



*Unique Financial Services*

# AFSC

INSURANCE ▪ LENDING ▪ INCOME STABILIZATION



2009 - 2010 ANNUAL REPORT



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July 16, 2010

The Honourable Jack Hayden  
Minister of Agriculture and Rural Development  
423 Legislature Building  
Edmonton, Alberta T5K 2B6

Dear Minister Hayden:

On behalf of the Board of Directors, we are pleased to submit the fifteenth annual report of the Agriculture Financial Services Corporation.

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 the application of its expenditures for the fiscal year ended March 31, 2010.

The report also contains audited financial statements, including the statements of financial position, statements of operations and statements of cash flows.

Yours truly,

A handwritten signature in black ink, appearing to read 'H.D. Haney', with a horizontal line underneath.

H.D. (Harry) Haney  
Chairman

A handwritten signature in black ink, appearing to read 'Brad Klak', with a horizontal line underneath.

Brad Klak  
President & Managing Director



ALBERTA  
AGRICULTURE AND RURAL DEVELOPMENT

*Honourable Jack Hayden  
MLA, Drumheller-Stettler*

## *Message from the Minister of Agriculture and Rural Development*

**D**espite the challenges to Alberta's financial health and to the global economy, we stayed focused on our goals. My department has strived to minimize the impact of the current economic climate on Alberta's farms and communities. AFSC contributed to our strategic priorities by providing products and services for better access to capital, and development and delivery of responsive programs and services. AFSC is positioned to assist producers and agribusiness through these difficult, uncertain times, in what is Alberta's largest renewable resource and second largest industry – agriculture.

Alberta farmers and agribusiness managers endured a tough year, including high input costs, low prices, a strong Canadian dollar, and a cool and dry 2009 growing season. After increasing lending limits for 2009, AFSC has provided many future-minded producers and agribusinesses access to much-needed loan capital as they continued to diversify. AFSC delivered record levels of lending this year, as we worked to sustain existing rural producers and businesses and supported new sectors and value-added agribusiness. AFSC's 2009-10 lending target to agri-industry businesses was easily exceeded, as was total leveraged investment in rural businesses.

AFSC was responsible for helping Alberta producers manage production and income risks while they strived to stay competitive in a fast-changing global market and also dealt with mother-nature. This year, primary producers and agri-industries managed the risks associated with agriculture through income stabilization, crop and fed cattle price insurance, lending, and disaster relief programs. A significant amount of support through near-record AgriInsurance payments was delivered to producers for production shortages. Similarly high payments are expected from AgriStability for the 2009 production year.



Alberta introduced the Cattle Price Insurance Program (CPIP) in September, a component of the Alberta Livestock and Meat Strategy. For the first time, feedlot producers had the ability to manage their price risk. Design work continues on other price insurance products, such as feeder and calf insurance. Producer and industry consultations continued to play a key role with current and future program delivery. CPIP evolved from these consultations and has been very successful since its September 2009 launch.

Alberta co-chaired the Business Risk Management (BRM) Programs Strategic Review, and AFSC continued to contribute ideas for improvements to benefit all producers – ensuring Alberta maintains a strong voice in this national review. The next Growing Forward federal-provincial-territorial agreement is now three years away. After industry consultation is completed, appropriate BRM programming will be delivered through the next Growing Forward framework.

I know opportunities are on the horizon for Alberta's agriculture industry as world demand for Alberta's superior products will only increase. Since our agri-food industry in Alberta is export oriented, we are working to strengthen Alberta's competitiveness and profitability at the international level. What we

produce is already high quality – Alberta now needs to be more selective in the markets we look for. When the economy improves, the Alberta agriculture sector will be there along with AFSC who will assist by providing access to capital and the right products allowing producers to appropriately manage their risk.

My congratulations to AFSC for being acknowledged with three top employer awards in 2010. AFSC's capable Board of Directors, management and experienced staff did their part in supporting the agriculture industry in Alberta and I thank them for their continued commitment.



Jack Hayden  
Minister



## Chairman's Message



*H.D. (Harry) Haney  
AFSC Board Chair*

In 2009, while producers dealt with significant and familiar challenges, the Corporation saw further opportunities to support Alberta farmers and agribusinesses. 2009/2010 was a demanding year for agriculture in Alberta due to global economic woes and weather. All sectors of the Alberta

economy were impacted, and producers endured significant drought conditions in many areas due to half the normal precipitation in June and July, underscoring the importance of AFSC's risk management, insurance and lending products. This fiscal year AgriStability and AgriInsurance responded to farm margin declines and production losses. AFSC's staff devoted the extra time to ensure we supported Alberta producers with the challenges they faced, even while affected by broader fiscal restraints. 2009 indemnities paid from insurance programs were almost at record levels of payments and volume. After AFSC adapted its processes, even with the high volume, most claims were processed with near-average turnaround times.

For fiscal 2009/2010 AFSC increased its client focus, by unifying its vision and values across the organization to better assist clients and provide a flatter, comprehensive and single brand experience. As we continue to integrate our products and services, we are calling the initiative "oneAFSC." I'm proud to say this vision seeks to evolve a Corporation working cohesively together to deliver comprehensive products in the most effective and efficient manner – with a view to providing our clients the highest level of customer service and value possible.

"e"-delivered programs, such as CPIP and Straight Hail, are the first of many AFSC programs to be available online. As a unified financial services organization, we have instituted a new 1-800 number for all inquiries, (1-877-899-AFSC).

Looking back on the past year the Board of Directors is pleased to observe that AFSC exceeded its target for total leveraged investment in agri-industry businesses and again provided investment in rural businesses through AFSC lending. The lending division continued in its role of providing access to capital for farmers as well as agribusiness, value-added operations and

commercial enterprises. AFSC supported the Minister in assisting agriculture and the livestock industry with the successful uptake of livestock insurance through the Cattle Price Insurance Program (CPIP), which formed the groundwork for follow-up livestock products planned in the near future.

It was with much regret that the Board of Directors said goodbye to Mr. Barry Holmes, our most senior Board Member, Board Vice-Chair, Chair of the Audit Committee and friend. In completing his appointed term he made our organization stronger over the years while serving on all our Director committees. On behalf of the Board, I wish to thank him for his dedicated service to the organization over the past number of years. The Board of Directors welcomed our newest member Ms. Carol Haley from Edmonton, who blends her past farming and agribusiness experience with many years in the service of Albertans as an MLA. I appreciate Carol's perspective and the enthusiasm she brings to our Board of Directors.

I must thank departing Minister George Groeneveld under whose guidance AFSC delivered many initiatives in support of our producers since late 2006. In early 2010 we welcomed new Minister of Agriculture and Rural Development, Honourable Jack Hayden, and we look forward to working with Minister Hayden to support Albertans and assist him with his mandate.

In 2010 AFSC won three awards - a Top 100 Employer in Canada, a top Family-Friendly Workplace and a Top 50 Employer in Alberta by Mediacorp. What this confirms is a fully engaged staff going the extra mile to satisfy our clients – Alberta's producers and business owners.

None of what happens at AFSC would be possible without a complete team – a dynamic and seasoned Board of Directors, an agile and diligent Executive Management Team, and the highly skilled AFSC staff who continually deliver and perform. On behalf of AFSC's Board of Directors, I wish to say thank you for your continuing hard work in supporting our clientele. I am confident the challenges of 2010-2011 will be met with the same resilience from our team.

A handwritten signature in black ink, appearing to read "H. Haney", written over a horizontal line.

*H.D. (Harry) Haney  
Chairman*

## Corporate Governance

AFSC operates under the authority of the *Agriculture Financial Services Act* as a provincial Crown Corporation. AFSC serves in a public policy role for the Government of Alberta (GOA). The Board of Directors provides leadership and direction to the Corporation and oversees management and performance.

### *Mandate*

The Board of Directors is responsible to the Minister of Alberta Agriculture and Rural Development. The roles and responsibilities of the Board of Directors are set out in the *Agriculture Financial Services Act* and in a Memorandum of Understanding (MOU) between the Minister and the Board of Directors, which is reviewed annually.

### *Composition of the Board*

As of March 31, 2010, the Board of Directors consisted of ten Directors. There are nine independent Directors and the President and Managing Director. The Minister of Agriculture and Rural Development appoints all Board Directors. Board Directors have varied skills and experience and are entrepreneurs, primary agricultural producers, and agribusiness owners/operators. The Board Chair and four Committee Chairs are all independent members.

### *Governance*

Members of the Board of Directors adhere to the Board Governance Handbook. New Board members are provided with orientation as soon as they assume their duties. The Board Code of Conduct and Ethics is reviewed annually, with each Board Director annually confirming compliance in writing. The Board, its Committees and individual Board Directors assess performance annually through a structured evaluation process. The Board continually identifies areas of potential development to enhance effectiveness in governance and in pursuing strategies to achieve continuous improvement.

The Board and Committees meet as often as required, and hold in-camera sessions. The Board ensures that public policy is considered in all decisions. Board members also participate in seminars and conferences to further enhance their skills in dealing with corporate business issues and governance.

## Board Committee Membership and Responsibilities

*as at March 31, 2010*

For effective conduct of its affairs the Board utilizes four committees to oversee certain functions, each with its own reporting requirements and Terms of Reference, updated annually.

### *Minister of Agriculture and Rural Development: Honourable Jack Hayden*

#### *AFSC Board of Directors:*

*H.D. (Harry) Haney, Chair*  
Darcy Davis  
Bill Daye  
Carol Haley  
Brad Klak, President and Managing Director  
Mel McNaughton  
Ken Skoberg  
Gail Surkan  
John Van Tryp  
Tony Yelenik

#### *AFSC Directors' Responsibilities*

Strategic Management  
Enterprise Risk Management  
Corporate Governance and Stewardship  
Communication with Stakeholders  
Integrity and Ethical Conduct  
Fiscal Responsibilities and Financial Reporting



### *Governance and Human Resources Committee*

**Harry Haney**, Chair

Bill Daye  
Ken Skoberg

Brad Klak  
Gail Surkan

The Governance and Human Resources Committee makes recommendations to the Board of Directors with respect to governance practices, committee structure and membership, enterprise risk management, corporate performance, strategic management of human resources, and corporate communication.

### *Audit Committee*

**Bill Daye**, Chair

Darcy Davis  
Tony Yelenik

Carol Haley  
Mel McNaughton

The Audit Committee oversees the fiscal management, financial reporting, annual budgets/quarterly forecasts, quarterly/annual financial statements, as well as internal/external audit plans, reports, and internal controls. The committee is also responsible for enterprise risk management relating to the above items.

### *Credit Committee*

**Gail Surkan**, Chair

Harry Haney  
Brad Klak

John Van Tryp  
Mel McNaughton

The Credit Committee oversees lending operations, in addition to portfolio performance and credit risk exposure. The Committee ensures that lending programs are appropriate and sound lending principles are maintained.

### *Risk Management Programs Committee*

**Ken Skoberg**, Chair

Bill Daye  
Brad Klak  
John Van Tryp

Darcy Davis  
Carol Haley  
Tony Yelenik

The Risk Management Programs Committee reviews changes to existing risk management programs, development of new programs, and oversees risk management program delivery.

### *AFSC Executive Management Team*

**Brad Klak**, President and Managing Director  
**Donna Bryden**, Vice-President, Human Resources and Community Relations  
**Merle Jacobson**, Vice-President, Risk Management  
**Krish Krishnaswamy**, Vice-President, Finance and Corporate Affairs  
**Kelly Rich**, Vice-President, Lending

## Management Discussion and Analysis

We are pleased to share management's discussion and analysis, which offers a detailed look at our 2009-10 operations in support of all our stakeholders and industry.

### Overview of AFSC Programs

AFSC offers a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta. Its products and services are unique and not readily available from conventional sources to the industry. AFSC provides loans and guarantees to primary agriculture producers as well as emerging and expanding commercial operations. AFSC also delivers Business Risk Management (BRM) programs to primary agriculture producers such as income stabilization, disaster assistance, and insurance for crops, and for 2009, the Cattle Price Insurance Program.

#### *Growing Forward*

Many of AFSC's key risk management products are governed by the federal-provincial-territorial Growing Forward Framework Agreement that is in effect from 2008/09 to 2012/13. This agreement provides for a suite of BRM programs that include AgriInsurance, AgriStability, AgriInvest, AgriRecovery and the Wildlife Damage Compensation Program.

#### *AgriStability (Agriculture Income Stabilization)*

The AgriStability program protects farmers against declines in farm margin for their entire farming operation. AgriStability provides compensation for producers when the program margin in a fiscal year declines more than 15 per cent of the reference margin. The reference margin is an average of the difference between eligible income and expenses for three of the past five years, immediately prior to the Program Year, where the highest and lowest margins are excluded. A margin decline in this claim year could be caused by circumstances such as production shortfalls, falling commodity prices or rising input costs.

AgriStability is funded in accordance with the federal-provincial-territorial Growing Forward Agreement. The Government of Canada funds 60 per cent of AgriStability claim payments and administrative costs, while the Government of Alberta (GOA) funds the remaining 40 per cent. Provincial enhancements which pay Alberta producers above the national program parameters are fully funded by the GOA.

Results for AgriStability in Schedule 1 of the Financial

Statements include the national AgriStability and AgriInvest programs as well as the Alberta initiatives.

#### *AgriInsurance*

AgriInsurance provides coverage for annual and perennial crop losses due to designated perils. AgriInsurance provides Alberta farmers with a production guarantee on crop losses caused by natural perils including drought, snow, excess moisture, insect infestations, fire caused by lightning, hail, wind, plant disease, frost and wildlife damage. Production guarantees are based upon long-term normal production yields for the crop. With four coverage levels of 50, 60, 70 and 80 per cent (and 90 per cent for sugar beets), more than 50 types of crops are insurable, including grains and oilseeds, hay, grain corn, sugar beets, vegetables, pulse crops, a number of specialty crops, and honey. The producer's share of the premium varies according to the AgriInsurance coverage levels selected.

In addition to the production guarantee, AgriInsurance also includes the following benefits: reseeded benefit (provides compensation when a crop is reseeded), unseeded acreage benefit (compensates producers when it is too wet to seed), unharvested acreage benefit (provides compensation when producers are unable to harvest their crop due to the onset of winter), and the Variable Price Benefit (VPB), providing additional coverage when prices increase by 10 per cent or more from spring to fall, subject to a maximum of 50 per cent.

For extra protection, producers can choose to purchase hail endorsements in addition to basic AgriInsurance. The Hail Endorsement (HE) provides spot loss hail coverage, while the Spring Price Endorsement (SPE) provides protection when prices drop by more than 10 per cent from spring to fall. Hay producers have the option of adding the Moisture Deficiency Endorsement (MDE) to their policies. Under MDE, claims are triggered when soil moisture and/or rainfall at a weather station(s) selected by the producer falls below 80 per cent of the long-term normal.

A Crop Insurance Fund is established to account for all revenue and expenses related to the insurance programs. In accordance with the federal-provincial-territorial Growing Forward Framework Agreement, premiums are to be shared among producers, the Government of Canada and the GOA in the ratio of 40:36:24 respectively. Because some of the

enhancements made to AgriInsurance programs such as HE, SPE, Revenue Insurance Coverage (RIC) and VPB are either fully funded by producers and the GOA, or cost shared to a lesser extent by the federal government, the actual share of premiums for producers, the Government of Canada and the GOA for 2009/10 was in the ratio of 39:29:32 respectively.

Results for AgriInsurance in Schedule 1 of the Financial Statements include both the national program and Alberta initiatives.

### *Pasture Insurance*

AFSC provided two distinct programs on pasture for the 2009 crop year: Satellite Yield Insurance (SAT) and Moisture Deficiency Insurance (MDI).

The SAT program, available only in selected areas of southern Alberta, is an area-based insurance option. SAT provides protection for pasture producers when township-wide pasture growth in a given year falls below the normal expected pasture growth. SAT uses satellite imagery data from a producer's township to assess pasture conditions and determine payments.

The MDI program is a province wide, area-based insurance option. MDI uses moisture information from weather stations

and spring soil moisture measurements taken on stubble fields. Participating producers are compensated when accumulated moisture at one or more selected weather stations falls below the normal expected moisture.

Funding parameters for Pasture Insurance programs are the same as those provided for other AgriInsurance programs (shared between producers, the GOA, and the Government of Canada).

### *AgriRecovery*

AgriRecovery is a framework under the Growing Forward Agreement focusing on specific regions or industries affected by a disaster, assisting producers in resuming business operations or with quick mitigation of disaster impacts. The purpose of AgriRecovery is to allow governments to provide timely assistance to producers impacted by disasters, when existing programs may not provide coverage. Once a disaster has been declared, the federal and provincial governments assess the situation, including what is available from existing programs, and develop an appropriate response. AgriRecovery claim payments and administration costs are shared by the Government of Canada and the GOA in a 60:40 ratio.



## **AgrInvest**

AgrInvest is a matching-deposit based program. Under AgrInvest producers can contribute a certain percentage of their allowable net sales each year into their AgrInvest account, which is then matched by a government contribution. These funds can be used to address small margin declines, to mitigate risk, or to make other investments. Once deposits are processed and government contributions are credited to the AgrInvest accounts, funds can be withdrawn at any time. The matching government contribution and administration costs are shared between the Government of Canada and Alberta in a 60:40 ratio. The program is delivered by the Government of Canada. The financial statements of AFSC reflect only the GOA share of contribution and claim payments.

## **Wildlife Damage Compensation Program**

The Wildlife Damage Compensation Program (WDCP) provides spot loss coverage for crop damage caused by waterfowl, big game animals or upland game birds. The program applies to all commercially grown annual crops that are eligible for AgrInsurance, including hay.

There are no premiums charged under the Wildlife Damage Compensation Program. However, a non-refundable appraisal fee of \$25 is charged for each section of land for which a claim is submitted. The GOA funds 52 per cent of indemnities, and the Government of Canada funds the remaining 48 per cent. The Government of Canada funds 60 per cent of the administration and adjusting costs, and the GOA funds the remaining 40 per cent.

## **Straight Hail**

The Straight Hail Insurance program provides producers with affordable spot-loss protection for damage to crops due to hail or accidental fire. Participants can purchase Straight Hail Insurance at any time throughout the year, either in combination with AgrInsurance or on its own. Straight Hail Insurance is available to any individual with an interest in an insurable crop, including producers, tenants or landlords with a crop share lease agreement.

The combined dollar coverage of all insured parties cannot exceed the maximum dollar coverage per acre limit. Losses are paid based on the percentage of damage that occurs to the crop.

Straight Hail Insurance is a self sustainable program fully funded by producer premiums. Governments do not contribute to either administration expenses or premium costs.

## **Cattle Price Insurance**

The Cattle Price Insurance Program (CPIP) for fed cattle was launched in September 2009. CPIP is a voluntary, producer-funded insurance product that protects against declines in Alberta beef prices. CPIP offers two types of policies: one for price risk and the other for basis risk. Producers pay a premium up front in order to purchase CPIP protection. CPIP coverage is available for fed cattle intended for sale 12 to 36 weeks from the date of purchasing the coverage.

Coverage and premium levels offered to producers change on a daily basis to reflect actual market conditions. This allows producers to tailor coverage to their own operations and risk preferences.

Policies are settled using a provincial cattle price index, which is determined weekly and is based on the average sale price for cattle in the province. This results in payouts that are timely and directly related to price impacts experienced by producers in Alberta.

## **Loans and Guarantees**

AFSC offers loans for farms, agribusinesses, value added enterprises and commercial enterprises as well as loan guarantees and capital sourcing services. Flexible terms and long-term fixed interest rates provide stability for farm and business planning as well as managing future cash flows in industries where income and expenses can be volatile. Our



farm and commercial loan programs offer competitive and in some cases preferred interest rates with flexible terms and conditions. AFSC finances loans with terms and fixed interest rates up to 20 years. We offer various repayment schedules including monthly, semi-annual, quarterly and annual frequencies. In addition, our customers have the ability to prepay or pay in full any loan without penalty. AFSC loans are generally secured by land, buildings, and equipment.

### *Alberta Farm Loan Program (AFLP)*

The AFLP provides access to a consistent source of capital with competitive interest rates and flexible terms and conditions to individuals and companies involved in primary agriculture in Alberta. The program was enhanced in 2007, to enable producers to borrow and invest in an agribusiness enterprise. A unique feature of the AFLP is an incentive which offers an interest rate reduction to qualifying borrowers up to a maximum of five years.

### *Value Added & Agribusiness Program (VAAP)*

We continued our support of the Value Added and Agribusiness industries through this unique loan program, which provides innovative financing solutions with reasonable interest rates and flexible terms and conditions. Business owners can use VAAP loans to start, expand, purchase, or upgrade facilities, equipment or other capital assets. The VAAP also covers working capital expenditures, including training costs that support new or expanded products or services, and change of ownership.

### *Commercial Loan Program*

The Commercial Loan Program provides an alternative source of loan capital to individuals and businesses involved in commercial enterprises in Alberta. This program promotes economic growth for most sectors and industries as well as the general growth and diversification of Alberta's economy. With a maximum loan of \$5 million, participants take advantage of competitive fixed interest rates in addition to flexible terms and conditions.

### *Alberta Disaster Assistance Loan Program (ADALP)*

ADALP was designed as a stand-by emergency response loan program. It is intended to assist eligible primary producers who have suffered an agricultural disaster, helping them maintain or regain viability. The maximum loan of \$1 million can be used to restore working capital and financial viability to an operation through flexible terms and a preferred interest rate of five per cent for a maximum period of 10 years.

### *Specific Loan Guarantee Program*

This program enables eligible farm or commercial applicants to obtain financing from other financial institutions in situations supported by a loan guarantee from AFSC. In addition to standard guarantees to support a loan, AFSC can also arrange guarantees to support a letter of credit, bid bonds or performance guarantees.

### *Capital Sourcing*

The Capital Sourcing Program encourages the expansion of agriculture, agribusiness, value added enterprises and commercial operations in Alberta by working with other financial institutions to access financial capital. This ensures our customers get the capital they need to develop or expand their business. Capital sourcing services can be provided as a stand-alone fee-based service or in conjunction with our other loan programs.

AFSC lending programs are funded by interest and fee revenue generated from our borrowers, and through contributions received from the GOA.

## Alberta's Agriculture Industry: Crop Year 2009

In 2009, Alberta's producers endured cool, dry spring weather and late spring frost which negatively affected the development of crops, hay and pastures. Significant precipitation did not occur until late June with cool conditions continuing through July and a return to more seasonal weather in August. The province experienced a warm, dry September which allowed the late crops to mature and be harvested with above average quality. Overall annual crop yields were well below average with forage crop yields significantly below average. 2009 grain and oilseed prices declined between the spring and fall for most crops while prices for forage crops increased.

Because of poor pasture and hay production, many livestock producers were challenged with finding adequate forage supplies resulting in some having to sell some or all of their herds. As well, producers saw reduced profit margins as prices for livestock remained weak while the cost of feed and other inputs increased.

Producers continued to be faced with high input costs, especially for fuel and fertilizer. Towards the end of the season producers saw a reduction in some input costs resulting from lower prices for oil and natural gas.

Alberta experienced a very low incidence of hail until the August 1 weekend. Though the incidence was less widespread, the severity was immense. As a result, Alberta experienced the third highest hail indemnity year with payments exceeding \$171 million under the hail endorsement and straight hail insurance programs. The two previous high payment years were \$265 million in 2008 and \$177 million in 2007.

The 2009 growing season placed increased demands on AFSC to keep up with the volume of inspection requests and claims. AFSC responded by implementing expedited claim processes and transferring staff to hard hit areas.

## Assistance for Alberta's Agriculture Sector

The following core programs assisted producers and industry this year, as part of Growing Forward. AFSC plays an important role especially in times of economic

hardship. We continually seek new and innovative ways to provide our customers with the financial and risk management tools they need to recover from crisis and disasters.

### *AgriStability*

AFSC delivered AgriStability payments to Alberta producers affected by a wide variety of factors. Claims are normally processed on a one year lag basis. 2008 saw above average crop yields with very high prices while most types of livestock continued to have low market prices and high feed costs. AgriStability responded to the producers having reduced margins, as claims for the 2008 claim year processed to March 31, 2010 amounted to \$76 million of \$101.4 million for the year.

This year producers realized the benefits of AFSC's efforts to improve the processing and verification of claims that resulted in a significant improvement of claim turn around times. Producers will continue to benefit from this in the future as forecasted claim payments for the 2009 claim year are \$379.2 million, which will be the second highest since the 2003 inception of the Canadian Agricultural Income Stabilization (CAIS) program. The forecast increase in 2009 is due to below average crop yields, a decline in commodity prices and continued low livestock prices coupled with high feed costs.

There were 28,491 producers participating in AgriStability in 2008 compared to 31,727 in 2007. This is the first major decline in participation since 2003. Much of this decline is a result of declining margins in many of the livestock sectors.

### *AgriInsurance*

In 2009, Alberta's AgriInsurance programs were adjusted to provide a more targeted, timely and efficient response for the higher than normal demand for on-farm inspections as a result of the cool, dry conditions affecting most areas of the province. AFSC introduced "township average yields" for annual crops in the most severely affected areas to expedite the handling of pre-harvest adjusting requests. Producers wishing to graze, pasture or work down an annual crop in these areas were offered the option of the township average yield as an immediate appraisal, or AFSC adjusters appraised the yield of the

standing crop. AFSC later confirmed the crop was put to an alternative use, and producers were compensated for the difference between the coverage and the combination of appraised and harvested production for the crop.

This year AFSC implemented an electronic workflow process through Adjuster Mobility, connecting the district office, adjuster, and Lacombe Central Office processing to eliminate paper transfer for a wide variety of claims. This has resulted in significant reductions to claim turnaround times.

Initiated in 2008, AFSC continued to provide Individual Coverage for annual crops. Individual Coverage promotes and rewards best farm management practices by creating a direct link between a client's production history and the yield coverage offered for that crop. It also provides cushioning coverage to offset the effects of disaster years and positive trending of yields to adjust historic production records to reflect enhancements to varieties and management practices over time.

### **Annual Crops**

Over 13,000 Alberta producers purchased multi-peril AgriInsurance in 2009 on more than 12.9 million acres, an increase from 12.5 million acres in 2008 and the highest insured acreage to date. Dollar coverage totaled \$2.65 billion, only exceeded in 2008 at \$2.67 billion. The principal causes of loss were due to either hail damage or the cool, dry conditions experienced throughout much of the growing season. AFSC processed more than 6,700 claims representing \$250 million in payments for a loss to premium ratio of 79.4 per cent. This compares to \$65.9 million paid in 2008 (20.5 per cent loss to premium ratio) and is the second highest ever when compared to the \$658 million (424.7 per cent loss to premium ratio) paid in 2002.

### **Perennial Crops**

A combination of dry conditions and cool weather severely affected perennial crop growth. AFSC insured almost 6.8 million acres of hay and pasture in 2009, an increase of 70,500 acres from 2008. Dollar coverage rose to \$100 million from \$87.7 million due principally to higher hay prices. Indemnity payments totaled over \$57.2 million representing a loss to premium ratio of 303.7 per cent for the combined perennial insurance programs Hay Insurance, Export Timothy Hay Insurance,



Moisture Deficiency Endorsement for Hay (MDE), Satellite Yield (SAT) and Moisture Deficiency Insurance (MDI) for pasture. In 2008, indemnities totaled \$6.7 million for a loss to premium ratio of 38.7 per cent.

### **Hail Endorsement and Straight Hail**

AFSC continued to respond quickly and efficiently to hail claims. In 2009, the average turn-around time from claim notification to inspection was 18 days, compared to 24 days in 2008. AFSC received over 4,830 hail inspection requests of which 3,606 resulted in a payment. In 2008, AFSC inspected 9,400 claims of which 6,679 resulted in a payment for damage.

Though the incidence of hail was less prevalent provincially in 2009, one major storm that began in west central Alberta and ended in south eastern Alberta had a major effect upon indemnities paid. Hail Endorsement indemnities were paid on 2,430 contracts totaling \$141.6 million for a loss to premium ratio of 111 per cent. This compares to 3,929 claims paid in 2008 for a total of \$191.7 million for a loss to premium ratio of 178.5 per cent.

Producers also purchased straight hail coverage on 4.6 million acres, representing \$508 million in dollar coverage. Indemnities were paid on 1,176 claims for a total of \$30.1 million with a loss to premium ratio of 85.3 per cent. In 2008, straight hail indemnities were paid on 2,750 claims totaling \$73.6 million for a loss to premium ratio of 163 per cent.

### **Spring Price Endorsement (SPE)**

The Spring Price Endorsement provides Alberta producers with the capability to protect themselves from price declines occurring during the growing period, when

the price in the fall is 10 per cent or more below the published Spring Insurance Price. In 2009, clients insured more than 1.77 million acres of crops with the SPE, 13.8 per cent of total SPE eligible acres, representing \$359.1 million of risk to the Corporation. In 2008, clients insured almost 467,000 acres, 3.8 per cent of acres eligible for SPE coverage, totaling \$98.7 million of risk.

For many crops, pricing over the 2009 growing season suffered significant declines from the spring insurance prices. Indemnity payments to clients were \$83 million for a loss to premium ratio of 295.5 per cent. This compares to indemnity payments of \$286,000 in 2008. There were no Revenue Insurance Coverage payments in either 2008 or 2009.

### **Wildlife Damage Compensation**

Wildlife Damage Compensation Program payments were down slightly to \$3.4 million from \$4.5 million in 2008. Most farmers were able to complete harvest before the onset of winter, thus reducing the potential for damage caused by wildlife.

### **AgriRecovery**

AFSC followed up on a former \$16 million 2008 AgriRecovery response for a number of seed potato producers affected by the potato cyst nematode. The response paid \$1.5 million in 2009 to producers affected by border closure to seed potato exports from Alberta to the United States of America and Mexico. After completion of seeding of the 2008 crop, no foreign export market existed for these specialized potatoes. The AgriRecovery response compensated producers for lost sales as a result of the border closure, as well as potato destruction costs. AgriRecovery also responded with compensation for one pork producer upon destruction of his herd after quarantine.

### **Additional Programs**

In our efforts to meet the needs of Alberta's agriculture sector AFSC has researched and implemented a number of new initiatives during the year in addition to the core programs offered.

After legislative amendments allowing AFSC to expand its insurance from crops to all agriculture products, AFSC designed and introduced a price insurance product for

fed cattle and a product to cover overwintering death losses for honey bees. As well AFSC introduced insurance coverage for Camelina and Canary Seed. These products were all launched during 2009.

### **Cattle Price Insurance**

The Cattle Price Insurance Program (CPIP) for finished cattle is a made in Alberta solution to help manage price and basis risk. Launched in September 2009, the program has been well received by cattle feeders of all sizes, with 15 per cent of cattle on feed insured as of March 1, 2010. This resulted in premiums of \$2.5 million and coverage of \$147 million. The market price for fed cattle increased over several months, and AFSC estimates no material indemnities paid by March 31, 2010 for policies sold.

### **Lending**

AFSC had a record year in its lending business throughout Alberta's farm and business communities. New direct loans totaled \$370.5 million for the year ending March 31, 2010, as compared to \$282.5 million for the previous year, reflecting a 31 per cent increase, and assisting over 1,700 clients in Alberta. This lending also facilitated investment of \$686 million in the province's agriculture, value-added and rural economies.

In response to the Premier's mandate to enhance access to capital for Albertans and encourage economic diversification, AFSC has achieved new heights in lending to primary producers, agri-industry and value added sectors. Direct lending in 2009/10 is \$370.5 million and forecast for 2010/11 includes a similarly high estimate. This is significant at a time of economic slow down, challenges in agri-industry and the credit squeeze. AFSC has been active in supporting both new and existing clients during this most challenging time to sustain and grow their business enterprises.

During the year, primary producers, agribusinesses, value-added operations and commercial enterprises, all took advantage of the increased AFSC lending limits to gain enhanced access to capital (loan limits were increased to \$5 million cumulatively to each borrowing connection).

The total amount of investment leveraged by loans is an



important indication of AFSC's contribution to growth in Alberta, and the 2009-10 lending investment contributed significantly to the Alberta economy. In the fiscal year ending March 31, 2010, AFSC's lending contribution resulted in leveraging \$686.8 million total project dollars.

In 2009-10, the loan portfolio reached \$1.3 billion as compared to \$1.2 billion for the previous year. The performance of AFSC's loan portfolio continues to have comparatively low levels of arrears and allowances for doubtful accounts.

Customers give our services high ratings. When surveyed by an independent firm this past year, more than 90 per cent of customers agreed that AFSC financing has helped establish or grow their farm or business.

AFSC authorized loans under its various programs that leveraged into \$473 million to the Agri-Industry (Farm and agribusiness enterprises) and \$579 million for rural-based ventures. These results are substantially greater than the expected outcomes projected in the Ministry Business Plan and reflect the positive impact of our loan programs on these important segments of the Alberta economy.

AFSC provided 1394 loans to Alberta producers totaling \$242.9 million, which were leveraged with others' funds to support total project dollars of \$280 million. The farm loan portfolio has grown to \$1,038 million.

AFSC provided 94 loans to Alberta value-added and agribusinesses totaling \$57.4 million, which were leveraged with others' funds to support total projects of \$115 million. The value-added and agribusiness loan portfolio has grown to \$83 million.

During the past fiscal year, AFSC provided 224 loans to Alberta commercial enterprises totaling \$70.4 million, which were leveraged with others' funds to support total project dollars of \$176 million. The commercial loan portfolio has grown to \$170 million.

During the past year, AFSC continued to build strong relationships with other financial institutions by issuing five guarantees totaling \$1.9 million in support of and providing capital sourcing services to seven Alberta based producers and enterprises – with project dollars totaling \$112 million.



## Financial Highlights

NOTE: Please read the following information in conjunction with AFSC's financial statements and attached notes.

Overall, the Corporation recorded revenue of \$1,028 million and expenses of \$1,100 million resulting in a deficit of \$72.6 million. The surplus balance carried over decreased to \$853 million. Included in the surplus balance is \$760.6 million in the Crop Insurance Fund made up of a \$716.9 million surplus representing the national program, a \$17.8 million surplus representing Alberta initiatives, and a surplus of \$25.9 million representing the Crop Reinsurance Fund of Alberta.

## Goals and Corporate Performance

AFSC measures its performance every year, and elements of client satisfaction were common to all programs offered by AFSC. Items such as the quality and value of services, and competence, responsiveness and courtesy of AFSC staff are measured. The survey was conducted by an independent firm in the first two months of 2010. From subscriptions across all program areas, a total of 1,784 AFSC AgriStability, Lending and AgriInsurance clients were randomly contacted by telephone. Client anonymity is assured through the use of an independent survey and reporting firm, and provisions in the *Freedom of Information and Protection of Privacy Act*.

A key performance measure for 2009/2010 was to determine satisfaction with all the services provided by AFSC. Based on a combination of selected questions over which AFSC is held accountable, 89.8 per cent of customers indicated satisfaction with customer service.

Government stakeholder satisfaction is measured through turnaround times for claim payments for both income stabilization and insurance programming. Measurements provide an indication of AFSC's operational efficiency.

This year AFSC reduced turnaround times for AgriStability claims. For complete claims received prior to August 15 to time of payment, claims took 20 days, exceeding the target of 30 days. For claims received after August 15, claims took 28 days to be paid, exceeding the target of 65 days.

For insurance claims aggressive targets were set, however 2009-10 was an unusually busy year. For

hail claims, AFSC met its target of 18 days between claim filing to inspection, and from inspection to claim completion, AFSC took only 10 days, exceeding its 22 day target.

For AgriInsurance claims, the time between filing a claim to inspection averaged 35 days, and AFSC had targeted a 20 day turnaround. The time between inspection to claim completion averaged 38 days, with a targeted 30 day turnaround. Times above targeted levels were attributed to increased post-harvest claims with a delayed harvest, compared to prior years, as well as budgetary restrictions affecting staffing.

The ratio of direct loan dollars compared to project dollars leveraged exceeded the target of 1.5 this year at 1.84, with \$372 million in direct loans representing \$686 million in total project dollars. This reflects AFSC's role as a catalyst or enabler for investment in Alberta. Lending arrears based on loan value were only half of the targeted value of 2.8 per cent, at 1.6 per cent for the entire portfolio. This shows AFSC's loan portfolio is managed well, relative to the general economic conditions and similar other business entities.

Much work occurred in delivering new system development and enhancements projects on time and on budget, and measuring the effectiveness of project management shows 80 per cent were delivered on time and on budget, exceeding the 75 per cent target set.

Lastly AFSC conducted a staff survey measuring a variety of factors – showing 80 percent of employees were proud to work for AFSC and recommended AFSC to others, were satisfied with the organization, inspired to do their best, and preferred to stay with AFSC. 78 per cent acknowledged appropriate job fit, learning, development, quality of supervision, balance of work and personal life, input into decisions, career growth, confidence in the senior leadership and meaningful recognition. This exceeded 75 per cent target levels in both categories. The results indicate the majority of AFSC staff are inspired to do their best, in the service of producers and when connecting with customers.

## Enterprise Risk Management

The business activities of AFSC involve risk. Risk management is vital to protecting AFSC's customers, business interests and long-term viability. The Corporation has a comprehensive Enterprise Risk

Management plan to mitigate identified risks to acceptable levels. The Board of Directors and its Committees have oversight responsibility for the Enterprise Risk Management plan and practices. The Executive Management Team is responsible for managing corporate-wide enterprise risk. Management at all levels is responsible for the ongoing monitoring of risks and implementing appropriate measures to mitigate them.

The plan ensures that risk-taking activities and practices are appropriate to meet customer needs while fulfilling AFSC's corporate strategy and goals.

The following discussion identifies some of the key risks the Corporation faces and how these risks are managed.

## Strategic Planning

The Board at its annual strategic planning retreat reviews the corporate vision, mission, goals and strategic priorities following an economic and agricultural scan. During the planning retreat, the Board also reviews the mandates of the Corporation and its core programs and deals with strategies to address key risks.

### Credit Risk

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

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. These measures do not eliminate risk, but they do diminish the risk of significant losses. The breakdown of our loan portfolio by business is provided in Note 14 (a) to the financial statements.

AFSC invests surplus funds generated by Production and Hail Insurance operations. To lessen the risk of potential non-realization 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. Investment in asset backed securities is a smaller portion of the portfolio and consists of securities with AAA rating and relatively lower levels of risk.

Payments to some CAIS/AgriStability participants resulted in overpayments when information provided to AFSC 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 any funds it owes against any debt owing to the Corporation.

AFSC provides insurance coverage on crops, effective at the signing of a contract of 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 made for a payment schedule for all customers not taking advantage of the discount. Insurance staff closely monitor outstanding premiums and promptly take collection action when required. Insurance contracts are not renewed for future years if premiums for the prior year are outstanding at the time of renewal.

AFSC enters into reinsurance arrangements with private sector reinsurance companies to reduce the Corporation's exposure to insurance program risk. AFSC, through our reinsurance broker, mitigates credit risk related to non-recoverability of reinsurance proceeds from private reinsurance companies by selecting reinsurance companies with superior credit ratings. AFSC minimizes the concentration of credit risk for the reinsurance contracts within the portfolio. The financial position of each reinsurer is closely evaluated to ensure no significant reliance is placed on any one reinsurer by engaging a wide range of reinsurance companies.

### Interest Rate Risk

Interest rate risk is the impact that future changes in interest rates have on cash flows and fair value of assets and liabilities. To mitigate interest rate risk, AFSC focuses on matching the repayment timing of amounts borrowed with the repayment timing of loans made. AFSC allows its borrowers to repay loans in part or in full at any time without penalty. Repayment of loans by customers in part or in full prior to the contract date is a normal feature of our lending programs. The Corporation strives to minimize the gap between loan repayment and

debt repayment on a regular basis. As loan repayments before maturity is not determinable with reasonable certainty, gaps are identified and dealt with when new borrowings are made. The gap position as of March 31, 2010 is presented in Note 14 (b) to the financial statements. At March 31, 2010, there was a reasonable gap between the amount of loan and debt repayments due within the one year period. The Corporation has plans to bridge this gap through new borrowing that would result in spreading interest rate risk over a number of years.

AFSC's Investment Policy of surplus funds related to AgriInsurance, hay and pasture insurance, and hail insurance program operations further mitigates interest rate risk. 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 need to be liquidated to meet financial commitments.

### **Liquidity Risk**

Liquidity risk is the potential for financial loss if AFSC cannot meet its financial commitments for cash. As an integral part of liquidity management, the Corporation uses sound cash management practices through cash flow statements, with the objective of maintaining sufficient funds to meet business needs at all times. AFSC mitigates liquidity risks by retaining adequate bank balances in operating accounts. These accounts yield a reasonable rate of return through the GOA Consolidated Cash Investment Trust Fund. 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. Additionally, the Corporation has access to advances from the GOA to meet short term cash flow needs.

### **Insurance Risk**

Insurance risk is the potential for financial loss if AgriInsurance claims exceed program premiums and reserves in a year. We mitigate insurance risk by setting premium rates that reflect actuarially sound business principles. Our processes take into account the past results of the program as well as the amount of carried over surplus in the Insurance Fund. The major insurance programs are certified by independent actuarial firms for long-term sustainability and reasonableness of premium setting methodology.

To mitigate risks inherent in the insurance business, the

Corporation carries reinsurance for its AgriInsurance risks through reinsurance funds of the federal and provincial governments, described in more detail in Note 2 (e) to the financial statements. A summary of transactions in the two reinsurance funds is under Note 16 to the financial statements.

In order to further mitigate risks inherent in the insurance business, management has secured private sector reinsurance arrangements. This limits the Corporation's exposure to insurance program losses in the event that insurance claims exceed a threshold level determined in relation to premiums.

### **Operational Risk**

Operational risk refers to the risk of loss resulting from insufficient or failed internal processes. AFSC's Enterprise Risk Management plan provides a framework and common understanding of risk and mitigation measures. In addition, corporate policies and procedures are in place to ensure adequate internal controls to reduce the exposure to operational risks.

Formal processes are in place to monitor compliance with policies and procedures. Managers oversee operational risk in their respective work areas. Finance, Human Resources, Administrative Services and Information Technology manage operational risks specific to their areas as follows:

**Business Manager:** operational risks inherent in businesses and processes

**Finance:** credit, interest rate, liquidity and financial controls

**Human Resources:** employee recruitment, retention, succession planning and employee discipline

**Administrative Services:** physical facilities and assets, employee safety and security, corporate liability and business continuity

**Information Technology:** computer information processing systems, electronic information, security, data integrity, disaster recovery and storage, retrieval, and destruction of electronic information

As part of overall Corporate Enterprise Risk Management, the Internal Audit department plans and conducts operational and functional audits based on risk assessments. This department also examines internal process controls and compliance with policies and procedures regularly. The external auditors review the

effectiveness of internal controls annually. Both external and internal auditing groups report their findings to the Audit Committee. The management team takes timely action in addressing the internal and external audit recommendations. Management presents progress reports on implementation of audit recommendations to the Audit Committee periodically.

## Community Investment

AFSC understands the importance of providing grassroots support to communities across Alberta. It is who we are and what we do. Because we are connected to more than 50 communities across the province, AFSC, through its community investment support, plays a visible role in the growth and sustainability of rural Alberta. By investing in Alberta's rural communities, AFSC demonstrates its ability to be a Corporation that cares.

AFSC's support reaches much further than the 50-plus offices we have across the province. In fact, directly and indirectly, AFSC's contributions to communities touch numerous projects, organizations and individuals in Alberta. Let's take a look at how AFSC and our staff invested time and money in 2009/2010.

The majority of AFSC's community investment initiatives were injected directly into community organizations and their events. This included organizations such as the Chamber of Commerce, Rotary, 4-H, the Lions Club, the Legion, various senior's organizations, food banks, local agricultural societies, fire fighters, and schools. Events supported consisted of tradeshow and conferences, agriculture tours and seminars, farm safety days, community suppers, farmer appreciation days, local community events, and educational events including awards and scholarships.

The Canadian Foodgrains bank is another important organization supported by AFSC. The Canadian Foodgrains Bank was established in 1983 as a practical way for Canadian farmers to share their abundant harvests with the less fortunate of the world. Its primary purpose is to serve as a centralized grain banking and distribution system to alleviate world hunger. In 2009/2010 AFSC sponsored 19 locations in Alberta which totaled 2802 acres. AFSC supported these efforts by providing Straight Hail insurance free of charge on crops donated by partnering communities in Alberta.

AFSC's Board of Directors and Executive Management

Team support and encourage staff to partake in local volunteer efforts. This resulted in well over 6,200 hours of volunteer time being donated by AFSC staff within their communities in 2009/2010.

## Customer Service Commitment

AFSC continues to evolve a performance culture that provides staff the knowledge and tools they require to deliver excellent customer service. Our employees are the strength of our organization, and the vital link to providing the expected high level of customer service to Alberta's producers and business owners. The 2009/2010 year was focused on reviewing and improving existing processes as well as developing new tools to build on making AFSC a great place to work.

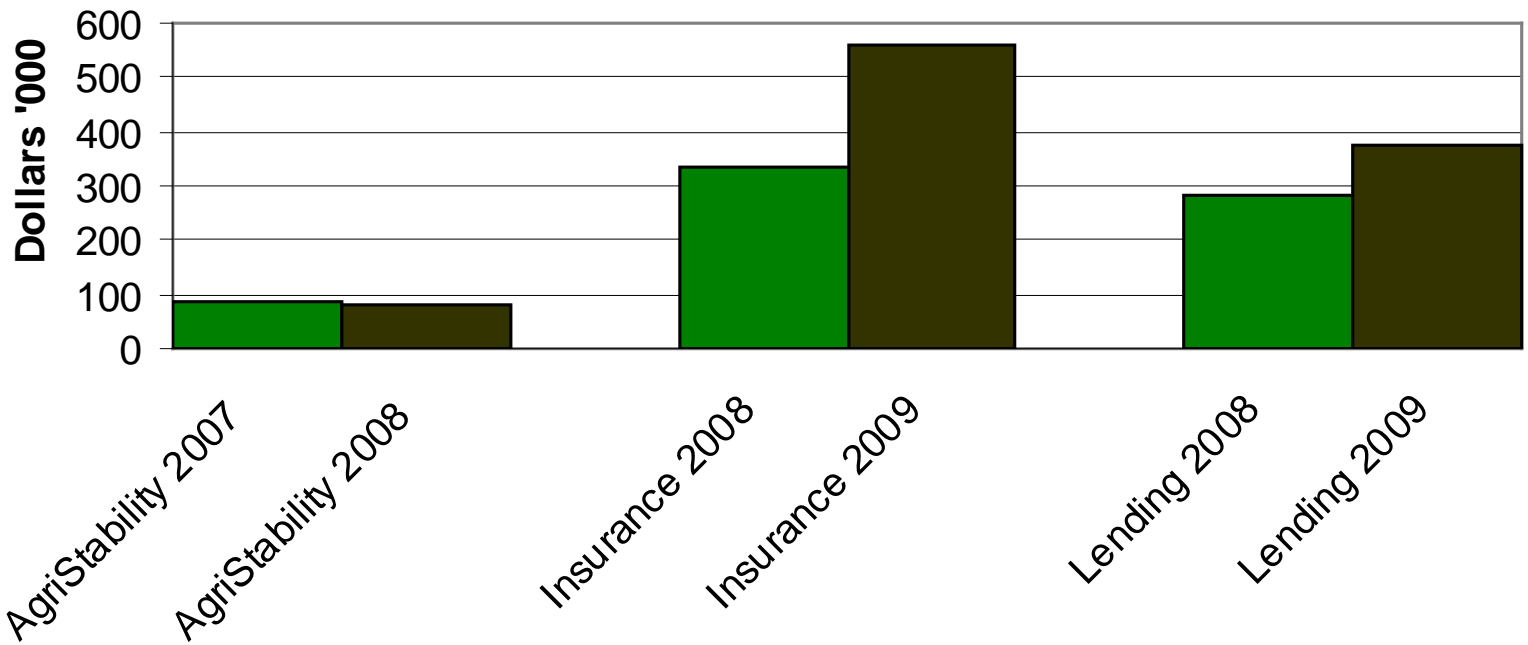
As part of our commitment to customer service excellence, the Corporation implemented a performance culture managed through a strong performance appraisal system. 2009/2010 saw a revamped non-management performance appraisal to improve the existing system and provide staff with a clear understanding of what is expected of them and how they are performing. Job ladders were also created to provide a clear line of sight to each employee's training and career plan within the organization.

Employee training and development continue to be priorities. AFSC offers targeted training and development opportunities to assist employees at all levels of the organization to achieve better customer service and their career goals. Many staff have been with the organization over 20 years, some even over 30 years, all of whom benefited from similar initiatives in assisting them in understanding the internal career growth opportunities available.

Succession Planning has been a top priority to handle potential retirements. Succession plans are in place, effectively preparing AFSC to handle retirement and transitional recruitment as required. Emphasis was placed on ensuring there is appropriate time to train new incumbents, which will result in a smoother transition for both clients and staff.

AFSC was proud to be recognized in 2010 as a top employer and will continue to build upon this success in order to meet and exceed Albertans, and our client's, expectations in the years ahead.

### AgriStability Payments, Insurance Payments and Lending Authorized



## Statistical Summaries (continued)

### Income Stabilization - AgriStability (as at March 31, 2010)

Claim Year	Number of Claims Processed	Number of Claims with Payment	Payment \$ ,000	Average Total Payment \$ (excluding Alberta Initiatives)
2008	26,818	3,607	79,664	21,248
2007	31,611	4,934	144,069	21,209

### Alberta Farm Recovery Plan II (AFRP II) (as at March 31, 2010)

Year	Number of Claims with Payment	Payment \$ ,000
2008		
AFRP II a	25,403	\$215,758
AFRP II b	19,259	\$79,337
AFRP II Total		\$295,095

### AgriInsurance for Annual Crops (as at March 31, 2010)

Crop Year	Number of Contracts	Acres ,000	Risk \$ ,000	Premium \$ ,000	Contracts with losses	Loss \$ ,000	Loss/Premium Per Cent
Crop Insurance							
2009	13,048	12,931	2,656,495	315,486	6,717	246,482	78.1%
2008	13,179	12,519	2,674,069	321,718	3,167	65,891	20.5%
Hail Endorsement							
2009	11,128	11,369	2,391,332	127,619	2,430	141,620	111.0%
2008	11,222	10,974	2,414,604	107,386	3,929	191,679	178.5%
Spring Price Endorsement							
2009	2,992	1,775	359,136	28,153	2,661	83,198	295.5%
2008	883	467	98,689	5,928	63	286	4.8%
Revenue Insurance Coverage							
2009	2,992	1,775	359,136	n/a	0	0	n/a
2008	883	467	98,689	n/a	0	0	n/a
* Totals are for crop insurance, processing vegetables, corn heat unit insurance, silage/greenfeed, honey and bee overwintering insurance programs.							

### AgriInsurance for Perennial Crops (as at March 31, 2010)

Crop Year	Number of Contracts	Acres ,000	Risk \$ ,000	Premium \$ ,000	Contracts with Losses	Loss \$ ,000	Loss/Premium Per cent
Hay Insurance (Including Export Timothy Hay)							
2009	2,154	457	29,680	5,800	1,705	14,956	257.9%
2008	2,319	477	27,692	5,747	354	1,152	20.1%
Hay Insurance - Moisture Deficiency Endorsement (MDE)							
2009	719	176	1,996	224	673	1,295	577.9%
2008	600	144	1,458	179	279	183	102.1%
Satellite Yield Insurance (Pasture)							
2009	849	3,016	23,441	5,626	835	13,702	243.5%
2008	924	3,309	23,288	5,302	236	1,052	19.8%
Moisture Deficiency Insurance (Pasture)							
2009	2,843	3,313	46,757	7,088	2,744	27,262	384.6%
2008	2,661	2,930	36,680	5,992	1,450	4,271	71.3%

## Statistical Summaries (continued)

### Hail Insurance (as at March 31, 2010)

Crop Year	Number of Contracts	Acres ,000	Risk \$ ,000	Premium \$ ,000	Contracts with Losses	Loss \$,000	Loss/ Premium Per cent
2009	5,208	4,564	508,119	35,342	1,176	30,149	85.3%
2008	7,564	6,582	763,637	45,135	2,750	73,574	163.0%

### Wildlife Damage Compensation and Excreta Programs (WDCP) (as at March 31, 2010)

Crop Year	Number of Wildlife Losses	Wildlife Loss \$,000	Number of Waterfowl Losses	Waterfowl Loss \$,000	Total Number of Losses	Total Loss \$,000
2009	346	2,797	119	601	465	3,398
2008	603	3,555	188	976	791	4,532

### Cattle Price Insurance Program (CPIP) (as at March 31, 2010)

Fiscal Year	Number of Contracts	Units \$,000	Risk \$,000	Premium \$,000	Loss \$,000	Loss/ Premium %
2010	505	1,712	147,669	2,502	3	0.1%

### Lending (2009 data as at March 31, 2010; 2008 data as at March 31, 2009)

	Authorizations 2009-2010		Authorizations 2008-2009	
	No.	\$,000	No.	\$,000
<b>Direct Loans</b>				
Farm Loans	1,394	242,866	1,172	203,476
Commercial Loans	318	127,715	275	79,134
<b>Total Direct Loans</b>	<b>1,712</b>	<b>370,581</b>	<b>1,447</b>	<b>282,610</b>
<b>Guarantees</b>				
Guaranteed Loans	5	1,905	7	1,285
<b>Corporate Grand Total</b>	<b>1,717</b>	<b>372,486</b>	<b>1,454</b>	<b>283,895</b>

In addition to the above, for 2009-2010, AFSC also facilitated 7 capital sourcing projects with a total investment value of \$111,707,532. (In the previous 2008-09 year, 26 projects were facilitated for \$12,812,212 total investment value).



## Management's Responsibility for Financial Reporting

The accompanying financial statements of Agriculture Financial Services Corporation and all other information relating to the Corporation contained in this annual report are the responsibility of management. The financial statements have been prepared in conformity with Canadian generally accepted accounting principles, using methods appropriate for the industry in which the Corporation operates and 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 Alberta Auditor General is responsible to express a professional opinion on these financial statements. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit Committee, composed of Directors who are not employees of the Corporation. The Audit Committee meets regularly with management, the internal auditors and the external auditors to discuss auditing and financial matters, to gain assurance that management is carrying out its responsibilities, and to review and approve the financial statements. The internal and external auditors have full and free access to the Audit Committee.



Brad Klak  
President and Managing Director



R. (Krish) Krishnaswamy, B. Comm., C.M.A  
Vice-President, Finance and Corporate Affairs



## Auditor's Report

### *To the Board of Directors of the Agriculture Financial Services Corporation*

I have audited the statements of financial position of the Agriculture Financial Services Corporation as at March 31, 2010 and 2009 and the statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta

June 1, 2010

Original signed by Merwan N. Saher

CA

Auditor General

AGRICULTURE FINANCIAL SERVICES CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2010

Auditor's Report

Statements of Financial Position

Statements of Operations

Statements of Cash Flows

Notes to the Financial Statements

Schedule of Operations

Schedule of Administration Expense

Schedule of Salaries and Benefits

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENTS OF FINANCIAL POSITION

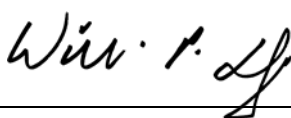
AS AT MARCH 31, 2010  
(dollars in thousands)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash	\$ 271,980	\$ 389,660
Accounts receivable (Note 4)	14,818	38,527
Due from Government of Alberta	171,891	73,446
Due from Government of Canada	318,582	188,349
Loans receivable (Note 5)	1,264,022	1,173,185
Investments (Note 6)	496,564	468,996
Property and equipment (Note 7)	45,625	41,033
	<u>\$ 2,583,482</u>	<u>\$ 2,373,196</u>
<b>LIABILITIES AND SURPLUS</b>		
Accounts payable and accrued liabilities	\$ 16,178	\$ 15,900
Indemnities payable (Note 8)	486,248	299,972
Due to Crop Reinsurance Fund of Canada for Alberta	800	625
Allowance for losses on loan guarantees (Note 13)	968	511
Notes payable (Note 9)	1,211,200	1,123,448
Unearned revenue (Note 10)	15,095	7,168
	<u>1,730,489</u>	<u>1,447,624</u>
Surplus (Note 3c)	852,993	925,572
	<u>\$ 2,583,482</u>	<u>\$ 2,373,196</u>

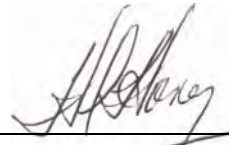
Contingencies and commitments (Note 13)

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

Approved by the AFSC Board of Directors and the Executive Management Team:



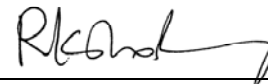
Bill Daye, Chair of the Audit Committee



Harry Haney, Chair of the Board



Brad Klak, President and Managing Director



R. "Krish" Krishnaswamy, Vice-President,  
Finance and Corporate Affairs

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENTS OF OPERATIONS

YEAR ENDED MARCH 31, 2010

(dollars in thousands)

	2010		2009
	Budget	Actual	Actual
	(Note 3(a))	(Schedule 1)	
Revenue:			
Premiums from insured persons	\$ 251,413	\$ 221,455	\$ 209,465
Interest	73,370	72,177	72,769
Contribution from Government of Alberta	330,328	340,649	689,166
Contribution from Government of Canada	372,127	353,676	268,421
Investment income	34,247	26,784	31,202
Fees and other income	8,292	13,057	22,370
	<u>1,069,777</u>	<u>1,027,798</u>	<u>1,293,393</u>
Expense:			
Indemnities	731,849	927,056	974,870
Administration (Schedule 2)	82,764	75,057	76,592
Interest	52,819	49,458	57,287
Reinsurance	26,829	24,951	12,872
Farm loan incentives	2,115	1,701	2,617
Provision for doubtful accounts and for losses (Note 12)	2,852	20,435	3,124
Selling commissions	2,558	1,719	2,480
	<u>901,786</u>	<u>1,100,377</u>	<u>1,129,842</u>
(Deficit) surplus for the year	<u>\$ 167,991</u>	<u>(72,579)</u>	<u>163,551</u>
Surplus at beginning of year		<u>925,572</u>	<u>762,021</u>
Surplus at end of year		<u>\$ 852,993</u>	<u>\$ 925,572</u>

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31, 2010

(dollars in thousands)

	2010	2009
Operating transactions:		
(Deficit) surplus for the year	\$ (72,579)	\$ 163,551
Non-cash items included in surplus	28,334	8,241
Changes in assets and liabilities relating to operations	(25,945)	(25,969)
Net cash (utilized) provided by operating activities <sup>(1)</sup>	(70,190)	145,823
Investing transactions:		
Proceeds from repayments of loans receivable and sale of properties	229,712	192,742
Loan disbursements	(327,053)	(290,278)
Purchase of investments	(565,718)	(296,771)
Proceeds on disposal of investments	537,150	268,371
Purchase of property and equipment	(11,266)	(11,515)
Proceeds on disposal of property and equipment	15	16
Net cash utilized by investing activities	(137,160)	(137,435)
Financing activities:		
Borrowing from the Government of Alberta	299,026	815,169
Repayment of borrowing from the Government of Alberta	(209,356)	(701,348)
Net cash provided by financing activities	89,670	113,821
Net (decrease) increase in cash from operating, investing and financing activities	(117,680)	122,209
Cash at beginning of year	389,660	267,451
Cash at end of year	\$ 271,980	\$ 389,660

<sup>(1)</sup> Net cash provided by operating activities includes \$51,845 (2009 \$54,964) of interest paid.

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

(dollars in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

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

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Cash

Cash consists of balances in accounts with the Consolidated Cash Investment Trust Fund which is managed by the Government of Alberta to provide competitive interest income while maintaining maximum security and liquidity of funds.

(b) 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 straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(c) Notes Payable

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

(d) Fair Value of Assets and Liabilities

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Government of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, Indemnities payable and Due to Crop Reinsurance Fund of Canada for Alberta. Fair values of Investments and Notes payable are disclosed in their respective notes.

## AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

### Note 2 Significant Accounting Policies and Reporting Practices (continued)

#### (e) Reinsurance

The Corporation carries reinsurance to cover AgrilInsurance 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 AgrilInsurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 16).

In addition, the Corporation carries reinsurance through private insurance companies for AgrilInsurance programs and for the Cattle Price Insurance (CPIP) programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are reported gross; they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts from insured persons or contributions from the Governments of Canada and Alberta; they are separately disclosed under Expenses.

#### (f) Loan Discounting

Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster Program, and amounts previously deferred under the Indexed Deferral Plan are discounted when they involve significant concessionary elements. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

#### (g) Revenue Recognition

All revenues including Contributions from the Governments of Canada and Alberta are recognized on an accrual basis. For the Canadian Agricultural Income Stabilization (CAIS), AgriStability, AgriInvest and AgriRecovery programs, government contributions are based on program benefit payments to producers. For AgrilInsurance and Cattle Price Insurance programs, it is based on premiums invoiced to producers.

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Loan fees are recognized when received or at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.



## AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

### Note 2 Significant Accounting Policies and Reporting Practices (continued)

#### (h) 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.

#### (i) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Corporation establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

#### (j) Transactions with Related Parties

The Governments of Canada and Alberta significantly influence the programs delivered by the Corporation and are major contributors to the funding of the programs. Therefore, both governments are considered related parties. All related party transactions with the Governments of Canada and Alberta have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 15).

#### (k) AgriStability, AgriInvest and AgriRecovery Program

Indemnities and administration expenses for the AgriStability and the AgriRecovery programs and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% because the programs are delivered by the Corporation. Indemnities and administration expenses under the AgriInvest program and corresponding Government of Alberta contributions are recorded at 40% reflecting the Government of Alberta's share of program payments and costs because the program is delivered by Agriculture and Agri-Food Canada.

### Note 3 Financial Structure

#### (a) Budget

The Board of Directors approved the Corporation's budget in May 2009. Provincial funding for the approved budget of \$330,328 was authorized by the Legislative Assembly.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 3 Financial Structure (continued)

(b) AgrilInsurance Fund Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the AgrilInsurance fund is restricted to being used for AgrilInsurance purposes.

(c) Other Revenue and Expenses

The Other column in Schedule 1, in the Schedule of Operations, includes the wildlife program, the cattle price insurance program and consulting fees and expenses that are not attributable to any of the programs disclosed in Schedule 1.

Note 4 Accounts Receivable

	2010	2009
AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs:		
Overpayments	\$ 22,438	\$ 34,016
Administration fees	2,025	3,104
Premiums from insured persons		
AgrilInsurance program	10,450	9,392
Hail insurance program	301	530
Prepaid expenses	1,351	1,328
Other	93	291
	36,658	48,661
Less allowances for doubtful accounts (Note 12)	(21,840)	(10,134)
	\$ 14,818	\$ 38,527

If the overpayment under CAIS or AgriStability program is not repaid or converted to a loan, the Corporation will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Corporation as well as programs administered by the Governments of Canada and Alberta. Overpayment amounts collected in the future are repayable to the Governments of Canada and Alberta.

The Allowances for doubtful accounts of \$21,840 (2009 \$10,134) for estimated losses on premiums receivable and overpayments is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2010			2009
	Farm	Commercial	Total	Total
Recorded investment	\$ 1,012,386	\$ 253,267	\$ 1,265,653	\$ 1,174,018
Specific allowance	(355)	(7,189)	(7,544)	(12,251)
General allowance	(13,079)	(4,056)	(17,135)	(12,220)
	<u>998,952</u>	<u>242,022</u>	<u>1,240,974</u>	<u>1,149,547</u>
Accrued interest	22,545	1,541	24,086	25,221
Accrued incentives	(661)	-	(661)	(1,090)
Loan discounts	(377)	-	(377)	(493)
Net carrying value	<u>\$ 1,020,459</u>	<u>\$ 243,563</u>	<u>\$ 1,264,022</u>	<u>\$ 1,173,185</u>

Impaired loans included in the preceding schedule:

	2010			2009
	Farm	Commercial	Total	Total
Recorded investment	\$ 1,009	\$ 12,492	\$ 13,501	\$ 14,062
Specific allowance	(355)	(7,189)	(7,544)	(12,251)
Net carrying value	<u>\$ 654</u>	<u>\$ 5,303</u>	<u>\$ 5,957</u>	<u>\$ 1,811</u>

The impaired loans balance includes property held for sale which have been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of \$2,582 (2009 \$2,330) on property balances outstanding of \$2,709 (2009 \$2,799).

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2010	2009
Alberta Disaster Assistance Loan Program	\$ 19,970	\$ 24,886
Alberta Farm Income Disaster loans	5,823	8,949
Indexed Deferral Plan	37	77
	<u>\$ 25,830</u>	<u>\$ 33,912</u>

Included in Loans receivable is a specific allowance of \$7,544 (2009 \$12,251) and a general allowance of \$17,135 (2009 \$12,220) that are subject to measurement uncertainty. The amount established for specific and general allowances of \$24,679 to cover estimated losses on loans (see Note 2(i)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such tangible securities are \$2,395,611 (2009 \$2,089,431).

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 5 Loans Receivable (continued)

Fair values of loans receivable are not disclosed. Loans receivable consists of developmental loans with uncommon terms such as interest rate rebates/incentives, concessionary interest rates, provision for prepayments with no penalties, fixed interest rates with longer terms and loans with relatively higher financial risks. Determining the fair values of loans receivable with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

Note 6 Investments

	<u>2010</u>	<u>2009</u>
Bonds and debentures:		
Government of Canada, direct and guaranteed	\$ 135,757	\$ 172,113
Other provincial direct and guaranteed	<u>180,247</u>	<u>128,052</u>
	316,004	300,165
Corporate securities	<u>175,209</u>	<u>163,366</u>
	491,213	463,531
Accrued interest	<u>5,351</u>	<u>5,465</u>
	<u><u>\$ 496,564</u></u>	<u><u>\$ 468,996</u></u>

The fair value of investments at March 31, 2010 is \$503,384 (2009 \$475,504). Fair value is based on quoted market prices including accrued interest.

Note 7 Property and Equipment

	<u>Land</u>	<u>Building</u>	<u>Furniture and Fixtures</u>	<u>Computer Equipment and Software</u>	<u>2010 Totals</u>	<u>2009 Totals</u>
	Infinite	25 - 40 years	10 years	2 - 10 years		
Cost						
Beginning of year	\$ 347	\$ 9,959	\$ 4,579	\$ 67,091	\$ 81,976	\$ 72,149
Additions	-	67	1,196	10,003	11,266	11,515
Disposals and writedown	-	-	(167)	(5,365)	(5,532)	(1,688)
	<u>347</u>	<u>10,026</u>	<u>5,608</u>	<u>71,729</u>	<u>87,710</u>	<u>81,976</u>
Accumulated amortization						
Beginning of year	-	2,956	2,884	35,103	40,943	35,799
Amortization expense	-	356	425	5,875	6,656	6,817
Disposal and writedown	-	-	(167)	(5,347)	(5,514)	(1,673)
	<u>-</u>	<u>3,312</u>	<u>3,142</u>	<u>35,631</u>	<u>42,085</u>	<u>40,943</u>
Net book value at						
March 31, 2010	<u>\$ 347</u>	<u>\$ 6,714</u>	<u>\$ 2,466</u>	<u>\$ 36,098</u>	<u>\$ 45,625</u>	
Net book value at						
March 31, 2009	<u>\$ 347</u>	<u>\$ 7,003</u>	<u>\$ 1,695</u>	<u>\$ 31,988</u>		<u>\$ 41,033</u>

Computer equipment and software costs includes \$3,387 (2009 \$12,203) of costs incurred that are not amortized because they are still in the development stage. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 8 Indemnities Payable

	2010	2009
		(Note 2(k))
AgriStability (previously CAIS program), AgrilInvest, AgriRecovery and related programs	\$ 449,301	\$ 290,561
AgriInsurance	30,818	7,145
Wildlife compensation	4,687	1,617
Hail insurance	1,442	649
	\$ 486,248	\$ 299,972

AgriStability, AgrilInvest and AgriRecovery

Estimated indemnities payable of \$449,301 and corresponding contributions and receivables from the Governments of Canada and Alberta for the AgriStability, AgrilInvest and AgriRecovery programs (replacement of CAIS, effective the 2007 claim year) are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly. Estimated indemnities payable represents claims payable for several claim years from 2003 to 2009.

For the Claim Year 2009

AgriStability and AgrilInvest indemnities payable includes estimated payments for the 2009 claim year of \$390,753. The vast majority of 2009 claims are not received because the deadline for submission of complete information is after the end of the fiscal year. The program payments are triggered when the participants claim year program margin falls below their support level. Indemnities payable includes 100% estimated payments of \$366,908 for claims under the AgriStability program and only the Government of Alberta's 40% share of claims under the AgrilInvest program of \$23,845.

The two factors impacting estimated indemnities payable for the 2009 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2009 claim year is based on the number of farm operations participating in the program during the 2008 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2008 and 2009. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2009 claim year of \$403,695 would range from \$329,415 to \$477,974.

For the Claim Year 2008 and Prior Years

Indemnities payable includes estimated payments of \$49,605 for claims received but not processed for the 2008 and prior claim years (2009 \$75,298 for the 2007 and prior claim years). The estimates for the 2008 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 8 Indemnities Payable (continued)

Other

Indemnities payable also includes estimated payments of \$8,943 for related programs (2009 \$30,113). The related programs were approved and entirely funded by the Government of Alberta.

AgrilInsurance

Indemnities includes estimated payments of \$30,818 (2008 - \$7,145) for claims received but not processed for the 2009 crop year. The estimates are based on the number of claims received but not yet processed and the estimated average payment per claim.

Cattle Price Insurance Program

The corporation implemented the program during the year. Indemnities payable are based on estimated payments using forward contract prices applicable for policies sold during the fiscal year with settlement dates beyond the end of the fiscal year. The premium revenue for the year was \$2,502 (2009 nil) with a coverage of \$147,669. Indemnities paid during the year were \$3 (2009 nil). The estimated liability as at March 31, 2010 was nil.

Note 9 Notes Payable

Notes payable to the Government of Alberta are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2010	Effective Interest Rate	2009
Within 1 year	0.22% - 5.93%	\$ 291,063	0.38%	\$ 40,000
1 to 5 years	2.06% - 7.64%	273,998	3.25% - 7.64%	454,957
6 to 10 years	3.58% - 5.93%	375,239	4.21% - 5.93%	301,672
Over 10 years	4.90% - 4.97%	259,294	4.43% - 4.97%	313,294
Accrued interest		12,709		15,108
Unamortized discount		(1,103)		(1,583)
		<u>\$ 1,211,200</u>		<u>\$ 1,123,448</u>

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

Year ending March 31, 2011	\$ 318,687
2012	\$ 84,425
2013	\$ 96,053
2014	\$ 83,393
2015	\$ 45,479

The approximate fair value at March 31, 2010 is \$1,260,342 (2009 \$1,174,308). Fair value is an approximation of market value to the holder.

Note 10 Unearned Revenue

Unearned revenue is comprised of \$15,095 (2009 \$7,168) of premiums received from producers for AgrilInsurance programs and fees for the AgriStability program relating to the next fiscal year.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 11 Pensions

The Corporation participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$3,789 for the year ended March 31, 2010 (2009 \$3,251).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of (\$483,199) (2008 deficiency \$568,574) and the Public Service Pension Plan reported a deficiency of (\$1,729,196) (2008 deficiency \$1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of (\$39,516) (2008 deficiency \$7,111). The Corporation's share of these pension plans' surplus or deficiency is not determinable.

Note 12 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Farm Lending Loans Receivable (Note 5)	Commercial Lending Loans Receivable (Note 5)	Loan Guarantees (Note 13)	2010 Total	2009 Total
Allowances at beginning of year	\$ 10,134	\$ 11,983	\$ 12,489	\$ 511	\$ 35,117	\$ 34,581
Provisions	12,205	1,986	5,787	457	20,435	3,124
Write-offs, net of recoveries	(499)	(534)	(7,032)	-	(8,065)	(2,589)
Allowances at end of year	<u>\$ 21,840</u>	<u>\$ 13,435</u>	<u>\$ 11,244</u>	<u>\$ 968</u>	<u>\$ 47,487</u>	<u>\$ 35,116</u>

Note 13 Contingencies and Commitments

Contingent Liability

	2010	2009
Loan guarantees	\$ 12,355	\$ 13,998
Less allowances for losses (Note 12)	(968)	(511)
	<u>11,387</u>	<u>13,487</u>
Legal actions	180	880
Total contingencies	<u>\$ 11,567</u>	<u>\$ 14,367</u>

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation.

Legal actions represent amounts claimed or amounts claimed in excess of what was accrued. The outcome of the legal actions is not determinable at this time.

A contingent liability may exist for additional site remediation and reclamation costs in respect of a property held for sale in addition to \$2,130 (2009 \$1,700) included in Accounts payable and accrued liabilities. Due to uncertainty surrounding the environmental obligations, it is not possible to determine the amount of the contingent liability.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 13 Contingencies and Commitments (continued)

Commitments

	<u>2010</u>	<u>2009</u>
Approved, undisbursed loans	\$ 58,930	\$ 43,978
Reinsurance	25,307	23,090
Estimated farm loan incentives	1,657	4,045
Operating leases	<u>1,613</u>	<u>1,976</u>
Total commitments	<u>\$ 87,507</u>	<u>\$ 73,089</u>

The operating lease commitments are for accommodations with terms up to five years.

Note 14 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss.

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

	<u>2010</u>	<u>2009</u>
Loans receivable by sector:		
Grain and Oilseeds	\$ 577,292	\$ 537,666
Cattle	382,200	388,164
Manufacturing	64,129	50,656
Other Livestock	63,073	63,651
Accommodations and Other Services	53,693	50,289
Trade - Retail and Wholesale	47,083	37,617
Professional, Scientific and Technical	22,310	13,870
Commercial and Industrial	21,918	13,999
Transportation and Warehousing	11,759	7,866
Other	45,244	33,878
Allowance	<u>(24,679)</u>	<u>(24,471)</u>
	<u>\$ 1,264,022</u>	<u>\$ 1,173,185</u>



AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 14 Credit Risk and Interest Risk (continued)

(b) Interest Risk

Loans Receivable and Notes Payable

Interest rate risk is the impact future changes of interest rates has on cash flows and fair values of assets and liabilities. The gap position presented in the following table is determined as at the close of business on March 31, 2010. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Therefore, the following position of the Corporation's lending operations may change significantly due to loan customer payment preferences and the Corporation's risk management practices.

	Scheduled Repayment <sup>(1)</sup>				Not <sup>(2)</sup> Interest	2010	2009
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Rate Sensitive	Total	Total
Loan balances	\$ 119,434	\$ 387,796	\$ 366,190	\$ 386,078	\$ 4,524	\$ 1,264,022	\$ 1,173,185
Yield <sup>(3)</sup>	5.45%	5.66%	5.83%	5.47%	-	5.65%	6.02%
Notes payable							
Government of Alberta	\$ 318,687	\$ 309,349	\$ 312,264	\$ 259,294	\$ 11,606	\$ 1,211,200	\$ 1,123,448
Yield <sup>(3)</sup>	4.68%	4.74%	4.78%	5.63%	-	4.80%	4.82%
Net gap	<u>\$ (199,253)</u>	<u>\$ 78,447</u>	<u>\$ 53,926</u>	<u>\$ 126,784</u>	<u>\$ (7,082)</u>	<u>\$ 52,822</u>	<u>\$ 49,737</u>

<sup>(1)</sup> For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For notes payable, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

<sup>(2)</sup> Includes specific and general allowance, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

<sup>(3)</sup> For notes payable yield represents the rate which discounts future cash receipts to the carrying amount.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 14 Credit Risk and Interest Risk (continued)

(b) Interest Risk (continued)

Investments

The above gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

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

	Term to Maturity <sup>(1)</sup>			2010	2009
	Within 1 Year	1 to 5 Years	6 to 10 Years	Total	Total
Bonds and debentures	\$ 2,119	\$ 294,450	\$ 19,435	\$ 316,004	\$ 300,165
Yield <sup>(2)</sup>	1.00%	2.64%	3.71%	2.70%	2.11%
Corporate Securities	17,106	158,103	-	175,209	163,367
Yield <sup>(2)</sup>	1.45%	2.67%	-	2.55%	5.44%
	19,225	452,553	19,435	491,213	463,532
Accrued interest	186	4,876	289	5,351	5,465
	<u>\$ 19,411</u>	<u>\$ 457,429</u>	<u>\$ 19,724</u>	<u>\$ 496,564</u>	<u>\$ 468,997</u>

<sup>(1)</sup> For investments, term to maturity classifications are based on contractual maturity date of the security.

<sup>(2)</sup> For investments, yield represents the rate which discounts future cash receipts to the carrying amount.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 15 Related Party Transactions

Sufficient information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

	<u>2010</u>	<u>2009</u>
Interest expense - Government of Alberta	\$ 49,458	\$ 57,287
Administration expense - Government of Alberta	1,978	1,725
Administration expense - Government of Canada	1,700	881

Note 16 Crop Reinsurance Funds

The contributions, withdrawals and accumulated surplus positions of the Crop Reinsurance Fund of Alberta and Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(e)):

	<u>Crop Reinsurance Fund of Alberta</u>		<u>Crop Reinsurance Fund of Canada for Alberta</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Opening surplus	\$ 20,924	\$ 18,978	\$ 21,601	\$ 19,655
Contributions	1,983	1,946	1,983	1,946
Closing surplus	<u>\$ 22,907</u>	<u>\$ 20,924</u>	<u>\$ 23,584</u>	<u>\$ 21,601</u>

Note 17 Subsequent Event

The Governments of Canada and Alberta have agreed on the Canada-Alberta Pasture Recovery Initiative under the Growing Forward: A Federal-Provincial-Territorial Framework Agreement. The initiative is a response to extreme drought conditions in 2009 and low Spring 2010 moisture reserves in certain parts of Alberta and will be implemented in the next fiscal year. The estimated cost of the response is \$94.8 million to be shared by the parties as per the agreement. The cost and the corresponding contributions from the Province of Alberta and the Government of Canada are subject to measurement uncertainty.

Note 18 Comparative Figures

The 2009 figures have been reclassified where necessary to conform to 2010 presentation.

AGRICULTURE FINANCIAL SERVICES CORPORATION  
SCHEDULE OF OPERATIONS  
YEAR ENDED MARCH 31, 2010  
(dollars in thousands)

	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	<u>AgrilInsurance</u>	<u>AgrilInsurance</u>	<u>AgrilInvest and AgriStability</u>	<u>AgrilInvest and AgriStability</u>	<u>Lending</u>	<u>Lending</u>	<u>Hail Insurance</u>	<u>Hail Insurance</u>	<u>Other</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
Revenue:												
Premiums from insured persons	\$ 184,950	\$ 166,015	\$ -	\$ -	\$ -	\$ -	\$ 34,003	\$ 43,450	\$ 2,502	\$ -	\$ 221,455	\$ 209,465
Interest	362	1,010	991	332	70,763	71,287	51	117	10	23	72,177	72,769
Contribution from Government of Alberta	167,252	151,485	160,120	532,006	7,178	1,217	-	-	6,099	4,458	340,649	689,166
Contribution from Government of Canada	147,082	147,576	203,168	117,364	-	-	-	-	3,426	3,481	353,676	268,421
Investment income	25,954	29,648	503	(529)	267	1,239	2	746	58	98	26,784	31,202
Fees and other income	33	9	10,219	8,508	2,209	2,055	428	11,702	168	96	13,057	22,370
	<u>525,633</u>	<u>495,743</u>	<u>375,001</u>	<u>657,681</u>	<u>80,417</u>	<u>75,798</u>	<u>34,484</u>	<u>56,015</u>	<u>12,263</u>	<u>8,156</u>	<u>1,027,798</u>	<u>1,293,393</u>
Expense:												
Indemnities	549,287	264,930	341,134	630,266	-	-	30,089	73,574	6,546	6,100	927,056	974,870
Administration (Schedule 2)	26,713	28,214	21,736	22,112	22,788	21,477	1,810	2,809	2,010	1,980	75,057	76,592
Interest	-	-	-	-	49,458	57,287	-	-	-	-	49,458	57,287
Reinsurance	22,359	11,913	-	-	-	-	1,509	959	1,083	-	24,951	12,872
Farm loan incentives	-	-	-	-	1,701	2,617	-	-	-	-	1,701	2,617
Provision for doubtful accounts and for losses (Note 12)	164	(303)	11,978	4,636	8,240	(1,355)	-	(1)	53	147	20,435	3,124
Selling commissions	-	-	-	-	-	-	1,719	2,480	-	-	1,719	2,480
	<u>598,523</u>	<u>304,754</u>	<u>374,848</u>	<u>657,014</u>	<u>82,187</u>	<u>80,026</u>	<u>35,127</u>	<u>79,821</u>	<u>9,692</u>	<u>8,227</u>	<u>1,100,377</u>	<u>1,129,842</u>
(Deficit) surplus for the year	(72,890)	190,989	153	667	(1,770)	(4,228)	(643)	(23,806)	2,571	(71)	(72,579)	163,551
Surplus at beginning of year	833,528	642,539	14,851	14,184	72,673	76,901	2,867	26,673	1,653	1,724	925,572	762,021
Surplus at end of year	<u>\$ 760,638</u>	<u>\$ 833,528</u>	<u>\$ 15,004</u>	<u>\$ 14,851</u>	<u>\$ 70,903</u>	<u>\$ 72,673</u>	<u>\$ 2,224</u>	<u>\$ 2,867</u>	<u>\$ 4,224</u>	<u>\$ 1,653</u>	<u>\$ 852,993</u>	<u>\$ 925,572</u>

## AGRICULTURE FINANCIAL SERVICES CORPORATION

SCHEDULE OF ADMINISTRATION EXPENSEYEAR ENDED MARCH 31, 2010

(dollars in thousands)

	2010		2009
	Budget	Actual	Actual
	(Note 3(a))		
Pay and benefits (Note 11)	\$ 53,240	\$ 48,674	\$ 48,926
Amortization of capital assets	8,382	6,657	6,817
Office accommodation costs	3,489	3,809	4,846
Contracted services	3,746	3,460	3,782
Travel and automobile	3,882	3,460	3,413
Software	1,871	2,353	1,973
Stationary, supplies and minor capital	2,256	1,974	1,780
Telecommunications	853	1,003	977
Advertising	1,615	934	1,300
Courier, bank and insurance	609	640	821
Training	899	640	536
Professional services	950	617	539
Equipment rental and maintenance	423	436	459
Directors' fees and expenses	549	400	423
	<u>\$ 82,764</u>	<u>\$ 75,057</u>	<u>\$ 76,592</u>

AGRICULTURE FINANCIAL SERVICES CORPORATIONSCHEDULE OF SALARIES AND BENEFITSYEAR ENDED MARCH 31, 2010

(dollars in thousands)

	2010			2009	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non- cash Benefits <sup>(3)</sup>	Total	Total
Chairman of Board	\$ 71	\$ -	\$ -	\$ 71	\$ 81
Board members <sup>(4)</sup>	233	-	-	233	195
President and Managing Director	333	-	76	409	461
Executive/Vice-Presidents					
Vice-President, Finance & Corporate Affairs	209	16	48	273	288
Vice-President, Lending Operations	197	81	50	328	264
Vice-President, Risk Management	205	13	48	266	272
Vice-President, Human Resources & Community Relations	200	-	47	247	251

(1) Base salaries are fees for Chair and Board members and base pay for employees.

(2) Other cash benefits include vacation payments and lump sum payments.

(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 allowance, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

(4) The amounts relate to eight Board members during 2009/10 (eight in 2008/09).

## Office Locations

### AIRDRIE

97 East Lake Ramp NE  
Airdrie AB  
T4A 0C3  
Insurance Phone: (403) 948-8543  
Lending Phone: (403) 948-8529  
Fax: (403) 948-1418

### ATHABASCA

Provincial Building  
100 - 4903 - 50th Street  
Athabasca AB  
T9S 1E2  
Insurance Phone: (780) 675-4007  
Lending Phone: (780) 675-8160  
Fax: (780) 675-3827

### BARRHEAD

Provincial Building Main Floor  
PO Box 4533  
6203 - 49th Street  
Barrhead AB  
T7N 1A4  
Insurance Phone: (780) 674-8282  
Lending Phone: (780) 674-8216  
Fax: (780) 674-8362

### BROOKS

Provincial Building  
220 - 4th Avenue W  
Brooks AB  
T1R 0G1  
Insurance Phone: (403) 362-1262  
Lending Phone: (403) 362-1216  
Fax: (403) 362-8078

### CALGARY

Deerfoot Atrium North  
Suite 150 6815 - 8th Street NE  
Calgary AB  
T2E 7H7  
Phone: (403) 297-6281  
Fax: (403) 297-8461

### CAMROSE

PO Box 5000 Stn M  
4910 - 52nd Street  
Camrose, AB  
T4V 4E8  
AgriStability Analyst:  
Phone: (780) 679-1319  
Fax: (780) 679-1758  
Insurance:  
Phone: (780) 679-1739  
Fax: (780) 679-1758  
Lending:  
Phone: (780) 679-1229  
Fax: (780) 679-1300

### CARDSTON

Provincial Building  
576 Main Street  
PO Box 1288  
Cardston AB  
TOK 0K0  
Insurance Phone: (403) 653-5154  
Lending Phone: (403) 653-5138  
Fax: (403) 653-5156

### CASTOR

4902 - 50th Avenue  
PO Box 719  
Castor AB  
T0C 0X0  
Phone: (403) 882-3770  
Fax: (403) 882-2746

### CLARESHOLM

Provincial Building  
109 - 46th Avenue W  
PO Box 1227  
Claresholm AB  
T0L 0T0  
Insurance Phone: (403) 625-3534  
Lending Phone: (403) 625-1462  
Fax: (403) 625-2862

### DRUMHELLER

PO Box 2319  
100 - 515 Highway 10 E  
Drumheller AB  
T0J 0Y0  
AgriStability Analyst Phone:  
(403) 823-1696  
Insurance Phone: (403) 823-1684  
Lending Phone: (403) 823-1677  
Fax: (403) 823-5083

### EDMONTON

Room 100  
J.G. O'Donoghue Building  
7000-113 Street  
Edmonton AB  
T6H 5T6  
Phone: (780) 427-2140  
Fax: (780) 415-1218

### EDSON

PO Box 11  
Provincial Building  
111 54 Street  
Edson AB  
T7E 1T2  
Phone: (780) 723-8233  
Fax: (780) 723-8575

### FAIRVIEW

PO Box 1188  
Provincial Building  
10209 - 109th Street  
Fairview AB  
T0H 1L0  
AgriStability Analyst Phone:  
(780) 835-2295  
Insurance Phone: (780) 835-2703  
Lending Phone: (780) 835-4975  
Fax: (780) 835-3994

### FALHER

PO Box 658  
701 Main Street  
Falher AB  
T0H 1M0  
Insurance & Lending:  
Phone: (780) 837-2521  
Fax: (780) 837-8223

### FOREMOST

PO Box 37  
218 Main Street  
Foremost AB  
T0K 0X0  
Phone: (403) 867-3666  
Fax: (403) 867-2038

### FORT VERMILION

4601 - 46 Avenue  
PO Box 487  
Fort Vermilion AB  
T0H 1N0  
Insurance Phone (780) 927-4209  
Lending Phone: (780) 927-3715  
Fax: (780) 927-3838

### GRANDE PRAIRIE

102 - 10625 Westside Drive  
Grande Prairie AB  
T8V 8E6  
AgriStability Analyst Phone:  
(780) 538-5234  
Lending Phone: (780) 538-5220  
Insurance Phone (780) 538-5355  
Fax: (780) 532-2560

### GRIMSHAW

PO Box 802  
5306 - 50th Street  
Grimshaw AB  
T0H 1W0  
Insurance & Lending:  
Phone: (780) 332-4494  
Fax: (780) 332-1044

## Office Locations

### HANNA

PO Box 7 (Insurance)  
PO Box 349 (Lending)  
Provincial Building  
401 Centre Street  
Hanna AB  
T0J 1P0  
Insurance Phone: (403) 854-5525  
Lending Phone: (403) 854-5505  
Fax: (403) 854-2590

### HIGH PRAIRIE

Provincial Building  
PO Box 1259  
5226 - 53rd Avenue  
High Prairie AB  
T0G 1E0  
Phone: (780) 523-6507  
Fax: (780) 523-6569

### HIGH RIVER

PO Box 5208  
129 - 4th Avenue SW  
High River AB  
T1V 1M4  
Insurance & Lending:  
Phone: (403) 652-8313  
Fax: (403) 652-8306

### LACOMBE CENTRAL OFFICE

5718 - 56 Avenue  
Lacombe AB  
T4L 1B1  
Phone: (403) 782-8200

### LACOMBE DISTRICT OFFICE

Bay 105 - 4425 Heritage Way  
Lacombe AB  
T4L 2P4  
Phone: (403) 782-6800  
Fax: (403) 782-6753

### LAMONT

PO Box 487  
5014 - 50th Avenue  
Lamont AB  
T0B 2R0  
Insurance Phone: (780) 895-2266  
Lending Phone: (780) 895-2459  
Fax: (780) 895-7755

### LEDUC

6547 Sparrow Drive  
Leduc AB  
T9E 7C7  
Insurance Phone: (780) 986-4088  
Lending Phone: (780) 986-0999  
Fax: (780) 986-1085

### LETHBRIDGE REGIONAL OFFICE

County of Lethbridge Building  
200 - 905 - 4th Avenue S.  
Lethbridge AB  
T1J 0P4  
AgriStability Analyst Phone:  
(403) 382-4383  
Insurance Phone: (403) 381-5240  
AgriStability & Insurance Fax:  
(403) 382-4527  
Lending Phone: (403) 381-5102  
Lending Fax: (403) 381- 5178

### LLOYDMINSTER (part time location)

Phone: (780) 853-8260  
Fax: (780) 853-1982

### MANNING

PO Box 147  
116 - 4th Avenue SW  
Manning AB  
T0H 2M0  
Phone: (780) 836-3573  
Fax: (780) 836-2844

### MEDICINE HAT

111 - 7 Strachan Bay SE  
Medicine Hat AB  
T1B 4Y2  
AgriStability Analyst Phone:  
(403) 488-4507  
Insurance & AgriStability Fax:  
(403) 488-4516  
Insurance Phone (403) 488-4509  
Lending Phone: (403) 488-4508  
Lending Fax: (403) 488-4518

### OLDS

Provincial Building  
101 - 5030 - 50th Street  
Olds AB  
T4H 1S1  
AgriStability Analyst Phone:  
(403) 556-4263  
Insurance Phone: (403) 556-4334  
Lending Phone: (403) 556-4222  
Fax: (403) 556-4255

### OYEN

PO Box 426  
201 Main Street  
Oyen AB  
T0J 2J0  
Phone: (403) 664-3677  
Fax: (403) 664-2687

### PEACE RIVER

Bag 900 -23  
9809 - 98th Avenue  
Peace River AB  
T8S 1J5  
Insurance & Lending:  
Phone: (780) 624-6387  
Fax: (780) 624-6493

### PONOKA

PO Box 4426  
Provincial Building  
250 - 5110 - 49th Avenue  
Ponoka AB  
T4J 1S1  
Insurance Phone: (403) 783-7071  
Lending Phone: (403) 783-7011  
Fax: (403) 783-7925

### PROVOST

PO Box 716  
Provincial Building  
5419 - 44th Street  
Provost AB  
T0B 3S0  
Insurance & Lending:  
Phone: (780) 753-2150  
Fax: (780) 753-2876

### RED DEER REGIONAL OFFICE

Unit #1 - 7710 Gaetz Avenue  
Red Deer AB  
T4P 2A5  
Insurance Phone: (403) 340-5379  
Insurance Fax: (403) 340-7999  
Lending Phone: (403) 340-5326  
Lending Fax: (403) 340-7004

### RIMBEY

PO Box 888  
Provincial Building  
5025 - 55th Street  
Rimbey AB  
T0C 2J0  
Insurance & Lending:  
Phone: (403) 843-4516  
Fax: (403) 843-4150

### SEDGEWICK

PO Box 266  
4701 - 48th Avenue  
Sedgewick AB  
T0B 4C0  
Phone: (780) 384-3880  
Fax: (780) 384-2156



## Office Locations

### **SMOKY LAKE**

PO Box 602  
Provincial Building  
108 Wheatland Avenue  
Smoky Lake AB  
TOA 3C0  
Phone: (780) 656-3644  
Fax: (780) 656-3669

### **SPIRIT RIVER**

Provincial Building  
1st Floor 4602 - 50th Street  
Spirit River AB  
TOH 3G0  
Insurance Phone: (780) 864-3896  
Lending Phone: (780) 864-4244  
Fax: (780) 864-2529

### **ST. PAUL**

5025 - 49th Avenue  
Provincial Building  
PO Box 406  
St. Paul AB  
TOA 3A4  
Insurance Phone: (780) 645-6221  
Lending Phone: (780) 645-6453  
Fax: (780) 645-2848

### **STETTLER**

PO Box 1807 (Insurance)  
Bag 600 (Lending)  
5020 50th Street  
Stettler AB  
TOC 2L0  
Insurance Phone: (403) 740-4200  
Lending Phone: (403) 740-4209  
Fax: (403) 740-4210

### **STONY PLAIN**

Provincial Building  
4709 - 44th Avenue  
Stony Plain AB  
T7Z 1N4  
AgriStability Analyst Phone:  
(780) 968-4952  
Insurance Phone: (780) 963-0600  
Lending Phone: (780) 963-4720  
Fax: (780) 963-1251

### **STRATHMORE**

(includes Blackfoot Reserve)  
325 - 3rd Avenue  
Strathmore AB  
T1P 1B4  
AgriStability Analyst Phone:  
(403) 361-9637  
Insurance Phone: (403) 934-3616  
Lending Phone: (403) 934-5353  
Fax: (403) 934-5018

### **TABER**

Provincial Building  
5011 - 49th Avenue  
PO Box 4  
Taber AB  
T1G 1V9  
Insurance Phone: (403) 223-7900  
Lending Phone: (403) 223-7920  
Fax: (403) 223-7985

### **THORHILD**

County Administration Building  
PO Box 400  
801 - 1st Street  
Thorhild AB  
TOA 3J0  
Phone: (780) 398-3933  
Fax: (780) 398-2087

### **THREE HILLS**

Provincial Building  
160 - 3rd Avenue S  
Three Hills AB  
TOM 2A0  
Insurance Phone: (403) 443-8515  
Lending Phone: (403) 443-8510  
Fax: (403) 443-7519

### **VALLEYVIEW**

Provincial Building  
5102 - 50th Avenue  
PO Box 1046  
Valleyview AB  
TOH 3N0  
Phone: (780) 524-3838  
Fax: (780) 524-4565

### **VEGREVILLE**

PO Box 1440  
Vinet's Village Mall  
Suite 138 4925 - 50th Avenue  
Vegreville AB  
T9C 1S6  
AgriStability Analyst Phone:  
(780) 603-2332 Ext. 2  
Insurance & Lending Phone:  
(780) 603-2332  
Fax: (780) 632-3385

### **VERMILION**

PO Box 10  
Provincial Building  
4701 - 52nd Street  
Vermilion AB  
T9X 1J9  
AgriStability Analyst Phone:  
(780) 853-8238  
Insurance & Lending Phone:  
(780) 853-8266  
Fax: (780) 853-1982

### **VULCAN**

PO Box 847  
102 - 1st Street S  
Vulcan AB  
TOL 2B0  
Insurance Phone: (403) 485-2766  
Lending Phone: (403) 485-5141  
Fax: (403) 485-2947

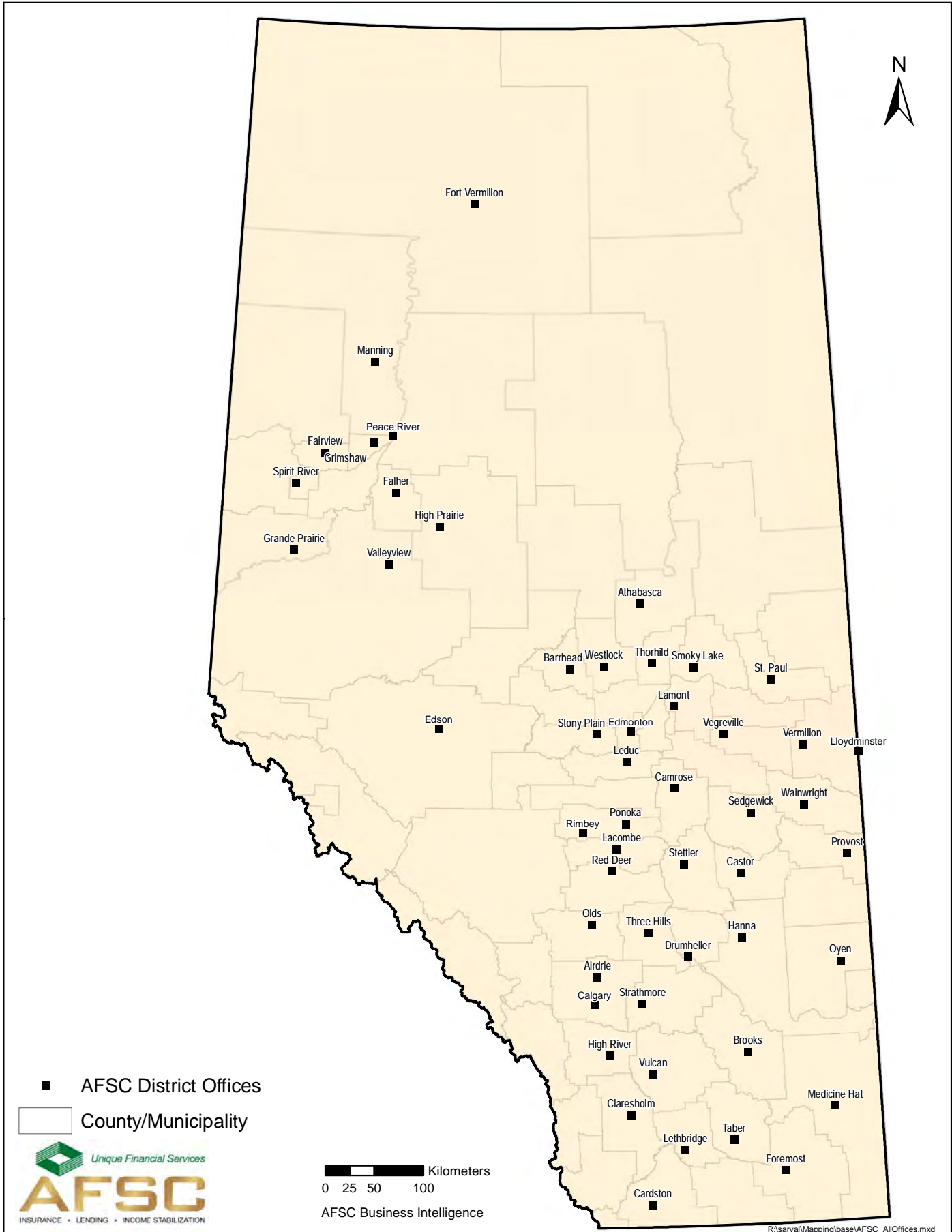
### **WAINWRIGHT**

Provincial Building  
810 - 14th Avenue  
Wainwright AB  
T9W 1R2  
Insurance Phone: (780) 842-7547  
Lending Phone: (780) 842-7542  
Fax: (780) 842-4948

### **WESTLOCK**

Provincial Building  
2 - 10003 - 100th Street  
Westlock AB  
T7P 2E8  
AgriStability Analyst Phone:  
(780) 349-6253  
Insurance Phone: (780) 349-4544  
Lending Phone: (780) 349-4529  
Fax: (780) 349-5240

# Office Locations Map





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