DREAM. GROW. THRIVE.

First Quarter Financial Report 2023-24

As at and for the three months ended June 30, 2023

FARM CREDIT CANADA

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Contact Corporate Communication at communications@fcc-fac.ca for more information

Management's Discussion and Analysis

Basis of preparation of financial information

The following management's discussion and analysis (MD&A) is a summary of the financial position and results of operations of Farm Credit Canada (FCC) and was prepared by management. Pursuant to the authority delegated by FCC's Board of Directors, the MD&A was reviewed and approved for issue by the Audit Committee of the Board on August 22, 2023. The MD&A was prepared in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports.

The MD&A is based on FCC's unaudited condensed consolidated quarterly financial statements (quarterly financial statements) as at and for the three months ended June 30, 2023, and should be read in conjunction with our 2022-23 Annual Report (which includes our annual audited consolidated financial statements and MD&A) and Corporate Plan Summary.[1]

Caution regarding forward-looking statements

The MD&A 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 nature, assumptions are subject to inherent risks and uncertainties. There is a significant risk that actual results may vary and that the differences may be material. Some factors that could cause differences include changes in general economic and market conditions. Examples of such changes include, but are not limited to, inflationary pressure, interest rates and supply chain challenges.

Overview

FCC is a financially self-sustaining federal commercial Crown corporation reporting to Canadians and Parliament through the Minister of Agriculture and Agri-Food. FCC provides financing and other services to more than 102,000 customers. We are a team of more than 2,300 employees operating from 103 field offices located primarily in rural Canada, a government relations office in Ottawa, Ontario, and our corporate office in Regina, Saskatchewan.

Economic and agriculture industry overview

The Canadian agriculture and food sectors are facing the prospects of negative financial impacts because of ongoing challenges including a tight labour market, prolonged adverse weather and poor growing conditions, including drought, wildfires and excessive rainfall and flooding, higher interest rates and supply chain impacts from the BC port labour disruption. Higher borrowing costs in Canada and globally are expected to slow growth, putting downward price pressure on agriculture commodities, although strong demand will help to offset this. After rising 14.8% in 2022, farm cash receipts are projected to increase 6.6% in 2023. The drought will reduce crop production and sales in Western Canada; however, program payments will help to off-set some of the financial impact for producers.

The annual rate of inflation eased to 2.8% in June 2023 and is within the Bank of Canada's target rate of 1% to 3% for the first time in 27 months. Inflation is expected to continue to moderate over the summer. The Bank of Canada increased its overnight interest rate to 5.00%, a cumulative 4.75% from March 2022 to July 2023.

The Canadian dollar started 2023 at United States dollar (USD) 0.73. The Bank of Canada increased its policy rate aggressively in 2022 and year-to-date in 2023 to tackle inflation which has meant the Canadian dollar has steadily appreciated against the USD during the first half of 2023. We expect this to remain the case for the rest of 2023 and into 2024. The path forward for the Canadian dollar will depend on the usual drivers including commodity prices (including crude oil) and interest rate differentials with the United States.

Primary production

In 2022, Canadian crop production increased 33% to 96.1 million tonnes, recovering from the 2021 drought that impacted the prairies. Margins for 2023 are projected to decline from the previous year's high but remain above the five-year average for operations with average yields. However, crop conditions in the prairies in 2023 are highly variable due to severe drought conditions, impacting large areas across the region, which will impact the profitability for some of our customers. The outlook is also poor as the forecast for the first half of August is for dry weather across most of the prairies. While there are small areas that have caught fortunate rains and crops look good, overall the crop size has been shrinking and pasture conditions are deteriorating with the extended drought. In Eastern Canada, extensive rainfall will result in reduced crop quality, while localized flooding may result in crop losses.

[1] These documents are available at www.fcc-fac.ca/en/about-fcc/governance/reports.html.

Canadian dairy margins have deteriorated slightly due to lower revenue projections. Approximately 15% of Canadian dairy revenue is based on dairy prices in the United States, where overproduction of milk has decreased prices. This, along with elevated feed costs, will have an impact on dairy margins which were already tight. Dairy producers will receive compensation payments of $468 million in 2022 and 2023 to offset the financial impact of the Comprehensive Economic and Trade Agreement (CETA) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This implies a farm with 80 dairy cows will receive a payment of approximately $35,000 or $1.15 per kilogram of butterfat.

Cow-calf margins are expected to be above break-even but depend on pasture conditions and feed availability. Cattle futures continue to be strong, stemming from the drought in the United States that reduced cattle inventory. While margins are healthy, access to feed in Alberta and western Saskatchewan is a cause for concern due to prolonged drought conditions. There is already a record amount of United States corn purchases for 2023/24 from Canadian feedlots and ranches. Increased corn imports are due to an anticipated shortage of feed grain, forage, and straw. Also, many poor crops are being cut for feed to support cattle operations. Feedlot margins are projected to be positive in 2023 with a wide range of potential outcomes depending on the availability of their own feed and purchase costs due to production shortfalls.

Poultry margins are expected to be positive in 2023, as feed costs have eased. While avian influenza remains a concern, the sector has not had a case since May 6, 2023. As of July 13, 2023, 7.7 million birds have been depopulated on 3,122 infected premises across Canada.

Planted acres of potatoes are estimated to have increased 2.5% in 2023, driven by acreage expansion in the west particularly in Alberta where acres are up 9.5%. Potato acres planted in the Atlantic region are up 1.2% following a 2.5% decline in 2022 as seed potato restrictions in Prince Edward Island remain in effect. The potato sector is expected to be profitable in 2023, but margins are expected to be lower than 2022 due to higher input costs and as drought conditions reduce yield expectations below average. With increased rainfall and localized flooding in the east, the impact on profitability is a concern.

In the horticulture sector, cold stretches during winter 2022-2023 are resulting in crop issues across Canada. Up to half of the grape crop for 2023 in British Columbia is expected to be lost. Ontario also has vine losses. Nova Scotia agriculture officials say up to 100% of grapes, raspberries, peaches, cherries, and plums might be lost in 2023. Higher prices are offsetting some of the lost production resulting in farm cash receipts unchanged year over year. Greenhouse vegetable cash receipts rose 8.4% in 2022 and are forecast to decline by 1.6% in 2023. Greenhouse profitability is expected to remain tight in 2023, as input and labour costs continue to be issues for the sector. Field vegetable cash receipts were up 16.4% in 2022, but profitability was pressured due to labour challenges and high input costs. Farm cash receipts are forecast to grow a further 5.6% in 2023.

In the hog sector, farrow-to-finish margins are negative in 2023 across Canada with poorer margins in the east. Margins in Quebec and Ontario have faced the most pressure due to processing plant constraints. Margins are forecast to rebound to positive in 2024, assuming processing and export markets are restored.

Agribusiness and agri-food

Strong farm cash receipts supported revenues of agribusinesses in 2022. New combine sales are projected to rise 40% in 2023. New and used tractor inventories are projected to remain low, and prices to remain elevated. Drought conditions will reduce the demand in the used harvest equipment market. Farm equipment sales for the remainder of 2023 will largely depend on how fast the supply chain recovers and equipment manufacturers deliver on pre-orders.

Grain-handling companies had an excellent year in 2022 and the first half of 2023 as increased production volumes resulted in more sales, blending and handling opportunities. Current drought conditions will reduce the size of the overall crop and grain handling volumes in the fall of 2023 and into 2024. High farm input prices resulted in volatility for farm input retailers, however strong farm cash receipts continue to support profitability. Fertilizer prices have declined year-to-date in 2023, creating risks for retailers holding high-priced inventory. Current drought conditions in western Canada may reduce fall 2023 fertilizer applications and sales.

Food and beverage manufacturing sales were up 11.9% year-over-year in 2022. Sales are expected to grow 6.5% in 2023, due to slower price inflation and a decline in volumes, predominantly on the export side. Food inflation remained above 9% for eight consecutive months, before declining to 8.3% in June 2023. Food inflation is expected to decline over the next few months but remain elevated versus headline inflation.

There are indications that tightness in the labour market is beginning to ease. The job vacancy rate, which is the number of vacant positions as a percentage of labour demand, for food wholesalers, food manufacturers, and food services operations, has been declining the last several quarters and the rates for each sector are nearly in line with pre-pandemic averages.

Enterprise risk management

We continue following our Enterprise Risk Management framework as outlined in the annual audited financial statements for the year ended March 31, 2023.

We remain financially stable and are well positioned to respond to the needs of the sector.

Fading inflationary pressures and enhanced risks to financial stability due to the combination of rising rates and high debt suggest rates have peaked or are close to peaking. A rising interest rate environment can create financial pressure on agriculture producers and food businesses. Rising borrowing costs and debt repayment obligations will impact customers' working capital and their ability to service debt. We monitor the impacts from rising interest rates on customers with variable rate products and upcoming renewals, as well as impacts on our overall portfolio health.

The prolonged British Columbia port workers' strike will have lasting cascading impacts across Canada's agriculture and agri-food industry, adding increased costs and reducing profitability for shippers. The impact to Canada's economy is estimated at $250 million per week and could trim anywhere from 0.3% to 2% to the third quarter's annualized GDP growth.

Russia has terminated the Russia-Ukraine Black Sea grain deal, raising concerns over global food prices. Since striking the initial deal, global prices for corn and wheat have declined 26% and 17% respectively. It is expected that global food inflation will increase with higher crop prices benefiting Canadian crop produce returns and negatively impacting margins for livestock and food manufacturers.

Financial performance

Our discussion of net income is a comparison of the results for the three months ended June 30, 2023, to the results for the three months ended June 30, 2022.

Net income

($ millions)	Three months ended June 30 2023	2022	Variance
Net interest income	**332**	337	(5)
Provision for credit losses	**–**	(26)	26
Non-interest income	**(2)**	3	(5)
Administration expenses	**(147)**	(126)	(21)
Net income	**183**	188	(5)

Three months ended June 30

Net income decreased by $5 million, a 2% reduction compared to the same period in 2022. Net interest income was lower due to a decrease in net interest margin, somewhat offset by an increase in lending volume. The provision for credit losses decreased primarily due to annual updates to inputs used in the calculation of our allowance for credit losses. Non-interest income decreased due to an unrealized loss on a venture capital investment. Administration expenses increased due to higher costs to support the growth of our business and delivery of strategic initiatives.

Net interest income, loans receivable and borrowings

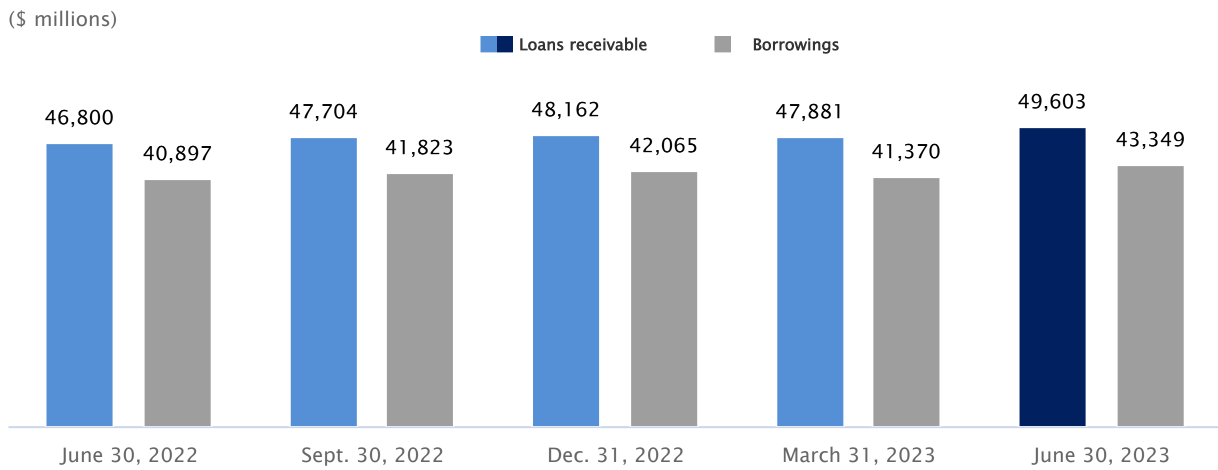
Net interest income

($ millions)	Three months ended June 30, 2023
Year-over-year decrease in net interest income due to:	
Increase in volume	**15**
Decrease in net interest margin	**(20)**
Total decrease in net interest income	**(5)**

Three months ended June 30

A decrease in net interest margin, reflecting the net effect of interest rates on our interest-earning assets and interest-bearing liabilities, led to a $20 million reduction. This was partially offset by the impact of higher lending volume, a $15 million increase, from continued portfolio growth.

Loans receivable and borrowings

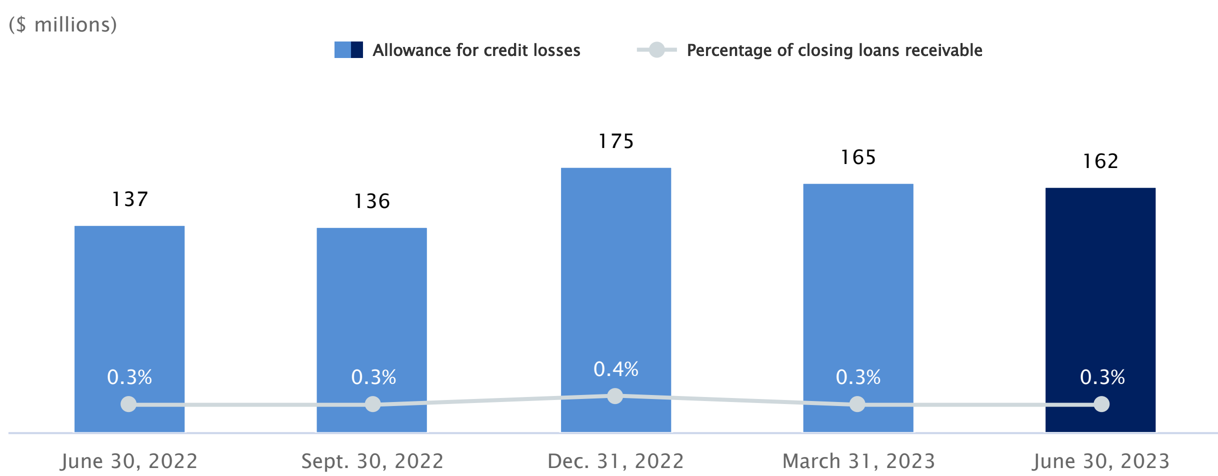


Loans receivable increased 3.6% since March 31, 2023. Except for agribusiness, growth occurred across all industry sectors and geographic regions. Rising costs and higher interest rates are the main drivers of the decrease in the agribusiness sector. Growth rates have slowed over the last several quarters and we are starting to see a decrease in total disbursements.

Borrowings increased 4.8% since March 31, 2023. The increase allowed us to fund the growth in loans receivable. Long-term funding provided most of the increase, reflecting customer borrowing practices.

Provision for credit losses and credit quality

Allowance for credit losses



Allowance for credit losses decreased $3 million since March 31, 2023. The reduction was mostly due to the annual update to inputs to the calculation of our allowance for credit losses, partially offset by more customers moving into impairment due to financial difficulty.

(Provision for) reversal of credit losses

($ millions)	Three months ended June 30 2023	2022	Variance
Impaired loans (Stage 3)	**(4)**	(12)	8
Performing loans (Stages 1 & 2)	**4**	(14)	18
Total provision for credit losses	**–**	(26)	26

Three months ended June 30

Customers continued to access loan amendments due to financial difficulty, but increases were offset by other customers moving out of impairment. The net impact was a smaller change in the allowance for credit losses and recorded provision on impaired loans compared to 2022.

The reversal of provision in performing loans was driven by annual updates in the calculation of our allowance for credit losses, which contributed to a decrease in allowance and reversal of credit losses for performing loans. In 2022, these updates led to an increased allowance and provision.

Financial position

($ millions)	June 30, 2023	March 31, 2023	Variance
Cash and cash equivalents	**1,514**	1,782	(268)
Loans receivable – net	**49,441**	47,716	1,725
Other	**1,210**	969	241
Total assets	**52,165**	50,467	1,698
Borrowings	**43,349**	41,369	1,980
Other	**516**	519	(3)
Total liabilities	**43,865**	41,888	1,977
Equity	**8,300**	8,579	(279)

Cash and cash equivalents

($ millions)	Three months ended June 30 2023	2022	Variance
Cash used in operating activities	**(1,528)**	(2,060)	532
Cash (used in) provided by investing activities	**(259)**	157	(416)
Cash provided by financing activities	**1,520**	2,433	(913)
Change in cash and cash equivalents	**(267)**	530	(797)

Three months ended June 30

Cash used in operating activities decreased, primarily due to lower disbursements. In 2023, slower customer demand was largely due to a higher interest rate environment.

Cash used in investing activities increased, as we purchased more short-term investments as less cash was needed to fund disbursements. In 2022, cash was provided by investing activities due to additional maturities on investments.

Cash provided by financing activities decreased, due to reduced borrowings required given lower disbursements, and the dividend payment to the Government of Canada.

Loans receivable and borrowings

Our loans receivable balance increased, but growth has started to slow in response to the higher interest rate environment. Borrowings have increased to fund the growth in loans receivable. For additional details, refer to the loans receivable and borrowings section above.

Other assets

The $241 million increase in other assets was primarily due to an increase in short-term investments.

Equity

A capital payment of $500 million was received from the Government of Canada on March 30, 2020, as part of the COVID-19 pandemic response targeting the Canadian food and agriculture sector. On June 27, 2022, $250 million was returned to the Government of Canada. On June 27, 2023, the remaining $250 million was returned to the Government of Canada from contributed capital, decreasing our equity balance.

On June 27, 2023, a dividend payment of $210 million was made to the Government of Canada.

Performance against plan

We are projected to meet our year-end financial targets as outlined in the Corporate Plan Summary for 2023-24 to 2027-28. We continue to monitor and evaluate the performance of other metrics, including portfolio growth and credit quality.

Key financial measures

For the three months ended June 30	2023–24 Plan	Outlook[2]
Net income	$714M	On track
Return on equity[1]	7.9%	On track
Efficiency ratio[1]	45.1%	On track
Total capital ratio[1]	15.3%	Ahead

[1] These measures may not have a standardized meaning under generally accepted accounting principles (GAAP) and may not be comparable to similar measures disclosed in industry. For further details, refer to the non-GAAP measures section of the annual audited financial statements for the year ended March 31, 2023.

[2] FCC evaluates forecast values to be on track with the corporate plan when the variance is within 10%.

Statement of management responsibility

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines are necessary to enable the preparation of condensed consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed consolidated quarterly financial statements.

Based on our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed consolidated quarterly financial statements.

Justine Hendricks, MBA
President and Chief Executive Officer

Ross Topp, CPA, CA
Executive Vice-President and Chief Financial Officer

Regina, Canada
August 22, 2023

Consolidated Balance Sheet

(Unaudited) (millions of Canadian dollars)	**As at June 30, 2023**	As at March 31, 2023[(1)]
Assets		
Cash and cash equivalents	**1,514**	1,782
Short-term investments	**474**	222
Accounts receivable and prepaid expenses	**28**	39
	2,016	2,043
Loans receivable – net (Notes 3 and 4)	**49,441**	47,716
Other loans receivable – net	**26**	26
Investments at fair value	**129**	131
Investment in associates	**64**	62
Post-employment benefit assets	**296**	292
	49,956	48,227
Property and equipment	**179**	182
Intangible assets	**9**	10
Other assets	**5**	5
	193	197
Total assets	**52,165**	50,467
Liabilities		
Accounts payable and accrued liabilities	**95**	92
	95	92
Borrowings (Note 5)		
Short-term debt	**7,883**	7,697
Long-term debt	**35,466**	33,672
	43,349	41,369
Transition loan liabilities	**172**	180
Post-employment benefit liabilities	**86**	84
Lease liabilities	**158**	160
Other liabilities	**5**	5
	421	429
Total liabilities	**43,865**	41,890
Equity		
Contributed capital	**–**	250
Retained earnings	**8,300**	8,327
Total equity	**8,300**	8,577
Total liabilities and equity	**52,165**	50,467

(1) Presentation of comparative figures has been updated to conform to the current presentation in millions of Canadian dollars. See Note 2.

The accompanying notes are an integral part of the condensed consolidated quarterly financial statements.

Consolidated Statement of Income

(Unaudited) (millions of Canadian dollars)	For the three months ended **June 30, 2023**	 June 30, 2022[1]
Interest income	**652**	445
Interest expense	**(320)**	(108)
Net interest income	**332**	337
Provision for credit losses	**–**	(26)
Net interest income after provision for credit losses	**332**	311
Insurance distribution income	**5**	5
Net loss from investment in associates	**(2)**	(3)
Net loss from financial instruments designated as fair value through profit or loss	**(3)**	–
Other (expenses) income	**(2)**	1
Net interest income and non-interest income	**330**	314
Administration expenses	**(147)**	(126)
Net income	**183**	188

[1] Presentation of comparative figures has been updated to conform to the current presentation in millions of Canadian dollars. See Note 2.

The accompanying notes are an integral part of the condensed consolidated quarterly financial statements.

Consolidated Statement of Changes in Equity

For the three months ended June 30

(Unaudited) (millions of Canadian dollars)	**Balance March 31, 2023[1]**	**Net income**	**Dividend paid**	**Balance June 30, 2023**
Contributed capital	**250**	**–**	**(250)**	**–**
Retained earnings	**8,327**	**183**	**(210)**	**8,300**
Total	**8,577**	**183**	**(460)**	**8,300**

(Unaudited) (millions of Canadian dollars)	Balance March 31, 2022[1]	Net income	Dividend paid	Balance June 30, 2022[1]
Contributed capital	500	–	(250)	250
Retained earnings	8,076	188	–	8,264
Total	8,576	188	(250)	8,514

[1] Presentation of comparative figures has been updated to conform to the current presentation in millions of Canadian dollars. See Note 2.

The accompanying notes are an integral part of the condensed consolidated quarterly financial statements.

Consolidated Statement of Cash Flows

(Unaudited) (millions of Canadian dollars)	For the three months ended June 30, 2023	 June 30, 2022[1]
Operating activities		
Net income	**183**	188
Adjustments to determine net cash (used in) provided by operating activities:		
Interest income[2]	**(652)**	(445)
Interest expense[2]	**320**	108
Provision for credit losses	**–**	26
Net unrealized loss from financial instruments designated as fair value through profit or loss[2]	**7**	–
Net loss from investment in associates	**2**	3
Amortization and depreciation	**8**	8
Miscellaneous expenses (income)	**18**	(16)
Net cash outflow from loans receivable	**(1,755)**	(2,289)
Net cash inflow from finance leases receivable	**–**	3
Net change in other operating assets and liabilities	**3**	(4)
Interest received	**660**	442
Interest paid	**(322)**	(83)
Cash used in operating activities	**(1,528)**	(2,059)
Investing activities		
Purchase of short-term investments	**(582)**	(172)
Proceeds from maturity of short-term investments	**332**	350
Repayments from other loans receivable	**–**	1
Acquisition of investments at fair value	**(7)**	(17)
Proceeds from sale and repayments of investments at fair value	**3**	–
Disbursements paid to investment in associates	**(3)**	(3)
Purchase of property and equipment	**(2)**	(3)
Proceeds on disposal of property and equipment	**–**	3
Purchase of intangible assets	**–**	(2)
Cash (used in) provided by investing activities	**(259)**	157
Financing activities		
Long-term debt issued	**3,726**	4,095
Long-term debt repaid	**(1,603)**	(1,261)
Short-term debt issued	**3,422**	3,114
Short-term debt repaid	**(3,561)**	(3,262)
Principal repayment of lease liabilities	**(4)**	(4)
Dividend paid	**(460)**	(250)
Cash provided by financing activities	**1,520**	2,432
Change in cash and cash equivalents	**(267)**	530
Cash and cash equivalents, beginning of period	**1,782**	1,439
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	**(1)**	1
Cash and cash equivalents, end of period	**1,514**	1,970
Cash and cash equivalents consists of:		
Cash	**972**	1,429
Short-term investments	**542**	541

(1) Presentation of comparative figures has been updated to conform to the current presentation in millions of Canadian dollars. See Note 2.

(2) Comparative figures have been reclassified. See Note 4 in the March 31, 2023, annual report.

The accompanying notes are an integral part of the condensed consolidated quarterly financial statements.

Notes to the Condensed Consolidated Quarterly Financial Statements (Unaudited)

1. Significant accounting policies

Basis of presentation

These unaudited condensed consolidated quarterly financial statements (quarterly financial statements) comply with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports.

These quarterly financial statements do not include all the information required for complete annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended March 31, 2023.

Unless otherwise stated, the financial statements are presented in millions of Canadian dollars, which is the functional currency of Farm Credit Canada (FCC). Certain comparative figures have been omitted to align with the current year's presentation in millions of Canadian dollars (March 31, 2023 - thousands of Canadian dollars).

These quarterly financial statements are as at and for the three months ended June 30, 2023, and were approved and authorized for issue by the Audit Committee of the Board of Directors on August 22, 2023.

Accounting policies

The accounting policies adopted in the preparation of these quarterly financial statements are consistent with those followed in the annual audited financial statements for the year ended March 31, 2023.

Material management judgments and estimates

The preparation of the quarterly financial statements requires that management makes judgments, estimates and assumptions concerning the future that affect the reported amounts in the quarterly financial statements and accompanying notes. Judgments, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these judgments, estimates and assumptions.

For information about the judgments, estimates and assumptions that have the most material effect on the amounts reported in the quarterly financial statements, refer to Note 3 of the annual audited financial statements for the year ended March 31, 2023.

2. Presentation of comparative figures

We previously presented FCC's financial statements in thousands of dollars. We have elected to update our presentation to millions of dollars.

3. Loans receivable – net

	Term to maturity			
	Within 1 year	**1 – 5 years**	**Over 5 years**	**As at June 30, 2023**
Floating	**4,419**	**9,430**	**293**	**14,142**
Fixed	**3,642**	**22,129**	**9,727**	**35,498**
Loans receivable – gross	**8,061**	**31,559**	**10,020**	**49,640**
Deferred loan fees				**(37)**
Loans receivable – total				**49,603**
Allowance for credit losses (Note 4)				**(162)**
Loans receivable – net				**49,441**

	Term to maturity			
	Within 1 year	1 – 5 years	Over 5 years	As at March 31, 2023
Floating	3,667	9,606	245	13,518
Fixed	3,205	21,060	10,137	34,402
Loans receivable – gross	6,872	30,666	10,382	47,920
Deferred loan fees				(39)
Loans receivable – total				47,881
Allowance for credit losses (Note 4)				(165)
Loans receivable – net				47,716

Concentrations of credit risk

The concentrations of gross and impaired loans by sector and geographic area were as follows:

Sector distribution

	As at June 30, 2023		As at March 31, 2023	
	Gross	**Impaired**	Gross	Impaired
Oilseed and grain	**15,579**	**203**	15,317	209
Dairy	**7,293**	**48**	7,238	37
Agribusiness	**6,089**	**137**	6,117	62
Beef	**4,042**	**123**	3,900	120
Poultry	**3,305**	**13**	3,244	10
Other	**3,271**	**91**	3,225	89
Alliances	**2,645**	**27**	1,765	17
Agri-food	**2,352**	**162**	2,132	154
Greenhouse	**2,023**	**63**	1,987	19
Hogs	**1,596**	**65**	1,568	57
Fruit	**1,445**	**38**	1,427	40
Total	**49,640**	**970**	47,920	814

Geographic distribution

	As at June 30, 2023		As at March 31, 2023	
	Gross	**Impaired**	Gross	Impaired
Ontario	**14,880**	**174**	14,326	92
Saskatchewan	**9,207**	**153**	8,720	144
Alberta	**8,878**	**201**	8,538	182
Quebec	**7,000**	**222**	6,854	158
British Columbia	**4,302**	**120**	4,244	102
Manitoba	**3,851**	**71**	3,763	61
Atlantic	**1,522**	**29**	1,475	75
Total	**49,640**	**970**	47,920	814

4. Allowance for credit losses – loans receivable

As at June 30, 2023	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses, beginning of year	**45**	**29**	**91**	**165**
Transfer to stage 1	**4**	**(3)**	**(1)**	**–**
Transfer to stage 2	**(2)**	**37**	**(35)**	**–**
Transfer to stage 3	**–**	**(6)**	**6**	**–**
Changes due to new loans originated	**10**	**–**	**10**	**20**
Loans receivable derecognized during the period	**(2)**	**(1)**	**(4)**	**(7)**
Net remeasurement of loss allowance	**(12)**	**(29)**	**27**	**(14)**
Write-offs	**–**	**–**	**(3)**	**(3)**
Recoveries of amounts previously written off	**–**	**–**	**1**	**1**
Total allowance	**43**	**27**	**92**	**162**

As at March 31, 2023	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses, beginning of year	45	31	34	110
Transfer to stage 1	20	(16)	(4)	–
Transfer to stage 2	(6)	51	(45)	–
Transfer to stage 3	(5)	(12)	17	–
Changes due to new loans originated	36	4	6	46
Loans receivable derecognized during the period	(17)	(4)	(12)	(33)
Net remeasurement of loss allowance	(28)	(24)	148	96
Write-offs	–	(1)	(54)	(55)
Recoveries of amounts previously written off	–	–	1	1
Total allowance	45	29	91	165

5. Borrowings

Short-term debt

	As at June 30, 2023	As at March 31, 2023
Government of Canada debt		
Floating-rate borrowings	**328**	325
Fixed-rate borrowings	**6,651**	6,425
	6,979	6,750
Capital markets debt		
USD fixed-rate promissory notes[1]	**904**	947
	904	947
Total	**7,883**	7,697

[1] $681 million USD (March 31, 2023 – $699 million USD)

Long-term debt

	As at June 30, 2023	As at March 31, 2023
Government of Canada debt		
Floating-rate borrowings	**14,000**	13,659
Fixed-rate borrowings	**21,466**	20,013
Total	**35,466**	33,672