDC have developed a partner strategy to draw on each other's expertise, knowledge, processes and products for customers who require export and global investment solutions. FCC and EDC launched a pilot program in Western Canada to work together on regional business development in the value added and horticulture industries. The lessons learned from this initiative will then be applied to the rest of Canada. FCC and EDC plan to host joint events to promote the importance of the agriculture industry. These efforts will improve access to international financing and risk management tools. FCC also collaborates with BDC to provide referrals for business services. FCC will continue its work with BDC to increase the availability of financing to agribusinesses.

FCC will continue to explore new areas for collaborating with other organizations, including those already mentioned, plus universities or other stakeholders with whom mutually beneficial relationships can be established.

Renewal of agriculture

FCC plays a vital role in supporting renewal in agriculture by continuing to offer FCC management workshops, learning forums and publications. These help to ensure farmers of all ages can access the training and information needed to succeed in the future. FCC helps to build the industry of the future by supporting young farmers. FCC products and services, like the Transition and First Step loans, help with the intergenerational transfer of farms and assist farmers entering the industry.

Remain self-sustaining

FCC continues to remain self-sustaining and profitable. As a federal commercial Crown corporation, FCC understands the importance of remaining financially viable through all economic cycles to support customers through good and challenging times. In 2012-13, the corporation will continue to control costs and increase efficiency to sustain its excellent financial performance and the ability to serve the industry in the future. As mentioned earlier, FCC will conduct itself in a manner that is mindful of the fiscal constraints outlined in the federal deficit reduction action plan.

2.5 Federal deficit reduction action plan

The federal government introduced a Strategic and Operating Review in Budget 2011 to examine direct program spending as appropriated by Parliament. FCC will abide by the spirit and intent of the federal deficit reduction action plan. Although FCC does not receive financial appropriations from the Government of Canada, the corporation will continue its track record of efficiency and strong financial performance, and conduct itself in a manner that is mindful of the current climate of fiscal constraint.

FCC has conducted a self-review, focused on improving efficiency and reducing controllable costs. Although FCC portfolio continues to grow, FCC will freeze its administrative expense budget to the 2011-12 Corporate Plan level of $312.2 million. This is well below the previously planned level of $330.2 million for 2012-13. This results in an improved efficiency ratio from 41.3 per cent to 37.1 per cent. An efficiency ratio measures the portion of each dollar of revenue that is required to cover operating expenses. This ratio is commonly used as a measure in the financial services industry. FCC has a dividend policy and has paid $65.5 million in dividends to the federal government since 2008. In October 2011, the FCC Board declared a dividend of $17.5 million, payable by March 31, 2012.

As a federal commercial Crown corporation, FCC understands the importance of remaining financially viable through all economic cycles to support customers during both good and challenging times. FCC has met or exceeded its financial targets for almost two decades and is strong and stable. FCC’s stellar financial performance will enable the corporation to serve the needs of the agriculture industry well into the future and will contribute to deficit reduction through its generation of net income.

3.0 | Corporate profile

FCC operates out of 100 offices located primarily in rural communities. Its 1,500 dedicated employees are passionate about the business of agriculture. FCC continues to meet the changing needs of the industry, offering customized debt and equity financing, creditor insurance, management software, learning programs and knowledge.

FCC is a financially self-sustaining federal Crown corporation reporting to Parliament through the Minister of Agriculture and Agri-Food. FCC provides financing and other services to approximately 100,000 primary producers and value-added operators, suppliers and processors along the agriculture value chain. In addition, FCC provides learning events and publications annually to over 10,000 participants and 100,000 subscribers respectively.

3.1 Why FCC exists

FCC's 2020 Vision

The following vision keeps employees focused on their future state.

The full agriculture value chain believes FCC is advancing the business of agriculture by providing financial products, tools and knowledge tailored to producers and agribusiness operators. Our customers are advocates of FCC and can't imagine doing business without us. We are a strong corporate citizen and an employer of choice everywhere we operate. Our focus on continuous improvement makes it easy for customers and employees to do business. We are financially viable and invest significantly in the agriculture and agri-food industry.

Mission

FCC's mission is stated in the Farm Credit Canada Act as follows:

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.

3.2 Customer value proposition

FCC's customer value proposition outlines what customers and prospects can expect from a relationship with FCC:

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.

3.3 Corporate citizenship

Corporate values

FCC's corporate values guide its conduct with colleagues, customers and stakeholders. FCC's corporate values represent its 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.

Work 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.

Corporate social responsibility

Being socially responsible makes good business sense. Corporate social responsibility (CSR) is part of FCC's 2020 vision and its plan to advance its CSR practices by responding to changing macro trends and societal expectations.

As part of FCC's commitment to CSR, it strives to be a responsible corporate citizen in all areas of its operations. FCC works in a socially and environmentally sustainable manner in its interactions with customers, employees, communities, the agriculture industry and society as a whole. FCC believes that socially responsible practices help it to grow and advance its business.

Cultural practices

In addition to the corporate values, FCC's cultural practices explicitly outline the behaviours employees and Board members are expected to demonstrate with colleagues, customers, partners, suppliers and stakeholders.

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

[4] When disagreements occur, we seek to understand our colleague's perspective and clean up and recover (apologize) for any impact.

3.4 Employee value proposition

FCC is a high-performance organization, with talented and dedicated employees who are passionate about contributing to the success of Canadian agriculture. FCC works in partnership to deliver an extraordinary customer experience.

Just as FCC has a customer value proposition so that customers and prospects know what to expect, the corporation has created an employee experience value proposition so that employees know what to expect.

FCC's commitment to employees:

- leadership that inspires, provides clarity, and helps employees feel valued and supported
- a positive culture based on respect and trust where employees can feel safe to speak up responsibly – regardless of role or title
- opportunities to learn, grow and take on new challenges as part of an industry-leading organization
- processes, systems, knowledge and tools that make it easy for employees to do their job
- recognition for employee accomplishments, ideas and demonstrated commitment to work in partnership with others
- competitive salaries, pension and benefits

Our employees' commitment to FCC:

- do their best every day – go the extra mile to show customers that they care about their needs, they value their business and that FCC is easy to do business with
- be committed to the success of each person and team at FCC – "One team. One customer." Make decisions as if they owned the organization: "Think like an owner"
- be personally accountable for the results they create, for acting with integrity and for their impact on others
- display a positive attitude toward change; actively support corporate decisions and initiatives
- demonstrate leadership in improving our internal processes and service delivery by generating and sharing ideas
- take ownership for continually developing their knowledge and abilities

3.5 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.

Board members are appointed by the Governor-in-Council upon the recommendation of the Minister of Agriculture and Agri-Food. Except for the President and CEO, Board members are independent of management. They bring a combination of senior agriculture, business and financial experience to the task of governing an organization that serves an increasingly complex industry.

The Board is responsible for the overall governance of the corporation. It ensures that 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 corporation's strategic direction and corporate plan. The Board also exercises its responsibility to oversee and ensure that risks associated with FCC's business have been identified and that appropriate systems, controls and policies are implemented to manage them.

The CEO is responsible to the Board for day-to-day operations of the organization and is a member of the Board.

The roles and responsibilities of the Chair, Board members, the CEO and all Board committees are set out in written profiles and charters (available upon request). These documents articulate the Board's responsibility in six major areas:

- integrity - legal and ethical conduct
- strategic planning and risk management
- financial reporting and public disclosure
- leadership development
- government relations and corporate social responsibility
- corporate governance

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

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 and audit functions. The Audit Committee's responsibilities are:

- financial reporting
- legal and ethical conduct
- external auditors
- internal auditors
- internal control
- committee reporting and performance

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 Human Resources Committee's responsibilities are:

- Human Resources policies / plan
- CEO – selection, goal setting and performance review
- senior management – succession planning
- pension plans
- committee reporting and performance

The **Corporate Governance Committee** reviews and makes recommendations to the Board with respect to sound governance practices and oversees the corporation's strategic planning and enterprise risk management processes and corporate social responsibility. The committee also serves as the Board's nominating committee. The Corporate Governance Committee's responsibilities are:

- governance practices
- strategy and enterprise risk management
- government relations, reputation and corporate social responsibility
- board renewal, education and evaluation

FCC's board is currently comprised of 12 members, including the CEO and Chair. The Board and committees typically meet five times each year. Four of these meetings are regular business meetings held at FCC's corporate office in Regina. The remaining meeting is the Board's strategic planning meeting, which is typically held in August. Each year this meeting is held in a different part of the country to give the Board an opportunity to meet with staff, customers and stakeholders and thereby gain a better appreciation of the issues facing agriculture in Canada. For the last several years this meeting has also been held in conjunction with the corporation's annual public meeting.

Members of the Board of Directors

Full biographies are available at www.fcc.ca

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
Reappointed Chair August 4, 2009

Greg Stewart, P.Ag.
President and CEO
Farm Credit Canada
Regina, Saskatchewan
Appointed January 1, 2008

Caroline Belzile, D.T.A.
Co-owner, beef, hog and grain farm and sugar bush operation
Saint-Elzéar, Quebec
Appointed January 29, 2008

Donald Bettle
Former dairy farmer
Former chairman,
Canadian Atlantic Dairy Export Co-op
Passekeag, New Brunswick
Appointed January 25, 2007
Reappointed February 10, 2010

Caroline Granger
President and CEO
The Grange of Prince Edward Vineyards and Estate Winery
Hillier, Ontario
Appointed June 27, 2007
Reappointed August 6, 2010

Brad Hanmer, B.Sc.Ag.
Co-owner/operator, commercial grain and pedigreed seed farm
Govan, Saskatchewan
Appointed January 25, 2007
Reappointed February 10, 2010

Ron Hierath
Realtor, residential and agricultural sales
Lethbridge, Alberta
Appointed January 25, 2007
Reappointed February 10, 2010

Dale Johnston
Owner/operator mixed farm operation
Ponoka County, Alberta
Appointed June 23, 2011

John Klippenstein, CMA, FCMA
COO, Klippenstein Management Services
Steinbach, Manitoba
Appointed July 30, 2008

Ross Ravelli
Owner, Ravelli Farms Ltd.
Dawson Creek, British Columbia
Appointed February 10, 2010

Jason Skinner, M.Sc., P.Ag.
CEO, North West Terminal Ltd.
Wilkie, Saskatchewan
Appointed February 12, 2009

Carl Spencer, B.Sc.Ag.
Owner/operator, beef farm and maple syrup operation
Tara, Ontario
Appointed November 26, 2009

Executive Management Team (EMT)

Bound by the code of conduct and ethics, FCC executive and 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.

EMT 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

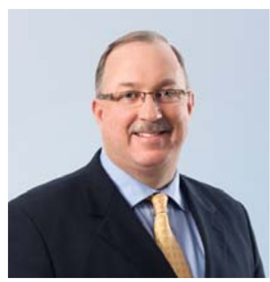
Rick Hoffman, MBA, CMA
Executive VP and Chief Financial Officer

Rémi Lemoine, MBA, CCP
Executive VP and Chief Operating Officer

Lyndon Carlson, P.Ag.
Senior VP, Marketing

Kellie Garrett, MA, MC, ICD.D
Senior VP, Strategy, Knowledge and Reputation

Michael Hoffort, P.Ag.
Senior VP, Portfolio and Credit Risk



Greg Honey
Senior VP, Human Resources

Paul MacDonald
Senior VP and Chief Information Officer

Senior Leadership Team (SLT)

SLT consists of the President & CEO, Executive Vice-Presidents, Senior Vice-Presidents, Vice-Presidents, the Senior Director, Culture, Learning and Employee Experience, and the General Counsel and Corporate Secretary. This team provides input to setting corporate priorities to achieve strategic objectives consistent with the mandate and approved direction.

Governance framework

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

Asset Liability Committee directs FCC's asset/liability management function, including establishing and maintaining portfolio risk management policies and procedures, loan pricing direction, integration with corporate strategies and achievement of portfolio return targets.

BK Operating Committee
The Business Process and Technical Transformation Program (BK) addresses the redesign and integration of 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 agribusiness and agri-food loan applications from customers with a total exposure in excess of $15 million for established operations and in excess of $7.5 million for start-up operations. The committee reviews loans in primary production from customers with total exposure in excess of $20 million for established operations and in excess of $10 million for start-up operations.

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

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

Enterprise Risk Management Steering Committee reviews and recommends FCC's ERM framework, policies and strategies, and subsequent enhancements to EMT, and approves the annual top corporate risk action plans.

Horizon Committee provides strategic direction to EMT on compensation and performance management issues. The committee also evaluates all jobs in relation to FCC's classification system.

Pension Committee provides advice to the Human Resources Committee of the Board regarding monitoring the approved governance structure for the pension plan.

Reputation Steering Committee acts as a focal point for co-ordination of reputation issues and provides a corporate approach and enterprise-wide perspective on FCC's reputation. The committee provides counsel and advice on reputation risks and monitors and reports progress to the CEO, EMT and the Board of Directors.

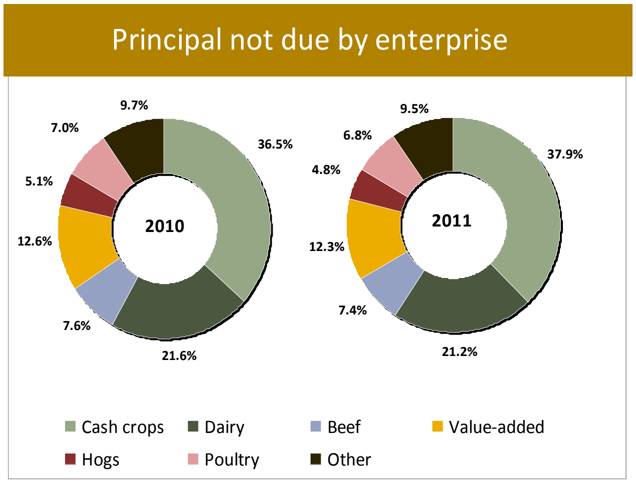
Strategy Execution Team approves corporate projects that enable the execution of the business strategy.

Venture Capital Investment Committee adjudicates all investment recommendations and monitors the performance of the FCC Fund venture capital investments.

3.6 FCC loan portfolio

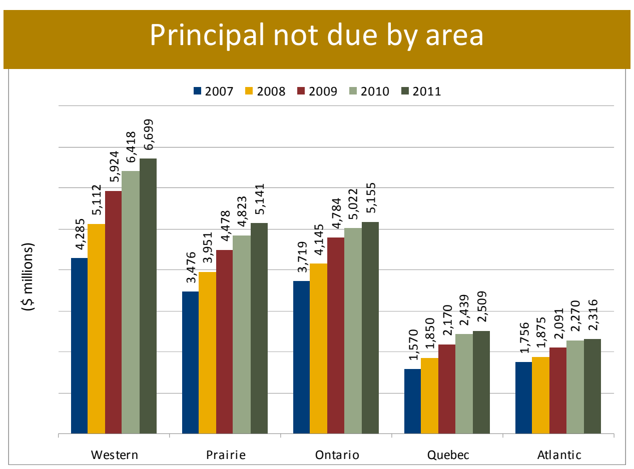
Portfolio by enterprise

FCC lends to all agriculture enterprises, which diversifies the lending portfolio and reduces enterprise-specific risks. These practices align to the strategic themes addressing FCC's customer experience and financial strength by effectively managing risk to ensure FCC's long-term viability.



Portfolio by geographic area

By lending to all areas of agriculture across Canada, FCC is able to spread risk geographically while promoting agriculture as a strong and vibrant industry. From coast to coast, FCC has over 100 offices to serve its customers.



3.7 Financial services industry

The agriculture market is served by chartered banks, credit unions, provincial lending agencies, equipment manufacturer financing programs and independent financing institutions. Nationally the main players are FCC, the chartered banks and credit unions.

According to the Office of the Superintendent of Financial Institutions, Canada currently has:

- six major chartered banks
- 16 domestic banks
- 55 foreign bank branches and subsidiaries
- 49 trust companies
- 79 life insurance companies
- over 800 credit unions and caisses populaires

Provincial government Crown corporations or agencies that serve agriculture include:

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

Market Share

According to Statistics Canada, farm debt outstanding increased by 6.1 per cent to $66.4 billion in 2010. FCC increased its market share by 0.6 per cent to 27.9 per cent. FCC's portion of Canada's outstanding farm debt is $18.5 billion, second to the chartered banks at $23.6 billion.

FCC's market share has consistently grown since 2001. Market share growth is an endorsement from producers of our commitment to the industry, our products and our knowledgeable employees.

FCC’s market share gain was modest compared to its annual market share gains of the past decade. During 2010, there was increased interest in agricultural lending by the chartered banks, resulting in market share gains for these institutions.

FCC continues to look for opportunities to partner with other financial services organizations in providing products and services to the agriculture industry in Canada.

4.0 | Strategic issues

4.1 External economic and business environment

FCC operates within agriculture and finance, which are both shaped by market forces and global trends. Currently, fallout from the global financial crisis, continued agriculture industry consolidation, climate change, changing demographics and volatile markets are having a significant impact. No one can predict how the external operating environment will impact Canadian agriculture and agri-food. However, FCC will monitor trends, consider possible implications and create strategies to address them.

Numerous issues have been considered while developing the corporate strategy. The following provides a brief discussion of some of the key issues reviewed, including:

- an uncertain global economic environment
- a shifting global playing field for Canadian agriculture
- a more diverse and complex agriculture industry
- farm ownership transition
- increasing competition

An uncertain global economic environment

The Canadian economy has emerged from the last recession in a relatively good position. Canada’s gross domestic product (GDP) is now at a point in the business cycle where it is expanding beyond the peak reached prior to the beginning of the recession in 2008. Canada benefits from a solid banking sector, productive human resources, excellent infrastructure and highly efficient markets. The strength of the Canadian economy partly rests on strong external demand for Canada's plentiful natural resources and commodities.

There are still significant economic risks globally that threaten the strength of the Canadian economy. Unemployment remains high in the U.S. because job creation is anaemic and the real estate market is nowhere near showing positive growth. Despite many troubling economic signals, fiscal and monetary stimulis measures have been withdrawn. The U.S. Federal Reserve has committed to keep its key interest rate at a record-low for an extended period of time, but this low interest rate environment has had limited impact on the economy. This is certainly problematic for U.S. economic growth, given that a large share of the U.S. economy is driven by consumer expenditures. The recovery in the U.S. is therefore expected to remain slow.

At a time where U.S. consumers are cutting back expenditures, the U.S. federal government must also make difficult choices. The ratio of debt to GDP in the U.S. is forecast to reach alarming levels at a time when a sovereign debt crisis in Europe is raging on. To rein in the record deficits being posted, governments in Greece, Ireland, Portugal, Spain and Italy are forced to implement austerity measures. The likelihood that some of these countries could default on their debt obligations has created unease in financial markets. The turmoil around the world has caused the Canadian dollar to appreciate relative to the Euro and U.S. dollar, decreasing the competitiveness of Canadian exports. A higher Canadian dollar may lower external demand for Canadian agriculture products. Continued access to foreign markets is essential to the health of the Canadian economy and, particularly, the agriculture and agri-food industry.

There are several other risks to world economic growth. In some instances, growth in emerging markets has reached a level which triggers warnings about inflation. Chinese authorities have tightened lending standards and increased interest rates to slow down inflationary pressures. Other events have had a temporary, albeit significant, effect on the world economy. The natural disaster in Japan has had a negative impact on manufacturing production across the globe, specifically in the auto and high-tech sectors.

The Bank of Canada raised its benchmark interest rate three times in 2010 in response to inflationary pressures. The benchmark interest rate influences other interest rates that affect both individuals and companies. Current interest rates remain low. FCC is monitoring the potential impacts of alternative economic environments. For FCC customers, an increase in interest rates could translate into increased operating costs, higher risk, decreased profitability and lower farmland prices.

FCC is strengthening its ability to identify, quantify and measure the potential impacts of weakening global, agricultural and domestic economic environments on its portfolio. FCC's 2012-13 to 2016-17 Corporate Plan includes a specific corporate initiative to research, develop and implement a capital management framework. This framework will help FCC optimize and balance financial management elements, such as growth rate and margins achieved, to ensure financial self sustainability.[5]

A shifting global playing field for Canadian agriculture

Whether the products of the Canadian agriculture industry are destined for export or domestic markets, if they are used as food, fuel, fibre or other bio-products, the industry is affected by global business trends.

Emerging economies are expected to grow twice as fast as western countries.[6] The source of world income growth is a major determinant of future demand for agri-food products. Food demand is more responsive to changes in income when income growth happens in low-income countries than in western economies. Consumers in the developing world spend a larger proportion of increased income on food than those in the developed world. The growth in income usually translates into a shift of consumers' diet toward one more focused on meats, resulting in the need for more feed grains.

More affluent populations in emerging countries	+	Food demand more responsive to income changes in poor countries	+	Global population growth concentrated in less developed nations	=	Global increase in the demand for meats and feed grains

The United Nations predicts that current food production needs to increase by 70 per cent over the next 40 years to feed a rapidly growing global population. This demand will coincide with a declining farmland base and water shortages, which may constrain future production. Climate change and weather extremes are increasingly disrupting agriculture and food production. All of the above factors lead to increased volatility in agri-food markets. Catastrophic weather events can impact agriculture lenders by affecting customer cash flow and margins. FCC has developed a responsive approach to financing under such circumstances in terms of customer assistance.[7] The FCC customer support strategy helps customers manage when unexpected challenges arise. FCC works with clients to provide flexible timing to payments on their existing loans.

In the Canadian market, new food supply chains are emerging due to changing patterns in demographics and consumption. Canadian consumers are well-informed and take an active interest in how and where their food is produced. Increasingly, their dietary intake is tailored to individual needs and reflects their personal values related to sustainability and humane livestock production. These subjects are often

[5] See the Financial and risk management theme in section 5.4.1 for more information on implementing a capital management framework
[6] World Economic Outlook update, June 2011 International Monetary fund

[7] See page 5 for more information on FCC's customer support strategy.

part of the conversation on social networks. FCC is implementing a social network strategy that will enable it to facilitate and engage in meaningful online conversations regarding issues of importance to the future of the industry.

The overall growth in food demand and the enhanced domestic emphasis on specialized food attributes should be positive for Canadian agriculture. Emerging markets represent opportunities to export Canadian products, but the countries where these markets are located will also be our competitors.

Canadian agriculture is becoming increasingly global in its orientation and reach. Many agricultural customers are expanding their operations to take advantage of seasonal weather differences between Canada and the United States, with the goal of achieving consistent production throughout the year so that they can fully meet the needs of their customers (e.g. greenhouses supply produce to Canadian grocery stores year round).This means that there is increased demand for American currency lending. Some producers are internationalizing parts of their operations in order to gain improved market access, reduce costs or leverage their investment in machinery and expertise. For these customers, good market intelligence, timely referrals to relevant services such as those provided by Export Development Canada (EDC) and forward-looking management advice will be increasingly important. FCC has an initiative designed to provide knowledge offerings that add value to customers.[8]

A more diverse and complex agriculture industry

When competitive pressures intensify, a natural response is to increase productivity. The world of agriculture is increasingly characterized by rapid technological advancement and greater connection and collaboration. Many businesses continue to use existing methods and technologies, while others employ new processes inspired by closed-loop systems, alternative energies, data-driven agronomics and efficiency principles.

There is no doubt that positive gains will come from technology. The difficulty lies in predicting which technologies will lead to significant cost savings and efficiencies. With rapid changes on so many fronts, staying on top of new developments is critical to the industry.

Another form of technical challenge is the adaptation of agricultural enterprises to new sustainability standards. Several agriculture sectors and value chains are currently involved in measuring their greenhouse gas (mainly carbon) footprints with a goal of establishing metrics and baseline measures. By 2030, the demand for oil is expected to increase by 30 per cent, so energy efficiency will be of significant importance to producers. As a result, some are producing electricity and selling surpluses to the energy grid. Water productivity is becoming a focus and along with other measures is being integrated into value chain sustainability indexes. Financial institutions like FCC are also engaged in defining and implementing their sustainability commitments and reporting their progress. FCC's business plan includes steps to reduce its environmental footprint. FCC has measured its internal environmental performance and has prioritized opportunities to reduce its environmental impact.[9] In 2012-13, FCC will implement a greenhouse gas reduction strategy. FCC will refine its process for collecting environmental data and implement prioritized actions to reduce FCC's environmental footprint.

The cumulative effect of these influences is partly reflected in the structure of farming operations. Farm businesses are getting bigger and more integrated horizontally and vertically. At the same time, some producers are moving

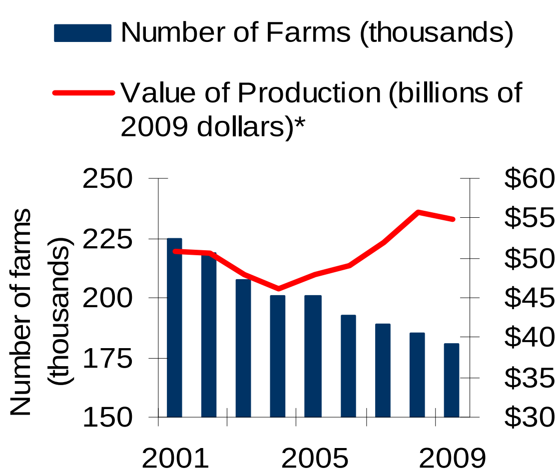
[8] See the Customer experience theme in section 5.4.2 for more information on knowledge at FCC.

[9] See the Financial and risk management theme in section 5.4.1 for more information on greenhouse gas emission reduction study at FCC.

into smaller market segments, seeking to fill consumer demands for more specialized foods.

The continued success of Canadian agriculture hinges, in part, upon orderly and timely family farm business succession. This is a complex challenge calling for collaborative approaches among farm families, financial institutions and other service providers. FCC continues to offer a variety of products and services including its Transition and First Step loans to facilitate inter-generational transfer of farms and assist young entrants.

Between 1995 and 2009, Statistics Canada reports that the number of farms in Canada declined from approximately 236,000 to 181,000 farms as shown graphically below. During this period, the number of medium-sized farms has decreased while the numbers of small and large farms have increased. This increase in the average farm size in Canada has been enabled by technological advances combined with increasing productivity.



Source: Canadian Farm Financial database
*The series has been adjusted to remove the effects of price changes over time. The Farm Financial Survey does not include farms that have less than $10,000 in gross farm sales.

While the number of farms has been decreasing over the last decade, the total value of production and the real net operating income per farm has been increasing. In 2009, the average real net operating income reached $47,101.[10]

[10] Canadian Farm Financial Database

Because of the highly uncertain economic outlook in the short and long term, it is important for FCC to continue monitoring the overall Canadian farm debt situation. While there has been a steady increase in Canadian farm debt since 1995, the implications of this expansion for the future of Canadian agriculture are less clear. Farm debt has mainly increased at the rate of inflation, except for farms with annual sales larger than $500,000 in supply-managed sectors. The value of agriculture assets has grown concurrently with the increase in debt, so industry leverage has remained relatively stable. While the growth in farm debt has slightly outpaced farm income in the last 10 years, it has not reached levels of significant concern.

In terms of the number of farms, there are more grain and oilseed farms and beef cattle operations than any other farm type in Canada.

It is important to continue monitoring the economic environment as higher interest rates could impede the ability of Canadian agriculture to compete in the global marketplace. Agribusinesses must continue to implement solutions that improve their productivity, enhance efficiencies, reduce costs and provide innovative products to the market.

For FCC, the pace and complexity of change in the agriculture industry demands diligent efforts to keep staff knowledgeable about leading technologies and management philosophies.

Agriculture Sector Highlights

Agriculture Sector	Highlights
Pork	• U.S. hog prices have improved; however, with the appreciation of the Canadian dollar, Canadian hog producers have not experienced the same price gains. • As a result of improvements in hog prices, the hog herd has increased since last year, but is still well below the peak levels of 2005.
Beef	• U.S. cattle prices have improved; however, with the appreciation of the Canadian dollar, Canadian cattle producers have not experienced the same price gains. • Both the number of beef cows and beef producers in Canada continue to decline.
Grains and oilseeds	• Prices remain unsteady as world growing conditions and inventories fluctuate. • Weather conditions across the Prairie provinces from August through October significantly advanced crop maturity and provided excellent harvest conditions. Prairie harvest was completed well ahead of the five-year average. Most regions reported average to above average yields and quality, with the exception of southeast Saskatchewan and parts of Manitoba which were affected by flooding. • In Eastern Canada, spring planting was delayed due to wet weather and crop maturity was also slowed due to a wet fall. As a result, producers' expectations for soybean and corn yields and quality have declined, with producers generally expecting average to below average yields and quality.
Dairy	• World dairy prices have improved to levels that maintain the effectiveness of tariffs for dairy products. • Demand for dairy products in Canada remains sound.
Poultry	• Canadian chicken consumption remains relatively unchanged from the previous year. • Overall, tariffs for poultry products continued to remain effective in controlling imports.
Agribusiness and agri-food	• Slow economic improvement due to the global recession has resulted in reduced demand for higher-value processed food products. • This industry has diversified and found increased markets outside the U.S., thus reducing the reliance on this market.

Farm ownership transition

The age of FCC customers has gradually increased, with approximately 50 per cent of FCC customers 48 years of age or older at March 31, 2010. Operators aged 55 years and older own over half of all agriculture assets in Canada. Producers continue to exit the industry and farm ownership transfer usually occurs over several years. This creates an opportunity for succession products and services. In 2010-11, FCC disbursed over $1.6 billion in loans to young farmers to help them succeed.

Large operations may involve an extended family, which can be challenging. Retiring producers may seek to dispose of their assets so they can retire comfortably. The next generation of producers may not be able to finance the full value of a farm. Large down payment requirements and the need to generate sufficient cash flow can be daunting for young farmers. Modern farms also are increasingly capital-intensive which poses greater challenges to farm transfers. FCC will continue to focus on the needs of new entrants to help ensure continued success of the agriculture industry, including capital and knowledge requirements.

Twice each year FCC compiles and releases the Farmland Values Report, which is the only Canadian source that highlights changes in the land values in each province and nationally.The average value of Canadian farmland increased 2.1 per cent during the last six months of 2010, following increases of 3.0 and 3.6 per cent in the previous two reporting periods. As farmland values continue to rise, the growing capital requirements become increasingly difficult for new entrants.

Increasing competition

FCC holds 27.9 per cent of Canadian farm debt as of December 31.[11] FCC had a market share gain of 0.6 per cent. Chartered banks experienced a market share gain of 0.7 per cent.

During 2010-11, FCC experienced increased payouts of loans by other financial institutions. FCC encountered market pricing that was lower than the previous year, which appeared to be the result of several financial institutions focusing on agriculture loans. Some lenders were very public about their corporate support of the agriculture industry during the past year. The positive outlook for global food demand and agricultural commodity prices appears to be increasingly attracting lenders to the Canadian agriculture industry.

An exceptional customer experience is a foundational element of FCC's corporate strategy. Increasing agriculture enterprise specialization, new information and communication technologies, and changing demographics make this a dynamic issue.

FCC's customer profile is increasingly diverse and includes a significant number of immigrant producers. Also, Generation Y customers have a predisposition toward mobility and digital transactions. These developments challenge all financial institutions in terms of their ability to offer tailored products and services within a real time, connected business context. In part, FCC has responded to this challenge through the development and investment in its BK (Business Process and Technology Transformation). BK is redesigning business processes, acquiring new technologies and introducing new tools that make it easy for employees and customers to do business. The program, the largest that FCC has ever undertaken, is starting implementation in 2011.

Conclusion

To date, FCC has experienced minimal negative impact due to the economic downturn. Defaults and arrears have remained consistent with previous years. Although the economy may continue to experience negative economic impacts in the future, FCC remains financially strong with significant equity and loan loss reserves, a low debt-to-equity ratio and high-quality risk management practices. FCC's risk is reduced by having a portfolio that is diversified in terms of enterprise and geography.

FCC remains in a strong financial position and expects to meet its financial targets in 2012-13. It will continue to closely monitor external and internal financial trends, assess implications and create proactive strategies to address them. Risk levels will be diligently monitored to ensure that they continue to be within acceptable tolerances.[12]

Despite economic uncertainty, FCC's commitment to Canadian agriculture is unwavering. We will continue to monitor and respond to economic conditions as needed in order to achieve the objectives set out to maintain financial strength.

[11] Statistics Canada. May 2011. Farm Debt Outstanding as of December 31, 2010.

[12] For discussion on risk management at FCC, refer to Section 5.2

Producers have strong impetus for innovation and growth, and FCC will continue to innovate and grow in order to provide the support that they require for success.

4.2 2011-12 Planned performance and expected results

4.2.1 Summary of results – 2011-12 corporate scorecard

The following page summarizes the corporate measures, targets and projected results for the 2011-12 fiscal year (as of October 2011).

Financial viability and enterprise risk

Measures	2011-12 Plan targets	2011-12 Projected results
Net income	$355.8 million	Ahead
ROE	13.9%	Ahead
Debt-to-equity ratio	6.9:1	On track
Portfolio growth	3.3%	Ahead
ERM maturity measure	Establish measure	On track
RSPS risk score	770 pts	On track
Media favourability index	7 points above global average for financial institutions	Ahead

Customer experience

Measures	2011-12 Plan targets	2011-12 Projected results
Customer Experience Index	60%	Ahead
Total lending to young farmers	$1.48 billion	On track
Number of learning program participants	10,500	On track

Efficiency and execution

Measures	2011-12 Plan targets	2011-12 Projected results
Efficiency ratio	41.6%	Ahead
Employee engagement (easy to do business indicators)	Greater than or equal to the average of the top 50 employers	Ahead

Employee experience

Measures	2011-12 Plan targets	2011-12 Projected results
Employee engagement index	Greater than or equal to the average of the top 50 employers	Ahead
Employee engagement index – employee experience indicators	Greater than or equal to the average of the top 50 employers	Ahead
Leadership index – subset of employee engagement survey data leadership indicators	Greater than or equal to the average of the top 50 employers	Ahead
Learning measure	Establish measure	This measure was deleted. FCC has investigated and concluded that a relevant measure does not exist at this time.

4.2.2 Operational and financial highlights

For the years ending March 31

Operational	2011	2010	2009	2008	2007
Loans receivable portfolio					
Number of loans	120,070	114,439	106,867	98,066	101,470
Loans receivable ($ millions)	21,332.0	19,770.4	17,098.5	14,992.1	13,550.4
Net portfolio growth (per cent)	7.9	15.6	14.1	10.6	10.1
Loans receivable in good standing (per cent)	97.9	97.7	97.5	97.4	97.4
New lending					
Number of loans disbursed	42,021	41,418	31,037	32,561	28,684
Net disbursements ($ millions)	6,153.2	6,585.6	5,068.4	4,285.0	3,714.7
Average size of loans disbursed ($)	146,432	159,003	163,302	131,600	129,504

Financial	2011	2010	2009	2008	2007
Balance sheet ($ millions)					
Total assets	21,861.4	20,286.3	17,802.7	15,470.5	13,834.2
Total liabilities	19,180.1	17,941.2	15,519.2	13,693.5	12,372.1
Equity	2,681.3	2,345.1	2,283.5	1,777.0	1,462.1
Income statement ($ millions)					
Net interest income	750.1	609.9	508.0	434.4	415.5
Provision for credit losses	35.6	91.4	70.0	5.0	38.9
Other income	16.0	10.3	6.2	14.4	7.7
Administration expenses	273.8	255.2	231.4	197.6	180.5
Fair value adjustment *	3.4	6.6	(1.7)	(41.1)	-
Net income	460.1	280.2	211.1	205.1	203.8

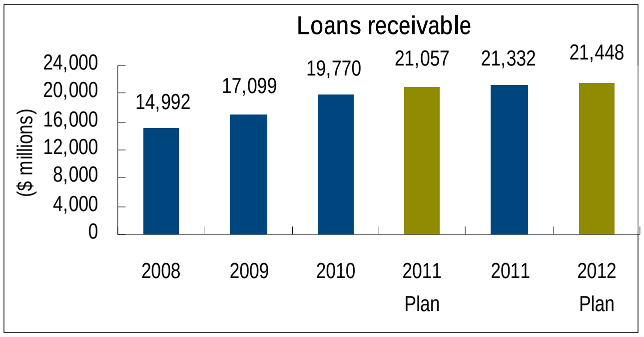
*The fair value adjustment was introduced in 2008 as a result of changes to the accounting standards related to financial instruments.

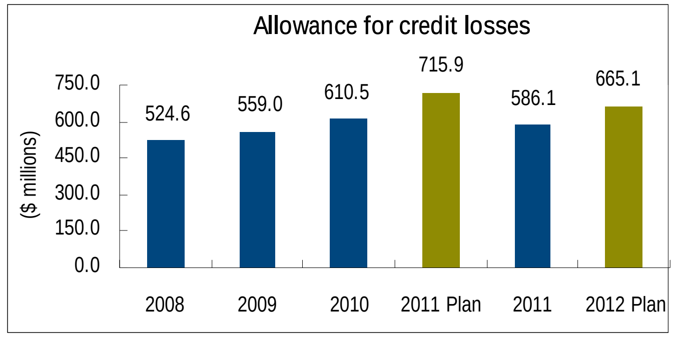
Key results

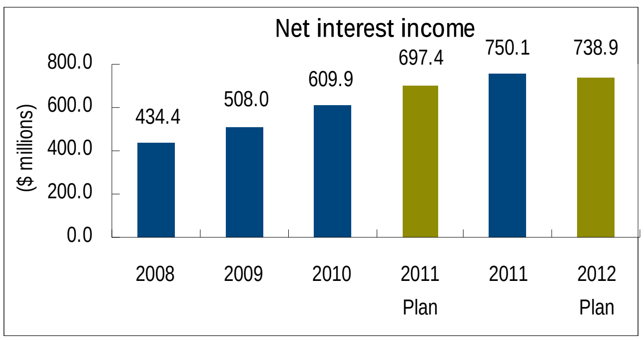
In 2010-11 FCC's portfolio continued to grow, increasing by $1.6 billion or 7.9 per cent. Net income and return on equity continued to grow as a result of lower provision for credit losses and growth in net interest income and other income. This is offset slightly by increased administration expenses and a lower fair value adjustment. The corporation continues to build its strong financial foundation, ensuring sufficient resources for continued growth and viability while supporting customers during all economic cycles.

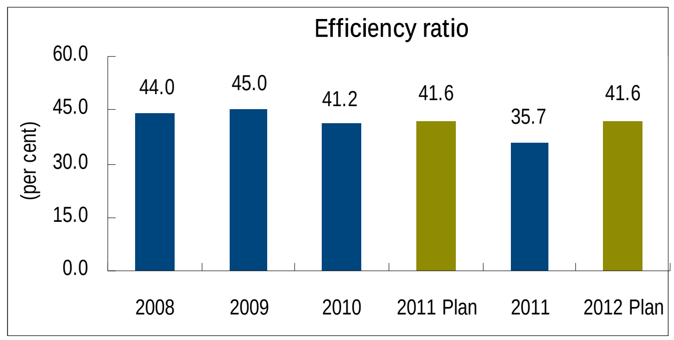
- In 2010-11, portfolio growth exceeded plan by $275 million and represented growth of 7.9 per cent over 2009-10. The primary driver behind the growth in loans receivable was net disbursements which were $6,153.2 million.
- The allowance for credit losses was significantly lower than plan at $586.1 million which was due to updating the parameters in the model used to calculate the allowance for credit losses as well as improved portfolio health. The updated parameters reflect FCC's lower-than-expected loss experience in recent years.
- Net interest income was $52.7 million higher than plan, increasing to $750.1 million due to the increased lending volume and a higher net interest margin.

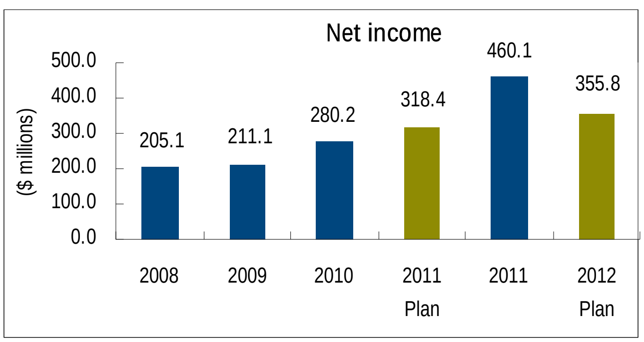
- The 2010-11 efficiency ratio of 35.7 per cent was lower than plan due to the higher than plan net interest margin and lower administration expenses.
- Net income was $141.7 million above plan, mainly due to increased net interest margin and other income, lower provision and administration expenses and a higher fair value adjustment.
- Return on equity exceeded plan targets primarily due to the increased net income.

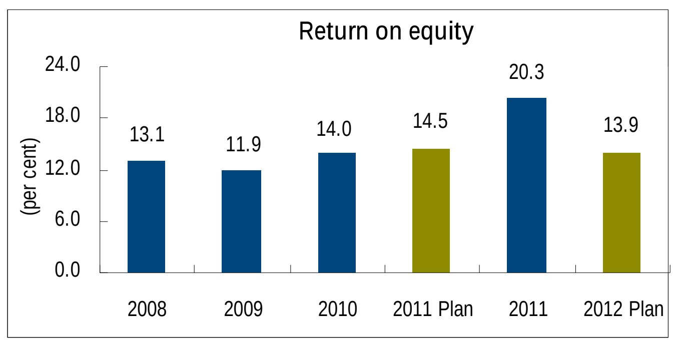












5.0 | Strategic themes, objectives and performance measures

5.1 Strategic planning process

The FCC strategic planning process engages the Board of Directors and the Senior Leadership Team (SLT) 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 toward its vision. The plan is used in the development of divisional plans. All employees receive a brief summary of the objectives, initiatives and measures, also known as the corporate scorecard, which 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.

Strategy development

FCC uses a modified balanced scorecard approach to develop strategic plans and monitor implementation, and measure progress against the corporate strategy. The scorecard is based on Kaplan and Norton's balanced scorecard, which balances attention on four perspectives: financial, customers, internal processes/efficiency, and learning. The FCC scorecard includes the following strategic themes: financial and risk management, customer experience, efficiency and execution, and employee experience.

At the start of the strategy process, FCC looks at the needs of customers, employees, stakeholders and the public. Leaders and subject matter experts across the corporation work to envision possible futures for FCC and the agriculture industry. SLT then looks at potential gaps in our current strategy. These gaps are addressed during the creation of the new business strategy.

Strategy creation starts with defining the desired outcomes by examining FCC's vision, mission, values, cultural practices and strategic playing field (strategic planning assumptions and boundaries) and the business operating environment review. These are used to develop the desired critical outcomes for each of four strategic themes.

Corporate measures and the targets for one through five years into the future are developed. They define how FCC will measure achievement of the objectives set out in the strategy. The current state is then discussed, based on a review of the operating environment, risks and strengths, weaknesses, opportunities and threats assessment.

Then, corporate objectives and initiatives are developed to realize the five-year measures and targets, followed by action plans that will be implemented and monitored through the corporate scorecard.

5.2 Enterprise risk management

FCC has an enterprise risk management (ERM) program to manage risks in a consistent and coordinated manner. Effective risk management enables FCC to fulfil its mandate, protect and create value for stakeholders and maintain long-term business viability.

ERM is incorporated in the strategic planning process to ensure that risk identification, assessment and evaluation take place within FCC's strategic context. The top enterprise risks are identified and analyzed through scanning and other means. Employees provide input to the selection of the top risks. The Executive

Management Team (EMT) then proposes the corporation's top risks to the Board of Directors for approval. EMT members are accountable for creating risk mitigation plans and monitoring progress, which is reported to the Board on a quarterly basis through the corporate scorecard.

The corporation has a governance framework that includes a number of policies and committees to guide corporate decision-making. The Board of Directors provides oversight for this internal corporate governance framework. The committees are responsible for developing and monitoring aspects of FCC's overall risk management policies, processes and practices. Internal committees report regularly to the CEO and EMT, as required, or to the Board of Directors, most often through the Corporate Governance Committee, Audit Committee and Human Resources Committee.

The Board of Directors has the overall responsibility for overseeing risk management and ensuring that policies, control systems and practices are in place to manage key business and financial risks. The Corporate Governance Committee assists the Board to fulfil its responsibilities by:

- reviewing and providing oversight concerning the corporation's enterprise risk management process and its integration with the corporation's strategic planning process
- providing ongoing review and oversight of the management's initiatives to mitigate key risks

Risks

There are five main categories of risks that are key to FCC.

Credit risk is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to the corporation. This is the most significant risk that the corporation faces.

Overall, the Board of Directors is responsible for approving the organization's credit risk tolerance and relies on a number of committees, divisions and departments to effectively manage credit risks that impact the corporation.

Assessment of credit risk starts with individual transactions. FCC lending staff and the Credit Risk business unit assess and manage credit risk by ensuring that individual loans are consistent with defined policies and guidelines.

In addition to managing credit risk at the transactional level, the Portfolio and Credit Risk division assesses credit risk at the aggregate level by providing assessment tools and models that quantify risks, establish the required allowance for loan and lease losses and monitor capital adequacy. Policies, processes, systems, internal controls and strategies are used to manage the credit risk of the portfolio. FCC also closely monitors the agriculture and agri-food operating environments to ensure that the corporation's lending policies, activities and practices are appropriate and relevant.

Market risk is potential loss as a result of adverse changes in underlying market factors, such as interest rates and foreign exchange rates. Market risk policies are regularly reviewed by the Asset Liability Committee (ALCO) and approved by the Board of Directors. The Treasury division is responsible for implementing market risk management directives and reports regularly to ALCO and the Board of Directors on its activities and asset/liability positions.

FCC has market risk policies and limits in place to ensure that exposure to interest rate and foreign exchange risks are identified, measured, managed and reported on a timely basis. Market risk management at FCC also encompasses derivative fair value risk and liquidity risk.

Market risk policies include limits around the variability of net interest income and market value of portfolio equity relative to interest rate changes.

Liquidity risk is minimized through the use of a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit.

Operational risk relates to the potential of direct or indirect loss due to inadequate or failed internal processes, people, systems or external events, and failure to comply with or adapt to legislative or regulatory requirements or litigation.

FCC is committed to preserving customer and shareholder value by proactively managing operational risk. Managers are responsible to manage operational risk by ensuring that appropriate policies and procedures are in place within their business units, and that internal controls are operating effectively.

FCC's Field Operations Audit program examines lending activities and provides learning opportunities for continuous improvement in the areas of risk assessment and mitigation, compliance to lending policy, and data integrity.

Incidents of fraud may affect customer and public perceptions of FCC and impact their willingness to do business with the corporation. FCC reduces exposure to fraud risk by implementing a Board-approved fraud risk management policy and delivering fraud awareness training to staff.

To ensure that the corporation can sustain operations in the event of a business disruption, FCC actively updates and tests its business continuity management program.

Enterprise security is addressed through a cross-divisional security co-ordination team that promotes security policies, best practices and incident handling strategies that optimize privacy and protection for human, physical, information (customer, corporate and employee) and technology assets.

Strategic risk refers to risks related to the external environment and the corporation's ability to develop and implement effective business strategies.

Executive management develops corporate strategy annually with oversight provided by the Board of Directors. Progress on the strategic plan is monitored through quarterly reporting to senior management and the Board of Directors. The external environment is monitored (including the Canadian financial marketplace and the agriculture industry) to discern if strategic changes are required to address emerging risks. FCC regularly communicates with the federal government to ensure alignment of the corporation's activities with government priorities.

Reputation risk is the risk that key stakeholders and other publics may develop negative perceptions about FCC that could adversely affect the corporation's reputation and its ability to attract and retain customers, business partners and employees.

As a federal Crown corporation, FCC is accountable to all Canadians. To avoid real or perceived reputational damage, FCC has a robust governance structure in place, including policies and procedures to guide employee conduct in interactions with colleagues, customers, industry partners, suppliers, media and the general public.

Consideration of integrity and the potential impact on FCC's reputation from conducting business with any particular individual is part of the lending process. The loan application process requires customers to sign a declaration stating that they know of no reason why FCC may have any concern with their business.

5.3 Corporate social responsibility (CSR)

FCC strives to be a responsible corporate citizen in all areas of its operations. The corporation works in a socially and environmentally sustainable manner when interacting with customers, employees, communities, the agriculture industry and society as a whole. FCC believes that socially responsible practices are prudent business practices.

Governance and transparency are principles that guide FCC's CSR framework. The corporation acts with integrity and is accountable to stakeholders in accordance with all laws and with high ethical standards.

FCC established a CSR framework comprised of the following five areas:

Agriculture and food

FCC supports the development of a sustainable, competitive and innovative Canadian agriculture industry by providing knowledge and education, and by supporting initiatives and forming partnerships that advance the business of agriculture.

Community

FCC fosters strong and vibrant communities where its customers and employees live and work, with a focus on rural Canada.

FCC focuses donations on hunger, agriculture safety and education, volunteerism and community enhancement projects.

Customers

FCC is committed to customer success, and focuses on primary producers as well as suppliers and processors along the agricultural value chain. The corporation provides customers with flexible and competitively-priced financing, equity, insurance, management software, information and learning.

Employees

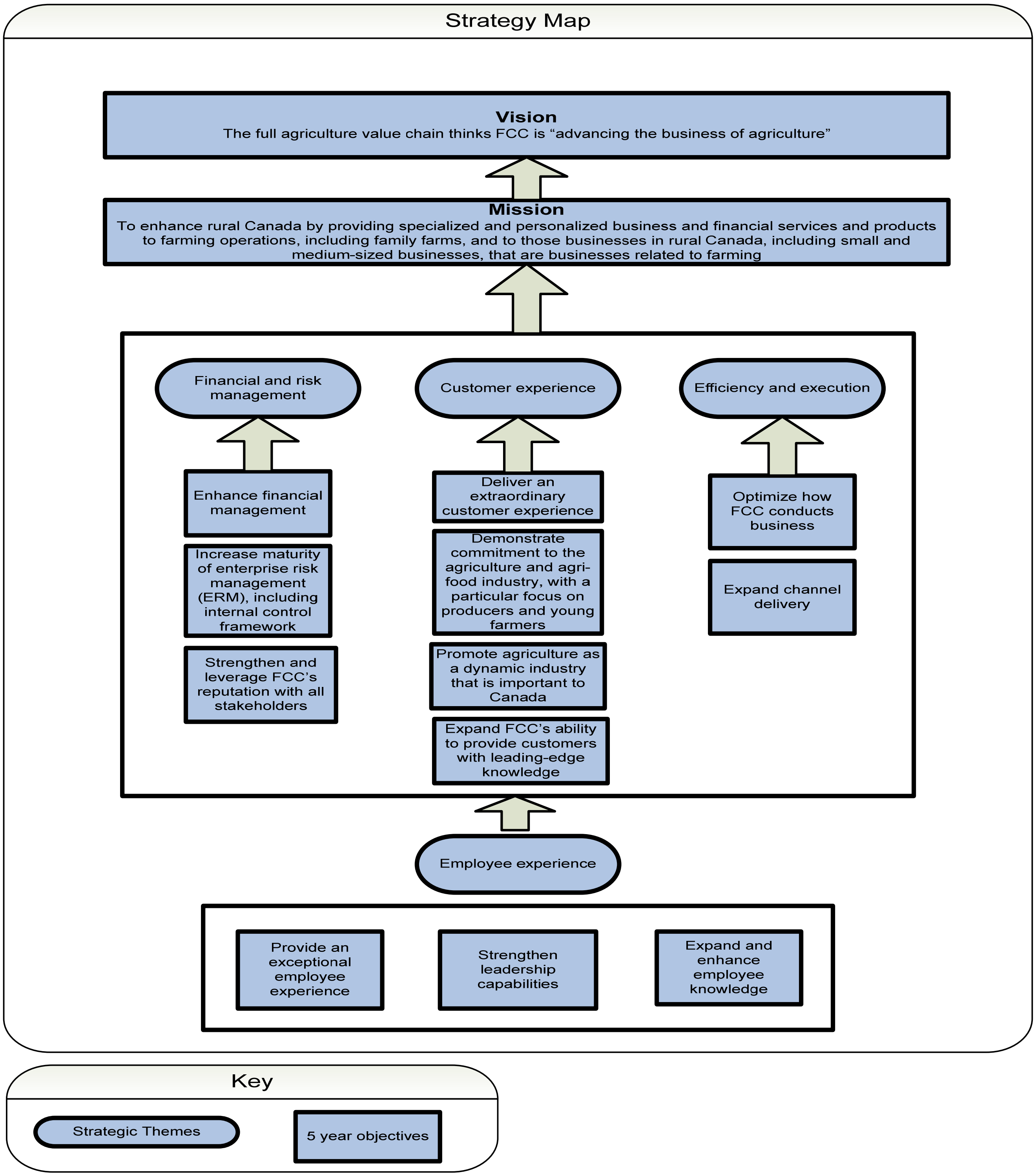
FCC fosters a culture of accountability, high performance and diversity, and delivers a stellar employee experience.

Environment

The corporation improves environmental performance and supports the industry with tools and knowledge.

5.4 Strategic themes

FCC uses four strategic themes for corporate planning purposes. A corporate strategy map illustrates how the twelve 5-year strategic objectives within these themes work together towards achieving FCC's vision and mission. The Employee experience theme and related objectives is foundational. Employee leadership, expertise and knowledge support FCC in executing the other three themes and initiatives. Together, these twelve objectives lead to accomplishing the corporate vision and mission.



Strategic theme: Financial and risk management

Critical Outcome: In 2020, FCC has a diversified agriculture, agribusiness and agri-food portfolio. The corporation has remained financially viable and self-sustaining, with a strong balance sheet and an ROE of ≥12 per cent.

Five-year strategic objectives 2012-13 to 2016-17	Measures	2012-13 Initiatives
Enhance financial management	Net income Return on equity Debt-to-equity ratio Portfolio growth RSPS risk score	• Implement capital management framework • Implement multi-year plan for phase 2 RSPS
Increase maturity of enterprise risk management (ERM), including internal control framework	ERM maturity measure	• Enhance enterprise risk management • Enhance internal controls • Implement enhanced enterprise security
Strengthen and leverage FCC's reputation with all stakeholders	Media favourability index	• Enhance government relations strategy • Implement comprehensive reputation management program • Implement social media strategy • Implement greenhouse gas emission reduction strategy

Strategic theme: Customer experience

Critical Outcome: In 2020, FCC continues to deliver an extraordinary experience to customers. The Customer Experience Index score indicates that two out of three customers (65 per cent) rate their experience with FCC as five out of five.

Five-year strategic objectives 2012-13 to 2016-17	Measures	2012-13 Initiatives
Deliver an extraordinary customer experience	Customer Experience Index	• Refresh customer experience strategy • Implement web strategy • Develop a customer value strategy
Demonstrate commitment to the agriculture and agri-food industry, with a particular focus on producers and young farmers	Total lending to young farmers Number of learning program participants	• Enhance programs to support young farmers • Increase collaboration with AAFC and other stakeholders • Support the agriculture venture capital market
Promote agriculture as a dynamic industry that is important to Canada	TBD	• Deliver multimedia campaign to improve perceptions of agriculture • Strengthen relationships with industry associations in support of promoting agriculture
Expand FCC's ability to provide customers with leading-edge knowledge		• Incorporate agriculture/finance knowledge expectations of customer-facing employees in the relationship management process • Offer employees additional knowledge to share with customers

Strategic theme: Efficiency and execution

Critical Outcome: In 2020, FCC continues to be recognized as a highly efficient, effective and agile organization that is easy to do business with. The corporation has an efficiency ratio of 42 per cent or lower.

Five-year strategic objectives 2012-13 to 2016-17	Measures	2012-13 Initiatives
Optimize how FCC conducts business	Efficiency ratio Employee engagement (easy to do business indicators)	• Implement business process and technology transformation program (BK) • Implement optimization program • Implement new property valuation software • Implement new enterprise governance model • Implement multi-year enterprise information management program • Evaluate and design unified communication technologies • Implement alliance process redesign with external alliances
Expand channel delivery		• Implement integrated channel delivery strategy • Implement e-business program • Enhance customer access to approved credit

Strategic theme: Employee experience

Critical Outcome: In 2020, FCC continues to be an employer of choice, with a culture that inspires employees to deliver an extraordinary customer experience. FCC's employee engagement score is greater than or equal to the average of the top 50 Canadian employers.

Five-year strategic objectives 2012-13 to 2016-17	Measures	2012-13 Initiatives
Provide an exceptional employee experience	Employee engagement index Employee index: employee experience indicators	• Implement updated culture strategy • Enhance workforce through the employment equity plan and diversity strategy • Enhance leadership capabilities of all employees
Strengthen leadership capabilities	Leadership index – subset of employee engagement survey data leadership indicators	• Enhance leadership effectiveness
Expand and enhance employee knowledge		• Improve employee access to specialized agriculture and finance knowledge • Implement Lending Essentials program changes

5.4.1 Financial and risk management

The critical outcome that FCC is striving to attain for this theme is:

In 2020, FCC has a diversified agriculture, agribusiness and agri-food portfolio. The corporation has remained financially viable and self-sustaining, with a strong balance sheet and an ROE of ≥12 per cent.

As a federal commercial Crown corporation, FCC is committed to be financially sustainable to support customers and the industry. The following five-year objectives will be pursued towards achieving this outcome:

- enhance financial management
- increase maturity of enterprise risk management (ERM), including internal control framework
- strengthen and leverage FCC's reputation with all stakeholders

Enhance financial management

Initiatives for 2012-13
• Implement capital management framework • Implement multi-year plan for phase 2 Risk Scoring Pricing System (RSPS)

After the farm crisis of the 1980s, the government mandated FCC to operate as a financially self-sustaining federal commercial Crown corporation. FCC has been financially profitable for 18 years and pays an annual dividend to its shareholder, the Government of Canada. FCC will continue to safeguard its strong financial position so that it can continue to serve the industry through all economic cycles and to meet the expectations of its shareholder.

This year, the five-year objective was changed to the broader focus *enhance financial management,* intended to ensure that FCC remains self-sustaining and profitable so that it can sustain its commitment to agriculture over the long term. This objective retains the focus on achieving and maintaining a strong balance sheet and sophisticated governance. While FCC currently has each of these elements in place, the focus over the next five years will be to fully integrate them and enhance financial management and related processes.

FCC recognizes that there are many factors that could affect customers' ability to repay their loans. Some include increased interest rates and catastrophic weather events, market volatility, disease pressures and economic downturn.

Implement capital management framework
Significant progress was made in the past year on the development of a capital management framework. To provide assurance that the corporation is operating with sufficient capital, in 2012-13 FCC will develop a corporate measure using regulatory standards for minimum capital requirements.

As a financial services provider, credit risk is inherent in FCC's business. This risk is broadly defined as the potential for financial loss due to the failure of an industry, sector or a significant number of borrowers to repay loans or leases, or meet financial obligations to FCC.

FCC assesses credit risk at the transactional and at the portfolio levels. Assessment tools and models are in place to quantify risks, establish the required allowance for loan and lease losses, and monitor capital adequacy. FCC also closely monitors the agriculture and agri-food operating environments to ensure that the corporation's lending policies, activities and practices account for risk and opportunity in the marketplace.

Cost control is critical to maintain FCC's strong financial position. This initiative demonstrates our commitment to the government's federal deficit reduction action plan. FCC uses the efficiency ratio to measure the level of expenses required to grow and maintain operations.[13]

[13] See financial plan section for more information on the management of the efficiency ratio.

Strong expense management is also a key element of FCC's plans for the future.[14]

FCC cannot be sure that future growth will continue at past levels. Therefore, focus on efficiency remains a top priority.

Corporate measures	2012-13 Target	2013-14 Target	2014-15 Target	2015-16 Target	2016-17 Target
Net income	$445.0 M	$467.7 M	$506.8 M	$554.9 M	$622.9 M
Return on equity	13.9%	12.8%	12.2%	12.0%	12.0%
Debt-to-equity ratio	6.2:1	5.8:1	5.5:1	5.2:1	4.9:1
Portfolio growth	6.1%	6.6%	6.9%	7.2%	7.3%
RSPS AgProduction	≥ 790 pts	≥ 790 pts	≥ 790 pts	≥ 790 pts	≥ 790 pts
RSPS AgValue	≥ 750 pts	≥ 750 pts	≥ 750 pts	≥ 750 pts	≥ 750 pts

Implement multi-year plan for phase 2 RSPS
In 2012-13, FCC will commence implementation of the second phase of its Risk Scoring and Pricing System (RSPS). This initiative will focus on optimizing the relationship between risk and price at the loan level. It will also develop more advanced loss models and change how market-based adjustments are applied.

The traditional strategic measures identified for this objective will indicate FCC's progress towards financial sustainability.

FCC uses an internal Risk Score Pricing System (RSPS) to evaluate the type and potential impact of risk present in each loan or finance lease. This evaluation ensures FCC is adequately compensated for the risk in its portfolio and the customer receives a fair price for the inherent risk in the loan.

[14] See the efficiency and execution strategic theme in section 5.4.3 for more information about business optimization.

Increase maturity of enterprise risk management (ERM), including internal control framework

Initiatives for 2012-13
• Enhance ERM • Enhance internal controls • Implement enhanced enterprise security

Companies have recognized the need to develop strong risk management systems to protect themselves against significant threats. Since the financial crisis of 2008, many enhancements to best practices have been developed. ERM is an integrated approach to risk management, driven by increasingly complex business and regulatory environments and a public desire for increased corporate accountability.

FCC employs an ERM approach to manage risks across the organization in a consistent, coordinated manner. ERM is not a single function within an organization, but rather a common approach to inter-related management functions. By understanding and focusing on management of the significant risks, FCC ensures that it can fulfil its public policy role, create value for customers, and maintain long-term business viability.

Enhance ERM
Within the next five years, FCC will continue to enhance ERM by implementing an integrated risk appetite framework, developing or improving risk management tools, policies and processes to support ERM, all of which will enhance the risk culture at FCC.

Enhance internal controls
Over the planning period, FCC will continue to enhance internal controls through the implementation of an internal control framework so that corporate systems and information remain sound and reliable.

This initiative will also contribute towards reasonable assurance regarding the achievement of objectives by reducing the risk that internal controls are not sufficiently designed, integrated and operating effectively across the organization.

Implement enhanced enterprise security
Financial institutions around the world face an increased threat of security and cyber attacks. A security breach is any act that compromises the security, confidentiality or integrity of FCC by bypassing or contravening security policies, practices or procedures. FCC will continue to implement an enhanced security program that will mitigate and manage the impact of security incidents on the customer experience, employee experience, operational efficiency, financial strength and reputation.

Corporate measures	2012-13 Target	2013-14 Target	2014-15 Target	2015-16 Target	2016-17 Target
ERM maturity measure	TBD	TBD	TBD	TBD	TBD

FCC plans to develop and implement a new measure related to monitoring the maturity of its ERM program. Targets for future years will be established once the measure is selected. Advancing FCC's risk management capabilities and maturity will be an important milestone that will contribute to the goal of continuously improving our corporate strategic planning process. An important driver for this new measure will be to ensure that FCC realizes the long-term business benefits of enhancing our ERM program and risk culture.

Strengthen and leverage FCC's reputation with all stakeholders

Initiatives for 2012-13
• Enhance government relations strategy • Implement comprehensive reputation management program • Implement social media strategy • Implement greenhouse gas emission reduction strategy

Customers want to deal with companies that have high values and standards. Financial institutions are under continued scrutiny regarding their ethics, financial stability, risk management practices and lending policies. Given the current economic climate and perceptions of financial institutions in general, FCC pays significant attention to its reputation and reputation risk.

Many factors contribute to reputation, including brand, goodwill, track record, integrity, quality of management, transparency and openness, and products and services. Reputation management entails building positive relationships with stakeholders who may influence the corporation’s future. Results from a 2010 Léger study show that FCC does have a very positive reputation with producers across the country, who rank FCC fifth among well-known Canadian brands. This initiative will focus the corporation on using this equity to further promote the industry.

This objective was previously stated as p*rotect and manage FCC’s reputation as an ethical corporation with high integrity*. The revised wording broadens the focus of the objective to include all key stakeholders who may influence the corporation’s future.

Enhance government relations strategy
FCC currently has mechanisms in place for sharing information with key government stakeholders, such as elected officials. In 2012-13, FCC will enhance its existing government relations approach to managing and building relationships with an expanded set of government stakeholders.

Implement comprehensive reputation management program
The national reputation program outlines a comprehensive approach to reputation management. FCC has effective mechanisms in place to manage its reputation with customers. The Customer Experience Index provides a solid measure of this.

Implement social media strategy
In 2012-13, FCC will implement a social media strategy that establishes the foundations for how FCC will engage in social media. The strategy also aims to educate the public about the agriculture industry via news and social media. As Canadians become more interested in where and how their food is produced and increasingly use social networks as the platform from which to share their views, FCC believes it has an opportunity to engage customers in meaningful two-way conversations.

Implement greenhouse gas emission reduction strategy
Corporate social responsibility (CSR) is part of how FCC operates. Beyond being the right thing to do, being socially responsible positively contributes to FCC’s reputation, employee engagement and customer experience. In 2011-12, FCC released its first CSR report.

Agriculture sectors and financial institutions are increasingly measuring their greenhouse gas footprints, implementing sustainability targets and reporting on their progress. FCC recognizes the importance of environmental sustainability, and is developing more ways to support care of the environment. FCC recently updated its CSR strategy, which includes a commitment to reduce the direct environmental impact of FCC operations.

In 2012-13, FCC will implement a greenhouse gas reduction strategy. FCC will refine its process for collecting environmental data and implement prioritized actions to reduce FCC's environmental footprint.

The measure used to track FCC's reputation is an external media favourability index, which measures media coverage about the corporation. FCC's overall favourability score for fiscal 2010-11 was 64 out of 100 versus the global average for financial institutions of 55.

Corporate measures	2012-13 Target	2013-14 Target	2014-15 Target	2015-16 Target	2016-17 Target
Media favourability index	7 points above global average for financial institutions	7 points above global average for financial institutions	7 points above global average for financial institutions	7 points above global average for financial institutions	7 points above global average for financial institutions

5.4.2 Customer experience

The critical outcome that FCC has identified for this theme is as follows:

In 2020, FCC continues to deliver an extraordinary experience to customers. The Customer Experience Index score indicates that two out of three customers (65 per cent) rate their experience with FCC as five out of five.

FCC has defined the customer experience as its key differentiator. FCC's customer experience includes standards that are expected of all employees. These are designed to create a consistent, intentional experience for all customers, wherever they access FCC products and services. The desired result is that customers feel that FCC is relationship-oriented, flexible, and knowledgeable about agriculture and committed to the industry.

FCC will enhance the customer experience by pursuing the following five-year strategic objectives:

- deliver an extraordinary customer experience
- demonstrate commitment to the agriculture and agri-food industry, with a particular focus on producers and young farmers
- promote agriculture as a dynamic industry that is important to Canada
- expand FCC's ability to provide customers with leading-edge knowledge

Deliver an extraordinary customer experience

Initiatives for 2012-13
• Refresh customer experience strategy
• Implement web strategy
• Develop a customer value strategy

Refresh customer experience strategy
FCC surveys consistently indicate that customers are positive about their experience with FCC. This is not something that is taken for granted, given that the customer experience is key to the corporate value proposition. In 2012-13, FCC will develop and implement a strategy that updates customer experience standards for new and existing channels.

Implement web strategy
Also in 2012-13, FCC will implement a new website that will provide information and commentary on industry issues and extend the reach of existing programs and publications.

Develop a customer value strategy
One aspect of creating an extraordinary customer experience is a strong knowledge of each customer's business. In 2012-13, in order to strengthen our ability to serve customers, FCC will develop a customer value strategy. This will enhance the ability of our relationship managers to better tailor solutions to individual customer needs.

Corporate measures	2012-13 Target	2013-14 Target	2014-15 Target	2015-16 Target	2016-17 Target
Customer Experience Index	60.5%	61.0%	61.5%	62.0%	62.5%

The customer experience is measured every month to gauge how FCC is perceived across Canada. Each survey measures an array of factors, including satisfaction, loyalty, ease of doing business and service resolution. In order to be considered extraordinary, we measure perfect scores only.

Customer feedback is analyzed and shared with field offices so that they can continuously improve. Six out of 10 customers give FCC perfect scores when rating their experience with the corporation. FCC intends to improve this level of customer satisfaction.

Demonstrate commitment to the agriculture and agri-food industry, with a particular focus on producers and young farmers

Initiatives for 2012-13
• Enhance programs to support young farmers
• Increase collaboration with AAFC and other stakeholders
• Support the agriculture venture capital market

FCC is committed to serving Canadian agriculture over the long term – through good and challenging times. The corporation helps customers take advantage of opportunities and weather difficulty. Steady access to capital and knowledge contributes to a competitive advantage for Canadian producers.

Enhance programs to support young farmers
The trends of farm consolidation and increasing producer sophistication continue to accelerate. Many farms will be transferred to new owners within the next five years and new farmers will continue to enter the industry. Beginning farmers face issues, such as lack of access to capital and the need to acquire the necessary skills and training for success.

The renewal of Canadian agriculture will be enhanced by orderly and timely family farm business succession. This complex challenge calls for collaboration between farm families, financial institutions and other service providers. FCC continues to offer a variety of products and services, including Transition and First Step loans to facilitate the inter-generational transfer of farms and assist young entrants. As well, FCC supports young farmers by:

- offering courses in farm transition
- sponsoring the Canadian Young Farmers Forum
- sponsoring Canada's Outstanding Young Farmer Program
- providing financial support to the Canadian Association of Diploma Agriculture Programs
- partnering with the Association des jeunes ruraux du Québec and the Fédération de la relève agricole for rural youth and young adults
- partnering with 4-H
- sponsoring Business Planning awards for agricultural students

Over the next five years, FCC will seek to enhance these offerings by staying connected to the needs of new entrants to agriculture.

Increase collaboration with AAFC and other stakeholders
FCC regularly collaborates with Agriculture and Agri-Food Canada (AAFC) on key issues affecting the sector. FCC is providing input on several aspects of the Growing Forward 2 agriculture policy development. In addition, during the consultation process, AAFC was provided with access to FCC's 9,000 member Vision Panel. In 2010, AAFC senior leadership members were provided with highlights of several key studies from the Vision Panel, including themes regarding young farmers, use of social media and risk mitigation. More recently, FCC was a witness to the Standing Committee for Agriculture and Agri-Food on their study of Growing Forward 2 on the theme of Competitive Enterprises. AAFC often consults with FCC to obtain an up-to-date understanding of financing and credit issues faced by farmers. In addition, FCC offers a variety of services, tools and training to help farmers develop their business management skills as well as to plan for farm succession and transfers, which complement AAFC's business development initiatives.

FCC will continue to provide input into the Growing Forward 2 agriculture policy.
FCC occasionally partners with AAFC to deliver specific programs for the Government of Canada upon request and on a cost-recovery basis. As an example, FCC was one of the main financial institutions that delivered the Hog Industry Loan Loss Reserve Program.

FCC and AAFC counterparts connect regularly to exchange information on a range of topics important to the agriculture industry. AAFC shared bio-economy research with FCC for an edition of the corporation's Knowledge Insider publication. FCC participated in a climate change scenario exercise with the AAFC Agriforesight Unit in January 2011. FCC provided support to the launch of a policy intelligence unit within the Agri-Environment Services Branch. AAFC shared its information management program strategy with FCC. In addition, FCC has shared its experience with respect to employee engagement and customer service to several groups at AAFC, including the Centre of Program Excellence board. FCC's President and CEO was invited by the Deputy Minister to make presentations to the AAFC Departmental Management Committee as well as to AAFC's broader executive team at the Department's Management town hall on the topic of modern agriculture, including optimism. These are a few examples of information-sharing and collaboration between AAFC and FCC on key issues affecting agriculture. FCC will continue to look for new areas in which collaboration could be mutually beneficial.

FCC's President and CEO maintains a strong relationship with the Deputy Minister of AAFC and actively participates in meetings of the agriculture portfolio heads. FCC supports the Portfolio Coordination Secretariat through participation at several levels and information sharing. FCC provides advice and input on sector-specific issues as well as new policy.

Support the agriculture venture capital market

FCC has offered venture capital to the Canadian agriculture industry for a number of years. In 2006, a new venture capital fund was created with a lead capital commitment from FCC. The fund's investment objectives focus on businesses that add value to outputs from primary production. The corporation will continue to explore how it can expand the venture capital available to the agriculture industry

Corporate measures	2012-13 Target	2013-14 Target	2014-15 Target	2015-16 Target	2016-17 Target
Total lending to young farmers	$1.74 B	$1.89 B	$2.03 B	$2.19 B	$2.37 B
Number of learning program participants	11,500	11,750	12,000	12,250	12,500

New entrants to primary production and the agribusiness and agri-food sectors are vital to ensure the future of Canadian agriculture. FCC tracks its total lending to young farmers and entrepreneurs, and the number of participants in FCC learning programs to monitor uptake of services to these groups and better plan for future offerings.

Promote agriculture as a dynamic industry that is important to Canada

Initiatives for 2012-13
• Deliver multimedia campaign to improve perceptions of agriculture • Strengthen relationships with industry associations in support of promoting agriculture

This is a new objective that is meant to highlight agriculture as complex and dynamic. Agriculture is the backbone of a strong and healthy Canada and FCC believes that the industry matters more than ever. The successful future of this industry depends on optimistic new entrants, strong support from the public and investors. FCC will enhance its role in promoting the importance of the agriculture within and beyond the industry.

"AAFC's Overview of the Canadian Agriculture and Agri-food System" indicates that in 2009, the Canadian agriculture and agri-food system made up 8.2 per cent of the Canadian gross domestic product (GDP). Contributors to GDP in order of contribution are: food/retail wholesale sector, food, beverage and tobacco processing. Primary agriculture made up approximately 1.7 per cent of the national GDP.[15]

In 2009, the Canadian agriculture and agri-food system provided one in eight jobs, employing more than two million people. The food service industry was the largest contributor to employment, followed by the food retail/wholesale industry.[16]

Canadian agri-food exports totaled $35.2 billion in 2009, of which 50 per cent was exported to the United States. Canada's total exports of merchandise were $369.8 billion. At the end of 2009, the value of Canada's primary agriculture exports totaled $21.5 billion.

Deliver multimedia campaign to improve perception of agriculture
In 2012-13, FCC will begin to promote awareness about the importance of the agriculture industry through a major multi-year campaign targeting industry, producers and the general public. This will include incorporating messages in speeches, at events and in promotional materials as well as advertising, social media, industry relations, media relations, internal communications and other initiatives.

Strengthen relationships with industry associations in support of promoting agriculture
FCC already has strong ties with industry associations and intends to strengthen such partnerships. In 2012-13, FCC will enhance its industry association strategy, designing an integrated approach to managing and building relationships with industry stakeholders. This will include the use of research data and information to help associations promote agriculture.

[15] Agriculture and Agri-Food Canada. *An Overview of the Canadian Agriculture and Agri-Food System 2011.*
[16] Agriculture and Agri-Food Canada. *An Overview of the Canadian Agriculture and Agri-Food System 2011.*

Expand FCC's ability to provide customers with leading-edge knowledge

Initiatives for 2012-13
• Incorporate agriculture/finance knowledge expectations of customer-facing employees in the relationship management process • Offer employees additional knowledge to share with customers

The level of management skill required to operate a farm or agribusiness has increased exponentially. In addition to expertise in crop and livestock production, today's producers must deal with complex financial management, human resource issues, partnerships, diversification and volatile markets.

Management sophistication is a major predictor of success for primary producers and agribusiness and agri-food operations. FCC strives to provide knowledge and learning that enhances their ability to succeed. FCC continuously updates these offerings as new needs become apparent. These offerings are tailored to the unique needs of agriculture and constitute part of how FCC fulfils its public policy role.

FCC hires employees with agriculture and/or financial backgrounds who are committed to making a difference to the industry. The corporation has a learning culture and emphasizes the importance of continuously keeping abreast of developments in the agriculture and finance industries.

For FCC, the pace and complexity of change in the agriculture industry demands diligent efforts to keep staff knowledgeable about leading technologies and management philosophies. For FCC to continue to provide value through knowledge to increasingly sophisticated customers, it must ensure that it has the technical skills and competencies required.

FCC researches and develops unique tools to help customers anticipate and understand changes in agriculture. This knowledge is shared with customers, stakeholders and the industry. FCC supplements employee knowledge with publications targeted at producers and agribusiness and agri-food operators, such as the Knowledge Insider, which reviews relevant industry trends and provides thought-provoking ideas for individual producers and agribusiness operators to consider incorporating in their own businesses.

Incorporate agriculture/finance knowledge expectations of customer-facing employees in the relationship management process
As FCC's portfolio grows and becomes more complex, the need for relationship managers with deep knowledge and expertise in these business areas increases. FCC has already taken steps to develop the expectations for the agricultural and finance knowledge that customer-facing employees should have. Over the planning period, the corporation will continue to integrate these expectations with the relationship management process, and identify and fill knowledge gaps. These actions will contribute to the customer experience and increase the value of FCC's products and services.

Offer employees additional knowledge to share with customers
FCC will offer employees additional information to share with customers through online knowledge networks, and expanding access to strategic sector-based information. This will help ensure that front line employees are equipped with up-to-date information on topics such as the agriculture economy, agriculture market drivers and the potential impact of global trends, and with tools that add value to customers. By deliberately focusing on knowledge, FCC can efficiently serve its customers, manage the inherent risk associated with a rapidly changing industry and enhance its reputation as a partner to the agriculture industry.

5.4.3 Efficiency and execution

The critical outcome that FCC is striving to attain for this theme is:

In 2020, FCC continues to be recognized as a highly efficient, effective and agile organization that is easy to do business with. The corporation has an efficiency ratio of 42 per cent or lower.

The strategic theme of efficiency and execution is about regularly challenging all areas of the corporation to seek better ways to do business. The following two strategic objectives will be pursued towards achieving this outcome:

- optimize how FCC conducts business
- expand channel delivery

Optimize how FCC conducts business

Initiatives for 2012-13
• Implement business process and technology transformation program (BK)
• Implement optimization program
• Implement new property valuation software
• Implement new enterprise governance model
• Implement multi-year enterprise information management program
• Evaluate and design unified communication technologies
• Implement alliance process redesign with external alliances

FCC understands that continuously improving and re-engineering corporate processes and functions will enhance corporate agility.

Efficient and effective processes make it easy for employees to do business and provide a better customer experience.

FCC continually seeks better ways for employees to perform their work to simplify interactions for customers. The corporation continues to review internal processes, procedures and systems to optimize performance, such as further integration of project management processes with change management methodologies.

The federal government introduced a federal deficit reduction action plan in Budget 2011 to examine direct program spending as appropriated by Parliament. Although FCC does not receive financial appropriations from the Government of Canada, the corporation will continue its track record of efficiency and strong financial performance, and conduct itself in a manner that is mindful of the current climate of fiscal constraint. FCC will also continue to focus on reducing controllable costs.

In 2012-13, FCC will undertake a number of efficiency initiatives to sustain the corporation's excellent financial performance and the ability to serve the industry in the future. FCC will conduct itself in a manner that is mindful of the fiscal constraints outlined in the federal deficit reduction action plan.

Implement business process and technology transformation program (BK)
FCC is nearing completion of its multi-year Business Process and Technology Transformation Program (BK). This will streamline and automate many business processes and support lending activities with more flexible technology.

As of August 30, 2011, the BK program has been operating for a total of 56 months and everything required for implementation has been built. Testing – which is standard in the pre-implementation phase of all technology projects – occurred throughout the second quarter and is very complex, due to the fact that BK encompasses multiple technical platforms and multi-faceted projects that must be fully integrated prior to release.

Implement optimization program
The optimization program entails a structured approach to formally assess opportunities to optimize how FCC does business and make recommendations regarding further action. This

will ensure that FCC continues to adhere to the Minister's direction to control costs.

Implement new property valuation software
The new technology platform enabled by the business process and technical transformation program will facilitate the installation of new property valuation software. This tool will directly support front line lenders and appraisers in more efficiently executing FCC's lending processes and managing risk.

Implement new enterprise governance model
In 2011-12, FCC began a review of enterprise architecture governance to enhance governance issues within the current operating model. In 2012-13, the initiative will implement the rollout of a governance framework that will streamline corporate accountabilities. The result will be streamlined approvals, time savings and reduced overlap.

Implement multi-year enterprise information management program
FCC plans to develop a comprehensive enterprise-wide information management program to enhance management of business-critical information. Since information is central to the effective functioning of FCC, it is necessary to ensure efficient storage and use of both internally created and externally sourced information. Such information includes websites, network drives, databases and other electronic systems, as well as hard copy files and material.

Evaluate and design unified communication technologies
Another way FCC will increase its efficiency in 2012-13 is by designing a solution to upgrade its communications infrastructure. Review of effective video, audio and remote work applications will be conducted. The intent is to increase work efficiency and reduce travel requirements.

Implement alliance process redesign with external alliances
Alliance lending is an integral part of FCC's strategy. This initiative builds on the previous year's redesign of the processes and internal controls used to do business with FCC alliances. The goal is to ensure that customers have a consistent experience, whether they deal directly with FCC or do so via an alliance. In 2012-13, the initiative will be implemented with external alliances. FCC will also continue to streamline processes in its Customer Service Centres to optimize consistency of operations.

Corporate measures	2012-13 Target	2013-14 Target	2014-15 Target	2015-16 Target	2016-17 Target
Efficiency ratio	37.1%	37.0%	36.9%	36.5%	35.4%
Employee engagement (easy to do business indicators)	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers

FCC uses an efficiency ratio (administration expense as a percentage of revenue) to measure how well resources are used to generate income.

The measure of how easy it is for employees to do business (as this impacts customers) is derived from the annual employee engagement survey. Five drivers are measured – including co-workers, physical work environment, resources, work processes and work tasks. This index measures how easy it is for FCC employees to do business.

Expand channel delivery

Initiatives for 2012-13
• Implement integrated channel delivery strategy • Implement e-business program • Enhance customer access to approved credit

Alternative delivery channels will create efficiencies in how FCC does business, while providing additional choice to customers. This objective seeks to expand the channels used by FCC and alliances in serving customers in order to seamlessly integrate new channels. Current channels include field offices, customer service centres, e-business, and alliances.

Implement integrated channel delivery strategy
In 2012-13, FCC will develop a strategy that defines how FCC will deliver its channel philosophy and ensure that customer-facing staff understand and use the appropriate channels. While this initiative will enhance efficiency, it also will enhance customer choice.

Implement e-business program
As agriculture continues to grow and innovate, so do the preferences of customers and the tools they use. The web and mobile devices are increasingly predominant. As a result, FCC will implement a secure website and online capabilities for external partners. FCC will also develop an online support community that will enable peer-to-peer support for FCC Management Software.

A component of the e-business program includes development of a mobile strategy and definition of mobile lending capabilities for staff.

Enhance customer access to approved credit
In 2012-13, FCC will implement a solution that will enhance our customers' ability to access approved credit.

5.4.4 Employee experience

The critical outcome that FCC is striving to attain for this theme is:

In 2020, FCC continues to be an employer of choice, with a culture that inspires employees to deliver an extraordinary customer experience. FCC's employee engagement score is greater than or equal to the average of the top 50 Canadian employers.

Employees are the ones who drive a positive customer experience, and research shows that engaged employees deliver better customer service. This is why ensuring a positive employee experience is so important. The following three strategic objectives will be pursued towards achieving this outcome:

- provide an exceptional employee experience
- strengthen leadership capabilities
- expand and enhance employee knowledge

Provide an exceptional employee experience

Initiatives for 2012-13
• Implement updated culture strategy • Enhance workforce through the employment equity plan and diversity strategy • Enhance leadership capabilities of all employees

The corporation has taken specific steps each year to improve and enhance both the employee experience and the drivers that support it. This includes taking steps to enhance the working environment and exhibiting values, such as trust, respect, teamwork and high performance.

Although the wording of this objective has been modified from the previous *sustain and enhance employee experience*, the intent of the objective remains the same. The change was made to better align with internal messaging provided to employees.

FCC strives to be an employer of choice, and in 2010, the corporation ranked number 10 in the national 50 Best Employers in Canada study. FCC believes that being a top employer helps the attraction and retention of top-notch employees with the competencies required to meet the needs of customers.

Implement updated culture strategy
FCC's culture by design is a significant factor in employee engagement. In 2012-13, FCC continues to implement a multi-year, updated internal culture strategy. The strategy will be updated based on employee survey results. FCC will implement related tactics to deepen and strengthen the corporate culture.

Enhance workforce through the employment equity plan and diversity strategy
FCC understands that a diverse workforce is extremely important. The corporation strives to have a workforce that is representative of the industry served. FCC is subject to the Employment Equity Act, is compliant with the Act's requirements, and completes the annual reporting requirements. FCC will continue to implement its employment equity plan and diversity strategy to enhance the FCC workforce.

Enhance leadership capabilities of all employees
Central to the desired employee experience at FCC is the quality of leadership, both formal and informal. All employees will complete internal training to foster leadership at all levels.

Corporate measures	2012-13 Target	2013-14 Target	2014-15 Target	2015-16 Target	2016-17 Target
Employee engagement index	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers
Employee index: subset of employee engagement survey data with respect to employee experience indicators	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers	Greater than or equal to the average of the top 50 employers

FCC will continue to participate in an annual employee engagement survey to track progress in the employee experience area and our stated objectives.

Engagement is the state of intellectual and emotional involvement employees have with an organization and is a measure of their energy and passion. Since engagement is correlated to recruitment and retention, it is critical that it be measured and managed. This will lead to additional actions that directly address employee concerns and opportunities for improving engagement.

FCC will also monitor and analyze a sub-index which measures the employee experience in areas such as career opportunities, learning and development, intrinsic motivation, managing performance and work-life balance.

Strengthen leadership capabilities

Initiative for 2012-13
• Enhance leadership effectiveness

Being an employer of choice requires exceptional leadership. Inspiring employees requires strong and consistent leadership in the areas of communication, strategy, team leadership, culture and change (FCC's five leadership principles). By building better leaders, FCC will ensure that employees remain highly engaged. The wording of this objective was modified slightly from *"enhance formal leadership capabilities"*. The modification was made to reflect the expanded scope of the Leadership Excellence Program, which now includes supervisors and all employees with people leadership responsibilities.

Enhance leadership effectiveness
FCC will continue the implementation of a leadership framework that defines great leadership and provides learning support to managers. All formal leaders (i.e. managers who supervise employees) attend a Leadership Excellence Program as well as training on the five leadership principles noted above.

As FCC's corporate leaders retire over the next few years, it will be critical to ensure a supply of trained and capable individuals to promote within FCC. As many organizations will face this challenge, such leaders will become increasingly difficult to attract and retain. Therefore, succession planning and leadership development are very important. FCC has well developed plans in place to manage this going forward.

In 2012-13, FCC will analyze succession planning best practices and fill any existing gaps in succession planning.

Corporate measure	2012-13 Target	2013-14 Target	2014-15 Target	2015-16 Target	2016-17 Target
Leadership index – subset of employee engagement survey data with respect to leadership indicators	Greater than the average of the top 50 employers	Greater than the average of the top 50 employers	Greater than the average of the top 50 employers	Greater than the average of the top 50 employers	Greater than the average of the top 50 employers

A leadership index (sub-index of employee engagement survey data) has been developed to gauge employee perceptions regarding FCC leadership.

Expand and enhance employee knowledge

Initiatives for 2012-13
• Improve employee access to specialized agriculture and finance knowledge • Implement Lending Essentials program changes

FCC is committed to developing employees to meet increasingly complex customer knowledge needs. The goal is to foster an environment where learning is encouraged, management provides support, and success in meeting learning objectives is measured and recognized.

This objective relates to ongoing industry knowledge development for employees, with a particular focus on what is needed to best serve the customer. FCC believes that keeping on top of trends and developments that impact agriculture is very important to customer success.

Improve employee access to specialized agriculture and finance knowledge

This initiative is closely tied to the customer experience initiative that focuses on defining knowledge expectations of all staff.

FCC will continue to implement a knowledge strategy designed to offer employees improved access to the right information at the right time so that they can more easily add value to their interactions with customers. This information will include knowledge on specific sectors of agriculture provided in a variety of ways.

Implement Lending Essentials program changes

FCC has an extensive training program to develop the skills necessary for front line employees to serve customers. Changes to the program were implemented in 2011-12, and will continue in 2012-13. Enhancements include the development of specific learning plans for agribusiness and agri-food employees as well as those involved in FCC Alliances.

6.0 | Financial plan summary

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

Uncertainties still exist relative to the current global economy and its recovery from the recession. These factors - along with a changing agriculture industry and increased competition - have increased the risk and volatility associated with some of the key variables used in creating the financial plan. Therefore, it is important to understand these key variables and their impact on the financial results (see Sensitivity and scenario analysis on the following page). FCC monitors these key variables throughout the year to ensure timely management of the potential impacts.

The 2010-11 actual results presented in this document have been restated from Generally Accepted Accounting Principles (GAAP) to comply with International Financial Reporting Standards (IFRS).

Caution regarding forward-looking statements

The corporate plan includes forward-looking financial information based on certain assumptions that reflect management's planned course of action with the most probable set of economic conditions. By their nature, assumptions are subject to inherent risks and uncertainties. There is significant risk that actual results may vary, and that the differences may be material. Some factors that could cause such differences include changes in general economic and market conditions, including but not limited to interest rates.

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 2012-13 for each variable.

Major drivers ($ millions)	Change	2013 Plan
Loan disbursements *	+/- 10%/year	+/- 14.0
New lending margins **	+/- 10 bps/year	+/- 4.6
New lending mix (F/V)	+/- 10% fixed	+/- 0.3
Interest rate curves **	+/- 100 bps	+/- (1.4)

* assumes that disbursements are made throughout the year.

** bps is basis points

6.1 Operating budget

The operating budget provides details of our forecasted revenues and expenses for the fiscal year ended March 31, 2013, and is submitted for Treasury Board approval in accordance with Section 123 of the Financial Administration Act. The table below summarizes financial targets for 2012-13.

Profitable growth

Fiscal year ending March 31 ($ millions)	2013 Plan
Portfolio growth	
Loans receivable	24,003.7
Loans receivable growth rate (per cent)	6.1
Net disbursements	6,761.6
Loan renewal rate (per cent)	97.0
Prepayment rate (per cent)	6.3
Venture capital	
Investments - total capital outstanding	60.3
Investments - fair market value	58.1
Co-investment ratio ($ co-invested per FCC $)	1.5
FCC Management Software	
Net sales revenue	2.3
FCC Insurance	
Insurance premium income	21.2
Net insurance income	10.6
Portfolio profitability	
Net interest income	829.6
Net interest margin (per cent)	3.41
Net income	445.0

Effective financial management

Efficiency and cost control	
Administration expenses	312.2
Efficiency ratio (per cent)	37.1
Capital management	
Borrowings	20,860.8
Total capitalization	4,173.0
Gross assets not requiring debt financing (per cent)	16.5
Debt-to-equity ($ of debt per $1 equity)	6.2
Credit quality	
Arrears	120.2
Impaired loans	287.1
Provision for credit losses	99.4
Allowance for credit losses	600.1
Shareholder return	
Return on equity (per cent)	13.9
Return on assets (per cent)	1.84
Dividends	16.1

6.1.1 Discussion of expected results – 2011-12 forecast versus 2010-11 actual, prior plan and 2012-13 financial plan

Profitable growth

Portfolio growth

Loans receivable
Relative to 2010-11 actual results, the portfolio is forecast to grow by $1,287.6 million or 6.0 per cent which is due to new lending of $6,361.9 million. Comparing to the 2011-12 plan, the forecast loans receivable of $22,619.6 million is 5.5 per cent higher. This is due to higher than anticipated disbursements in both 2010-11 and 2011-12 of $371.2 million and $975.2 million respectively.

Loans receivable is projected to grow by 6.1 per cent, increasing from $22,619.6 million forecast for 2011-12 to $24,003.7 million in 2012-13. The increase in loans receivable reflects the projected lending through the primary production financing, agribusiness and agri-food financing and alliances business lines.

Net disbursements
2011-12 forecast net disbursements are $208.7 million higher than levels experienced in 2010-11 and $975.2 million higher than the 2011-12 plan. Higher than anticipated growth in the farm debt market and continued growth in farmland values are contributing to the higher volumes. Increased competition is driving the drop in the renewal ratio from 97.7 percent to 97.0 per cent and the increase in the net prepayment ratio to 6.3 per cent from the 2010-11 level of 5.4 per cent.

Net disbursements are projected to increase by $399.7 million from the forecast level of $6,361.9 million in 2011-12 to $6,761.6 million in 2012-13. This is the primary driver of the portfolio growth in 2012-13. Alliances and primary production financing are expected to increase by $100.0 million and $296.9 million respectively. Lending to primary producers represents 86.3 per cent of total net disbursements in 2012-13.

Renewals and prepayments as a percentage of loans receivable are expected to stay flat in 2012-13 at 97.0 per cent and 6.3 per cent respectively.

Other business lines

Venture Capital
FCC Ventures continues to address the need for venture capital in the agriculture industry. At the end of 2011-12, the corporation is forecasting $60.7 million in capital outstanding. In addition, every $1.00 invested by FCC has attracted $1.53 from co-investors.

Total capital outstanding, including investments made through the Avrio Ventures Limited Partnership, is expected to decrease slightly to $60.3 million at the end of 2012-13. This anticipates new investments of $16.1 million, offset by repayments and divestures.

The fair value of the venture capital investments is projected to increase from $53.0 million in 2011-12 to $58.1 million in 2012-13. This reflects the plan assumptions with respect to the new investments and increases in the fair value of investments.

FCC Management Software
FCC Management Software is focused on developing, promoting and improving farm management software for the Canadian agriculture industry. FCC Management Software packages support the business of agriculture by providing valuable solutions to farmers that will help ensure their success and viability. Its products include AgExpert Analyst and Field Manager PRO. Net sales revenue of $2.0 million is higher than both 2010-11 actual results and the 2011-12 plan of $1.8 million and $1.9 million respectively. In 2012-13, net sales revenue is anticipated to increase to $2.3 million.

FCC Insurance
FCC has offered loan life and accident insurance since 1960, providing protection for customers, their families and businesses. Gross premium revenue is forecast to be $20.0 million in 2011-12, which is $1.9 million higher than 2010-11 actual and $0.7 million higher than the 2011-12 plan. The increase is primarily driven by the growth in the portfolio.

In 2012-13, gross premium revenue is planned to be $21.2 million, representing an increase of $1.2 million from forecast levels. Net insurance revenue after taking into account claims paid is projected to grow from $10.3 million in 2011-12 to $10.6 million due to growth in the portfolio and offset by a slight increase in claims paid.

Portfolio profitability

Net interest income and net interest margin
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 fulfil its role in supporting agriculture.

The 2011-12 net interest income forecast of $799.9 million is $49.8 million higher than 2010-11 actual results and $61.0 million higher than the 2011-12 plan. The continued growth in the loan portfolio, as discussed previously, is the primary driver of these increases. Net interest margin is forecast at 3.48 per cent, which is slightly lower than prior year actual of 3.50 per cent but higher than the prior year plan of 3.37 per cent. Last year's plan assumed that global economic conditions would improve quicker than they have to date. The recovery from the recession lost some traction in 2011-12 keeping FCC's borrowing rates low and contributing to the higher net interest margin.

Net interest income is expected to increase from $799.9 million forecast for 2011-12 to $829.6 million for 2012-13. The 6.1 per cent growth in loans receivable is the major contributor to this growth. The gains from increased volume are being offset slightly by a decrease in the net interest margin from 3.48 per cent to 3.41 per cent. This is due to an expected decrease in new and renewed lending margins as competition is expected to increase.

Net income
Net income is projected to reach $490.2 million in 2011-12 which is $30.1 million higher than 2010-11 and $134.4 million higher than the 2011-12 plan. Higher net interest income and a lower provision for credit losses are driving the increase from 2010-11. These gains are offset slightly by lower other income and fair value adjustment and higher administration expenses. Higher net interest income, a lower provision for credit losses, higher other income and lower administration expenses are driving the increase from last year's plan.

In 2012-13, net income is projected to decrease to $445.0 million from the 2011-12 forecast of $490.2 million. This is mainly due to a higher provision for credit losses, lower other income and increased administration expenses. These are offset slightly by higher net interest income and fair value adjustments.

Effective financial management

Efficiency

Administration expenses
A crucial element to FCC remaining financially viable is prudent cost management and operational efficiency. FCC will abide by the spirit and intent of the federal deficit reduction action plan. The corporation will continue its track record of efficiency and strong financial performance. FCC will also continue to focus on reducing controllable costs.

In 2011-12, administration expenses are forecast to be $297.2 million. This represents an increase of $23.4 million from 2010-11 actual expenses of $273.8 million. Continued portfolio growth and normal inflationary pressures are driving the increase. Relative to the 2011-12 plan, administration expenses are $15 million lower demonstrating FCC's commitment to cost management and operational efficiency.

In 2012-13, expenses are expected to increase to $312.2 million from the 2011-12 forecast level of $297.2 million.

Permanent employee levels expressed as full-time equivalents (FTEs) are projected to be 1,636 FTEs in the 2011-12 forecast. Staffing increases in 2012-13 will be balanced with the need to support the growing portfolio, provide an extraordinary customer experience and manage costs and efficiency.

Efficiency ratio
The forecast efficiency ratio of 36.5 per cent is higher than 2010-11 actual, but lower than last year's plan of 41.6 per cent. This is due to both higher net interest income and lower administration expenses.

In 2012-13, the efficiency ratio is expected to increase slightly to 37.1 per cent. The increase in the efficiency ratio is due to both an increase in administration expenses and a decrease in the net interest margin.

Capital management

Funding activities

Cash provided by (used in) operating activities

After adjusting net income for non-cash items, FCC expects to use $672.2 million in support of operating activities in 2012-13. Cash used in operating activities is projected to increase by $96.5 million from the 2011-12 forecast mainly due to higher loan disbursements.

Cash provided by (used in) investing activities
Cash used in investing activities is anticipated to be $39.4 million in 2012-13 which is an increase of $31.2 from the $8.2 million provided in the 2011-12 forecast. This change is driven by an increase in temporary investments of $18.2 million, purchases of venture capital investments of $16.1 million, capital purchases of $23.0 million and purchases of equipment under operating leases of $20.1 million. These are offset slightly by proceeds on disposal of venture capital investments of $25.0 million and interest and dividends received of $13.0 million.

Cash provided by (used in) financing activities

Cash provided by financing activities is projected to increase from the 2011-12 forecast of $634.6 million to $754.1 million in 2012-13. The increase is driven by increased requirements for both long-term and short-term debt to fund the growing portfolio.

Debt to equity

The forecast debt-to-equity ratio of 6.7 to 1 is lower than the 2010-11 actual of 7.7 to 1 and the 2011-12 plan of 6.9 to 1. In 2012-13, the debt-to-equity ratio decreases further to 6.2 to 1. The continued improvement of this measure reflects funding a larger portion of the portfolio through equity versus debt. This ratio is projected to remain well below the maximum 12 to 1 debt-to-equity ratio set under the Farm Credit Canada Act.

Credit quality

Arrears

The arrears balance is forecast to be $113.3 million in 2011-12, an increase from 2010-11 of $71.6 million and an increase of $28.6 million from the 2011-12 plan. This is due to both an increase in the overall loans receivable balance and a change in measurement to include loans that have reached the end of their term or amortization and have not been renewed by choice of either the customer or FCC. Such loans will be repaid or renegotiated.

In 2012-13 the arrears balance is expected to increase to $120.2 million which is due to a higher overall loans receivable balance in 2012-13.

Impaired loans

Impaired loans are forecast to increase to $271.5 million in 2011-12 which is an increase from 2010-11 of $30.1 million. The increase is due to growth in the loan portfolio coupled with a slight increase in impaired loans as a percentage of loans receivable. Relative to the 2011-12 plan, the 2011-12 forecast is $28.8 million lower due to a decrease in total impaired loans as a percentage of loans receivable. This reflects improvement in the overall health of the portfolio.

Impaired loans are expected to be $287.1 million in 2012-13, an increase of $15.6 million over the forecast for 2011-12 of $271.5 million. This increase is due to the larger portfolio in 2012-13 compared to 2011-12.

Allowance for credit losses

The allowance for credit losses represents management’s best estimate of incurred losses in the loan and leases portfolio at the balance sheet date. The allowance is made up of two components:

1. Individual component – provides for management’s best estimates regarding incurred losses on specific loans and leases that have become impaired. It is the difference between the carrying value of the loan or lease and the discounted estimated future cash flows.

2. Collective component – provides for management’s best estimate of incurred losses that exist in the loans and leases portfolio that have not been individually identified as impaired. Analysis to determine the collective component considers loans and leases that have shown some deterioration in credit quality and is based on historical loss experience adjusted for current market conditions.

The 2011-12 forecast allowance for credit losses of $565.5 million is lower than the 2010-11 actual of $586.1 million, due to continued improvement in the health of the portfolio. The forecast allowance is also lower than the 2011-12 plan of $665.1 million. During 2010-11, the parameters in the model used to calculate the allowance for credit losses were updated and the overall health of the portfolio improved significantly. The updated parameters reflect FCC's lower than expected loss experience in recent years.

The allowance for credit losses is projected to grow from the forecast of $565.5 million in 2011-12 to $600.1 million at the end of 2012-13. The allowance as a percentage of ending loans receivable is projected to remain flat at 2.50 per cent as the overall risk within the portfolio is not anticipated to change significantly. The increase is being driven by the growth in loans receivable.

Provision for credit losses
Once the allowance for credit losses and writeoffs are determined by management, the provision for credit losses is charged against net income by an amount necessary to bring the allowance for credit losses to the appropriate level.

To bring the allowance to the appropriate level in 2011-12, the provision for credit losses is forecast at $25.3 million in 2011-12 which is lower than the 2010-11 actual provision of $35.6 million and the 2011-12 plan of $88.7 million. The decrease from prior plan is due to the updated model parameters and improved portfolio health as mentioned above.

In 2012-13, the required provision is projected to be $99.4 million due to an increase in the projected size of the portfolio. The allowance as a percentage of ending loans receivable is anticipated to remain flat.

Shareholder return

Return on equity
Return on equity measures the return on the investment the Government of Canada has made in the corporation. It also measures FCC's efficiency at using its existing equity base to generate income.

In 2011-12, return on equity is forecast at 17.9 per cent, which is lower than 2010-11 actual of 20.3 per cent. The decrease is primarily due to a higher amount of equity, lower net interest margin and higher administration expenses. The forecast is higher than the return on equity projected in the 2011-12 plan of 13.9 per cent. The increase is due to higher net income as discussed previously.

In 2012-13, return on equity is projected to decrease from 17.9 per cent to 13.9 per cent. The decrease is mainly due an increase in the provision for credit losses and an increase in equity.

Return on assets
Return on assets measures the utilization of assets to generate income. The 2011-12 projected return on assets of 2.17 per cent is lower than 2010-11 actual of 2.19 per cent but higher than the 2011-12 plan of 1.65 per cent. The decrease from 2010-11 is being driven by a decrease in the net interest margin from 3.50 per cent to 3.48 per cent. Compared to the 2011-12 plan, net interest margin is higher resulting in the higher return on assets.

In 2012-13, return on assets is projected to decrease to 1.84 per cent from 2.17 per cent forecast in 2011-12. The decrease is due to the higher provision for credit losses and a lower net interest margin.

6.2 Capital budget

The 2012-13 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 $23.0 million in 2012-13 which is a decrease from 2010-11 actual results of $24.0 million. FCC has undertaken a significant redesign of core information systems and infrastructure over the past few years. Transition to the new systems is slated for completion in the 2012-13 fiscal year. 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 planned leasehold improvements.

6.2.1 Future accounting changes

Certain accounting standards are in issue that are not required to be adopted until future accounting periods. As at September 30, 2011, the following standards were in issue but not yet effective:

Standard	Details of amendment	Annual periods commencing on or after
IFRS 9 – Financial Instruments – Classification and Measurement	The new standard provides requirements for classifying and measuring financial assets and liabilities. This standard is the first in a three-phase project in progress by the International Accounting Standards Board (IASB) to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety.	January 1, 2013
IFRS 10 – Consolidated Financial Statements	The new standard replaces the consolidation requirements in IAS 27 – Consolidated and Separate Financial Statements and SIC-12 – Consolidation – Special Purpose Entities. It establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	January 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities	The new standard is on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IFRS 13 – Fair Value Measurement	The new standard establishes new guidance on fair value measurement and disclosure requirements.	January 1, 2013
IAS 1 – Presentation of Financial Statements	This standard was amended to revise the way other comprehensive income is presented.	July 1, 2012
IAS 19 – Employee Benefits	The amended standard resulted from the Post-Employment Benefits and Termination Benefits projects.	January 1, 2013

IAS 28 – Investments in Associates	This standard was reissued as Investments in Associates and Joint Ventures, as a result of the new standards IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities.	January 1, 2013

Management is in the process of assessing the impact of these standards on the corporation’s financial statements and accounting policies, but currently does not anticipate any significant financial statement impacts, beyond increased or changed disclosure, as a result of the new standards.

Farm Credit Canada
Consolidated Balance Sheet
2012-13 Corporate Plan
(millions of dollars)

As at March 31	2011 Actuals	2012 Forecast	2013 Plan
Assets			
Cash and cash equivalents	$ 601.8	$ 652.5	$ 695.0
Temporary investments	284.2	279.6	297.8
Accounts receivable	12.7	16.5	16.5
Derivative-related assets	47.4	81.7	68.4
	946.1	1,030.3	1,077.7
Loans receivable	21,332.0	22,619.6	24,003.7
Allowance for credit losses	586.1	565.5	600.1
Loans receivable (net)	20,745.9	22,054.1	23,403.6
Finance leases receivable	4.9	7.0	10.2
Venture capital investments	58.0	53.0	58.1
Equipment and leasehold improvements	29.3	26.7	24.7
Computer software	42.1	38.4	43.5
Equipment under operating lease	19.1	28.3	38.5
Other assets	15.9	17.1	19.0
	106.4	110.5	125.7
Total assets	$ 21,861.3	$ 23,254.9	$ 24,675.3
Liabilities			
Accounts payable and accrued liabilities	$ 52.2	$ 69.9	$ 76.0
Accrued interest on borrowings	46.1	60.4	61.8
Derivative-related liabilities	4.7	0.2	0.2
	103.0	130.5	138.0
Borrowings			
Short-term debt	8,014.3	9,668.1	10,293.0
Long-term debt	10,891.5	10,109.8	10,506.0
	18,905.8	19,777.9	20,799.0
Other liabilities	171.2	164.3	165.4
Equity			
Contributed surplus	547.7	547.7	547.7
Retained earnings	1,936.5	2,410.9	2,836.6
Accumulated other comprehensive income	183.7	207.6	174.2
Equity attributable to shareholder of the parent entity	2,667.9	3,166.2	3,558.5
Non-controlling interests in special purpose entity	13.4	16.0	14.4
	2,681.3	3,182.2	3,572.9
Total liabilities and shareholder's equity	$ 21,861.3	$ 23,254.9	$ 24,675.3

Farm Credit Canada
Consolidated Statement of Operations
2012-13 Corporate Plan
(millions of dollars)

Fiscal year ending March 31	2011 Actuals	2012 Forecast	2013 Plan
Interest income			
Loans receivable	$ 948.7	$ 1,020.6	$ 1,068.9
Investments	9.5	15.7	13.0
	958.2	1,036.3	1,081.9
Interest expense			
Short-term debt	28.2	53.5	70.9
Long-term debt	179.9	182.9	181.4
Total interest expense	208.1	236.4	252.3
Net interet income	750.1	799.9	829.6
Provision for credit losses	35.6	25.3	99.4
Net interest income after provision for credit losses	714.5	774.6	730.2
Insurance income			
Premiums	18.1	20.0	21.2
Claims expense	(7.0)	(9.7)	(10.6)
	11.1	10.3	10.6
Other income	4.9	3.7	2.3
Total other income	16.0	14.0	12.9
Income before administration expenses	730.5	788.6	743.1
Adminstration expenses	273.8	297.2	312.2
Income before fair value adjustment	456.7	491.4	430.9
Fair value adjustment	3.4	(1.2)	14.1
Net income	$ 460.1	$ 490.2	$ 445.0
Net income (loss) attributable to:			
Shareholder of the parent entity	$ 460.9	$ 489.8	$ 441.8
Non-controlling interest in special purpose entity	(0.8)	0.4	3.2

Farm Credit Canada
Consolidated Statement of Comprehensive Income
2012-13 Corporate Plan
(millions of dollars)

Fiscal year ending March 31	2011 Actuals	2012 Forecast	2013 Plan
Net income	$ 460.1	$ 490.2	$ 445.0
Other comprehensive income			
Net gains on derivatives designated as cash flow hedges	0.5	41.1	(13.4)
Transfer of net realized (gains) losses on derivatives desginated as cash flow hedges to net income	(21.1)	(18.4)	(20.0)
Change in net gains on derivatives designated as cash flow hedges	(20.6)	22.7	(33.4)
Net unrealized (losses) gains on available-for sale temporary investments	(1.2)	1.2	0.0
Gains on minimum pension funding requirement	43.7	0.0	0.0
Comprehensive income	$ 482.0	$ 514.1	$ 411.6
Net income (loss) attributable to:			
Shareholder of parent entity	482.8	513.7	408.4
Non-controlling interest in special purpose entity	(0.8)	0.4	3.2

Farm Credit Canada
Consolidated Statement of Changes in Shareholder's Equity
2012-13 Corporate Plan
(millions of dollars)

Fiscal year ending March 31		2011 Actuals		2012 Forecast		2013 Plan
Contributed surplus	$	547.7	$	547.7	$	547.7
Retained earnings						
Balance, beginning of year		1,494.1		1,936.5		2,410.9
Net income		460.9		489.8		441.8
Dividends paid		(18.5)		(15.4)		(16.1)
Balance, end of year		1,936.5		2,410.9		2,836.6
Accumulated other comprehensive income						
Balance, beginning of year		161.8	$	183.7		207.6
Net unrealized (losses) gains on available-for-sale temporary investments		(1.2)		1.2		0.0
Net gains on derivatives designated as cash flow hedges		(20.6)		22.7		(33.4)
Gains on minimum pension funding requirement		43.7		0.0		0.0
Balance, end of year		140.0	$	207.6		174.2
Non-controlling interests in special purpose entitiy						
Balance, beginning of year		9.5		13.4		16.0
Net income		(0.8)		0.4		3.2
Distributions to non-controlling interest		4.7		2.2		(4.8)
Balance, end of year		13.4		16.0		14.4
Total	$	2,681.3	$	3,182.2	$	3,572.9

Farm Credit Canada
Consolidated Statement of Cash Flows
2013-17 Corporate Plan
(millions of dollars)

Fiscal year ending March 31	2011 Actuals	2012 Forecast	2013 Plan
Operating activities			
Net Income	$ 460.9	$ 489.8	$ 441.8
Adjustments to determine net cash provided by (used in) operating activities:			
Net interest income	(750.1)	(799.9)	(829.6)
Unwind adjustment	(1.2)	0.0	0.0
Provision for credit losses	35.6	25.3	99.4
Fair value adjustment	0.0	1.2	(14.1)
Depreciation (1)	1.0	(0.2)	3.3
Other	1.0	0.0	0.0
Net cash outflow from loans receivable	(1,586.3)	(1,292.5)	(1,424.7)
Finance leases receivable	(2.0)	(2.1)	(3.2)
Interest received	920.1	1,009.3	1,071.4
Changes in operating assets and liabilities	1.4	(6.6)	(16.5)
Foreign exchange gains (losses)	3.0	0.0	0.0
Cash provided by operating activities	(933.9)	(575.7)	(672.2)
Investing activities			
Net cash inflow (outflow) from temporary investments	(84.3)	4.6	(18.2)
Acquisition of venture capital investments	(12.0)	(10.9)	(16.1)
Proceeds on disposal of venture capital investments	15.6	16.4	25.0
Capital purchases	(23.2)	(18.7)	(23.0)
Purchase of equipment under operating leases	(7.9)	(15.3)	(20.1)
Interest and dividends received	9.5	15.7	13.0
Cash used in investing activities	(102.3)	(8.2)	(39.4)
Financing activities			
Change in long-term debt	2,289.6	(544.5)	721.0
Change in short-term debt	(1,071.5)	1,416.6	300.1
Proceeds on sale of derivatives	19.3	0.0	0.0
Interest paid	(205.9)	(222.1)	(250.9)
Dividends paid	(18.5)	(15.4)	(16.1)
Foreign exchange gains (losses)	(3.0)	0.0	0.0
Cash provided by financing activities	1,010.0	634.6	754.1
Change in cash and cash equivalents	(26.2)	50.7	42.5
Cash and cash equivalents, beginning of year	628.0	601.8	652.5
Cash and cash equivalents, end of year	$ 601.8	$ 652.5	$ 695.0

(1) Includes depreciation of equipment and leasehold improvements, computer software, equipment under operating leases, accumulated other comprehensive income, bond premiumor discount, deferred revenue fees and deferred initial direct leasing costs.

6.3 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.

Authority is requested to:

a) Borrow short-term financing from the Crown Borrowing Framework and/or domestic money markets, and bank lines of credit or loan agreements. Total short-term borrowing outstanding will not exceed a maximum limit of $10.0 billion in 2012-13.

b) Borrow medium and long-term financing from the Crown Borrowing Framework and/or domestic Medium and Long-Term Note program. Total medium and long-term borrowing outstanding will not exceed a maximum limit of $20.0 billion in 2012-13.

c) Borrow short-term U.S. dollar financing from domestic money markets for the purposes of match funding U.S. dollar assets. Total short-term U.S. dollar borrowings outstanding will not exceed a maximum limit of $350 million in 2012-13.

Canadian dollar 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 approval by the Minister of Finance.

Total short-term borrowing outstanding of $10.0 billion is required to meet 2012-13 financing needs.

Total medium and long-term borrowing outstanding of $20.0 billion is required to meet 2012-13 financing needs.

7.0 | Reference information

7.1 Products and services

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

Primary production financing

FCC provides loans tailored to the unique needs of primary producers in the agricultural industry. Customers include those who produce raw commodities like crops, beef, hogs, poultry, sheep, dairy, fruits and vegetables. FCC employees build relationships with customers to ensure the right combination of terms, security and payment schedules to meet their current and future needs.

Agribusiness and agri-food financing

FCC provides loans to those who buy from and sell to primary producers, including equipment manufacturers and dealers, input providers and processors along the agriculture value chain. Customers seeking a loan can talk with an FCC relationship manager or sales team member.

Financing for equipment, crop inputs and livestock at point of sale

FCC provides loans to customers who do business through partnerships with equipment dealers, crop input retailers and livestock marketers. Equipment dealers can also provide FCC lease products to customers. These programs support FCC Alliances while offering financial options to producers at the point of sale.

FCC Learning

FCC offers management training, information and learning to customers. Live event and online multimedia topics include managing farm finances, human resources, succession planning and others. In addition, FCC partner programs offer learning opportunities by partnering with industry associations, groups and businesses. In 2010-11, 13,908 people attended 151 core FCC Learning events and 15,666 people participated in 137 events in FCC partner programs.

FCC offers all producers and agribusiness operators complimentary access to all learning events where participants can build management skills and experience hands-on training. Employees encourage young farmers to participate in these opportunities. Online multimedia content enables 24/7 access for all customers.

In 2010-11, the FCC Forum customer event series was held in 10 locations across Canada. These forums feature highly-acclaimed speakers presenting on the theme of "big ideas for your future."

Every week, customers receive the latest news through Canada’s most read agriculture e-newsletter (according to a 2011 Ipsos Reid study), the FCC Express. This publication shares provincial, national and international news and sector information affecting agriculture. The Express is delivered free to over 30,000 subscribers and customers weekly.

Customers can learn more about farm management strategies by reading AgriSuccess, FCC's bi-monthly publication. This national farm management magazine is free and offers tips and insight from industry experts and producers.

FCC Management Software

FCC offers software designed for Canadian producers – AgExpert Analyst, Field Manager PRO and Field Manager Commercial.

AgExpert Analyst allows customers to track income and expenses, inventory and capital assets and prepare financial statements, including GST returns. The accounting software is designed specifically for Canadian agriculture, and provides reporting features that are relevant to producers.

Field Manager PRO is a crop record keeping and planning system that provides customers with access to their crop production data.

With Field Manager Commercial, food processing companies and agronomists can track and filter their grower data. The software helps to save time, increase reporting accuracy, and create auditable records. The electronic records provide proof of good agronomic practices, and agronomists can use it to gather and sort valuable grower information. At a time when traceability requirements are increasing, Field Manager Commercial and Field Manager PRO help to minimize tracking efforts by managing field records from planning through storage.

FCC Insurance

FCC offers loan life and accident insurance that is tailored to agriculture, allowing customers to protect themselves, their businesses and families.

FCC Ventures

FCC Ventures is the corporation's venture capital business line created to address the need for non-traditional financing in Canada's agriculture industry.

Venture capital financing is delivered through the Avrio Ventures Limited Partnership fund. The investment objectives of the fund focus on opportunities for mezzanine and equity financing in commercialization-to-growth stage businesses, as well as selected event driven transactions in later stage companies. Investments target the food and agriculture technology sectors which include traditional food and agriculture companies, the industrial bio-products, and nutraceutical functional food ingredient sectors.

Avrio Ventures provides services across Canada with offices in Montreal, Toronto and Calgary.

FCC Online Services

Using FCC Online services, customers can check their portfolio, request funds from their AdvancerPlus loan and review information on Canada's agriculture sectors, financial market trends and farmland values online.

Canadianfarmersmarket.com

FCC developed canadianfarmersmarket.com, a website to bring buyers and sellers together and help customers to market their products and services. Consumers can purchase Canadian products direct from producers, while learning about agriculture. The 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.

7.2 Loans and leasing

Customized loans

1-2-3 Grow Loan
Customers can manage their cash flow with interest-only payments until they get a return on their investment.

Advancer Loan
The Advancer is a pre-approved, secured loan with the flexibility to re-advance funds for capital purchases at the discretion of the borrower.

AdvancerPlus
AdvancerPlus is a revolving, pre-approved loan that borrowers can access any time, for their day-to-day operating expenses.

American Currency Loan
The American Currency Loan is useful to customers who derive revenue in U.S. dollars. The loan allows them to borrow and make payments in U.S. currency.

Capacity Builder Loan
Producers may purchase quota or breeding livestock with pre-approved financing for up to 18 months with the option to capitalize interest.

Cash Flow Optimizer Loan
This loan offers interest-only payments, and allows customers to reinvest funds into other areas of their operation. The borrower chooses when to make principal payments.

Construction Loan
Customers may defer their principal payments while they build or expand, with interim financing for up to 18 months on construction projects.

Energy Loan
The Energy Loan helps customers convert to renewable energy sources like biogas, geo-thermal, wind or solar power.

Enviro-Loan
The Enviro-Loan allows customers to defer principal payments while constructing, improving or expanding their environmental facilities.

First Step Loan
Young farmers may use their post-secondary education to establish their operation.

Flexi-Loan
Customers may defer principal payments for up to one year and take advantage of opportunities or ease cash flow during adverse conditions.

Performer Loan
The Performer Loan rewards customers with lower interest rates when their business achieves preset financial goals and ratios.

Spring Break Loan
Spring Break provides customers with an opportunity to match their payment schedule to the forestry harvesting season.

Start Now – Pay Later Loan
This loan allows customers manage their cash flow with deferred payments to get their operation up and running.

Syndicate Loan
A syndicated loan is a relatively large loan to a single borrower structured by a lead manager (or managers) and the borrower. Funds are provided by a group of banks rather than a single lender.

Transition Loan
A Transition Loan provides flexibility in the transfer of farm assets, by allowing disbursements to be made to the seller over time.

Standard loans

Closed rates
These rates are fixed for the term of the personal property or mortgage loan.

Fixed rates
Fixed mortgage rates are set for the term of the loan with a 10 per cent prepayment option included.

Open rates
Open rates offer the benefit of prepayment without penalty, with a fixed rate for the term of the personal property loan.

Variable rates
Variable rates offer maximum flexibility with a rate that floats as interest rates rise and fall. Customers may prepay any amount at any time for personal property loans or Open Variable Rate mortgage loans. They may also prepay up to 10 per cent any time for standard variable rate mortgage loans.

Equipment leases

FCC Leasing
Customers may lease new or used equipment at select dealerships, and benefit from less investment up front and increased flexibility.

7.3 Glossary of terms

AgProduction
(see Primary production financing)

Agribusiness and agri-food financing
Includes customers who are suppliers or processors who are selling to, buying from and otherwise serving primary producers. These include equipment manufacturers and dealers, input providers, wholesalers, marketing firms and processors.

AgValue
(see Agribusiness and agri-food financing)

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 incurred on a loan and lease receivable portfolio. Allowances are accounted for as deductions on the balance sheet from loans and leases receivable, respectively.

Arrears
All amounts that are past due by more than $500 on a loan, including impaired loans, with the exception of amounts that became due on or after the loan's maturity date.

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

Corporate social responsibility (CSR)
A company's commitment to operating in an economically, socially and environmentally sustainable manner, while recognizing the interests of its stakeholders, including investors, customers, employees, business partners, local communities, the environment and society at large, as defined by Canadian Business for Social Responsibility.

Counterparty
The other party involved in 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.

Crown borrowing framework
Direct lending provided to the corporation by the federal government.

Customer support program
Plans developed to proactively assist customers who may experience loan repayment difficulties during downturns 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 total equity, excluding 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 rate method
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 expense as a percentage of revenue. Revenue is composed of net interest income, net insurance 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 (dairy, cash crops, beef, etc.).

Enterprise risk management (ERM)
The enterprise-wide application of co-ordinated activities that direct and control an organization with respect to risk.

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.

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 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 risk (IRR)
The risk that a change in interest rates adversely impacts the corporation's net interest income and economic value.

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
Disbursements represents the release of funds against approved loans. Net disbursements exclude 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 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.

Primary production financing
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 part-time farming.

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
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 equity (ROE)
Net income attributable to shareholder of parent entity expressed as a percentage of total average equity excluding 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 or finance lease to ensure FCC is adequately compensated for the risk in its portfolio. The pricing component of RSPS calculates the risk price (risk adjustment), which is the portion of the loan margin required to cover the risk of loss.

Special Purpose Entity (SPE)
An entity that the corporation has created for a narrow and well defined objective for which the corporation has rights to obtain the majority of the benefits and therefore may be exposed to risks incident to the activities of the SPE.

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.

7.4 Office locations (as of July 13, 2011)

British Columbia
Abbotsford, Dawson Creek, Duncan, Kelowna, Surrey

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

Saskatchewan
Assiniboia, Carlyle, Humboldt, Kindersley, Meadow Lake (S), Moose Jaw, Moosomin (S), 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

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

Quebec
Alma, Blainville, Drummondville, Gatineau (S), Granby, Joliette, Lévis, Rivière-du-Loup, Salaberry-de-Valleyfield, Sherbrooke, Sainte-Marie, St-Hyacinthe, St-Jean-sur-Richelieu, Trois-Rivières, Victoriaville

New Brunswick
Grand Falls, Moncton, Sussex (S), Woodstock

Newfoundland and Labrador
Mount Pearl

Nova Scotia
Kentville, Truro

Prince Edward Island
Charlottetown, Summerside

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1-800-667-7893
Telephone: 306-721-7949
Fax: 306-721-1981

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Regina, SK S4P 4L3
Telephone: 306-780-5708
Fax: 306-780-8757

Government and Industry Relations
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Fax: 613-960-7024

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FCC's venture capital investments are managed by:

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7.5 Contacts

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