

April 26, 2007

Honourable Joyce Fairbairn, Chair
Standing Senate Committee on Agriculture and Forestry
C/O Jessica Richardson
Clerk of the Committee
Room 2, Victoria Building, 140 Wellington Street
Ottawa, Ontario
K1A 0A6

Dear Ms. Fairbairn:

Re: Understanding Freefall: The Challenge of the Rural Poor

Thank you for the opportunity to respond to the report titled “Understanding Freefall: The Challenge of the Rural Poor.”

We understand that the committee was authorized by Senate to examine the dimension and depth of rural poverty in Canada, examine the key drivers and provide recommendations to mitigate rural poverty.

Credit Union Central of Saskatchewan (SaskCentral) is a democratic financial co-operative that acts as a trade association and supplies financial products and services to a network of credit unions throughout the province. SaskCentral’s democratic structure includes a board of directors and delegates from provincial districts who act as liaison with credit union leaders, providing policy direction on behalf of the credit union system and member co-operatives. SaskCentral represents 75 member credit unions that serve 527,000 members through 316 outlets throughout Saskatchewan. Of the 274 communities we serve throughout Saskatchewan, approximately 8 to 10 would fit the urban definition included in the committee’s preliminary report. In 160 communities, the credit union is the only financial institution.

Economic Development Strategy

Given the credit union system is an integral part of Saskatchewan communities, and as we depend upon the economic well-being of our province, we have a role in promoting economic growth. Saskatchewan credit unions share a common vision – “Growing

communities through innovation, social responsibility and financial strength.” In keeping with this vision, SaskCentral developed an economic development strategy in 2004.

The objective of the strategy is to engage public, business and non-governmental partners to collectively create better conditions for economic growth and employment generation. At a high level, the strategy has three pillars: co-operative collaboration with key provincial stakeholders, articulation of views and positions on public policy reflecting system interest, and introduction of a program to focus capital on economic growth.

Although our research identified a number of key players in Saskatchewan’s venture capital community, there was a gap in the small capital category.

- . Small capital investments are those with fewer than 50 employees or less than \$5 million annual sales.
- . The segment is extremely important given its impact on economic development as it has created the vast majority of all new jobs in the province in the last 10 years and further 42 per cent were located in rural areas.
- . The main reason this gap exists is because it costs just as much to do a small deal in terms of due diligence, legal costs, etc. and the return does not compensate for this effort. In addition, there are costs associated with mentoring and filling the experience gap within the venture.

To address this gap, we created the Entrepreneurial Fund and Foundation.

The **Entrepreneurial Foundation** assists entrepreneurs with advisory services and mentorship. Working with entrepreneurs to fill gaps in knowledge, expertise and experience enhances the success of their venture. From an investment perspective, this mitigates some of the risks and costs associated with investing in small cap opportunities.

The **Entrepreneurial Fund** is separate from the Foundation. It has been established to make investments between \$100,000 and \$1,000,000 in selected businesses that emerge from the guidance and evaluation completed by the Foundation. This fund is a separate entity with its own board. Each investment is measured on a triple bottom line basis: social impact, economic impact and environmental impact. Although the overall purpose of the system’s economic development strategy is to support and enhance economic development and job creation in Saskatchewan, the fund’s objective is to provide a commercial rate of return. The success of the fund will be measured in terms of return on investment, as well as the number of jobs and businesses created.

Both the Entrepreneurial Foundation and Fund were designed contemplating participation from a wide array of participants. As such, the structure is designed to accommodate partners that may want to contribute support through advisory services or financial contributions.

The Economic Development Strategy also incorporates the APEX venture capital fund. This fund focuses on venture capital loans and investments in the range of \$1 million to \$4 million in size, and the Entrepreneurial Fund is focused on an investment size of under \$1 million with investment as small as \$100,000 for consideration. These two funds complement each other to ensure all sizes of entrepreneurial enterprises have the potential to receive venture capital funding.

Saskatchewan credit unions play an important role in the strategy through investment and contribution of these funds and by investment referrals to the foundation.

The system's strategy is unique in the Canadian venture capital market, particularly with the linkage to the Entrepreneurial Foundation, which is a true testament of credit union success through innovation, collaboration and community support.

Leadership

Our economic development strategy is inclusive of co-operative organizations. Co-operative ventures are eligible to participate in the Entrepreneurial Foundation and Fund. Equally important, if not more important, is the expertise credit union leaders provide to community initiatives, organizations, and to local co-operatives.

Saskatchewan credit unions employ over 3,000 people in Saskatchewan, and an additional 1,340 people through partnerships. This makes the credit union system one of the largest private sector employers in Saskatchewan.

Strategic direction and leadership is provided by the 698 board members who are locally elected by the members of each credit union.

In addition to economic development initiatives, credit unions are community leaders in sponsoring local events and philanthropic activities. Each year Saskatchewan credit unions contribute \$5 million to their communities and to province-wide initiatives, and system employees volunteer hundreds of hours of volunteer time. This amount is six per cent of pre-tax profits and exceeds the benchmark of one per cent set by the Canadian Centre for Philanthropy.

Market Share

In 2005, Saskatchewan credit unions provided over \$3.5 billion in consumer credit and residential loans, and over \$1.8 billion in agriculture financing. According to Statistics Canada, credit unions finance 27.5 per cent of outstanding farm debt within the province.

Credit unions also provided over \$1.7 billion in authorized credit to businesses, most of which are small and medium sized enterprises. In a survey of small business conducted by the Canadian Federation of Independent Business, credit unions ranked number one based on levels of satisfaction with service, loan availability and fees. Further, credit unions are the favoured banking partner for small Saskatchewan businesses.

Provincially, credit union market share in the small business sector grew from 28.1 per cent in 1989 to 41.5 per cent in 2003.

Agriculture Issues

The credit union system's commitment to communities makes credit unions sensitive to issues involving the well-being of rural communities and participants in the agriculture sector. Farm members played a significant role in the development of co-operatives and credit unions. Solid relationships exist with our rural members today, and those relationships will continue into the future.

As a result, credit unions engage actively in rural and agriculture related issues.

We look to government to commit to maintaining a secure food supply as a key policy priority. Further, we encourage initiatives to educate the public on the need to ensure a healthy agriculture industry that secures our domestic food supply.

We look to the provincial and federal governments to work together to ensure programs for agricultural producers meet the needs of those producers. Further, we look to government to ensure programs have long-term funding commitments, and are reliable, predictable and easy to administer. This includes the Farm Improvement and Marketing Cooperative Loans Act (FIMCLA), the CAISP program and other programs included within the Agriculture Policy Framework.

Credit unions are interested in seeing the development of a vibrant value-added agriculture sector in Saskatchewan. We are supportive of economic development initiatives that advance the success of Saskatchewan farms and provide Saskatchewan farmers and entrepreneurs with the ability to build businesses that help grow the Saskatchewan economy. We look to government to examine ways in which Canadian farmers can benefit from the opportunities in the value-added agriculture industry.

We believe a successful value-added agriculture industry, including the bio-fuels industry, requires a broad and consistent policy framework to foster growth in the sector. We look to government to ensure environmental, trade, and tax policies, as well as government research and development and support programs, work in a coherent fashion to provide the conditions for growth of the sector.

Saskatchewan credit unions play a vital role in developing the Saskatchewan economy. We look forward to opportunities for the credit union system to work with the provincial and federal government to strengthen our economy and maintain the highest possible standard of living for the people and communities of Saskatchewan.

Respectfully submitted,

Pam Skotnitsky
Associate Vice-President, Government and Public Affairs
SaskCentral