



Freshwater Fish Marketing Corporation

Five-Year Corporate Plan Summary

Corporate Plan FY2018/19 to FY2022/23

Freshwater Fish Marketing Corporation (herein referred to as 'Freshwater', 'the organization', 'FFMC', 'the Corporation', 'us', 'we', or 'our') is a Crown corporation established in 1969 under the *Freshwater Fish Marketing Act* ('FFMA' or 'the Act'). Freshwater was created to market and trade in fish, fish products and fish by-products within and outside of Canada.

CORPORATE PROFILE

Freshwater is the leading buyer, processor and marketer of freshwater lake fish from Manitoba, Alberta, the Northwest Territories, and Saskatchewan. We operate a complex supply chain of delivery points, agents, temperature-controlled transport, and processing and inventory management systems to match the fish harvest of over 1,600 commercial fishers with market demand.

The Freshwater brand continues to represent the global benchmark with respect to the production of top quality wild-caught freshwater fish. In the Midwest United States, walleye marketed by Freshwater is the number one choice for chefs when placing walleye on their menus. Freshwater is the largest and most trusted supplier of lake whitefish and whitefish caviar to Finland and the number one supplier of tullibee roe in Scandinavia. We continue to be the dominant supplier to the northern pike market in France, both with minced and new product innovations. We are the largest individual supplier of freshwater fish products to the American gefilte fish market and maintain a kosher-certified plant.

VISION AND MISSION

Freshwater's vision is to maximize returns to the fishers of western and northern Canada through effective marketing, efficient supply chain management and value-added processing of premium-quality freshwater fish products.

Freshwater's mission is to purchase all fish for which we have established supply contracts, create an orderly market, promote international markets, increase trade in fish, and maximize returns to commercial fishers.

STRATEGIC GOALS

By drawing upon understanding and insight through discussions, annual strategic planning sessions, inputs from employees, management, Board members, fishers and key stakeholders, five strategic goals have been defined for Freshwater over the next 5 years. The strategic goals are:

- To generate market value and leadership in the markets we choose to serve;
- To manage an effective and efficient supply chain and be the preferred choice for fishers;
- To continue to improve stakeholder confidence by improving the financial position of the Corporation;
- To maintain corporate viability and sustainability;
- To foster a culture of performance delivering an exceptional workplace to employees and value to fishers.

Three objectives have been prioritized by the Corporation over the next 3 years to meet the strategic goals:

- to leverage profitability by species and market;
- to strengthen supplier relationships; and
- to foster a culture of excellence to improve performance.

In fulfilling its mandate, Freshwater provides four key benefits to the inland fishery:

- **Orderly market/price maintenance** – Freshwater buys fish and carries out market-stabilizing activities to match supply with demand;

- **Global markets** - Freshwater gives western and northern Canadian inland fishers access to global markets while reducing business risk for fishers;
- **Food safety and security** - Freshwater works closely with the Canadian Food Inspection Agency (CFIA) and its customers to ensure its supply chain and processing plant meet federal and customer requirements for food safety and security;
- **Economic development** - In many communities where Freshwater operates delivery points, the fishery is the only commercial means of economic development. A majority of these communities (42 of 45) are predominantly Indigenous. The fishery fosters independent business owners and increases employment in rural and remote regions. Approximately 80% of Freshwater's returns to fishers and agency fees go to isolated northern and predominantly Indigenous communities.

Freshwater Fish continues to deliver value to fishers. Operational and financial highlights for the year ending April 30, 2018 are:

- Net sales revenue \$69.8 million;
- Profit before final payment and income tax of \$8.3 million, compared to the plan of \$4.4 million;
- Retained earnings of \$18.2 million;
- Cost containment objectives and commitments to improve productivity and operating efficiency were mostly met.

Planned fish deliveries (as measured by delivered weight) were 11.1 million kilograms at April 30, 2018 compared to 11.6 million kilograms at April 30, 2017.¹

Freshwater has signed 3-year supply contracts with freshwater fish harvesters, agents and co-operatives to continue providing our services where there is a demand by fishers and agents who choose to deliver their fish to us. Delivery forecasts through FY2022/23 are forecast to remain consistent at an annual average of 11.5 million kilograms.

The Department of Fisheries and Oceans (DFO) engaged with fishers, community members, First Nations and Métis stakeholders in the summer of 2017 to better understand the challenges faced by fishers; the importance of the freshwater fishery; and the services offered by Freshwater that are most helpful and valued by fishers. Feedback gathered as part of this initiative will be included in decisions by the Government of Canada regarding a long-term plan for Freshwater.

The Board of Directors and senior management of the Corporation are committed to maintain the value of the Government of Canada's asset – Freshwater Fish, until a final decision regarding the future direction for the Corporation is made.

SPECIAL EXAMINATION 2017

The Auditor General of Canada's 2017 Special Examination of the FFMC was conducted with the objective of determining whether the Corporation's practices ensured that assets were safeguarded, its resources were managed economically and efficiently, and its operations were carried out effectively.

¹ References to kilograms are in delivered weight. This reflects the weight of the fish when it is received by FFMC, which is often cleaned and with head removed. Therefore, this shows a lower nominal weight than round equivalent, which is commonly used, and estimates the weight of the fish as it was pulled from the water.

Overall, the report found weaknesses and deficiencies in the oversight and management of the Corporation, and in the way operations were carried out. Freshwater’s Board of Directors accepted all four recommendations and have taken steps to address these concerns.

In response to the Special Examination, the Corporation was required to appear before the Standing Committee on Public Accounts in October 2017 and received recommendations from the Committee that were completed by April 2018. The Corporation also appeared before the Standing Committee on Fisheries and Oceans in October 2017 to address the recommendations raised in the Special Examination.

FINANCIAL PLAN

Freshwater’s projected operating budget for FY2018/19 is \$68.8 million based on net sales revenue of \$72.1 million. Initial returns to fishers are forecast to reach \$29.5 million. Retained earnings are planned to be \$19.5 million on April 30, 2019. Profit in FY2018/19 is forecast to be \$3.3 million before final payment and income tax.

FY2018/19 PERFORMANCE TARGETS

Freshwater establishes annual targets to meet its legislated mandate, to operate within its budget and to meet operational and strategic goals. Key Performance Indicators (KPI) for the fiscal year (FY2017/18) and actual performance at April 30, 2018 are presented in the following table:

Key Performance Indicator	FY2017/18 Performance Target	FY2017/18 Performance April 30, 2018
Profit before final payment and income tax	\$ 4.4 million	\$8.3 million
% return to fishers	45.3%	51.0%
Retained earnings	\$16.1 million	\$18.2 million
Gross and net sales revenue	\$79.5/\$75.1 million	\$73.8/\$69.8 million
Improve direct labour efficiency	1% improvement from FY2016/17 actual of 38.74kgs. processed per hour	2.2% decrease
Improve operational costs per kg	1.5% improvement from FY2016/17 actual of \$1.51 per kg.	7% improvement
Initial payments to fishers	\$32.2 million	\$31.6 million
Fish delivery volume (delivered weight)	11.4 million kilograms	11.1 million kilograms
Reduce WCB Claims and cost	15% reduction from 2016/17	27.8% reduction
Improve attendance	1% from FY2016/17 actual of 87.6%	87.3% in 2017/18

As shown in the table above, Freshwater met its retained earnings, percentage return to fishers, profitability, WCB, and operational cost per kg targets. The KPI’s not met in FY2017/18 were direct labour efficiency, initial payments to fishers, fish delivery volume, and gross and net sales revenue.

CAPITAL BUDGET

The Corporation expects to spend \$2.7 million on capital investments in FY2018/19.

MAIN ACTIVITIES AND FINANCIAL CONDITION

FFMC has established a solid reputation for product reliability, product quality and food safety. Our role is a complex mix of purchasing, processing, and selling and marketing and we have developed and maintain a solid, stable position in a number of well-established international and domestic markets. The Corporation is a recognized price leader, exercising its mandate to market fish domestically and internationally. We have a leadership position in the U.S. walleye market, are the largest supplier of whitefish and whitefish caviar to Finland and of northern pike to France. We are the largest individual supplier of freshwater fish to the U.S. gefilte fish market and maintain a kosher-certified processing facility. We have significantly expanded our markets beyond traditional boundaries and products. Freshwater does business, either directly or indirectly in 15 countries around the world.

We purchase on average 11.5 million kilograms (measured in delivered weight) of premium-quality freshwater lake fish annually from approximately 1,600 fishers.

Freshwater is well-positioned to take advantage of additional opportunities through effective and timely marketing activities in the near-term. The implementation of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) that came into effect in September 2017 is an advantage the Corporation is considering for additional sales and marketing opportunities.

EXPECTED RESULTS AND PERFORMANCE INDICATORS

Key Performance Indicator	FY2018/19 Performance Target
Profit before final payment and income tax	\$3.3 million
% return to fishers	49.6%
Retained earnings	\$19.5 million
Reduce expenses	Reduce to less than forecast
Gross and net sales revenue per kg	Meet FY2018/19 gross and net sales revenue plan(excluding f/x)
Improve direct labour efficiency	1% improvement over FY2017/18 actual
Improve operational costs per kg	1.5% improvement over FY2017/18 actual
Initial payments to fishers	\$29.5 million
Fish delivery volume (delivered weight)	10.2 million kilograms
Employee attendance	1% improvement over 2017/18

Borrowing Plan

The aggregate principal amount outstanding of borrowings will not at any time exceed \$41.2 million, which is below the maximum statutory limit of \$50 million.

ASSUMPTIONS

FINANCIAL STATEMENTS

Selling prices and revenue

Selling prices for fish sold to customers are determined by the market. Freshwater's revenues consider growth expectations consistent with the objectives of the market, product development initiatives and forecast supply volumes.

Expense management

Freshwater manages its costs that include a mix of annual savings from operating and labor efficiencies, material yield and process improvements. These improvements have been incorporated into the financial statements.

ANNUAL STATEMENT OF COMPREHENSIVE INCOME

Annual Statement of Comprehensive Income	Actual	Annual Plan	Annual Plan	Annual Plan	Annual Plan	Annual Plan
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
	1-May-2017 30-Apr-2018	1-May-2018 30-Apr-2019	1-May-2019 30-Apr-2020	1-May-2020 30-Apr-2021	1-May-2021 30-Apr-2022	1-May-2022 30-Apr-2023
Total net sales	69,777	72,068	73,508	74,978	76,478	78,008
Total cost of sales	55,299	62,663	63,372	64,013	64,541	65,589
Gross profit on operations	14,478	9,405	10,136	10,965	11,937	12,419
Total marketing and administrative expenses	6,892	6,378	6,460	6,550	6,639	6,730
Other income and expenses	(731)	(227)	(232)	(236)	(241)	(246)
Profit before provision for final payments to fishers	8,317	3,254	3,908	4,651	5,539	5,935
Provision for final payment to fishers	(4,000)	(1,500)	(2,000)	(2,000)	(2,000)	(2,000)
Income tax expense (recovery)	1,084	439	573	797	1,062	1,181
Total comprehensive income	3,233	1,315	1,335	1,854	2,477	2,754
Retained earnings, beginning of period	14,921	18,154	19,469	20,804	22,658	25,135
Retained earnings, end of period	18,154	19,469	20,804	22,658	25,135	27,889

ANNUAL STATEMENT OF FINANCIAL POSITION

Annual Statement of Financial Position	Actual	Annual Plan	Annual Plan	Annual Plan	Annual Plan	Annual Plan
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
	1-May-2017 30-Apr-2018	1-May-2018 30-Apr-2019	1-May-2019 30-Apr-2020	1-May-2020 30-Apr-2021	1-May-2021 30-Apr-2022	1-May-2022 30-Apr-2023
Assets						
Current assets						
Cash	1,030	750	750	750	750	750
Trade receivables	8,472	11,100	9,700	9,800	9,900	10,000
Prepaid expenses	140	175	175	175	175	175
Inventories	27,135	26,871	26,000	25,500	25,500	25,500
Derivative related assets	25	25	25	25	25	25
Total current assets	36,802	38,921	36,650	36,250	36,350	36,450
Property, plant and equipment	20,046	21,430	22,780	23,630	24,480	25,330
Intangible assets	105	69	69	69	69	69
Total assets	56,953	60,419	59,499	59,949	60,899	61,849
Liabilities						
Current liabilities						
Trade and other payables and accrued liabilities	4,626	5,500	6,000	6,000	6,000	6,000
Current portion of accrued obligation for employee benefits	542	542	250	250	250	250
Provision for final payments to fishers	4,000	1,500	2,000	2,000	2,000	2,000
Loans Payable	26,775	30,829	27,712	26,308	24,781	22,977
Derivative-related liabilities	509	509	500	500	500	500
Total current liabilities	36,452	38,880	36,462	35,058	33,531	31,727
Deferred tax liabilities	1,884	1,884	1,673	1,673	1,673	1,673
Accrued obligation for employee benefits	186	186	560	560	560	560
Asset retirement obligation	277	-	-	-	-	-
Total liabilities	38,799	40,950	38,695	37,291	35,764	33,960
Equity						
Retained earnings	18,154	19,469	20,804	22,658	25,135	27,889
Total liabilities and equity	56,953	60,419	59,499	59,949	60,899	61,849

ANNUAL STATEMENT OF CASH FLOWS

Annual Statement of Cash Flows	Actual	Annual Plan	Annual Plan	Annual Plan	Annual Plan	Annual Plan
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
	1-May-2017	1-May-2018	1-May-2019	1-May-2020	1-May-2021	1-May-2022
	30-Apr-2018	30-Apr-2019	30-Apr-2020	30-Apr-2021	30-Apr-2022	30-Apr-2023
Operating activities						
Comprehensive income for the period	3,233	1,315	1,335	1,854	2,477	2,754
Plus: future tax expense	211	-	-	-	-	-
Plus: depreciation and amortization of administration assets	1,686	1,741	1,750	1,750	1,750	1,750
Loss on disposal of property, plant and equipment	(6)	-	-	-	-	-
Plus (less): changes in non-cash operating working capital						
Trade receivables	1,767	(2,628)	1,400	(100)	(100)	(100)
Inventories	(7,544)	264	871	500	-	-
Prepaid expenses	24	(35)	-	-	-	-
Trade and other payables and accrued liabilities	(1,073)	874	500	-	-	-
Current portion of accrued obligation for employee benefits	-	-	(292)	-	-	-
Derivative-related liabilities	(834)	-	(9)	-	-	-
Provision for final payments to fishers	500	(2,500)	500	-	-	-
Accrued obligation for employee benefits	(54)	-	374	-	-	-
Asset retirement obligation	(157)	(277)	-	-	-	-
Cash from operating activities	(2,247)	(1,245)	6,218	4,004	4,127	4,404
Investing activities						
Additions to property, plant and equipment	(1,614)	(3,089)	(3,100)	(2,600)	(2,600)	(2,600)
Proceeds on disposal of property, plant and equipment	89	-	-	-	-	-
Cash from investing activities	(1,525)	(3,089)	(3,100)	(2,600)	(2,600)	(2,600)
Financing activities						
Plus (less): changes in debt						
Repayment of loans	(6,399)	(934)	(933)	(933)	(933)	(933)
Long-term debt	9,600	-	-	-	-	-
Sub-total	3,201	(934)	(933)	(933)	(933)	(933)
Cash from financing activities	3,201	(934)	(933)	(933)	(933)	(933)
Net increase (decrease) in cash and cash equivalents	(571)	(5,268)	2,185	471	594	871
Plus: cash and cash equivalents, beginning of period	(13,299)	(13,870)	(19,138)	(16,954)	(16,483)	(15,889)
Cash and cash equivalents, end of period	(13,870)	(19,138)	(16,954)	(16,483)	(15,889)	(15,018)

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Freshwater has an Enterprise Risk Management framework to identify and mitigate risks to the Corporation. Risks were initially identified with the assistance of external consultants through a thorough analysis of Freshwater’s environment. Any existing mitigation to help reduce the likelihood or impact of the risk was considered and additional mitigation was identified where practicable for each risk. The analysis identified 31 risks. The risks were prioritized by the Board and management using a best-practice ranking process. The risks and categories identified are not static and are reviewed regularly by the Audit and Risk Committee of the Board of Directors (ARC). The review may identify new risks, may determine that risks have decreased through sufficient mitigation to reduce their likelihood or impact, or may determine that the risk level has increased due to changes in the environment. The ARC monitors management’s progress on implementing the mitigation plans for each risk. An external consultant is retained to perform internal audits and report to the ARC on management’s progress on risk mitigation plans.

Each risk is on two scales, probability of occurrence and impact. Probability of occurrence is evaluated between rare and almost certain, while impact is evaluated on a scale from insignificant (1) to catastrophic (5).

The risk categories are:

RISK CATEGORY	DESCRIPTION
Financial	Risks related to revenue, costs, exchange rates, interest rates, credit, inflation, stakeholder base
Information Technology	Risks related to the use of information technology, including security, integrity and availability of electronic information, infrastructure systems, and data
Operations	Risks relating to current day-to-day operations, such as supply chain, processing efficiency and capacity
Infrastructure	Risk of building or equipment failure or failure to meet regulatory requirements
People / Health & Safety	Risks to safety of employees and succession planning
Governance	Risk of failure to meet regulatory requirements or failure to meet stakeholder governance expectations
Reputational	Risks that impact FFMC’s domestic and international reputation, impacting market or public perception
Regulatory	Risks relating to regulation and licensing, legal, contracts, compliance, privacy laws, security regulations, public reporting requirements
Strategic	Risk of not meeting corporate goals and not fulfilling the Corporation’s legislated mandate