

# **Briefing on the new Canadian Agricultural Loans Act (currently operating as FIMCLA)**

The Federal government is revising and updating the Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA) program through the introduction of new legislation (Bill C-29) in May 2009. The bill not only amends the act, but also changes the name to the *Canadian Agricultural Loans Act (CALA)*. Changes include an expansion of the definition of eligible co-operatives and an increase of the standard loan limit.

The planned revisions to FIMCLA were announced in the Speech from the Throne as part of the government's Economic Action Plan. The federal government made a commitment to expand FIMCLA to support the renewal of the agricultural sector workforce and enable co-operatives to better seize market opportunities.

CCA has supported the renewal and expansion of the loan program for both its credit union members who are lenders and agricultural co-operatives. Saskatchewan credit unions use the program extensively and account for 50% of FIMCLA loans for years 2003-07. Very few co-operatives (26) have used this program in the past and it is hoped that these and other changes will enable more to benefit.

## **The CALA program**

This program is a federal guaranteed loans program designed to make loans more readily available to producers and co-operatives. The program does not provide loans, but guarantees that the lenders will not lose a lot of money if the borrower is unable to repay the loan. If a borrower defaults, the lender can make a claim to the program for 95% of the loss.

Loans are available through authorized financial institutions such as banks, credit unions, caisses populaires, and trust companies. Other financial institutions can apply to become a lender and this includes loan funds and aboriginal capital corporations.

The government is committed to guaranteeing \$1 billion in loans over the next five years. The maximum loan amounts are being increased to \$500,000 per individual producer (\$500,000 if real property and \$350,000 for other purposes) and \$3 million for co-operatives.

The former FIMCLA program has operated since 1988. The program was reviewed in 2004 and national consultations held in 2006. The Canadian Co-operative Association, some provincial co-op organizations, and the Credit Union Central of Canada provided feedback. The Co-operatives Secretariat has also provided input and suggestions to improve the program.

CALA is managed by Farm Financial Programs Branch of the Agriculture and Agri-Food Canada.

## **Proposed Changes**

- Modify eligibility criteria for agricultural co-operatives with a majority farmer membership (50% + 1 farmer members) from the current criteria of 100% farmer members.
- Increase the current loan limit from \$250,000 to a maximum of \$500,000 for farmers.
- Allow beginning farmers and those wanting to take over the family farm to be eligible for loans.
- Provide for more program flexibility through changes to regulations and the possibility of increasing the loan limit for co-operatives if necessary.

## **Purposes for Loans**

The purposes of the loans for co-operatives have not changed, but they can accommodate borrowing for a range of tangible assets.

Eligible co-operatives can borrow for purposes related to the farming, processing, distribution or marketing the products of farming, including:

- “the purchase of land,
- the purchase or construction of any building or structure,
- the repair or alteration of, or making of additions to, any building or structure,
- the purchase or repair of machinery or apparatus,
- the consolidation or refinancing of the debts of the cooperative incurred for the above purposes”

Program officials have the flexibility to consider other purposes not specifically listed in the Act. Using examples of the new co-operatives supported by the Agricultural Co-operative Development (Ag-CDI) program, other uses could include refrigerated trucks, a mobile abattoir, equipment to process farm products into energy (such as a biodigester), signage for farm markets, and the infrastructure for a market or a store.

## **Eligibility for Co-operatives**

The two main criteria are:

1. The co-operative has a majority of farmers as members (50% + 1 farmer members).
2. The co-operative is farming, processing, distributing, or marketing the products of farming in Canada

Co-op members can apply separately for loans for needed equipment, land, and buildings to enable them to produce the products that will be used by the co-operative.

## **How it works for Co-operatives**

An eligible co-operative would prepare a business plan or proposal and approach a financial institution for a CALA loan. If the credit union or bank chooses they may approve a regular loan or if they want additional security, they will register the loan with the CALA program. Loans over \$500,000 to a maximum of \$3 million require the approval of the Minister. There is a registration fee of .85% that must be paid by the borrower. The interest rate is the lender’s prime plus 1%.

The co-op pays back the loan under the agreed terms. If the co-op borrower goes into default, the lender will take action to collect or seize the security. If the lender has a loss on the loan, the lender makes a claim to the CALA program for a payment under the guarantee. The appropriate payment is sent to the lender.

## **More Information**

For more information on FIMCLA, call toll free at 1-888-346-2511 or visit the website at [www.agr.gc.ca/fimcla](http://www.agr.gc.ca/fimcla)

News Release is at [http://www.agr.gc.ca/cb/index\\_e.php?s1=n&s2=2009&page=n90504a](http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n90504a)

Information on Bill C-29 is at:

<http://www2.parl.gc.ca/Sites/LOP/LEGISINFO/index.asp?Language=E&Chamber=N&StartList=A&EndList=Z&Session=22&Type=0&Scope=I&query=5815&List=toc-1>

The current FIMCLA is at <http://laws.justice.gc.ca/en/showtdm/cs/F-2.7?noCookie>

