22/23 ANNUAL REPORT

AGRICULTURE FINANCIAL SERVICES CORPORATION

AFSC


WORKING TOGETHER,
WE GROW AND SUSTAIN
THE AGRICULTURE
INDUSTRY IN ALBERTA.

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Land Acknowledgment

In the spirit of reconciliation, we acknowledge that AFSC is located on the traditional territories and gathering places of many First Nations, as well as the Métis and Inuit whose footsteps have marked these lands for generations. We express gratitude and respect for the land we use and commit to advancing reconciliation.

LETTER OF TRANSMITTAL

June 12, 2023

The Honourable RJ Sigurdson
Minister of Agriculture and Irrigation
131 Legislature Building
10800 97 Avenue
Edmonton, Alberta T5K 2B6

Dear Minister Sigurdson:

On behalf of the Board of Directors, we are pleased to submit the 2022-23 annual report of Agriculture Financial Services Corporation (AFSC).

As required by Section 15 of the *Agriculture Financial Services Act (RSA 2000, c.A-12)*, the report contains a summary of the transactions and affairs of the Corporation, its revenues and expenditures for the fiscal year ended March 31, 2023.

The report also contains audited financial statements, comprising the statement of financial position, statement of operations, statement of cash flows, and notes to the financial statements.

Yours truly,

[Original signed by Kelly Smith-Fraser]

Chair of the Board of Directors

[Original signed by Darryl Kay]

Chief Executive Officer

MESSAGE FROM THE MINISTER OF AGRICULTURE AND IRRIGATION

Agriculture is an important part of Alberta's identity, and Agriculture Financial Services Corporation (AFSC) is an integral partner in the industry's success. Alberta's producers have faced many challenges over the past few years, but they know they can rely on AFSC to help them come back stronger than ever. As the agriculture industry evolves, AFSC has kept pace and continues to work with Alberta's farmers, ranchers and agri-entrepreneurs to meet the obstacles and opportunities ahead.

AFSC remains ready to support clients with its full suite of sound business risk management options, including crop insurance, livestock price insurance, and AgriStability, which provide peace of mind to farmers and ranchers as they grow their operations and build a strong agriculture industry in our province. Lending options, including financial solutions for young and new producers and agribusinesses, help these businesses and the agriculture sector grow and thrive.

The partnership between producers and AFSC in Alberta's agriculture industry is clearly shown in last year's numbers. In 2022, AFSC insured over 17 million acres of annual crops and over 8.5 million acres of perennial crops. It also approved $487 million in loans during 2022-2023. Those loans generated $594 million in farm and agribusiness investment.

However, the past year was not without its challenges. Producers faced unpredictable weather conditions, increasing costs and changing market conditions. Our poultry industry dealt with a widespread disease outbreak of avian influenza. AFSC worked with provincial governments and the federal government to enable late participation in AgriStability, giving these producers a chance to protect their farm income.

The Alberta government's long-standing partnership with AFSC is essential to the agriculture industry as it supports sustainable growth and diversification. We look forward to working together to ensure Alberta producers and agribusinesses are positioned for success now and into the future.

Honourable RJ Sigurdson
Minister of Agriculture and Irrigation

MESSAGE FROM THE BOARD CHAIR

The agriculture industry is a foundational part of this great province. While each year is different, filled with its own successes and challenges, one thing remains the same – the resiliency of our producers to push on and pivot when necessary.

In 2022, after weathering severe drought the year prior, Alberta's producers faced record-high inflationary pressures leading to dramatic spikes in the cost of farm inputs, most notably: fertilizer and fuel. In addition, largely due to growing conditions and global supply chain issues for grain, prices for commercial livestock feed also increased substantially.

We know that agriculture producers face increasingly complex challenges - which is why it's important that AFSC continue to look for new ways to meet clients' changing needs. Our knowledge of agriculture and the work that's necessary to get the job done – including the development of new programs and changes to existing ones – has been essential to both producers and industry.

As board chair, I can assure you that this commitment doesn't end with our day-to-day business operations – it is a broader commitment that involves playing an active role in the agriculture community.

For over 80 years, we've served multiple generations of farm families. We know It's our job to nurture the next generation of producers and with that in mind, we focused this past year on creating opportunities for young farmers and farm families by helping ensure they have the support they need for successful farm transitions.

Reflecting on this past year, I want to thank the entire AFSC team, including our executive leadership team, for their dedication to the industry that we all love. Our success is based on the relationships we've built over the years and watching our people stand side by side with producers, offering unwavering support, is inspiring.

Finally, I offer my appreciation to each of my fellow board members for continuing to offer their incredible knowledge and vision. While 2023 is sure to promise more uncertainty and challenge, we know there's a future on the farm. As part of the financial foundation of Alberta's agriculture industry, we are proud to support producers through it all.

Kelly Smith-Fraser
Chair, Agriculture Financial Services Corporation Board of Directors

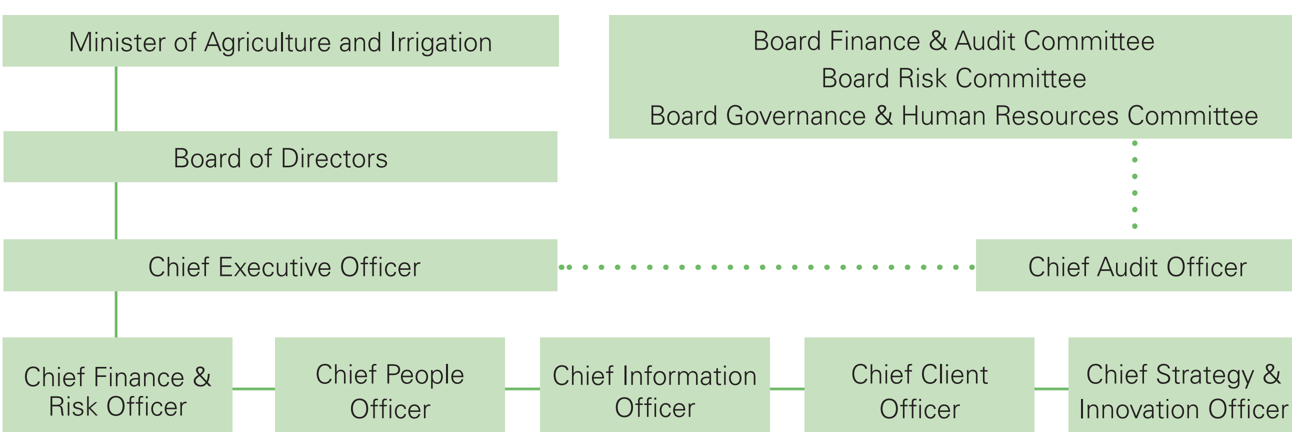
ABOUT AFSC

Agriculture Financial Services Corporation (AFSC) provides leading, innovative, client-focused financial and risk-management solutions to grow agriculture in Alberta. As a provincial Crown corporation, we've provided hail insurance to Alberta farmers for over 80 years. As we've matured into a diverse corporation, we remain dedicated to developing strong client relationships while managing risks within the agriculture industry.

AFSC's products and services address marketplace gaps, offering products that are not consistently or reliably available from other sources. We work with agricultural producers and agribusinesses to support and advance agricultural development, creating new opportunities for businesses and improving the quality of life for rural Albertans.

Corporate Governance

We operate under the authority of the *Agriculture Financial Services Act* and the *Agriculture Financial Services Regulation* as a provincial Crown corporation. We serve in a public policy role for the Government of Alberta.



Board of Directors

The AFSC Board of Directors provides leadership and direction to our organization, overseeing management and performance.

On March 31, 2023 the Board of Directors consisted of seven board members appointed by the Minister of Agriculture and Irrigation. The board has a variety of skills and experience as professionals, entrepreneurs, primary agricultural producers, and agribusiness owners/operators.

Kelly Smith-Fraser, Board Chair

Rodney Bradshaw

Ross Bricker

Renata Colic

Andre Harpe

Michael Howden

Chioma Ufodike

Board and Committee Structure

The AFSC Board of Directors has the flexibility to appoint members to committees; however, currently the board meets as a Committee of the Whole. Each committee has specific reporting requirements and operates under formal charters, updated annually. Board and committee responsibilities include strategic management, enterprise risk management, corporate governance and stewardship, communication with stakeholders, integrity and ethical conduct, and fiscal responsibilities and financial reporting.

Board Governance & Human Resources Committee	The Board Governance & Human Resources Committee assists the board in its oversight responsibilities on matters relating to AFSC's corporate governance, corporate ethics, and human resources strategy.
Board Finance & Audit Committee	The Board Finance & Audit Committee assists the board in its oversight responsibilities on matters relating to AFSC's: fiscal management and financial reporting, internal controls, internal and external audit, and compliance with relevant laws.
Board Risk Committee	The Board Risk Committee assists the board in its oversight responsibilities on matters relating to AFSC's enterprise risk culture, appetite and tolerance, enterprise risk management framework, emerging risks, and program risks and changes.

Executive Leadership Team

As of March 31, 2023 the Executive Leadership Team consisted of six Chief Officers.

Darryl Kay
Chief Executive Officer

Brian Brandon
Chief Information Officer

Melanie Ducholke
Chief People Officer

Steve Janz
Chief Client Officer

Steve Lappin
Chief Financial & Risk Officer

Mark Prefontaine
Chief Strategy & Innovation Officer

2022-23 AT A GLANCE

Strategic Plan

AFSC operates with a defined five-year strategic plan to ensure we adapt and evolve to meet the needs of Alberta's agriculture industry and the producers we serve. Our strategic plan responds to key environmental factors and recognizes that alignment with the Government of Alberta is critical; further, it draws on six strategic objectives as directed by the AFSC board, including:

Enable success for digital business optimization	Prepare for the workforce of the future	Deliver an exceptional client experience	Inspire innovation in our products and how we conduct business	Embrace and adapt to new technologies	Maximize value to the Government of Alberta and all stakeholders

AFSC's strategic plan informs annual tactical planning to ensure progress and, significantly, allows AFSC team members to have a line of sight between their daily activities and their support of our greater purpose:

Working together, we grow and sustain the agriculture industry in Alberta

Each year, we develop a balanced scorecard—focused on the perspectives of finance, client, people, and process—to identify the specific measures put in place to ensure we achieve identified strategic objectives. We use the balanced scorecard as a strategic tool, identifying the measures we will focus organizational effort on – measures that require a behavioural change to drive performance around time, quality, and service that will propel us towards the future vision set out in our strategic plan. Continuous improvement, red tape reduction, and providing exceptional client experience remain cornerstones of this plan.

While the strategic plan provides direction for the next five years, our organization reviews the economic environment, progress made, government priorities, and client expectations annually to ensure the objectives outlined still accurately reflect our reality. For fiscal 2022-2023, we updated our five-year plan to focus on two strategic priorities: "enable success of digital business optimization" and "prepare for our workforce of the future." This focus placed emphasis on improving our business model to best deliver our products. As we look ahead to the coming year, we will focus on operational excellence, and refine our digital ambition to ensure we are agile—removing bottlenecks to be scalable and responsive to the needs of our clients and industry.

Economic Climate

The global economy is still recovering from the devastating effects of the COVID-19 pandemic. In Canada, though uncertainties related to the post-pandemic economic recovery remain, the economy has been resilient. After a 3.4 per cent real GDP growth in 2022, economic growth in Canada may moderate to 1.4 per cent in 2023. The Bank of Canada increased the policy interest rate seven times resulting in a change in rate from 0.25 per cent at the beginning of the fiscal year to 4.5 per cent at the end in order to deal with inflationary pressures.

In Alberta, it is projected that real GDP growth for 2023 will reduce from an estimated 4.8 per cent in 2022 to 2.8 per cent in 2023. Soaring energy prices due to existing geopolitical tensions and strong economic activity contributed to the economic fortunes in the province. The West Texas Intermediate oil price ended the fiscal year at $75.68 USD per barrel after setting a record at $120.92 USD per barrel on June 13, 2022.

Supply chain disruptions and labour shortages experienced in the agriculture value chain are continuing to fade and become a less significant source of concern. In primary agriculture, record high inflation resulted in high input and commodity prices. Due to the record high commodity prices and strong demand, the agriculture sector remained resilient. In 2022, farm cash receipts grew by 19 per cent in the province. Farmland values continued to trend upwards across the country with an average increase of 10 per cent in Alberta in 2022.

Annual Crops

Spring 2022 started with cooler temperatures and dry conditions across most areas of Alberta outside the Peace region, and by late May there was no moisture anywhere in the province. In the month of June the weather changed, with much higher than normal precipitation into early July, followed by hotter than normal temperatures through the end of harvest season.

- The dry spring conditions supported producers in advancing their seeding operations to have seeding finished on par with normal and just in time for the significant rainfall events to support emergence and early crop development.
- June moisture proved to be the necessary factor to sustain development for most crops before starting to dry off in July, and eventually leading to a harvest finish by mid-October, between two and three weeks earlier than the historical timeline.
- Provincial dryland crop yields were approximately 10 per cent above the five-year normal. Canola, in particular, suffered a challenging start due to the dry conditions, followed by insect infestations and heat stress during flowering, but still rallied with higher-than-average overall yields and quality. Hard Red Spring Wheat and peas also had higher quality than the five-year normal while barley quality was on par, and durum and oats quality were slightly below the historical normal.
- Soil moisture levels varied throughout the growing season starting with only 49 per cent rated as good or excellent, rising up to 77 per cent good or excellent by mid-July before falling to 28 per cent rated as good or excellent by mid-October.

Annual AgriInsurance products covered nearly $10.3 billion in liability on 17.4 million acres for 2022. AFSC paid out over $552 million in the 2022 crop year (excluding spot-loss hail), with drought as the leading cause of loss for the vast majority of those claims. An additional $629 million was paid for hail losses which includes both Hail Endorsement and the Straight Hail Program. Producers with cereal crops collected 41 per cent of total indemnities paid, followed by oilseeds at 37 per cent and pulse growers at 11 per cent.

Perennial Crops

A very cool spring with average daily mean temperatures well below normal, coupled with dry conditions, delayed pasture and tame hay growth resulting in a late start to the growing season. The moisture situation changed quickly in June, with rainfall much higher than normal for many parts of the province into early July, when temperatures started to rise.

- The growing conditions improved mid-season for both hay and pasture from the timely rains and warmer temperatures, however, temperatures dropped off from there. There were also challenges for pasture in areas that suffered from the previous years' dry conditions and over grazing.
- As a result of the excellent June rains, first-cut dryland hay yielded an average of 1.6 tons per acre, almost 15 per cent above the five-year average. With the drop in precipitation and increase in temperatures in July, first-cut hay conditions were favourable, but production dropped off significantly with many producers not having any hay for a second cut. About 89 per cent of the dryland hay crop was from first-cut hay, while 60 per cent of the irrigated hay was from first-cut with yields approximately 2.1 tons per acre.
- There was a fairly strong feed supply reported last fall to carry livestock producers over winter, with additional straw baled up to supplement feed supplies, if needed. About 16 per cent of producers were reported to have a surplus, 69 per cent had adequate feed supply, 12 per cent with a shortfall and the remaining three per cent had a deficit of feedstock.

The 2022 crop year saw an increase of one million acres insured year over year, with nearly 8.5 million acres insured under perennial insurance products, and a total liability of $561 million. Producers received over $120 million for losses, primarily due to drought, which was 77 per cent of 2021 losses.

Livestock

In 2022-23, moisture levels varied throughout the province. On average, producers were able to rebuild feed stores after the 2021 drought. Regardless, liquidation of the cow herd continued in both Canada and the United States. Record numbers of cattle on feed persisted throughout the year followed by heavy carcass weights. The Canadian cow herd saw another decline, with the January 1, 2023 inventory report showing a 2.5 per cent reduction to 3.56 million head. This was down from the 2018 peak in beef cow numbers across Canada. Alberta, followed by British Columbia and Saskatchewan, saw the largest herd reductions by province in 2022, and beef replacement heifers reached their lowest volumes since 2015.

Contrary to the previous fiscal year, prices for all classes of cattle gained real strength throughout the second half of the year. Utilizing Livestock Price Insurance (LPI) settlement data, the average price of a 600-pound steer calf in Alberta increased 30.8 per cent from December 2021 to December 2022. In that same period, Alberta feeder prices on an average 850-pound steer increased 30.4 per cent and Alberta fed cattle prices increased 10 per cent. Limitations on the fed side came from a historically wide basis. More recently, the Alberta fed price has increased an additional 15.9 per cent from January 2023 to March 2023, closing out this fiscal year. Auction markets saw a seasonally normal calf and feeder run peaking in October and November.

Despite increased production of feed grains in 2022, barley prices remained very high at over $450/tonne for the majority of the year. Additionally, increased cost for other inputs, inflation, interest rates and recessionary pressures challenged profitability in the livestock sector even with higher prices. Domestic and export demand for proteins, including beef, continued to be very strong. When consumers start to make different purchasing decisions at the grocery store due to inflation, the demand for beef is impacted. In March 2023, Japan, Canada's third largest market for agriculture and food products, announced it would be re-opening its doors to processed beef from Canada, removing restrictions that have been in place since 2003.

The market continues to look bullish for livestock producers in the longer term and leverage will continue to shift back to the producer in 2023. Cattle supplies will continue to tighten with a smaller cow herd. As the markets gain strength, more heifers will be retained for breeding purposes, but that will continue to keep supplies tight at the packer for a certain period of time. The possibility of drought will continue into the 2023-24 fiscal year, but with talks of weather patterns shifting from La Nina to El Nino producers are optimistic for more normal precipitation in Canada and the United States.

> **I use all the programs that they offer and believe that they offer a great service to my operation. Might be the best thing in my tool box.**
>
> AFSC Client

SUPPORTING OUR CLIENTS

Client Experience

We are privileged to serve our clients and Alberta's agriculture industry. Our goal is to deliver an exceptional client experience, rooted in the actions of all our team members. AFSC team members are the drivers of AFSC's success and a vital link in providing the high-level service Alberta producers and agribusiness owners deserve.

With a focus on digital ambition, we continued to develop online solutions for clients to improve their access and ability to conduct business. The number of client interactions on our online platform, AFSC Connect, has increased. We received 49 per cent of our Land Reports (up from 36 per cent last year) and 50 per cent of our Harvested Production Reports (up from 40 per cent last year) online, through AFSC Connect. Increased use of our self-service channels has allowed us to process claims more efficiently and get funds to clients sooner.

Expansion of our direct deposit functionality across product lines resulted in issuing 22.4 per cent (6,361) of our insurance and AgriStability payments through direct deposit, delivering money to our clients faster than ever before.

In 2022-23, we conducted annual and monthly client surveys focused on lending, insurance, and AgriStability. Overall, 75 per cent of clients are satisfied with AFSC's products and services.

> It was great to access loan details and balances (online) to forward to my accountant. We didn't have to wait for the annual statements to arrive in the mail. Therefore, our return was prepared and submitted in a more timely manner.
>
> AFSC Client

85%	91%	79%	69%	80%
Clients satisfied with their most recent transaction with AFSC	Clients satisfied with the assistance they receive from AFSC team members	Clients satisfied with AFSC's online transactions	Clients are satisfied with AFSC's products	Found AFSC easy to do business with

Our clients continue to connect with us through a variety of channels, including live chat, email, phone, and in person. We enhanced our phone system giving team members the ability to support neighbouring branches during peak call times, while providing team members the ability to answer phone calls regardless of location.

Everyone Is a Client Initiative

From 2019-2022, the Everyone Has a Client initiative highlighted our unified focus on client experience as we grew our understanding of how all roles in the organization support our clients.

In 2022-23, Everyone Has A Client became Everyone Is a Client, aimed to reinforce our collaborative efforts to build strong relationships, provide the best client experience, and focus on continuous improvement to ensure we deliver value to our clients and within AFSC.

Our focus in 2022-23 was:

- Building relationships and establishing new partnerships.
- Reinforcing AFSC's purpose and our guiding principle of being easy to do business with.
- Establishing trust by bringing people together and providing them an opportunity to establish a relationship and problem solve.
- Educating the AFSC team about each other's work and the value that we all bring to the organization, our clients and stakeholders, both individually and as a whole.

Programs at a Glance

Income Stabilization	**2021***	**2020**	**2019**
Total Claims Processed	5,879	8,091	8,523
Total Payments ($,000)	$31,872	$147,412	$114,136
Per cent Alberta Farm Cash Receipts covered through AgriStability	46%	57%	55%
Insurance	**2022-23**	**2021-22**	**2020-21**
Annual and Perennial			
Total Insured Acres (million)	25,911	23,691	22,333
Total Coverage ($ billion, liability)	$10.8	$9.1	$5.3
Total Premium ($ million)	$1,029.0	$630.8	$640.1
Total Indemnities paid to date ($ million)	$1,255.5	$2,754.3	$729.8
Livestock Price Insurance			
Total Policies	1,349	994	2,208
Total Premium ($ million)	$11.8	$8.6	$15.7
Total Liability ($ million)	$479.2	$318.2	$434.5
Total Indemnities paid to date ($ million)	$0.5**	$6.4	$3.3
Loss to Premium	4.1%	73.8%	21.1%
Lending	**2022-23**	**2021-22**	**2020-21**
Total Loans Authorized	1,348	1,524	1,844
Total Loan Authorizations ($ million)	$487.5	$577.9	$667.3
Loans Outstanding ($ billion)	$2.8	$2.7	$2.5

*AgriStability results reported on one year delay

** Policies still set to expire at time of publishing.

INCOME STABILIZATION

AgriStability

Producers who participate in the AgriStability program receive compensation and support for their whole farming operation when they experience significant margin declines. These declines can include production shortfalls, falling commodity prices, and/or rising input costs.

Key Program Details

- AgriStability is funded under the Canadian Agricultural Partnership agreement.
- The Government of Canada covers 60 per cent of AgriStability claim payments and administrative costs and the Government of Alberta funds the remaining 40 per cent.
- Eligible participants receive compensation when their program margin declines by more than 30 per cent of their support level in a fiscal year.
- The support level is based on the lesser of the average of production margins selected from three of the previous five years and the average of the corresponding allowable expenses.
- To participate, eligible applicants must report farming income (including losses) in Canada for income tax purposes.
- They must also have a minimum of six months of continuous farming activity, along with the completion of a production cycle. Enrolment is required by April 30 of the program year, and participants must pay an enrolment fee.

The April 30 enrolment deadline for the 2022 program year was extended to June 30 to allow producers additional time to enrol. This deadline was also extended for the 2019, 2020 and 2021 program years.

2022-23 Program Year Review

Producer tax information is required to process an AgriStability claim, so reporting under this program is a year behind other programs reported in the 2022-23 AFSC Annual Report. In this report, the AgriStability information is based on the 2021 production year.

Participants in the 2021 program year were paid $31.9 million in benefits resulting from 73 per cent of claims processed as of March 31, 2023. Of completed claims, five per cent of participants received payments, compared to 17 per cent claims paid in 2020.

In terms of the number of applications received, participation in AgriStability continued to decline in 2022-23.

As of March 31, 2023, 8,062 claims were received for the 2021 program, compared to 8,497 claims for the 2020 program year.

Producers who participated in the 2021 AgriStability program year represented 46 per cent of Alberta's farm cash receipts. This was down from 57 per cent for the 2020 program year. The average support level for producers decreased from $413,391 to $318,456 in 2021.

> **AFSC is always looking out for the best interest of farmers, making things easier, more efficient and effective for farmers and AFSC staff.**
>
> AFSC Client

AgriStability Highlights

	2021	2020
CLAIMS PROCESSED	*5,879	8,091
AVERAGE SUPPORT LEVEL	$318,456	$413,391
CLAIMS WITH PAYMENT	306	1,404
AVERAGE PAYMENT	$101,156	$104,994
TOTAL PAYMENT	$31.9M	$147.4M

*5,879 claims processed out of 8,062 total AgriStability claims as of March 31, 2023. Claims are processed with a one-year lag.

AgriInvest

AgriInvest is a matching deposit-based program for producers to access when they face margin declines. The program is simple, responsive, predictable, and bankable. It allows participants to predict government contributions to producer-managed accounts each year. AgriInvest funds, including the government contribution, can be withdrawn at any time, with no pre-existing requirements.

Key Program Details

- Under Canadian Agricultural Partnership guidelines, federal and provincial governments match each eligible producer's contributions by up to one per cent of their allowable net sales (ANS) to a maximum of $10,000 per year.
- The maximum account balance is limited to 400 per cent of the ANS of the current and prior two program years.
- Producers can open AgriInvest accounts at participating financial institutions.
- Eligible producers have 90 days from the date of notification to make a deposit in AgriInvest accounts.
- The matching government contributions and administrative costs are shared between the federal (60 per cent) and provincial (40 per cent) governments.

2021-22 Results

As of March 31, 2023, 14,935 Alberta producers deposited $46.8 million in AgriInvest accounts for the 2021 program year. The total value of 22,396 account balances with $10 or more in their account is $703.3 million. The average account balance is $31,403.

AgriInvest Highlights

ELIGIBLE PRODUCERS	
19,502	20,986
2021	2020

MAXIMUM MATCHABLE DEPOSITS	
$58.2M	$63.7M
2021	2020

NUMBER OF PRODUCER DEPOSITS	
14,935	16,977
2021	2020

CONTRIBUTION BY PRODUCERS	
$46.8M	$54.9M
2021	2020

CONTRIBUTION BY GOVERNMENTS	
$46.8M	$54.9M
2021	2020

Applications are processed using participants tax information, resulting in a one-year lag.

*Values as of March 31, 2023

INSURANCE

New for the 2022 crop year

Moisture Deficiency Insurance (MDI) and Silage Greenfeed Insurance: Two programs impacted by producer feedback were MDI for pasture and hay and Silage Greenfeed Insurance, lack of moisture option for silage. This resulted in the implementation of a new dual trigger feature for calculating indemnities. Changes included an increase in the minimum amount of moisture used in calculating the daily moisture amounts and the addition of a new heat component.

Straight Hail Insurance: Canola base rates decreased from 1.75 per cent to 1.5 per cent, and yellow and green/other field peas base rate increased from 1.5 per cent to 1.75 per cent.

Higher dollar coverage due to higher commodity prices: Producers saw increases in both coverage and premium primarily due to significantly higher commodity prices for the 2022 crop year. The spring insurance prices for annual crops increased by an average of 37 per cent and the available dollar coverage increased by the same percentage. The average dollar coverage increased to an estimated $501 per acre, up from $365 per acre the year prior.

While producers paid more for insurance due to increased dollar coverage caused by high commodity prices, premium rates to insure did not rise as dramatically. AFSC recognizes the impact increased premium costs have on producers and annual premium rate increases are held to a maximum of 10 per cent.

Weather stations: To better serve clients, one new weather station was added to the network of weather stations across Alberta, one was decommissioned, and two were replaced.

Production-based AgriInsurance Products

AFSC offers production-based, individualized insurance coverage for most dryland and irrigated crops grown in Alberta. Producers are compensated when their yields fall below their coverage because of natural perils beyond their control.

Key Program Details

- Producers are covered for several designated perils including drought, excess moisture, frost, and hail.
- For most annual crops, coverage is based on the client's individual insured yield records.
- Premium rates vary according to crop type, risk area, cropping practice, and selected coverage level.
- Producers can choose coverage levels of 50, 60, 70, or 80 per cent of their individual normal yield.
    - Sugar beets can be elected up to 90 per cent coverage
    - Processing Vegetable crops have the options of 70 or 80 per cent

For hay crops, coverage is based on an indexing system in which individual yields are compared to the area's average yields for the crop type.

- This comparison results in a coverage adjustment for each insured producer.
- The coverage adjustment is then multiplied by the risk area's long-term normal yield to determine an individual's normal yield.

Hay producers can select yield coverage of 50, 60, 70, or 80 per cent of their individual normal yield and have the option of two price options for insurance. Timothy hay producers have the option of 70 or 80 per cent coverage levels and have one high price option.

Area-based AgriInsurance Products

AFSC offers area-based insurance products for annual feed crops, corn, and pasture. These products work well as an alternative for crops that are not intended to be combined or are not insurable under production-based insurance.

Key Program Details

- AFSC offers these area-based programs: Satellite Yield Insurance and Moisture Deficiency Insurance for pasture; Silage Greenfeed Insurance for annual feed crops; Corn Heat Unit Insurance for irrigated corn; and Moisture Deficiency Endorsement for hay.
- The parameters and payment triggers selected for area-based programs are based on weather events that occur near and around the producer's farm.
- There are times when the situation on a producer's farm is different than what is recorded at a particular weather station, the satellite measurements, or the proxy crop. As the payment indicators are not based on the producer's actual production, payments are intended to reflect probable losses on the insured's farm or ranch.

Additional Benefits – An Overview

Production-based and area-based AgriInsurance products have benefits that provide additional coverage. The cost of these benefits is included in the program's premium.

Reseeding Benefit provides compensation for acres damaged prior to June 20 by a designated peril. This is intended to partially compensate for the cost of reseeding the original crop (most annual crops).

Unseeded Acreage Benefit provides compensation for acres unseeded by June 20 due to excess moisture. This is intended to partially compensate for the direct and indirect cost of seed bed preparation (acres intended to be seeded to annual crops only).

Unharvested Acreage Benefit provides an advance payment on eligible acres of insured crops that remain unharvested after November 30 due to the onset of winter, when specified eligibility criteria are met (annual crops only).

Variable Price Benefit compensates producers for their production loss at market values if fall market prices for insured crops are 10 per cent or more above the original insured value. This benefit applies to most crops; excluded crops are normally grown under a fixed price contract. Variable Price Benefit is limited to a 50 per cent increase (most annual and perennial crops).

Spot-Loss Fire Benefit is included on insured pasture acres under both Satellite Yield Insurance and Moisture Deficiency Insurance programs and protects against accidental fire and fire caused by lightning.

Annual Crop Insurance

Annual Crop Insurance provides a production guarantee based on a method referred to as individual coverage, in which individual yield records provide the basis for coverage. Producers also have the option to purchase Hail Endorsement with their crop insurance policies for an additional premium.

2022-23 Annual Crop Insurance Indemnities

As indicated in the *2022-23 At a Glance* section, there were variable growing conditions throughout Alberta. For the vast majority of claims, indemnities paid in 2022-23 (excluding spot loss hail) were primarily a result of drought.

Annual Crop Insurance Highlights

	2022	2021
CONTRACTS	11,965	11,433
ACRES	17.4M	16.2M
PREMIUM	$598.2M	$351.7M
LIABILITY	$10.3B	$8.6B
CONTRACTS WITH INDEMNITY	5,423	9,059
INDEMNITY	$552.3M	$2.1B
LOSS/PREMIUM	92.3%	603.0%

Annual Crop Insurance Hail Endorsement

AFSC offers an optional endorsement for Annual Crop insurance: Hail Endorsement. Hail Endorsement allows producers to customize their coverage to meet their operation's needs and provides supplemental coverage, which clients can opt to purchase for an additional premium. This gives Alberta producers some of the most comprehensive insurance coverage in Canada.

Hail Endorsement provides spot-loss coverage for damage caused by hail, accidental fire, and fire caused by lightning for both production and area-based insurance.

Key Program Details

- Hail Endorsement provides spot-loss coverage on a crop-specific basis. The Hail Endorsement cannot be purchased at the 50 per cent coverage level for production-based insurance.
- Premiums for Hail Endorsement are significantly lower than Straight Hail Insurance premiums. Producers pay only 34.2 per cent to 38.3 per cent of the Straight Hail Insurance premium rate for the township, depending on the type of crop.
- Premiums are cost-shared among clients (58.3 per cent), the Government of Alberta (27.9 per cent), and the federal government (13.8 per cent).

In the 2022 crop year, the number of AFSC clients who elected hail endorsement continued to increase, with insured acres and liability both rising compared to the 2021 crop year. Additionally, Hail Endorsement premiums increased to $371.7 million in the 2022 crop year.

When comparing 2022 premiums to 2021, it's important to recall that the total 2021 crop year premiums for Hail Endorsement were $298.7 million, but the net premiums collected were reduced by 20 per cent to $239.0 million due to the Alberta Premium Reduction.

Total claims increased in 2022 to 3,444 and total indemnity values increased to $582.9 million. However, the total loss to premium ratio dropped to 156.8 per cent for crop year 2022, a reduction of 43.2 points when compared to 200 per cent in crop year 2021.

Hail Endorsement Highlights

CONTRACTS	
10,514	10,208
2022	2021

ACRES	
15.1M	14.5M
2022	2021

PREMIUM	
$371.7M	$239.0M
2022	2021

LIABILITY	
$9.2B	$7.9B
2022	2021

CONTRACTS WITH INDEMNITY	
3,444	3,088
2022	2021

INDEMNITY	
$582.9M	$478.0M
2022	2021

LOSS/PREMIUM	
156.8%	200.0%
2022	2021

Perennial Crop Insurance Highlights

CONTRACTS	
5,539	5,044
2022	2021

ACRES	
8.5M	7.5M
2022	2021

PREMIUM	
$59.1M	$40.2
2022	2021

LIABILITY	
$561.4M	$444.8M
2022	2021

CONTRACTS WITH INDEMNITY	
3,571	4,526
2022	2021

INDEMNITY	
$120.3M	$155.6
2022	2021

LOSS/PREMIUM	
203.6%	387.4%
2022	2021

Perennial Crop Insurance

Perennial Crop Insurance provides a production-based guarantee for hay crops and area-based coverage for pastures. Producers can also choose to purchase the area-based Moisture Deficiency Endorsement with Hay Insurance.

2022-23 Year in Review

Of the 5,539 contracts, 64.5 per cent received $120.3 million in indemnities. This is compared to $155.3 million, paid out to 89.7 per cent of perennial crop insurance clients, in 2021. This resulted in a 203.6 per cent loss-to-premium ratio in 2022, which is less than the 387.4 per cent ratio in 2021. Overall, perennial crop insurance programs saw an increase in the number of contracts and fewer indemnities paid out in 2022.

Pasture insurance programs (Satellite Yield Insurance and Moisture Deficiency Insurance) paid out $115.2 million in indemnities, while Hay Insurance, including Moisture Deficiency Endorsement, paid $5.1 million.

Straight Hail Insurance

Straight Hail Insurance provides producers with spot-loss crop protection from hail damage, accidental fire, or fire by lightning. Anyone with a vested interest in the seeded crop is eligible to purchase Straight Hail Insurance, whether they are a producer, tenant, or crop-share landowner. Coverage is available from the time the crop emerges until it is harvested or November 1, whichever is earlier. The Straight Hail Insurance program is fully funded by producer premiums.

Straight Hail Insurance saw a sharp rise in spot loss hail indemnities paid out in 2022. The loss to premium ratio was 104.2 per cent, with losses just over $46 million paid to 984 producers, compared to total premiums collected of $44.1 million. There were 3,093 policies sold on 3.7 million acres for the year with total liabilities over $628 million, which was substantially higher than 2021 values of 2,445 policies, 2.7 million acres and $441 million respectively.

> I'm very happy with the overall experience of crop and hail insurance. The adjusters and office staff are great to work with!
>
> AFSC Client

Straight Hail Insurance Highlights

	2022	2021
CONTRACTS	3,093	2,445
ACRES	3.7M	2.7M
PREMIUM	$44.1M	$34.5M
LIABILITY	$628.1M	$441.1M
CONTRACTS WITH INDEMNITY	984	716
INDEMNITY	$46.0M	$26.5M
LOSS/PREMIUM	104.2%	76.7%

Wildlife Damage Compensation Program

Crop damage caused by wildlife and waterfowl is a risk in agriculture. The Wildlife Damage Compensation Program is cost-shared in Alberta by the federal (60 per cent) and provincial (40 per cent) governments. It compensates for losses incurred to a maximum of 80 per cent. The Government of Canada also funds 60 per cent of the administrative and inspection costs, while the Government of Alberta funds the remaining 40 per cent. Producers who wish to make a claim under the program are not required to have crop insurance.

On behalf of provincial and federal governments, AFSC compensates producers for this type of damage through the Wildlife Damage Compensation Program.

The Wildlife Damage Compensation Program includes:

- Spot-loss coverage for unharvested crops damaged by waterfowl, big game animals, or upland game birds. The program applies to all commercially grown annual crops and hay that can be insured under production-based and Straight Hail Insurance programs. Crops grown for pasture are not eligible.
- Excreta market-loss cleaning, which compensates producers for reduced market value or for the cost of grain cleaning due to wildlife excreta.
- Compensation for crops and silage in pits and tubes that are contaminated or eaten by wildlife.
- Swath grazing, bale grazing and corn grazing are eligible up to October 31.

2022-23 Year in Review

In 2022 the Wildlife Damage Compensation Program had fewer claims than 2021, with 711 total; however, indemnities saw a 37 per cent increase, with indemnity payments of $11.2 million, up from $8.2 million in 2021.

Wildlife Damage Compensation Program Highlights

WILDLIFE CLAIMS	
636	701
2022	2021

WATERFOWL CLAIMS	
75	150
2022	2021

WILDLIFE INDEMNITY	
$10.6M	$7.1M
2022	2021

WATERFOWL INDEMNITY	
$0.7M	$1.1M
2022	2021

TOTAL CLAIMS	
711	851
2022	2021

TOTAL INDEMNITY	
$11.2M	$8.2M
2022	2021

Livestock Price Insurance Program

The Livestock Price Insurance (LPI) program experienced positive growth in the overall number of policies purchased, insured units, liability, and premiums collected. Leverage slowly began to shift from the packer to producers into the second half of 2022. After a long few years, optimism began to appear in the market, with better prices and more favourable market conditions, making LPI coverage and premiums more attractive. LPI was seen as a competing expense for producers already facing extremely tight margins due to consecutive years of drought, record high input prices, inflation and high interest rates.

Key Program Details

- Producers purchased price protection on 39,477 fed cattle, 131,862 feeders, and 57,388 calves. Compared to the previous year, these head totals equaled 38.5 per cent fewer fed cattle, but 63.2 per cent more feeders and 105 per cent more calves insured.
- Cumulatively, liability coverage amounted to just more than $479 million, premiums totaled $11.8 million, and indemnities totaling approximately $487 thousand (as of March 31, 2023) were paid to participating producers. Total indemnities at the end of the fiscal year paid to participants in calf (zero per cent), feeder (5.59 per cent), fed (93.4 per cent), and hog (1.1 per cent) programs*.
- Policies purchased in the 2021-22 fiscal year continued to expire into 2022-23 with additional payouts. Over $6.3 million in LPI indemnities were paid to participating Alberta producers, with 51.1 per cent of indemnities going to feeder producers and 47.9 per cent going to fed producers.
- AFSC continues to work on strategic initiatives to make LPI more relevant for Alberta producers and ensure its longevity within the industry. Multiple projects are underway, carried forward from the previous fiscal year, to act on industry changes and producer feedback.
- LPI coverage on offer to start the 2023-24 fiscal year is the highest ever published since the program inception, surpassing the market boom in 2015. The percentage of premium compared to coverage is lower than the last few years and provides livestock producers with great opportunity for price risk management.

Livestock Price Insurance Program Highlights

POLICIES	
1,349	994
2022	2021

PREMIUMS	
$11.8M	$8.6M
2022	2021

LIABILITY	
$479.2M	$318.2M
2022	2021

INDEMNITY	
$0.5M*	$6.4M
2022	2021

LOSS TO PREMIUM	
4.1%	73.8%
2022	2021

*Policies still set to expire at the time of publishing

LENDING

AFSC remains committed to supporting Alberta businesses by providing access to much-needed capital to diversify and grow the province's economy and in turn, create jobs and build infrastructure. Our lending programs enable AFSC to attract investment to Alberta, create an agribusiness and economic development climate, and support growth in the agriculture and food-processing sectors.

Our current suite of lending programs continues to assist Alberta's agriculture industry, with a focus on providing financial assistance to new and young producers, developing and mature producers, and agribusinesses. Our lending programs continue to address market gaps and the requirements of Alberta's agri-entrepreneurs, who can now choose financial options that suit their individual needs.

In 2022-23, we provided more than $321 million in financing to clients under the age of 40. These loans will help young producers start and develop their farming operations.

Additionally, we authorized over $24 million in loans to the agribusiness sector. Significant opportunities exist for agribusiness and agri-foods industries in our province and we remain committed to supporting these initiatives to help grow a strong and diversified Alberta.

AFSC's $30 million lending limit has allowed us to continue to support larger agribusiness transactions and agricultural producers who want to start, grow, or develop their operations.

2022-23 Year in Review

In 2022-23, we authorized 1,348 new direct loans totaling over $487 million, below the $578 million reported for 2021-22. This generated $594 million in investments in the province's agriculture and agribusiness sectors. AFSC's lending portfolio increased to over $2.8 billion.

Next Generation Loan Program

The Next Generation Loan program facilitates intergenerational farm transitions and succession planning to provide new entrants and young agricultural producers with a consistent source of fixed-rate term loans to establish, grow, or re-finance their farming operation. The Young Producer Incentive helps reduce borrowing costs by offering up to a one per cent rate reduction for the first five years of the loan.

NEXT GENERATION LOAN AUTHORIZATIONS		
808	$321.6M	$379.1M
Loans	Lending	Total Project

Developing Producer Loan Program

The Developing Producer Loan program helps existing agricultural producers invest, grow, and expand their operations.

DEVELOPING PRODUCER LOAN AUTHORIZATIONS		
386	$118.1M	$149.2M
Loans	Lending	Total Project

Alberta Producer Loan Program

The Alberta Producer Loan program ensures existing agricultural producers have access to long-term financing to maintain and sustain their operations.

ALBERTA PRODUCER LOAN AUTHORIZATIONS		
25	$6.9M	$8.3M
Loans	Lending	Total Project

Agribusiness Loan Program

The Agribusiness Loan program supports investment in Alberta's agribusiness sector to generate and maintain jobs or support the sales and export of products.

AGRIBUSINESS LOAN AUTHORIZATIONS		
20	$24.8M	$41.6M
Loans	Lending	Total Project

Revolving Loan Program

The Revolving Loan program enables producers to borrow through a self-serve online account that can be accessed at any time. Funds can be used for input costs such as feed, seed, fuel, and fertilizer. The program offers competitive fixed-rate terms for up to three years with no annual fees. Loans can be renewed upon expiry.

Over $16 million in revolving loans were approved in 2022-23, compared to the previous year's $22 million. This program continues to be useful for our clients who need convenience and flexibility in managing cash flow and the ability to continually re-advance funds as the loan is paid down.

REVOLVING LOAN AUTHORIZATIONS		
109	$16.1M	$16.1M
Loans	Lending	Total Project

Lending Portfolio Performance

AFSC's three key performance indicators for the lending portfolio are loan authorizations, portfolio balance, and arrears:

- Total loan authorizations for 2022-23 were $487 million, compared to $578 million in 2021-22. This is a 15 per cent decrease from the year earlier. Lending limit increases approved in April 2021 continue to attract new borrowers and will help retain existing clients.
- The lending portfolio balance increased to $2.816 billion from $2.672 billion, representing a five per cent gain.
- Overall lending arrears as of March 31, 2023, were 3.6 per cent, slightly higher than the prior year's result of 3.2 per cent.

> A big piece of our succession planning was that my parents, they sold my sister and I each a half section of land. And we did that under the Next Generation Loan with AFSC. Under that loan and me buying that land, I built up equity. I built up credit. Me and my husband were able to buy more land that I likely wouldn't have been able to purchase or maybe not qualify for if we wouldn't have done that planning so far in advance.
>
> AFSC Client

SUPPORTING OUR COMMUNITY

Community Investment

AFSC is more than just risk-management for a farm or a loan for a new tractor; our success is contingent on healthy and connected communities throughout Alberta. Through our partnerships and community investments, AFSC strives to ensure that the communities we live and work in are positively impacted by our presence.

We believe that investing in rural Alberta contributes to the well-being of these communities, and as such we support organizations, events, and initiatives that align with agriculture, education, outreach and training, and community well-being.

Highlights from the past year include:

Agriculture

AFSC partners with organizations that enrich the agriculture industry and supports events that encourage the development and advancement of agriculture, agribusiness and agri-food industry, and the next generation of agriculture in Alberta.

4-H Alberta

AFSC continues to support 4-H Alberta as a Gold Clover sponsor, helping to nurture the next generation's love for agriculture by providing provincial post-secondary scholarships and supporting provincial programs such as Uncover the Leader in You, Cleaver Kids, and more. In 2022, AFSC created the Ag Next Gen Tour, where 4-H members participated in an agriculture/agri-food awareness tour to help members gain insights into the diversity of careers in agriculture and the food, culture and lifestyle of Alberta's diverse regions.

AFSC also contributes to local community 4-H Alberta clubs through our 4-H Alberta Grassroots Fund. The fund provides financial support for 4-H clubs to assist with programs and initiatives. In early 2023, we granted $21,700 to 118 4-H clubs across the province, in turn supporting more than 2,700 Alberta youth.

Women in Ag Award

AFSC recognizes the key role women play in agriculture through our Women in Ag Award. We received 27 nominations for this year's award and we were pleased to highlight seven amazing women who are key players in the industry.

Education, Outreach and Training

AFSC teamed up with organizations that contribute to educating and increasing awareness and knowledge related to agriculture, financial literacy, and risk management to help maintain stable high-quality food development.

For 2022-2023, our partners included:

- Advancing Women in Agriculture Conference
- AgExpo
- AgSmart
- Farm Management Canada
- Alberta Beekeepers Commission
- Alberta Beef Producers
- Alberta Sugar Beet Grower
- Agriculture for Life
- Foothills Forage & Grazing Association
- Grey Wooded Forage Association
- Red Bow Agricultural Partnership
- Young Agrarians

Community Well-Being

AFSC empowers communities by contributing to organizations that offer programs and services that engage our local operating areas, build community capacity, and contribute to healthy, vibrant agricultural communities and workplace environments.

Alberta Association of Agricultural Societies

In 2022-23, we partnered with the Alberta Association of Agricultural Societies (AAAS) to present a session on Centre for Suicide Prevention Seth McVeity's *Buddy Up Campaign*. This session examined how to look out for your buddy and raise awareness for men's suicide prevention at the AAAS Annual Convention. We believe agricultural societies and their unique community events play a vital role in improving the quality of life and mental well-being for persons living in and around rural communities.

Canadian Agriculture Safety Association

This year, the Canadian Agriculture Safety Association (CASA), with assistance from AFSC, provided funding to two rural Alberta fire departments for the purchase of specialized equipment used in grain rescue. The equipment, in conjunction with CASA's grain rescue training, helps ensure departments are ready should the need arise.

Canadian Foodgrains Bank

In the 2022 crop year, AFSC sponsored 24 registered Canadian Foodgrains projects in 31 locations across Alberta, totaling 3,280 acres. AFSC supported these efforts by providing $17,762 in Straight Hail Insurance for crops slated for donation through the Canadian Foodgrains Bank organization.

Do More Agriculture Foundation

In 2022-23, AFSC helped Do More Ag deliver one Talk, Ask, Listen workshop in Lethbridge as well as two virtual mental health events. The virtual events focused on emotional well-being during farm transition while the Every Boot Tells a Story webinar featured producers across Canada sharing their mental health stories. The partnership between AFSC and Do More Ag helps remove stigma around mental health while building a community of support and resources for those impacted by mental health issues, a prevalent risk in the agriculture industry.

Meals in the Field

AFSC's support of the 840 CFCW and Real Country 910 Meals in the Field initiative provides Alberta farmers with the opportunity to win a lunch or wellness break during the harvest season. The Meals in the Field initiative allows AFSC to say thank you to farmers for everything they do to feed Albertans and the world.

Community Investment Highlights

4-H ALBERTA GRASSROOTS FUND	
$21,700	INVESTMENT
SUPPORTED 4-H CLUBS	118
2,700	ALBERTA YOUTH SUPPORTED

CANADIAN FOODGRAINS BANK PROJECTS SPONSORSHIP	
REGISTERED PROJECTS	24
31	LOCATIONS
ACRES	3,280

WOMEN IN AGRICULTURE AWARD	
27	NOMINATIONS
RECIPIENTS AWARDED	7

AFSC TEAM MEMBER SUPPORT	
352	HOURS SPENT BY TEAM MEMBERS ON CHARITABLE PROJECTS

SUPPORTING OUR PEOPLE

Top Employer

AFSC was named a top employer once again for 2022-23 and has been named as one of Canada's Top 100 Employers 14 times and Alberta's Top 75 Employer for 15 consecutive years.

We are proud of the incredible contributions and accomplishments that allow us to earn these awards year after year. The people at AFSC are the foundations of each award, and we look forward to competing each year.

Mental Health and Wellness

AFSC is committed to being a champion for mental health. This includes being a psychologically safe workplace where we promote mental health, destigmatize mental illness and form a peer community of support. We continued to work on weaving mental health into our culture at AFSC in 2022-23 as we look to ensure every team member has the support they need.

Key Initiatives

- A number of improvements were identified and incorporated into AFSC's health and safety processes and trainings to enhance the focus on psychological health and safety.
- We conducted a Continuous Improvement project focused on team member leaves (e.g. general illness leave) to improve supports for team members who are ill or injured.
- People and Culture Advisors initiated staffing model work with various departments to ensure our workforce is aligned with workloads in order to accurately plan for capacity and support the well-being of our team members.
- Updates were made to the Respectful Workplace and Violence Prevention Policy and associated guidelines, with team members participating in respectful workplace training.
- We continued to provide mental health training for all team members and trained a number of team members who interact directly with clients in Mental Health First Aid.

AFSC Culture

AFSC is striving to be a diverse, inclusive employer where each team member is valued and heard. We value trust, integrity, accountability, respect, inclusion, equity and diversity. We believe that when we empower and support one another we can achieve great things.

Culture Committee

Our Culture Committee continued to drive connection and well-being across AFSC. This committee, focused on social connection and personal well-being, as members from across the organization provided support and input to our Wellness Coordinator to further enhance our workplace culture.

In 2022-23, the committee created ongoing opportunities for personal well-being and connection for team members, including speakers, celebration of team members, break activities, support for team building activities, and other initiatives.

Funds were also made available for our team members should they be in financial need due to emergency, tragedy, illness, or accident through our Financial Aid Program.

Diversity, Equity & Inclusion

AFSC's Diversity, Equity & Inclusion (DE&I) Strategy aims to build a foundation that ensures all team members feel a sense of belonging, are valued for who they are, and are empowered to participate and contribute freely at work.

Our DE&I Council, which is made up of members from across AFSC, support the strategy helping to cultivate an inclusive workplace, and further promote a positive and fair culture where opportunities are open to all.

People Highlights

OUR PEOPLE	
578	TEAM MEMBERS
LONGEST YEARS OF SERVICE	41
45	AVERAGE AGE OF TEAM MEMBERS

OUR ACCOMPLISHMENTS	
15	YEARS AS ALBERTA'S TOP 75 EMPLOYER
YEARS AS CANADA'S TOP 100 EMPLOYER	14

OUR LEARNING	
$259,733	SPENT ON TRAINING

Key Initiatives

- All AFSC team members participated in Unconscious Bias Training which included self-directed learning and conversations to deepen understanding.
- Land acknowledgement plaques, alongside artwork by Indigenous artists, were installed in all our branches and Lacombe Central Office, which included a presentation with Elder Pat Buffalo.
- Three employee resource groups - which focus on women, young team members, and parents - began to offer professional development and networking opportunities for these team members with the support of Executive Sponsors.
- The first in-person gathering for members of the DE&I Council and Executive Leadership Team was held for relationship building and planning purposes.
- Ongoing learning opportunities, including speakers for Pride Month and National Day for Truth and Reconciliation, continued to be organized and offered for all team members.

Keeping Our People Safe

AFSC's Occupational Health and Safety program integrates sound health and safety practices into everyday business processes, empowering team members through open and productive discussions and to accept responsibility to protect themselves, their coworkers and communities, and the environment.

In 2022, after successfully achieving our Certificate of Recognition (COR) in 2021, we maintained our certification and continued with various initiatives to focus on safety in our workplace, including updates to our Respect in the Workplace and Violence Prevention Policy and Guideline, Hazard Identification, Assessment and Control Guideline, and associated trainings. COR demonstrates our active commitment to ensuring AFSC's health and safety program has been evaluated by an external auditor and meets provincial standards.

The Occupational Health and Safety program has implemented and sustained:

- Health & Safety Policy: Demonstrates management's commitment by providing a definite plan of action designed to prevent incidents and provide a physically and psychologically safe and healthy workplace.
- Health & Safety Committees: Brings together representatives from across AFSC to identify and help resolve health and safety issues in the workplace.
- Safety Training: Provides health and safety orientations to raise awareness and expectation surrounding the program. The program encourages people to be aware of their roles and responsibilities and to work together to identify and solve health and safety concerns.

SUPPORTING OUR STAKEHOLDERS

Continuous Improvement

At AFSC, our goal is to make it easy for our clients to do business with us by making internal organizational improvements that increase the efficiency, accuracy, and effectiveness of our operations. We strive for a culture of continuous improvement that involves the evaluation and revision of processes, methods, and practices to optimize our products and processes and align them with AFSC's strategic goals.

Aligned with a continuous improvement mindset, AFSC team members can identify areas of improvement that streamline processes and ensure operations are effective and efficient. Team members are empowered to bring forward, discuss and act on ideas and opportunities that benefit our clients and stakeholders.

In 2022-23, our Continuous Improvement team conducted virtual process reviews using platforms such as MS Teams and leveraging virtual whiteboard capabilities to collaborate remotely with cross-functional teams across the province. Operational teams conducted collaborative brainstorming sessions to streamline and automate their processes.

Examples of how we demonstrated and leveraged our capabilities throughout 2022-23:

- A reduction in turnaround time of low-risk AgriStability claims by leveraging automated payment capabilities.
- Revisions to the hardware deployment processes to reduce shipping costs.
- Automation of manual steps and elimination of unnecessary steps in our insurance and lending programs. These processes are now more efficient, require fewer resources, demonstrate improved analytics and reporting capabilities, and provide a more consistent client experience.

Red Tape Reduction

In 2019, AFSC set out on the Red Tape Reduction Project to revamp how clients engage with us. The entry point for all client access to AFSC products is through client-facing forms. Thus, AFSC sought to review and revamp its client form portfolio. A thorough examination was undertaken with an emphasis on streamlining processes while eliminating redundancies and outdated requirements.

By March 31, 2023. AFSC was tasked by the Government of Alberta to reduce requirements by 33 per cent. As of March 31, 2023, AFSC has reduced requirements within the client form portfolio by 34 per cent (1,234 total requirements), accomplishing the goal in advance of the deadline and finishing four per cent ahead of the provincial total reduction. The necessary protections and requirements remain within forms, but the process of accessing products and services has been made easier for clients.

In conjunction with the form review and process improvement, the AFSC team worked to enhance the client experience. Through new digital platforms, operational enhancements and process improvements, the client experience continued to evolve and improve.

As the reduction portion of the project concludes, AFSC's focus is shifting to sustainment. We have developed and implemented the Red Tape Reduction Sustainment Framework to keep key AFSC team members in oversight and active maintenance roles. The recording of requirements will remain and metrics will be available to show the sustainment success.

AFSC remains committed to further enhancing the client experience, removing barriers to products and services, and driving innovation.

Enterprise Risk Management

Enterprise Risk Management continues to evolve as we implement a forward-looking, integrated, and holistic risk management approach. Through this approach, key risks and opportunities that the organization encounters are identified, analyzed, evaluated, and monitored.

From this process, our Enterprise Risk Management team produces a suite of risk reports which enables board oversight and drives effective management decision-making to either accept more risk or mitigate existing risk. Through a partnership with all the functions within AFSC, this standardized and coordinated approach allows us to pursue the realization of our vision, mission, and strategic goals.

The risk categories we monitor against our risk appetites and associated tolerance levels include credit, compliance, operational, insurance, financial, information, information technology, and investment risk. This active monitoring ensures that risks are managed and escalated as required.

Whistleblower Protection Program

Purpose of the Program

On January 1, 2016, AFSC launched the Whistleblower Protection Program. The program provides a confidential and anonymous mechanism for AFSC staff and members of the public to disclose actions or events that they believe may constitute a form of wrongdoing as it concerns the affairs of AFSC. Disclosures of alleged wrongdoing are assessed by the Program's Designated Officer against the definition of "Wrongdoing" found in the Public Interest Disclosure (Whistleblower Protection) Act. The 2012, c. P39.5 (the "PID Act"). It is important to note that what constitutes a wrongdoing under the PID Act may be significantly different than what a person unfamiliar with the PID Act may believe is a wrongdoing.

- Establish and maintain whistleblower policies and procedures that comply with the PID Act that are designed to promote public confidence in the administration of AFSC;
- Facilitate the disclosure and investigation of "Wrongdoing" as defined in the PID Act which are, in brief, significant and serious matters in, or relating to, AFSC that an employee believes may be unlawful, dangerous to the public or injurious to the public interest;
- Promote ethical behavior by AFSC team members;
- Deter and detect improper activity within AFSC to positively impact the reputation, effectiveness, and finances of our organization;
- Enhance the working environment for our team members; and
- Protect from retaliatory action any team member or other individual, who, in good faith, discloses improper activity occurring within AFSC. Protection from retaliation is also known as "whistleblower" protection.

Program Annual Report

The following are the statistics that are required to be kept by the designated officer with respect to the Program pursuant to section 32 of the PID Act:

Disclosures Received	Disclosures Acted Upon	Disclosures Not Acted Upon	Investigations Commenced	Findings of Wrongdoing	Disclosures Closed
1	2	0	0	0	2*

*There was one disclosure carried forward from March 31, 2022, fiscal year end, the disclosure was closed within fiscal 2022-23 with no finding of wrongdoing.

FINANCIALS AT A GLANCE

Overall, we recorded revenue of $1.419 billion and expenses of $1.718 billion, which resulted in a net deficit of $299 million. The deficit was largely due to higher losses relative to premiums for the AgriInsurance program. This was mainly due to dry conditions, hail and increased commodity prices increasing AgriInsurance losses.

Our assets decreased from $3.985 billion to $3.671 billion of which $2.839 billion (77 per cent of all assets) represents Loans receivables. Our liabilities decreased from $3.197 billion to $3.182 billion.

The surplus carried over decreased to $489.4 million. Included in the surplus balance is $301 million in the Crop Insurance Fund.

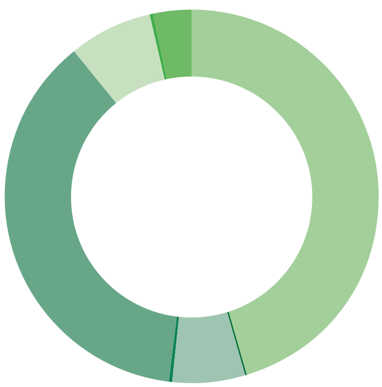
AgriStability Statistical Summaries

Program Year	Claims Processed	Average Support Level	Claims with Payment	Total Payment
2021	5,879	$318.5M	306	$31.8M
2020	8,091	$413.4M	1,404	$147.4M
2019	8,523	$392.3M	1,659	$114.1M
2018	9,322	$370.5M	1,265	$131.6M
2017	9,491	$318.9M	842	$59.7M
2016	10,447	$302.3M	2,463	$222.8M

AgriInsurance Statistical Summaries

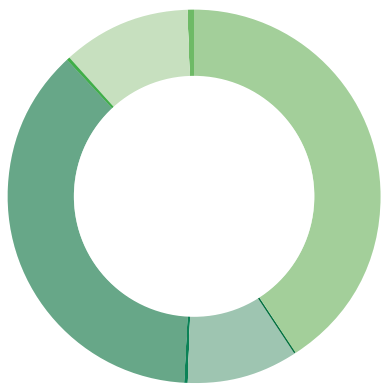
Crop Year	Contracts	Acres	Liability	Premium	Indemnity	Loss/ Premium
2022	17,504	25,910,503	$10.8B	$1.0B	$1.3B	122.0%
2021	16,477	23,690,589	$9.1B	$623.0M	$2.8B	436.6%
2020	16,140	22,332,581	$5.3B	$640.1M	$729.8M	114.0%
2019	16,600	22,654,454	$4.9B	$665.8M	$780.5M	117.2%
2018	16,685	22,125,261	$4.8B	$654.6M	$569.4M	87.0%
2017	16,938	21,860,001	$4.5B	$694.6M	$437.1M	62.9%

2022 Risk



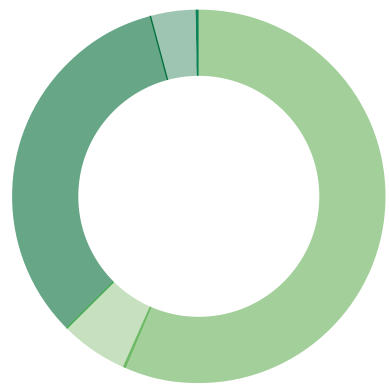
- Cereal, 45.53%
- Oilseed, 37.02%
- Pulse, 7.53%
- Forage, 6.33%
- Vegetables, 3.12%
- Sugar Beets, 0.35%
- Honey, 0.28%
- Essential Oils, Herbs & Spices, 0.02%

2022 Loss



- Cereal, 40.87%
- Oilseed, 37.14%
- Pulse, 11.13%
- Forage, 9.85%
- Vegetables, 0.49%
- Honey, 0.37%
- Unseeded/Reseeded, 0.13%
- Sugar Beets, 0.02%

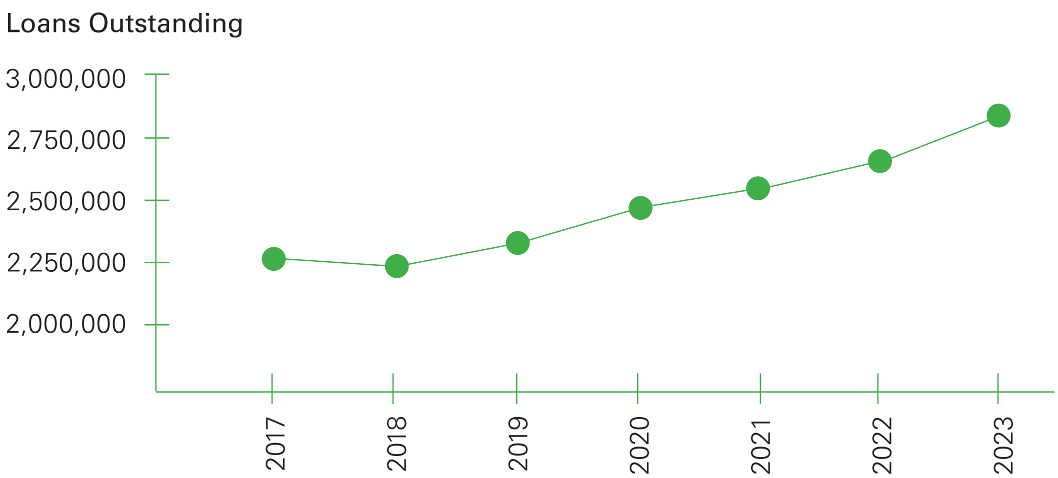
2022 Cause of Loss

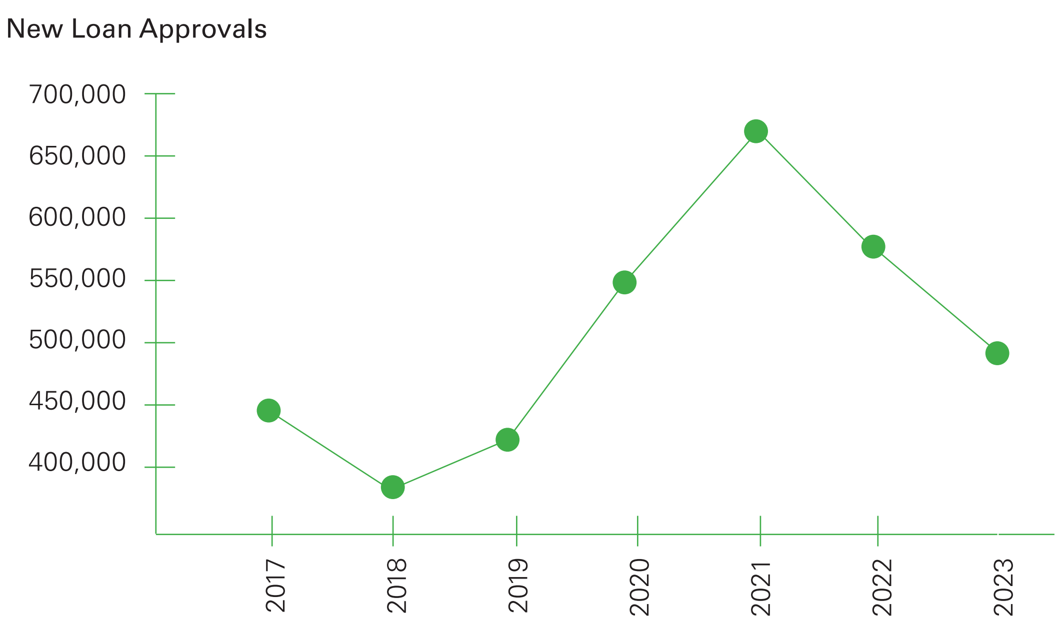


- Hail, 56.58%
- Drought, 33.29%
- Other, 5.62%
- Excess moisture, 3.94%
- Insect Infestation, 0.36%
- Wind, 0.11%
- Plant Disease, 0.08%
- Frost, 0.02%

Lending Statistical Summaries

March 31	New Loan Approvals	Outstanding Balance
2023	$487.5M	$2.8B
2022	$577.9M	$2.7B
2021	$667.3M	$2.5B
2020	$549.8M	$2.4B
2019	$429.8M	$2.3B
2018	$385.0M	$2.2B





MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Agriculture Financial Services Corporation (the Corporation) and all other information relating to the Corporation contained in this annual report have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These financial statements are prepared in accordance with Canadian generally accepted accounting standards. The financial statements necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information, and to ensure corporate assets are safeguarded and liabilities are recognized. The internal control systems are augmented by periodic reviews by the Corporation's internal and external auditors.

The Auditor General of Alberta has carried out an independent external audit of these financial statements in accordance with Canadian generally accepted auditing standards, and has expressed his opinion in the accompanying Auditor's Report.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility through the Board Audit Committee, composed of Directors who are not employees of the Corporation. The Board Audit Committee meets with the internal auditors and the external auditors-both in the presence and in the absence of management to discuss their audit, including any findings as to the integrity of financial reporting processes and the adequacy of our systems of internal controls. The internal and external auditors have full and unrestricted access to the Board Audit Committee.

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FINANCIAL STATEMENTS

AGRICULTURE FINANCIAL SERVICES CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2023

Auditor General OF ALBERTA

Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

Report on the Financial Statements

Opinion

I have audited the financial statements of the Agriculture Financial Services Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 2, 2023
Edmonton, Alberta

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023
(in thousands)

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents	$ 297,638	$ 356,674
Accounts receivable (Note 4)	7,300	5,032
Due from Government of Alberta	49,597	54,659
Due from Government of Canada	182,355	155,713
Loans receivable (Note 5)	2,838,773	2,685,673
Investments (Note 6)	279,138	709,278
	3,654,801	3,967,029
LIABILITIES		
Accounts payable and other accrued liabilities (Note 7)	8,804	10,693
Due to other Provincial Governments (Note 8)	7,260	4,836
Indemnities payable (Note 9)	376,100	566,128
Borrowing from Government of Alberta (Note 10)	2,777,241	2,604,281
Deferred revenue (Note 11)	10,137	8,205
	3,179,542	3,194,143
Net Financial Assets	475,259	772,886
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	9,627	11,520
Prepaid expenses	7,062	6,833
	16,689	18,353
Net assets before spent deferred capital contributions	491,948	791,239
Spent deferred capital contributions (Note 11)	2,508	3,188
Net Assets	$ 489,440	$ 788,051
Net Assets		
Accumulated surplus	$ 489,440	$ 788,051

Contingencies, Contractual Obligations and Commitments (Note 14)

The accompanying notes and schedules are part of these financial statements.

[Original signed by Kelly Smith-Fraser]
Chair of the Board of Directors

[Original signed by Chioma Ufodike]
Board FA Chair

[Original signed by Darryl Kay]
Chief Executive Officer

[Original signed by Steve Lappin]
Chief Financial & Risk Officer

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023
(in thousands)

	2023 Budget	2023 Actual (Schedule 1)	2022 Actual
Revenues:			
Premiums from insured persons	$ 359,490	$ 510,766	$ 324,133
Interest	98,913	99,641	92,530
Contribution from Government of Alberta	244,374	387,069	421,598
Contribution from Government of Canada	248,543	405,323	487,536
Investment income	13,718	944	32,216
Fees and other income	15,849	15,189	13,793
	980,887	1,418,932	1,371,806
Expenses:			
AgriInsurance	346,618	1,363,512	2,796,053
Agriculture Income Support	88,976	189,777	525,424
Lending	96,056	96,932	79,567
Hail Insurance	25,892	47,171	30,430
Livestock Insurance	22,020	8,079	8,098
Wildlife Damage Compensation	9,593	12,072	9,437
	589,155	1,717,543	3,449,009
Annual (deficit) surplus	$ 391,732	(298,611)	(2,077,203)
Accumulated surplus at beginning of year		788,051	2,865,254
Accumulated surplus at end of year		$ 489,440	$ 788,051

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31, 2023

(in thousands)

	2023		2022
	Budget	Actual	Actual
Annual (deficit) surplus	$ 391,732	$ (298,611)	$ (2,077,203)
Acquisition of tangible capital assets (Note 12)	(4,215)	(1,544)	(899)
Amortization of tangible capital assets (Note 12)	4,393	3,350	9,934
(Gain) on disposal of tangible capital assets	-	(125)	(30)
Proceeds on sale tangible capital assets	-	212	50
(Increase) decrease in prepaid expenses	-	(229)	782
Decrease in spent deferred capital contributions	-	(680)	(6,347)
Increase (decrease) in net financial assets in the year	391,910	(297,627)	(2,073,713)
Net financial assets, beginning of year	772,886	772,886	2,846,599
Net financial assets, end of year	$ 1,164,796	$ 475,259	$ 772,886

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2023
(in thousands)

	2023	2022
Operating transactions:		
Annual (deficit)	$ (298,611)	$ (2,077,203)
Non-cash items included in operating results		
Amortization of tangible capital assets (Note 12)	3,350	9,934
Deferred capital contribution recognized as revenue (Note 11)	(1,517)	(7,127)
Amortization of premiums and discounts	(1,500)	845
Allowance for doubtful accounts and for losses	(5,394)	(13,920)
Loss on sale of investments	22,764	958
(Gain) on capital assets	(125)	(30)
Increase in net deferred revenue	1,932	898
(Increase) decrease in prepaid expenses	(229)	782
(Increase) decrease in accounts receivable	(2,853)	10,110
(Decrease) in environment liabilities	-	(1,076)
(Decrease) increase in indemnities payable	(190,028)	309,984
(Decrease) in accounts payable and other accrued liabilities	(2,385)	(2,265)
Decrease (increase) in due from provincial and federal governments	1,644	(46,855)
Cash applied to operating transactions[1]	(472,952)	(1,814,965)
Investing transactions:		
Proceeds from repayments of loans receivable	400,264	449,220
Loan disbursements	(545,932)	(602,012)
Purchase of investments	(276,605)	(1,173,907)
Proceeds on disposal of investments	682,482	3,021,457
Cash provided by investing activities	260,209	1,694,758
Capital transactions:		
Acquisition of tangible capital assets	(1,544)	(899)
Proceeds on disposal of tangible capital assets	212	50
Cash applied to capital transactions	(1,332)	(849)
Financing transactions:		
Borrowing from the Government of Alberta	2,893,591	2,204,296
Contributions restricted for capital (Note 11)	837	780
Repayment of borrowing from the Government of Alberta	(2,718,591)	(2,079,296)
Repayment of borrowing from the Government of Canada	(20,798)	(2,336)
Cash provided by financing transactions	155,039	123,444
(Decrease) increase in cash and cash equivalents	(59,036)	2,388
Cash and cash equivalents at beginning of year	356,674	354,286
Cash and cash equivalents at end of year	$ 297,638	$ 356,674

(1) Net cash applied to by operating activities includes $60,495 (2022 $65,371) of interest paid.

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (AFSC, the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000. The Corporation is exempt from income taxes under the *Income Tax Act.*

The Corporation provides income stabilization, disaster assistance, AgriInsurance, livestock price insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis of Financial Reporting:

(a) Revenue Recognition

Premiums from insured persons are recorded as revenue when earned over the insurance policy contract term for AgriInsurance and Hail Insurance programs. A corresponding premium contribution from the Governments of Canada and Alberta is also recognized on policies sold under the AgriInsurance programs and is included in Contributions from the Governments of Canada and Alberta. Premiums received by the Corporation in advance of the related policy term are recorded as deferred revenue until earned.

For the Livestock Price Insurance program, premiums are recorded as revenue when a policy is sold.

Government transfers from the Governments of Canada and Alberta are referred to as government contributions. Contributions from the Governments of Canada and Alberta for estimated compensation payments to participants under Agriculture Income Support programs such as AgriStability (formerly the Canadian Agriculture Income Stabilization (CAIS)), AgriInvest, AgriRecovery and Wildlife Damage Compensation are recognized in the period in which the program payments to producers are determinable. Overpayments of compensation payments under the AgriStability program are recovered through repayment or the reduction of future eligible payments under the program or other programs administered by the Corporation. Overpayments are repayable to the Governments of Canada and Alberta.

Contributions received from the Governments of Canada and Alberta that are restricted for the acquisition of tangible capital assets are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired tangible capital assets.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Revenue Recognition (continued)

Interest income on loans receivable is recognized as earned over the period of loan repayment except for impaired loans. At the date impairment is assessed, interest on arrears is derecognized and is not accrued until the loan reverts to performing status or is terminated. When an impaired loan is reverted to performing status, interest is accrued and recognized from the date of change in status of the loan. Interest previously unrecognized is recognized only when payment is received.

Investment income is recognized in the period in which the income is earned. Gains or losses on the value on investments are recognized when realized on disposition.

Fees which are primarily from lending activities and AgriStability applications are recognized on processing of the related application. AgriStability program application fees received in advance of the program commencement date are recorded as deferred revenue until earned.

(b) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, and issuance costs.

Identifiable administrative expenses for all of the programs administered by the Corporation are charged directly to the specific program. Where the direct charging of the administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by management.

(c) Measurement Uncertainty

There is an inherent degree of uncertainty associated with the measurement of certain amounts recognized or disclosed in the financial statements. In the preparation of the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, net assets and related disclosures. Estimates of material amounts relate to Indemnities payable and Allowances for doubtful accounts and for losses on Accounts receivable and Loans receivable. Accordingly, actual results could differ from these and other estimates thereby impacting future financial statements. Disclosure of the nature and circumstances giving rise to the uncertainty, have been disclosed in the relevant notes in the financial statements (See Notes 4, 5, and 9).

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities include cash and cash equivalents, accounts receivable, prepaid expenses, due from Government of Alberta, due from Government of Canada, loans receivable, investments, accounts payable and other accrued liabilities, due to other Provincial Governments, indemnities payable, borrowing from the Government of Alberta and deferred revenue. All of these financial instruments are held at cost or amortized cost except for account receivables which are recognized at the lower of cost or net recoverable value. The effective interest method is used to recognize interest revenue or expense. Transaction costs related to all financial instruments are expensed as incurred.

Since no financial assets or liabilities are recorded at fair value and there were no material foreign currency transactions, these statements do not present a Statement of Remeasurement Gains and Losses as the Corporation has no remeasurement gains or losses.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes demand deposits in the Consolidated Liquidity Solution (CLS). Effective July 4, 2022, the CLS replaces the Consolidated Cash Investment Trust Fund (CCITF) as the Province's cash pooling structure. A CLS participant is paid interest on monthly basis on their cash balance at an interest rate based on a twelve week rolling average of the Province's three month cost of borrowing.

(f) Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses

Loans receivable are recorded at cost or amortized cost less any amount for provision for credit losses. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs.

The Corporation records valuation allowances to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured. Two types of allowances are established for loans receivable.

Specific allowance – this allowance is established after a loan-by-loan review of accounts meeting prescribed criteria indicative of a potential deterioration in the credit quality of debt. The specific allowance for each loan is determined as the difference between the loan principal amount outstanding and the discounted net present value of the related security net of the cost of realization. Changes in net realizable value of security subsequent to the recording of the initial allowance are adjusted through the specific allowance.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses (continued)

General allowance – two types of general allowance are recorded. The first type is for estimated probable losses relating to deterioration in the full recoverability of individual loan accounts which have not yet met management's criteria for setting up a specific allowance at the Statement of Financial Position date. A methodology is applied to determine the Corporation's risk exposure to probable losses on individual loan accounts not subject to a specific allowance. The second type is for the aggregate amount owing for individual loans under a specific program or industry sector or a geographical area. In determining the allowance, management considers economic and market conditions and uncertainties affecting recoverability of such loans.

Loans are written off against the related allowance for doubtful accounts and for losses if there is no realistic prospect of future recovery. Any recovery of amounts previously written off is recognized on receipt of proceeds.

(h) Concessionary Loans and Loan Discounts

A loan is considered to have concessionary terms when at inception of the loan, the net present value of expected future cash flows is less than present book value. Book values of concessionary loans are reduced to their net present values by loan discounts expensed in the year in which loans are disbursed and amortized to interest revenue over the period of the concessionary term in proportion to loan repayments received.

(i) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments; then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the effective interest rate method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(j) Borrowing from Government of Alberta

Borrowing is carried at amortized cost. Premiums and discounts on borrowing are amortized to interest expense using the effective yield method over the period to maturity.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Non-Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

(l) Tangible Capital Assets including Capital Leases

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of assets. Costs includes overhead directly attributed to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incidental to the ownership of the asset to the Corporation are considered capital leases. These are accounted for as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executory costs. The discount rate used to determine the present value of the lease payments is the Corporations incremental borrowing rate.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

Effective April 1, 2022, the Corporation adopted the new accounting standard PS 3280 Asset Retirement Obligations (ARO). Currently AFSC does not have any ARO's to report.

(m) AgriStability, AgriInvest and AgriRecovery Program

Payments under the programs to participants, administration expenses and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% for AgriStability and AgriRecovery programs because the programs are delivered by the Corporation and at 40% for AgriInvest program because the program is delivered by Agriculture and Agri-Food Canada.

(n) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance net assets of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement between the Governments of Canada and Alberta (see Note 17).

AGRICULTURE FINANCIAL SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(n) Reinsurance (continued)

In addition, the Corporation carries two different types of reinsurance through private reinsurance companies for the Hail and Livestock insurance programs. This includes both Excess of loss and Quota share reinsurance. Excess of loss is a type of reinsurance in which the reinsurer indemnifies the ceding company for losses that exceed a specified limit.

Quota share is a type of pro rata reinsurance contract in which the insurer and reinsurer share premiums and indemnities according to a fixed percentage. To reflect the objective of reinsurance as cost recovery, all reinsurance transactions, including brokerage commissions, ceded premiums and indemnities recovered, are disclosed in Schedule 1 as Net reinsurance expenses or fees and other income if the indemnities recovered are greater than the ceded premiums. Disclosure of the actual amounts relating to brokerage fees, ceded premiums and indemnity recoveries have been disclosed in the financial statement notes (see Note 18).

(o) AgriInsurance Accumulated Surplus Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the AgriInsurance accumulated surplus of $300,879 (2022 $611,624) is restricted for AgriInsurance purposes only (see Schedule 1).

(p) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

(q) Transactions with Related Parties

The Government of Alberta (the Government) significantly influences the programs delivered by the Corporation and is a major contributor to the funding of the programs. Therefore, the Government is considered a related party. All related party transactions with the Government of Alberta have been recorded at the exchange amount which is the consideration paid or received as agreed to by the related party (see Note 16).

(r) Environmental Liabilities

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organisms that exceeds an environment standard, being introduced into soil, water or sediment. The Corporation recognizes a liability for the sites no longer in productive use where the contamination has exceeded the relevant environmental standards and where the Corporation has accepted responsibility.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(s) Net Debt Model

Net debt model has been adopted for the presentation of the financial statements. Net financial asset or net debt is measured as the difference between the Corporation's financial assets and liabilities.

A net financial asset balance indicates the extent of the Corporation's dependence on government transfers and operating revenues to net assets resulting from settlement of its financial assets and liabilities.

(t) Legislative Non-Compliance

Following a review of salary increases, it was determined that certain increases were non-compliant with the Government of Alberta *Salary Restraint Regulation*. As a result of this review, it was determined that salaries, wages and employee benefits exceeded the Government of Alberta *Salary Restraint Regulation* (AR80/2021) by zero for the year ended March 31, 2023 and $60 (2022). The increases were prospectively adjusted to comply with the terms of the Government of Alberta *Salary Restraint Regulation* (AR 80/2021) effective October 1, 2021.

Note 3 Future Changes in Accounting Standards

On April 1, 2023, the Corporation will adopt the following new accounting standards approved by the Public Sector Accounting Board:

- **PS 3400 Revenue**
  This accounting standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange and non-exchange transactions.
- **PS 3160 Public Private Partnership**
  This accounting standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner.

Management is currently assessing the impact of these standards on the financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 4 Accounts Receivable

	2023	2022
Due from reinsurers		
Livestock & Hail Insurance programs	$ 1,553	$ 2,384
AgriStability & Agriculture Income Support programs:		
Overpayments	713	1,728
Administration fees	362	315
Premiums from insured persons		
Livestock Insurance program	2,905	1,525
AgriInsurance program	1,639	932
Hail Insurance program	80	112
Other	1,610	433
	8,862	7,429
Allowances for doubtful accounts		
At beginning of year	(2,397)	(1,717)
Decrease (increase) for the year	1,305	(762)
Write offs	(470)	82
At end of year	(1,562)	(2,397)
	$ 7,300	$ 5,032

Included in the allowances for doubtful accounts is $713 (2022 $1,728) representing the amount of overpayments under AgriStability and Agriculture Income Support programs in recognition of the Corporation’s role as an agent for collection. The allowance for doubtful accounts is subject to measurement uncertainty as it is an estimate based on management’s assessment of collectability of outstanding balances.

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2023			2022
	Farm	Commercial	Total	Total
Performing loans - non concessionary	$ 2,607,649	$ 189,613	$ 2,797,262	$ 2,651,947
Performing loans - concessionary	492	-	492	699
Impaired loans	2,892	15,437	18,329	19,752
	2,611,033	205,050	2,816,083	2,672,398
Accrued interest	31,780	834	32,614	29,409
Loan discount	(6)	-	(6)	(8)
	2,642,807	205,884	2,848,691	2,701,799
Allowances for doubtful accounts for loans	(1,686)	(8,232)	(9,918)	(16,126)
Net carrying value	$ 2,641,121	$ 197,652	$ 2,838,773	$ 2,685,673

All loans have fixed interest rates for the term of loan or renewal period.

Loans have blended repayments during the term. A significant number of loans in the portfolio can be repaid in full or part during the term without any penalty.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 5 Loans Receivable (continued)

Allowances for doubtful accounts for loans are as follows:

	Farm	Commercial	2023	2022
At beginning of year	$ 3,435	$ 12,691	$ 16,126	$ 32,463
(Decrease) for the year	(1,616)	(3,412)	(5,028)	(14,682)
Write-offs	(133)	(1,047)	(1,180)	(1,655)
At end of year	$ 1,686	$ 8,232	$ 9,918	$ 16,126
Specific allowance	$ 264	$ 5,908	$ 6,172	$ 9,680
General allowance	1,422	2,324	3,746	6,446
	$ 1,686	$ 8,232	$ 9,918	$ 16,126

Valuation allowances of loans receivable are based on management's best estimate. Actual losses realized may vary significantly from management's estimate.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are $5,819,674 (2022 $5,964,840).

The composition of the Loans receivable balance by range of effective annual interest rates is as follows:

	2023	2022
Effective Annual Interest Rate		
Less than or equal to 2%	$ 213,161	$ 244,567
2.01% to 3.00%	652,487	732,654
3.01% to 4.00%	797,869	865,112
4.01% to 5.00%	788,573	652,551
5.01% to 6.00%	290,328	132,447
6.01% to 7.00%	53,644	42,860
7.01% to 8.00%	14,591	1,937
Over 8%	5,424	262
	2,816,077	2,672,390
Accrued interest	32,614	29,409
Allowance for doubtful accounts for loans	(9,918)	(16,126)
	$ 2,838,773	$ 2,685,673
Weighted average annual interest rate	3.75%	3.50%

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 6 Investments

	2023	2022
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 100,183	$ 293,267
Other provincial, direct and guaranteed	48,198	74,207
	148,381	367,474
Corporate securities:		
Senior bank notes	77,207	141,912
Asset backed securities, AAA rated	52,492	197,383
	129,699	339,295
	278,080	706,769
Accrued interest	1,058	2,509
	$ 279,138	$ 709,278

The fair value of investments at March 31, 2023 is $264,643 (2022 $680,213). Fair value is based on market prices excluding accrued interest.

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]			
	Within 1 Year	1 to 5 Years	2023	2022
Bonds and debentures	$ -	$ 148,381	$ 148,381	$ 367,474
Yield [2]	-	3.52%	3.52%	2.37%
Corporate Securities	14,492	115,207	129,699	339,295
Yield [2]	3.66%	4.62%	4.50%	2.90%
	14,492	263,588	278,080	706,769
Accrued interest	7	1,051	1,058	2,509
	$ 14,499	$ 264,639	$ 279,138	$ 709,278

(1) Term to maturity classifications are based on contractual maturity date of the security.

(2) Yield represents the rate which discounts future cash receipts to the carrying amount.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 7 Accounts Payable and Other Accrued Liabilities

	2023	2022 (Restated)
Salaries, wages and employee benefits	$ 4,831	$ 4,585
Supplies and services	2,902	4,903
Environmental liability	1,053	1,053
Reinsurance Premiums to Government of Canada	18	18
Other	-	134
	$ 8,804	$ 10,693

Note 8 Due to Other Provincial Governments

Due to provincial governments represents amounts collected from and paid to other provincial governments relating to the Livestock Price Insurance program which was implemented in April 2014. The program provides producers with protection against an unexpected drop in prices on cattle and hogs. The Corporation entered into an agreement with the other provincial governments to deliver this program to producers in British Columbia, Saskatchewan and Manitoba. Any premiums, indemnities or expenses collected on behalf of producers outside of Alberta are recorded as Due to provincial governments in the financial statements. The Corporation’s Statement of Operations includes premiums, indemnities and administration expenses for Alberta producers only.

Note 8 Due to Other Provincial Governments (continued)

Breakdown of the amounts owing is as follows:

	2023	2022
Premiums collected	$ 49,358	$ 45,105
Reinsurance recoveries and ceded losses	13,449	13,337
Administration costs receivable	(176)	(151)
Reinsurance premiums	(18,568)	(17,055)
Indemnities paid	(36,803)	(36,400)
	$ 7,260	$ 4,836

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 9 Indemnities Payable

	2023	2022
AgriStability, AgriInvest, AgriRecovery		
and related programs (Note 2(m))		
Current claim year	$ 161,968	$ 120,443
Prior claim years	122,790	142,100
	284,758	262,543
AgriInsurance	90,509	299,240
Wildlife Compensation	777	1,398
Hail Insurance	51	-
Livestock Price Insurance	5	2,947
	$ 376,100	$ 566,128

Estimated indemnities payable of $376,100 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for the AgriStability and AgriInvest programs are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry.

There are some inherent limitations to the model such as the intrinsic uncertainty in agriculture market forecasts as well as uncertainty in forecasting participation. Applying macro adjustments may not be reflective of the sample of participants and the model cannot forecast disasters as it is biased to prior year results.

Based on the above key assumptions and using a statistical model for projections, estimated indemnities for the current year would be in the range of $121,873 to $189,560. In three out of the past five years, actual indemnities have fallen outside the range.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on probable payments for claims not yet processed.

Estimated indemnities payable for the AgriInsurance program are based upon number of claims remaining to be paid and average claim payment amounts. The indemnities payable also includes claims deferred by producers. Based on that information the projected estimated indemnities would be in the range of $69,511 to $111,508.

Indemnities for Livestock Price Insurance program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 10 Borrowing from Government of Alberta

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing.

The composition of outstanding borrowing from the Government of Alberta by range of effective annual interest rate is as follows:

	2023	2022
Effective annual Interest Rate		
Less than or equal to 2%	$ 215,000	$ 596,432
2.01% to 3.00%	1,372,000	1,397,000
3.01% to 4.00%	400,721	400,721
4.01% to 5.00%	784,294	202,862
	2,772,015	2,597,015
Accrued interest	12,024	14,374
Unamortized premium	(6,798)	(7,108)
	$ 2,777,241	$ 2,604,281
Weighted average annual interest rate	3.08%	2.41%

Principal repayments due in each of the next five years and thereafter are as follows:

Year ending March 31,	2024	$ 900,863
	2025	120,000
	2026	120,000
	2027	215,721
	2028	160,000
	Thereafter	1,255,431
		$ 2,772,015

The estimated fair value of borrowings as at March 31, 2023 is $2,774,137 (2022 $2,567,912). Fair value is an approximation of market value to the holder.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 11 Deferred Revenue and Spent Deferred Capital Contributions

	2023	2022
Deferred revenue	$ 10,137	$ 8,205
Spent deferred capital contributions	2,508	3,188
	$ 12,645	$ 11,393

Deferred revenue

	2023				2022
	Government of Canada	Non-government	Government of Alberta	Total	Total
Balance at beginning of year	$ -	$ 8,205	$ -	$ 8,205	$ 7,307
Received during year	-	10,137	-	10,137	8,205
Less amounts recognized	-	(8,205)	-	(8,205)	(7,307)
Balance at end of year	$ -	$ 10,137	$ -	$ 10,137	$ 8,205

Spent deferred capital contributions

	2023				2022
	Government of Canada	Non-government	Government of Alberta	Total	Total
Balance at beginning of year	$ 1,796	$ 194	$ 1,198	$ 3,188	$ 9,535
Transferred capital assets received	486	-	351	837	780
Less amounts recognized as revenue	(849)	(97)	(571)	(1,517)	(7,127)
Balance at end of year	$ 1,433	$ 97	$ 978	$ 2,508	$ 3,188

Deferred revenue represents premiums received from producers for AgriInsurance programs, fees collected for the AgriStability program relating to the next fiscal year. Spent deferred capital contributions represent contributions received from the federal and provincial governments that are restricted for the acquisition of tangible capital assets.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 12 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Vehicles	Computer Equipment and Software		
Estimated Useful Life	Indefinite	25 - 40 years	5 - 10 years	5 - 10 years	2 - 10 years	2023	2022
Historical Cost							
At beginning of year	$ 2,247	$ 10,210	$ 12,056	$ 5,679	$ 109,595	$ 139,787	$ 142,827
Additions		-	11	350	1,183	1,544	899
Disposals including write-downs	-	-	(370)	(899)	(11,005)	(12,274)	(3,938)
	2,247	10,210	11,697	5,130	99,773	129,057	139,788
Accumulated amortization							
At beginning of year	-	6,915	10,889	4,588	105,875	128,267	122,252
Amortization expense	-	184	331	418	2,417	3,350	9,934
Effect of disposals including write-downs	-	-	(358)	(899)	(10,930)	(12,187)	(3,918)
	-	7,099	10,862	4,107	97,362	119,430	128,268
Net book value at March 31, 2023	$ 2,247	$ 3,111	$ 835	$ 1,023	$ 2,411	$ 9,627	
Net book value at March 31, 2022	$ 2,247	$ 3,295	$ 1,167	$ 1,092	$ 3,719		$ 11,520

Computer equipment, vehicles and software costs include $78 (2022 $1,282) of costs incurred that are not amortized because they are still being deployed or are still in the development stage. Furniture and fixtures also includes leasehold improvements with NBV $609 (2022 $835) amortized over the life of the lease.

Note 13 Pensions

The Corporation participates in the multi-employer Alberta Management Employees Pension Plan and the Alberta Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Alberta Public Service Managers.

The Corporation does not have sufficient plan information to follow the standards for defined benefit accounting, and therefore, follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the plans is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan’s future benefits. The expense for these pension plans is equivalent to the annual contributions of $4,276 for the year ended March 31, 2023 (2022 $4,505).

At December 31, 2022, the Alberta Management Employees Pension Plan reported a surplus of $924,735 (2021 surplus $1,348,160), the Alberta Public Service Pension Plan reported a surplus of $4,258,721 (2021 surplus $4,588,479) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $25,117 (2021 deficiency $20,982). The Corporation's share of these pension plans' deficiency is not determinable. The Corporation is not responsible for future funding of the plan deficits other than through contribution increases.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 14 Contingencies, Contractual Obligations and Commitments

Contingent Liability

	2023	2022
Loan guarantees	$ 69	$ 1,146

The Corporation has been named in three (2022 two) claims of which the outcome is not determinable. Specified amount total is $444 (2022 $308). The resolution of the indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Contractual Obligations

	2023	2022
Reinsurance	$ 8,533	$ 6,673
Operating leases	7,965	8,416
Other contracts	9,787	7,726
Total contractual obligations	$ 26,285	$ 22,815

Reinsurance, operating leases and contracts due in each of the next five years and thereafter are as follows:

Year ending March 31,	2024	$ 17,390
	2025	4,393
	2026	2,594
	2027	1,164
	2028	630
	Thereafter	114
		$ 26,285

The Corporation entered into a quota share reinsurance contract which is a pro rata reinsurance contract in which the insurer and the reinsurer share in premiums and indemnities according to a fixed percentage. The fixed percentages are 41.0% for Livestock insurance and 30% for Hail insurance.

The operating lease contractual obligations are for accommodations with terms up to seven years.

Commitments

	2023	2022 (Restated)
Approved, undisbursed loans	$ 268,683	$ 271,373

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 15 Financial Instruments and Financial Risk Management

Financial instruments comprise the majority of the Corporation's assets and liabilities. The Corporation is exposed to credit, interest and liquidity risks in respect to its use of financial instruments.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to the Corporation, resulting in a loss to the Corporation.

The Corporation's maximum possible exposure to credit risk is as follows:

	2023	2022
Loans receivable	$ 2,838,773	$ 2,685,673
Investments	279,138	709,278
Due from Government of Canada	182,355	155,713
Due from Government of Alberta	49,597	54,659
Accounts receivable	7,300	5,032
Loan guarantees	69	1,146
Total	$ 3,357,232	$ 3,611,501

Loans receivable - Security requirements for a loan or guarantee depend on the risk involved in each individual operation. Adequate security is required for new and emerging businesses as well as for enterprises needing specialized or customized equipment. To mitigate credit risk, lending staff monitor loan accounts continually to ensure prompt response to any financial difficulties customers may encounter. Interest rates for loans and interest rates for borrowing are both set by the Government of Alberta. In order to mitigate the exposure of interest rate fluctuations, the Corporation maintains a balance of short term funds.

Investments – the Corporation invests surplus funds generated by Production Insurance operations. To decrease the risk of loss of investment, the majority of funds are invested in bonds of federal or provincial governments or securities of corporations that have superior credit ratings. The investments are managed by Alberta Investment Management Corporation, an Alberta Crown Corporation. The Corporation also invests in asset-backed securities (AAA rating) and senior bank notes (A rating and higher). Both of these investments consist of securities with relatively low levels of risk.

Due from the Government of Alberta and the Government of Canada – the Corporation is not exposed to significant credit risk as payment in full is typically collected when due.

Accounts receivable - Payments to some AgriStability/Agriculture Income Support program participants resulted in overpayments when information provided to the Corporation by participants proved to be incorrect or not supported. This creates a risk of potential non-repayment of the overpayments. The Corporation may set off overpayments against any payments to customers.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 15 Financial Instruments and Financial Risk Management (continued)

The Corporation provides insurance coverage on crops, effective at the acceptance of the customer's application for insurance, with or without payment of premiums in full. Non-collection of outstanding insurance premiums is a risk. To minimize this risk, a discount is offered for early payment of insurance premiums and arrangements are made for a payment schedule for all customers not taking advantage of the discount. Insurance staff closely monitors outstanding premiums and promptly take collection action when required.

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk in the loan portfolio. Further information is provided throughout these statements which disclose other concentrations of credit risk.

	2023		2022	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and oilseeds	$ 1,570,950	55%	$ 1,500,662	56%
Cattle	944,547	33%	869,724	32%
Other livestock	75,817	3%	102,712	4%
Accommodations and other services	61,319	2%	74,423	3%
Manufacturing	58,594	2%	52,818	2%
Trade - retail and wholesale	24,719	1%	23,181	1%
Other	112,745	4%	78,279	3%
Allowance	(9,918)	-	(16,126)	-1%
	$ 2,838,773	100%	$ 2,685,673	100%

Interest Rate Risk

Interest rate risk is the impact future changes in interest rates have on cash flows and fair values of financial assets and liabilities. The Corporation's interest rate exposure relates to investments, loans receivable, and borrowing from the Government of Alberta.

Investments – Interest rate risk on investments is mitigated by the Corporation's Investment Policy for surplus funds. The investment policy is approved by the Board of Directors and compliance with the policy is reported to the Board Audit Committee at least twice a year. Duration of investments are set to match management's best estimate of when investments may be needed to be liquidated to meet financial commitments. These investments are normally held to maturity so changes in interest rates do not affect value of the investments as they are carried at amortized cost.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 15 Financial Instruments and Financial Risk Management (continued)

Loans receivables – Loans receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. In prior years, the Corporation has allowed customers to prepay their loans without any prepayment penalty. On most new loans, customers now can pay a maximum of 25% of the loan balance without prepayment penalty. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

Borrowing from the Government of Alberta - The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Corporation's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment[1]				Not Interest Rate Sensitive[2]	2023	2022
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	$ 180,921	$ 662,489	$ 695,806	$ 1,255,980	$ 43,577	$ 2,838,773	$ 2,685,673
Yield	3.70%	3.89%	4.07%	4.12%	-	3.97%	3.51%
Borrowing from Government of Alberta	$ 900,863	$ 615,721	$ 1,169,000	$ 86,431	$ 5,226	$ 2,777,241	$ 2,604,281
Yield [3]	2.87%	2.62%	2.58%	4.20%	-	2.71%	2.56%
Net gap	$ (719,942)	$ 46,768	$ (473,194)	$ 1,169,549	$ 38,351	$ 61,532	$ 81,392

(1) For loan balances, scheduled repayments of principal are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

(2) Includes impaired loans, specific and general allowance, accrued interest and unamortized loan discount.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

Liquidity Risk

Liquidity risk relates to the Corporation's ability to access sufficient funds to meet its financial commitments.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 15 Financial Instruments and Financial Risk Management (continued)

The Corporation's primary liquidity risk relates to its liability for insurance claims. Insurance claims are funded firstly with current year premiums collected, which normally exceeds cash requirements. In addition, the investment portfolio of surplus funds in insurance operations is structured in such a way that a portion of the portfolio is accessible at short notice to fund claim payments. The Corporation also carries private sector reinsurance for Livestock Price Insurance and Hail Insurance providing significant protection against catastrophic losses. If all of the above are exhausted, the AgriInsurance program has a reinsurance agreement with the Government of Canada and the Government of Alberta to provide additional funding for claim payments. Additionally, the Corporation has access to advances from the Government of Alberta to meet short-term cash flow needs.

Note 16 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's consolidated financial statements. Related parties also include key management personnel and their close family members. All transactions were incurred in the normal course of business and have been excluded from this schedule.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2023	2022
Revenues:		
Grants	$ 387,069	$ 421,598
Expenses:		
Interest	$ 75,765	$ 65,233
Accommodation	513	528
Other services	1,609	2,665
	$ 77,887	$ 68,426
Payable to:		
Ministry of Treasury Board and Finance	$ 2,777,241	$ 2,604,281
Ministry of Agriculture & Irrigation	650	650
Post secondary institutions	65	-
Service Alberta	1	-
	$ 2,777,957	$ 2,604,931
Receivable from:		
Ministry of Agriculture & Irrigation	$ 49,597	$ 54,659
Deferred Revenue from:		
Ministry of Agriculture & Irrigation	$ 978	$ 1,198

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 17 Crop Reinsurance Funds

The contributions, withdrawals and accumulated net asset positions of the AgriInsurance Reinsurance Fund of Alberta and the AgriInsurance Reinsurance Fund of Canada for Alberta are as follows (see Note 2(n)):

	AgriInsurance Reinsurance Fund of Alberta		AgriInsurance Reinsurance Fund of Canada for Alberta	
	2023	2022	2023	2022
Opening net assets	$ 33,641	$ 33,641	$ 34,530	$ 34,530
Contributions	-	-	-	-
Closing net assets	$ 33,641	$ 33,641	$ 34,530	$ 34,530

The closing net assets balance in the AgriInsurance Reinsurance Fund of Alberta is consolidated in the AgriInsurance Fund in Schedule 1.

Note 18 Reinsurance Expense

	Hail Insurance	Livestock Insurance	2023	2022
Brokerage				
Brokerage rebate	$ (120)	$ (82)	$ (202)	$ (491)
Excess loss				
Reinsurance expense	1,605	2,177	3,782	2,523
Recoveries	(1,387)	-	(1,387)	-
Quota Share				
Ceded premiums and commissions	11,918	2,578	14,496	11,009
Ceded losses	(13,837)	(690)	(14,527)	(9,348)
Net reinsurance (recoveries) expense	$ (1,821)	$ 3,983	$ 2,162	$ 3,693

For 2022-23, livestock reinsurance recoveries are consolidated in the Livestock Insurance Fees and other income on Schedule 1.

Note 19 Budget

The full financial plan was submitted to the Minister of Agriculture and Irrigation. The budget reported in the Statement of Operations reflects the original $391,732 surplus.

Note 20 Comparative Figures

The 2022 figures have been restated where necessary to conform to 2023 presentation.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(in thousands)

Note 21 Approval of Financial Statements

The Board of Directors approved the financial statements of Agriculture Financial Services Corporation.

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2023
(dollars in thousands)

	2023	2022	2023	2022	2023
	AgriInsurance	AgriInsurance	Agriculture Income Support	Agriculture Income Support	Lending
	Note 2(o)	Note 2(o)			
Revenues:					
Premiums from insured persons	$ 455,374	$ 281,387	$ -	$ -	$ -
Interest	921	407	68	13	98,514
Contribution from Government of Alberta	295,822	191,109	85,681	226,195	-
Contribution from Government of Canada	304,851	192,068	92,189	288,900	-
Investment income	(4,375)	31,728	1,947	219	1,429
Fees and other income	174	62	9,904	10,116	2,938
	1,052,767	696,761	189,789	525,443	102,881
Expenses:					
Indemnities	1,323,019	2,754,272	177,749	507,845	-
Salaries, wages and employee benefits	26,622	25,138	8,506	9,864	16,650
Supplies and services	12,902	12,459	3,681	4,570	7,811
Amortization of tangible capital assets	999	4,105	182	2,515	1,734
Interest	-	-	-	-	75,765
Reinsurance (Note 18)	-	-	-	-	-
Allowance for doubtful accounts and for losses (Note 4 & 5)	(30)	79	(341)	630	(5,028)
	1,363,512	2,796,053	189,777	525,424	96,932
Annual (deficit) surplus	(310,745)	(2,099,292)	12	19	5,949
Accumulated surplus at beginning of year	611,624	2,710,916	2,800	2,781	104,058
Accumulated surplus at end of year	$ 300,879	$ 611,624	$ 2,812	$ 2,800	$ 110,007

Schedule 1

Lending 2022	Hail Insurance 2023	Hail Insurance 2022	Livestock Insurance 2023	Livestock Insurance 2022	Wildlife Damage Compensation 2023	Wildlife Damage Compensation 2022	Total 2023	Total 2022
$ -	$ 43,603	$ 34,116	$ 11,789	$ 8,630	$ -	$ -	$ 510,766	$ 324,133
92,035	93	55	45	20	-	-	99,641	92,530
-	-	-	597	580	4,969	3,714	387,069	421,598
-	-	-	878	847	7,405	5,721	405,323	487,536
98	1,479	115	423	53	41	3	944	32,216
3,266	2,006	183	93	98	74	68	15,189	13,793
95,399	47,181	34,469	13,825	10,228	12,489	9,506	1,418,932	1,371,806
-	46,008	26,481	2,509	4,715	10,813	8,497	1,560,098	3,301,810
15,671	448	301	897	858	739	540	53,862	52,372
11,693	514	452	480	455	491	258	25,879	29,887
1,651	201	1,300	205	221	29	142	3,350	9,934
65,233	-	-	-	-	-	-	75,765	65,233
-	-	1,896	3,983	1,797	-	-	3,983	3,693
(14,681)	-	-	5	52	-	-	(5,394)	(13,920)
79,567	47,171	30,430	8,079	8,098	12,072	9,437	1,717,543	3,449,009
15,832	10	4,039	5,746	2,130	417	69	(298,611)	(2,077,203)
88,226	53,180	49,141	14,088	11,958	2,301	2,232	788,051	2,865,254
$ 104,058	$ 53,190	$ 53,180	$ 19,834	$ 14,088	$ 2,718	$ 2,301	$ 489,440	$ 788,051

AGRICULTURE FINANCIAL SERVICES CORPORATION

SCHEDULE OF SALARIES AND BENEFITS

YEAR ENDED MARCH 31, 2023

(in thousands)

	2023				2022
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Chair of Board[4]	$ 30	$ -	$ 1	$ 31	$ 23
Board Members[5]	55	-	1	56	43
Executive Members					
Chief Executive Officer	263	39	71	373	336
Chief Client Officer	241	1	55	297	293
Chief Strategy & Innovation Officer[6]	196	42	56	294	296
Chief Financial & Risk Officer	224	1	51	276	271
Chief People Officer B[7]	191	23	45	259	-
Chief Information Officer A[8]	34	186	7	227	243
Chief Information Officer B[9]	155	9	39	203	-
Chief People Officer A[10]	4	118	6	128	201

(1) Base salaries include remuneration for Chair and Board for attendance at meetings and base pay for employees.

(2) Other cash benefits include vacation payments and lump sum payments including severance. There were no bonuses paid during the year.

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships.

(4) The 2022 amount relates to seven months.

(5) The 2023 amounts relate to a full contingent of Board Members – seven. The 2022 amount relates to six Board Members for five months and five Board Members for seven months.

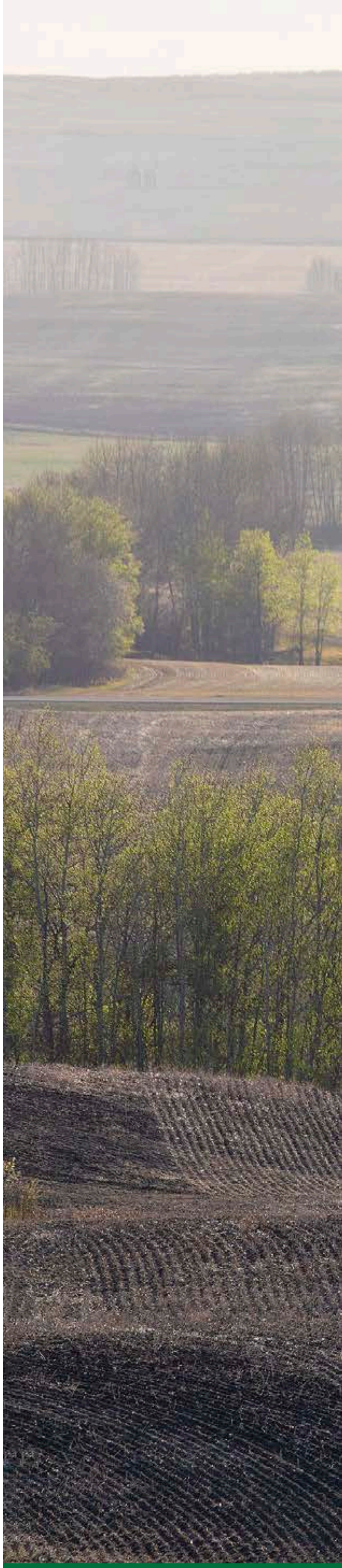
(6) The Chief Strategy & Innovation Officer position was held by one permanent individual for one month, three rotating interim positions for five months and one incumbent for six months.

(7) The Chief People Officer B position was held by one acting individual for six months and one incumbent for six months.

(8) The Chief Information Officer A position was held by one permanent individual for two and a half months. Included in Other Cash Benefits is $150 in severance benefits paid as a result of a termination agreement.

(9) The Chief Information Officer B position was held by one acting individual for five and a half months and one incumbent for four months.

(10) The Chief People Officer A position was held by one individual for less than one month. Included in Other Cash Benefits is $100 in severance benefits paid as a result of a termination agreement.



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