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8:03 p.m.

[Mr. Tannas in the Chair]

**Subcom.C: Agric, Food & Rural Dev.**

### Subcommittee C – Agriculture, Food and Rural Development

Tannas, Don, Chairman  
Fischer, Mr. Robert, Deputy Chairman  
Clegg, Glen  
Evans, Hon. Iris  
Gibbons, Mr. Ed  
Klapstein, Mr. Albert  
Leibovici, Karen

Marz, Richard  
McFarland, Mr. Barry  
Nicol, Dr. Ken  
Pannu, Dr. Raj  
Paszkowski, Hon. Walter J.  
Shariff, Shiraz  
Soetaert, Mrs. Colleen

Stelmach, Hon. Ed  
Stevens, Ron  
Strang, Ivan  
Thurber, Mr. Tom G.  
Trynchy, Peter  
Woloshyn, Hon. Stan

THE CHAIRMAN: Hopefully, all we have now for the subcommittee's consideration of the estimates of Agriculture, Food and Rural Development are those who are entitled to be here. [interjection] Oh, everybody's entitled to be here who's designated or who wishes to be here. It's subcommittee. There's no reason why you can't come down here. It just may cause the chair a little angst as I try to figure out everybody. [interjection] No, no. It's all right, Edmonton-Gold Bar, if you're going to be there. If you're coming down to the front, then we'll accept whoever is calling the questions. [interjection] The question was whether or not in subcommittee stage you have to be in your place. Once you've established a place, then we would hope that that's where you would speak from, where you're recognized from, as opposed to someone being around the area. If you wanted to move down to the front, you can do so. This is subcommittee, whereas in committee stage you must speak only from your designated seat. [interjections] I think the envelope is wide enough without you sitting at the Table with the chair, hon. members, but thank you for the consideration.

We'll begin subcommittee this evening, then, hearing from the Minister of Agriculture, Food and Rural Development on his estimates. Hon. minister.

MR. STELMACH: Well, thank you, Mr. Chairman, and good evening to all of our colleagues who have assembled in the Legislature today to proceed with the budget estimates on Agriculture, Food and Rural Development.

Before I do proceed with my presentation, I'd like to take this opportunity to introduce individuals that are seated in the members' gallery. These are all dedicated staff of the Alberta Agriculture, Food and Rural Development department. Firstly, I'd like to introduce Mr. Doug Radke, who's made an extremely speedy recovery – he's supposed to be taking it easy at home, but he's in the gallery – Les Lyster, ADM, field services; Ray Bassett, ADM, planning and development; Mike Mylod, director, finance and administration; Larry Lyseng, head of budgets and planning; Anne Halldorson, budget officer; Don Macyk, director of plant industry; Brian Manning, president of the Agriculture Financial Services Corporation; and Dave Schurman, who's the vice-president of finance and administration of AFSC. Thank you. These people will be listening to the questions and comments made here today and assisting me where necessary.

I have been minister for 35 days, and it's certainly been an interesting, challenging, and rewarding 35 days. Our industry offers tremendous opportunity for producers, processors, and the entire province. We must work in unison to achieve this potential. We must act upon those plans, and we of course must budget. Therefore it's my pleasure to report to the Committee of

Supply that the Ministry of Agriculture, Food and Rural Development continues to streamline and improve its delivery of products and services by building on partnerships with other governments, agencies, and private industry.

Agriculture is a dynamic and growing industry that is a very significant part of Alberta's strong economy. Alberta leads the rest of the world in many aspects of agriculture, and we plan to maintain and enhance our excellent reputation well into the next century. Our ministry's mission is to

enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

We are achieving our mission in many different ways. This is evident in the fact that Alberta is the second leading primary agricultural producer in Canada, contributing 23 percent to the nation's primary agricultural activity, a large contribution considering we are home to only 9 percent of Canada's population.

In terms of agricultural products sold annually, Alberta topped the \$6 billion mark for the first time in 1996. Farm cash receipts reached a record of \$6.28 billion, up 7.4 percent from 1995. This was the fifth consecutive annual increase. Crop receipts were a large part of that increase. We sold \$2.9 billion worth of crops, a growth of 13 percent from the previous year. This increase reflected higher grain prices during the first half of the year. The top five growth crops in 1996 were barley, mustard seed, oats, wheat, and flax seed. Livestock receipts gained 4.2 percent to total \$3.25 billion. Cattle and calf sales rose 0.5 percent, but hog receipts played a big part in the growth of livestock sales, jumping 19.6 percent to a record \$469 million.

The primary sector is not the only growing area of agriculture in Alberta. The processing sector is also forging ahead. Food and beverage processing industries are important to the province's economic infrastructure in terms of job creation, adding value to the economy through diversification and development of new products, and increased market opportunities at home and abroad. The province has over 400 food and beverage processing firms which directly employ over 20,000 Albertans. This makes the food and beverage sector the largest manufacturing employer in the province.

The value of manufacturing shipments for 1996 totaled \$6.61 billion. Topping \$6 billion for the first time, 1996 food and beverage shipments rose 10.6 percent, more than double the rate of increase in 1995. The largest increases have been in the meat processing sector.

These statistics show that the potential for a \$10 billion primary and \$20 billion value-added agriculture and agrifood industry by 2005 is a real and achievable opportunity.

The Ministry of Agriculture, Food and Rural Development consists of nine agencies and a department of 17 divisions. From the 1992-93 base year to 1996-97 the ministry decreased net expenditures 46 percent, or \$237 million. Full-time equivalent

staff positions have been reduced by 427, from 2,389 in '92-93 to 1,962 in '96-97. There will be a further reduction of 59 full-time equivalent positions in the 1997-98 budget year. Most of these reductions have already occurred. By the year 2000 the FTEs will be reduced by 600.

While staff levels may have decreased in the last five years, service has not suffered. In fact, quite the opposite is true. Staff are now more specialized because that is what customers told us they wanted. I would like to thank the staff for their hard work and dedication to the industry.

The ministry has a number of priorities for the next year, as outlined in our business plan. One of those priorities is implementing new crop insurance coverage. The new-look crop insurance program for 1997 will see premiums drop an average of 25 percent for Alberta farmers. Designed to make crop insurance more affordable for farmers, the new program will see the federal and provincial governments take on a much larger share of the premium and risk for basic coverage. Other provinces and countries that Alberta farmers compete with will have significant safety net programs for agriculture. The new-look crop insurance will help our farmers compete in world markets. Increased participation will minimize pressure for ad hoc programs in bad years, which makes government costs more predictable. Participation is expected to increase from 7.3 million acres in 1996 to 9 million acres in 1997. As a result, funding for the new-look crop insurance is up \$16.6 million for this budget year.

### 8:13

The Agriculture Financial Services Corporation budget estimate for '97-98 of \$152.4 million is \$38 million lower than last year's budget. The cost of lending assistance in '97-98 is reduced by \$11.5 million due to the combined effect of lower interest rates in borrowing, increased early repayment of loans, and lower provisions for doubtful accounts. Funding for the farm income disaster program is down \$43 million due to an anticipated drop in the number of claims for the 1997 tax year.

As our mission states, the ministry remains committed to environmental sustainability. To that end, we will provide a total of \$15.5 million in funding over the next three years for the recently announced Alberta environmentally sustainable agriculture program. The provincial program replaces the five-year Canada/Alberta environmentally sustainable agriculture agreement that expired in March of this year. Federal cost sharing is no longer available, but we recognize the importance of ensuring that agriculture and the agrifood industry has the best science and information available to protect the natural resources that it uses. That is why we have doubled the provincial investment in environmentally sustainable agriculture programming.

We are certainly on track. Direct seeding in Alberta has increased 750 percent, or 4.5 million acres, from 1991 to 1996. The number of direct seeded acres in 1996 was 7.14 million. Summer fallow acreage was 3.2 million, a decline of 20 percent, or 800,000 acres, since 1992.

Another priority for the ministry is to continue to place greater emphasis on research and value added. To this end, government funding of \$8 million will be provided to the Alberta Agricultural Research Institute. Also, in co-operation with the Alberta Barley Commission, the Department of Public Works, Supply and Services, and others we will plan and construct a \$1.5 million advanced facility in Lacombe for cereal crop research and development. The ministry will be working with the management of the newly established Agriculture Value Added Corporation to encourage the long-term growth and development of the agrifood and fibre sector.

The ministry will also continue to press for marketing choice for wheat and barley, expand delivery of extension information and technology on the Internet, and initiate a review of grazing lease policies. We will continue the privatization of cattle management on grazing reserves and will follow through on our negotiations with the federal and municipal governments to integrate food inspection within the new national single food inspection agency.

There are many sectors of agriculture with the potential for tremendous growth, and one of those good-news stories is the pork industry. A window of opportunity exists to increase export sales of quality pork due to increasing world consumption and decreasing production by traditional suppliers. Alberta's annual pig production is expected to increase to 4 million by the year 2000 and to as much as 8 million to 10 million by the year 2005. There is a strong commitment from the ministry to ensure expansion occurs in an environmentally responsible manner. Teams have been formed to deal with pork expansion initiatives, which represent local investment opportunities for communities, employment sources, markets for locally grown grains, and numerous spin-offs in the value-added economy.

There are more good-news stories in agriculture. Alberta leads all other provinces in shipments of seed potatoes to the United States. The ministry has worked with the potato industry to develop a high-profile, quality seed potato program. The industry has developed a reputation in the northwest United States as a source of high-quality seed potatoes. Studies have shown that our seed potatoes outperform those produced in Idaho or Washington. Some refer to this as northern vigour. Sales to countries like Mexico are also being investigated.

The sugar beet industry can certainly toot its own horn, but I'd like to do a bit of that for them today. The industry's move to self-reliance will save the province over \$700,000. This spring the industry decided a year early to give up a tripartite support price guarantee in exchange for a sugar beet industry development fund. This move indicates optimism in the free market system and support for a whole farm approach. The sugar beet industry's confidence is also evident in the sugar plant expansion in Taber, which will mean a 50 percent increase in acres and a 10 percent increase in jobs by 1999.

There are so many more stories like these that I could not possibly cover today. However, I think the ones I have mentioned give you a good idea of the diversity, strength, opportunities, and incredible growth potential in Alberta's agriculture industry. Agriculture will be one of the main economic growth engines, creating jobs and investment and again proving that agriculture grows more than food: it grows Alberta.

I think it's only fitting that I echo the words of my predecessor, the Hon. Walter Paszkowski, in saying that agriculture is indeed our future, not our past.

I'd be more than pleased, Mr. Chairman, to now answer any questions my colleagues may have. If we're not able to answer all of them this evening, I'm certain that colleagues will permit us to respond in written form.

Thank you, Mr. Chairman.

THE CHAIRMAN: Hon. minister, before I call on the hon. Member for Edmonton-Gold Bar, I just wanted to clear up: do you wish to hear the questions and then respond after each questioner, or do you want a series of questions from a number of members?

MR. STELMACH: A series.

THE CHAIRMAN: A series; okay. If that's agreeable with us, let us have the hon. Member for Edmonton-Gold Bar.

MR. MacDONALD: Mr. Chairman, hon. minister, I would like to congratulate the minister and his staff for their outline, for their business plan, and for their budget. I have one farm in my constituency, believe it or not. The Gold Bar farm it's called.

Agriculture is one of the pillars of the Alberta economy. The agricultural industry and its contribution to Alberta's gross domestic product is very significant. About 5 percent of the total gross domestic product comes from the farm and farmers. When we travel from the south to the north or from the east to the west of this province, we encounter many different types of farms and products produced. The value of these products and the people engaged in their production are critical to the economic and social well-being of the small towns and larger cities that surround the farmlands.

The productive use of this farmland now and in the future should be a part of every minister's business plan. The prudent management of all our farmland is one of the greatest gifts you and your department can pass on to future generations of this province. The real Alberta advantage will be the productive farmland decade after decade for the next generation of the family and the corporate farm, long after the economic production of oil and gas has slowed down and stopped. It is very, very important that we keep agricultural land in production. It cannot be encroached by urban development or by poor farm practices. Agriculture should always be Alberta's largest renewable resource-based industry.

Now I have a few questions. I notice in your ministry business plan that you have a manpower reduction of 20 percent, down from 2,389 full-time employees in 1992-93 to this year, 1997. Are further reductions planned in your staff?

**8:23**

MRS. SOETAERT: Where did those go?

MR. MacDONALD: Where did they go? I don't know.

You have a decline in money that you get in lottery fund estimates. You have a decline of nearly 12 percent compared with 1996-97, the main reduction in program 3 due to one op expenditure of \$35 million on Agriculture Value Added Corporation. What is this?

Now, in program 1 you had an increase of 10 percent in the Surface Rights/Land Compensation Board. Why? The increase is \$350,000, or 19 percent, compared with the '96-97 budget. Was it because the board overspent their budget last year, so it was given a higher amount this year? Why is there an increase in finance of nearly \$1 million, or 18 percent, in item 1.0.6?

In program 2 of your budget there is a slight decline in total program spending of 5 percent. This policy secretariat has a budget of over \$2 million. What does the secretariat do? If some of this money is spent combatting the federal government on the Canadian Wheat Board issue, how much?

The logistics in economic research, the doubling of the budget to over a half million dollars: what is this money spent on? Your irrigation, rehabilitation, and expansion declined from over \$70 million to \$14.7 million, or roughly 15 percent. Does the government intend to continue with this reduction and make the irrigation districts more self-dependent? What is the probability of staying with this lower budget? Last year the budget was overspent by \$2 million. Why?

Environmentally sustainable agriculture. This is a new budget item of \$3.5 million. This might be good, as it provides a

replacement for the Canada/Alberta environmentally sustainable agriculture agreement, in the news release that you published April 17 this year. What's going on with this? If you could tell us, I would be grateful.

The research and monitoring programs are excellent programs, but what is involved in technological development and demonstrations to processors? Is this program subsidizing something that should be paid for by the industry? Would government pay for technological development and demonstration to small business? Why is there no benchmark to measure the sustainability of agricultural practices?

The land use for Alberta that you use is the Alberta land productivity indication, the output in tonnes per acre. This is not enough. We need some measure of sustainability. For example, the report of the Alberta Round Table on Environment and Economy in May of '93 recommended the area of land affected by soil erosion and salt content. Why does the government not report on sustainability of agricultural practices?

Program 3 of your budget, the support for production, processing, and marketing. The dedicated revenue: what is this from? Why is there some dedicated revenue in the animal industry, 3.2, but not in plant industry, 3.3? What is the scope for increasing dedicated revenue in both plant and animal industries? For example, the animal health laboratories. What is the scope for increasing dedicated revenue, currently only \$20,000 in a \$3.3 million budget?

Pest prevention - we could use some of that around here - \$700,000. That's the same as last year. Does this include the money Alberta Agriculture has allocated, \$200,000 according to the city of Edmonton information sheet, for combatting Dutch elm disease? If not, where is the item to be found? Is it correct that \$200,000 has been allocated this year? How is the money allocated? How quickly will contracts be signed for workers? It is essential to begin in early spring to alert the public, et cetera, and we have heard that contracts were delayed as this budget has not been approved.

Mr. Minister, I thank you for your interest. If you could answer these questions, I would be very grateful.

THE CHAIRMAN: The hon. Member for Drayton Valley-Calmor.

MR. THURBER: Well, thank you Mr. Chairman. To the minister. I know that the minister as well as the Chairman has had the same problem over the last few years, where there's been a very large increase in wildlife in the farming areas. They used to hang back in the green areas more than they have in the last few years. I suspect it's a little bit of an overpopulation problem, maybe a lack of natural predators or too many natural predators out in the green areas, or maybe it's simply the fact that the wildlife found out that alfalfa was better to eat than tree bark.

In the last few years we've had such an increase in damage from wildlife in the farming areas. In the west end of my constituency I know of several herds of 50 to 60 head of elk. If they move into a farmer's feed yards, they'll wreck most of his winter's feed just in a matter of days. In fact, on my own property out there I've counted as high as 52 white-tailed deer at almost any time during the winter. We don't mind feeding them, but they do damage a lot of hay.

Now, I notice, Mr. Minister, that under 7.0.4, wildlife damage, you exceeded your budget by \$5.8 million in the '96-97 year. I wonder if you could explain that large increase, because this problem has been around for quite some time. I'd like to hear your comments on that if I could. I don't know if you want to

comment on that right now or you want to take my supplemental question at the same time.

Mr. Minister, Mr. Chairman, I suspect that people are saying that this year was a very bad year because of the depth of the snow and the length of the winter. A year ago it was similar, yet the budget was a lot smaller. I also see in your estimates here where in '97-98 the budget has gone back down considerably. I'm wondering what you intend to do with these wildlife, whether you intend to send them back out to eat the tree bark or if you intend to do something else that's going to keep them out of our feed yards and stop them from damaging all of the domestic feed, which has become very high priced and is very much in need for cattle operations and horse operations.

Thank you.

**THE CHAIRMAN:** The hon. Member for Spruce Grove-Sturgeon-St. Albert.

**MRS. SOETAERT:** Thank you, Mr. Chairman, and my congratulations to the new Minister of Agriculture, Food and Rural Development.

I want to continue a bit on the Member for Drayton Valley-Calmar's comments about the wildlife damage. I, too, have a question about that, which if he could answer, I would appreciate. How come that budget has virtually doubled in a year? I can't help but think that the deer that eat our hay are our responsibility to keep away from that. So is that being spent on fences? I'd like to know how that increased so much. Quite honestly, I think most farmers would agree with me that they should be able to protect their feed from wildlife.

Farmers like to talk about their independence and their ability to not depend on the government. Quite honestly, we've made sure that if the wildlife is eating our hay, then we better do something about that or that's our loss. Though we're not big-time farmers – you can hardly call us farmers with a few horses for 4-H – certainly our neighbours support the deer population in our area as well, whether they want to or not. So I, too, have questions about that.

A few points that I think you've heard me speak about and one new one in this Legislature. If we're really talking about rural development, I think one of the biggest issues that stops rural development is the price of long-distance telephone calls. That may seem like nothing to people who live in the cities, but if you live in Calahoo, you are long-distance to Spruce Grove. Are they heckling up there or enjoying it? I'm sure they're enjoying it, and I want to compliment your staff up there for coming this evening. I know they may roll their eyes at the end of my moments of discourse here, because they'll say: how do we respond to this woman? But I know they will. [interjection] Stony Plain thinks that's funny. Well, well, well. I have to deal with Stony Plain at other levels too, so we'll just keep coping with that one.

**8:33**

I do want to mention the issue of long-distance calls and whether the government could possibly work in co-operation with some of the private telephone companies. I think it's a huge drawback and a huge expense to small rural businesses. Morinville is long-distance to Legal. You probably have the same issue out in your riding. I mean, Morinville isn't long-distance to Edmonton, yet their neighbour Calmar is long-distance to Thorsby. So I think that's a real issue, and that would really cut down on expenses if we could somehow co-ordinate that with the telephone company. So a humble Liberal suggestion that I know you will take.

I know this doesn't come within your domain, but it does because of the rural development aspect. The rural 911 issue is still not co-ordinated across this province. I realize that's partly under Health, but it's certainly under rural development. I think that's something that should be across this province, and I really believe that if the political will were there, it would be done. So I encourage that on the part of the minister.

Rural development means decent roads, in some cases, to transport goods. I know that's under transportation, but I know it ties to you as well. I know there are some resource roads being talked about. Once again, everybody'll know about highway 794 at the end of this, and I would really like the minister to look at that as a rural economic development issue. That road is not safe for the transporting of goods, and there are a great deal of resources out there.

I also want to question the minister about the hog operation that is being set up in Red Deer. My concern with that is that it will hinder the small hog operations, and in my constituency there are quite a few. I see that hog operation in Red Deer as undermining the smaller hog operations around this province. I know you explained it once in question period. That tends to be a bit of a contentious moment, so if we could have some discourse on that, I would appreciate that.

You know that often my pet peeve is 4-H. The expense of that is down from last year. Is that because there are fewer young people involved in 4-H? Why is that expense down? As you know, I've always proclaimed that 4-H is a wonderful, wonderful program for our young people, and I don't want to see the support from this government go down in that regard.

There was one other: pest prevention, 3.3.8. Does this money include what is allocated for combating Dutch elm disease? That's a particular beef with me – get the rural pun there? [interjection] There's no sense of humour on this side. Rural jokes sometimes slip by these people. Anyway, I think that's something we could have prevented with a little bit of foresight in this province, and I'm really concerned that as summer approaches and people bring in their own logs to save two or four bucks when they come to the lake, we're going to end up with a tremendous expense on our hands combating that disease. I can't stress enough: charge a buck more at the gate when people walk in, but don't charge them for wood and don't allow them to bring in their own. In the long run we will pay a great deal more out of our taxpayers' pockets for that if this Dutch elm disease spreads any more than it has. So I have grave, grave concerns about that.

If you don't mind talking just a bit about program 4, field services, agricultural service boards. Now, there are a few service boards in my constituency; I see the budget is the same. What I would like to ask is: how is that money allocated, and is there an auditing process in place to ensure that that money is spent wisely? The example I'd like to give the minister – and I know that issue is in his department and they're looking at it – is the issue of the farmers' market from Onoway. It's quite a detailed report from concerned constituents of mine who belong to that farmers' market ag society. They're very concerned about the auditing process for that ag board, and they question some of the things that have been happening. They're really asking for the minister's intervention just to find out what's been happening out there and to see how they continue on. If you're not familiar with that, I'll gladly supply it to you, though I know your department is working on that with my office, and I appreciate that. As soon as I can get back to those constituents, I would truly appreciate that.

Those are some of the questions I have for now. I know many

other people want to talk. I hopefully will have a chance to speak again, but those were some of things that I definitely wanted to speak to that were specific to my area within my constituency. With those words, I will let another person have their spot, unless the minister wants to respond to any of those issues.

Thanks.

THE CHAIRMAN: The hon. Member for West Yellowhead.

MR. STRANG: Thank you, Mr. Chairman. To the minister: why have there been no funds budgeted for the grazing lease enhancement program? The reference is 4.4.2. The other question. I was wondering: why has the public lands budget gone up by \$250,000. That's 4.4.1.

MR. GIBBONS: Unlike a lot of Edmonton constituencies mine is mostly made up of farms. I'm a farmer on the side, so I know a bit about it. We have the potato farmers in our end of town, and we're sending them to Washington D.C. and so on, so they're filling me in on all that.

I want to start with 3.3.9, agroforestry. Note the termination of this item. In April 1997 the government announced that the provincial tree nursery will be privatized. This is a nursery in Edmonton that would provide trees for shelterbelts, not to be confused with the Pine Ridge Forest Nursery, that grows trees for forestry. Since 1951 the program had provided over a hundred million seedlings throughout the province for field and farm shelterbelts. The sale and distribution of the shelterbelt trees and the distribution of prairie farm rehabilitation administration trees will continue the same as before.

Under 3.4.5, agrifood and fibre value-added initiative, note that the expenditure from last year is \$35 million, which was not included in the 1996-97 budget. Was the new Agriculture Value Added Corporation, the AVAC, established as a pre-election ploy? However, it is a good added value to the Alberta agri-commodity.

Under marketing services. Administration support, a \$2.5 million budget: how much of this is spent on promotional trips? Are there guidelines to determine who attended such events? Is any cost-benefit analysis conducted to determine what trips have been of the most value and to provide guidance for future planning? Is any of this administration support spent on fighting the federal government on the Canadian Wheat Board debate? If so, how much was spent on the plebiscite, consultant fees, travel, et cetera?

Under livestock marketing note that dedicated revenue exceeds costs by more than \$1 million.

Under 3.5.3 and 3.5.5, Asia-Pacific and Americas market support, how is this money spent? Is this spent on promotional trips, direct subsidies – to whom are they exporting? – or in providing background analysis to where the market opportunities can be found?

Under 3.4.3, a capital investment of \$266,000 for the Food Processing Development Centre. Is this for expansion of the Leduc facility? What is it being spent on?

#### 8:43

Under program 4, field services, 4.1.3, dedicated revenue. What is this from? Under 4.3.4, agricultural services boards, a budget of \$4.5 million: how is money allocated? What auditing process is in place to ensure the money is spent wisely? The same question can be asked under 4.3.5, agricultural societies and development committees, but the money involved, \$400,000, is far less.

Under 4.4.1, public lands, note the increase from \$26,000 last year to \$276,000 this year. Why is that? Management of public land is an important issue. Is the money to be spent on review of public land policy? If you look that one up, it's under business plan goal 6: "In consultation with customers and partners, initiate a review of public lands policies." Who are the customers and partners referred to? Is Alberta Environmental Protection a partner? Note that according to a 1993 memorandum, it is the understanding that Environmental Protection is still responsible for the long-term management of public lands. Alberta Agriculture is only responsible for the operational aspect of public lands in the white zone, mainly Crown grazing land and grazing reserves.

When this memorandum was announced, many members of the public expressed concern that Alberta Agriculture would try to take over public lands to prevent public access. Any review of public lands policies must be conducted jointly with Environmental Protection and Agriculture, be an open public process with a broadly based expert review panel that holds public meetings across the province to enable the broad section of the public to make presentations, including the general public, hunters, environmentalists as well as the ranchers.

Under 4.4.2, grazing reserves enhancement. Note that there is no budget for this line item this year, either for the operating or capital expenditures. This is because the government intends to work with patron associations to convert all grazing reserves to grazing management agreements by December 31, 1997. Will this agreement ensure that the reserves are self-financing? Will the government still conduct checks to ensure that land management is responsible in these public lands? Will public access be possible once such agreements have been signed? If so, will the patron association be liable if members of the public get harmed while on grazing reserves?

As far as my land this past year – I've got just over a mile at Sturgeon River – the deer is up to 30 to 40. It's unbelievable how many there are. I'll sit down and let others speak.

Thank you.

THE CHAIRMAN: Hon. minister, do you want some more questions?

MR. STELMACH: I could attempt to answer some of the questions that were raised. In fact, the Member for Edmonton-Gold Bar asked quite a few, and I have had some difficulty scribing as fast as he was asking them. He did speak to our promotion of environmental sustainability in agriculture. He spoke about respect for a very important natural resource, and that's our black soil. I hope that as urban sprawl continues in this province, we're going to get the support of the members across and develop policies to look at some other strategies by which we can maybe limit that urban sprawl on some of the best soil we have in the world. Unfortunately we're losing many acres to development, and we haven't been able to come up with any kind of a policy formula to stop that or in fact reduce it, albeit farmers have come a long way in the province in managing their soil because they know that the better care they give to the soil, the better the productivity.

It's pleasing for this minister to speak on behalf of thousands of farmers that have incorporated the latest technology that is made available through the significant dollars that we spend on research in retooling and buying direct seeding equipment and going from the traditional four or five passes on their land to either direct seeding or minimum tillage. So there's no doubt the farming community has taken on the challenge and is doing an excellent job. We have to keep thanking them, because it is a substantial

cost in retooling the operation. At times, you know, we're looking at costs to direct seeding equipment in excess of \$100,000 for the equipment, and that's just for the air drill. So there's definitely a commitment by the farmers of Alberta.

One of the first questions raised, I believe, was with respect to the policy secretariat. The policy secretariat provides leadership in developing policy recommendations for key areas. Some of them are farm income support, grain marketing, land use, various trade issues that come up from time to time. In fact, we're going to be dealing with one with respect to potatoes, where one province has decided to subsidize the industry. Of course, our producers are very independent, and depending on the decision reached, maybe Canada as a whole, all the provinces may be painted with the same brush because of the behaviour of one province that insists on subsidizing the industry as opposed to the industry developing on its own.

So it's very important that we do invest dollars in the policy secretariat because these individuals draft policies for this government to look at and incorporate and are the eyes and ears for us in many of the situations that come up, whether it be in discussions over potatoes, beef, grain marketing. It's important to have a good healthy policy secretariat.

There was a question . . .

AN HON. MEMBER: About strawberries.

MR. STELMACH: No, not on strawberries but on manpower reduction. As I mentioned in the preliminary discussions, there will be further reductions planned as we move to further privatization, and one of the areas would be in the Agriculture Financial Services Corporation. We do have a pilot project for this year in the Red Deer area, and that is in the crop insurance division, a pilot project for hail damage, crop damage surveillance and adjustment. If that project works out well, then we will incorporate that policy and privatize that end of the crop insurance adjustment right across the province of Alberta.

8:53

Now, there was a question with respect to the \$35,000 for AVAC, which is the Alberta Value Added Corporation. The Alberta Value Added Corporation is a totally arm's-length nonprofit corporation that has been set up to look at ways of encouraging and assisting value added in the province of Alberta. In the agreement they are not to spend this money on either loans or guarantees or on bricks and mortar. This is dedicated to looking at research and promoting value added in the province of Alberta. The dollars are there as a result of investment made by the provincial government incorporating some of the dollars that were surplus in many of the farm support programs that were directly to the value-added corporation.

Surface rights. I'm glad the hon. member picked that up. In fact surface rights were discharged as a responsibility of compensating farmers for damage reclamation, lack of reclamation, and unfortunately that budget is going up every year. I can assure this House that we're going to be meeting with the Minister of Energy to have a look at that policy, revisit it and make sure that we can limit the dollars we're paying out from Alberta Agriculture on that and see if we can find a way of getting better co-operation from the oil and gas industry to cover those areas.

There was also a question from the Member for Edmonton-Gold Bar with respect to AESA, Alberta environmentally sustainable agriculture, funding. I believe it was a question with respect to role, and I put down here "subsidization" and put a question mark. The funding will be focused on applied research and

demonstration. One of the reasons we've been successful in the province, as I mentioned earlier, with respect to direct seeding is that there were a number of demonstration projects held across Alberta. Farmers had the ability to assess and evaluate different equipment and see which equipment best suited their needs. We're also looking at, with the increase in processing, monitoring different ways of enhancing our soil, water, and air quality. If we're to work towards the \$20 billion goal in processing and value added, we know that there will be some pressures on our soil and air quality, and as a result we're going to be dedicating those dollars to research.

Better performance measures and sustainability. A good observation. We're definitely working in that regard. The problems are (a) collection of data requires additional resources and (b) we also have to look at those measures that are easy to measure and make some sense. We are constantly in consultation with the Auditor General to make sure the measurements we have, the Auditor General agrees with, but that they are also measures we can easily communicate to our public.

There was a question with respect to Dutch elm disease, and that was by both Spruce Grove-Sturgeon-St. Albert and Edmonton-Gold Bar. We're the only department, quite frankly, that's providing dollars in this particular area, and that is really more as support and facilitating, moving towards helping the city in this particular area. It's not money that's going directly into manpower. That would be the responsibility of the city. We have dedicated some funds to work with them. It's not going to pay for staff employed by the city of Edmonton. That will be their responsibility. [interjection] Yeah, \$200,000.

Wildlife and compensation, the increase in the budget. There was some comment made with respect to fencing. It's pretty difficult to fence a quarter of land from deer and moose, especially when the crop is unharvested, and we had a fair amount of crop that had to winter. We anticipate that the costs will be fairly substantial. This is also waterfowl damage as well, ducks and geese. For this coming year there is a reduction, and basically the reduction just follows the previous average of the cost to that particular program. Hopefully, this year we won't be going through the same problems that we had last year, and that is the thousands of acres of unharvested crop. If we could further work towards a solution in that area, we would sure appreciate the support.

Long-distance telephone calls. Yes, we do have the same problem in the area where I live. Unfortunately it's a policy now that's set by the CRTC. It's outside the jurisdiction of this minister. There are some limitations, especially on small business, because their costs are higher if they're operating in a more remote area of the province. There's no doubt that people that live in that area pay the price, because small business has to incorporate the additional cost in their cost of operating. If it's a machinery dealer in your area, they'll have to make the adjustment for the cost of operating.

Transportation and roads. I know that our hon. Minister of Transportation and Utilities is squeezing every dollar he can and putting them into secondary roads and primary highways, and there is no doubt that the use of those roads is going to go up substantially. It will because we not only have an increase in livestock production, but also we'll see that a lot of our goods are being transported by truck as opposed to rail, especially when some of the branch lines are going to be shut down.

Some of the megaprojects that are being planned for the province, the grain handling facilities. Grain to those particular facilities is going to be hauled a great distance over our highways and secondary roads. We're going to have to really pull our

resources together and work with the municipalities to find a solution, because there is some inequity. Some municipalities have a much higher assessment base and can find the resources. There are also those municipalities that are caught in between two municipalities that might have all of the development, but the municipality in between has to provide all the roads for that commerce to travel. I also know that the hon. Minister of Municipal Affairs is going to be looking at perhaps some strategy for finding a solution and equalizing the assessment for roads and transportation in this province.

Hog operation in Red Deer. We have a window of opportunity, and that is to fill a void of approximately 7 million hogs due to the Taiwan foot-and-mouth disease. There is no doubt that there will be a number of larger hog production units developed in the province of Alberta, and they will be large only because they're going to have to compete globally in their cost of production. There is also a vast opportunity for increased processing, but we won't see the processing develop unless we at least double our hog production in the province. I firmly believe that there is room for both the larger projects in the province and also the smaller ones. There are areas in the province, some municipalities, I'm quite sure that will look at only allowing smaller production units because of the density of their population, and there are of course those municipalities that have a sparser population that will be looking at larger production units.

### 9:03

We have been working together. We have seconded a number of people in the department to work in this particular area. As well, the Agriculture Financial Services Corporation has acted as a facilitator, and they have put together a \$50 million fund that includes the Farm Credit Corporation, the credit unions, Great-West Life, and Mutual Life. This money will be available for investment in the pork industry, once again dollars that will not be guaranteed by the government. This money has been pooled together because of the expertise we have in the Agriculture Financial Services Corporation, people that are available to evaluate and appraise the projects as they come forward on behalf of these other investors.

There is a substantial cost of operation per hog in larger units. The smaller units, I'm quite sure, will be able to develop niche markets for their product. We have to keep in mind that not only the producer but the processor will have to compete in the global market, and we're going to have to get our costs down to ensure that our product is marketable in the Pacific-Asian market.

The Member for Spruce Grove-Sturgeon-St. Albert looked at the reduction in the 4-H budget. There is no one in this Assembly perhaps other than you that supports the 4-H movement more than I do, and only because I've seen the terrific response that program has had in the province of Alberta. It's helped develop leadership qualities in our youth, and it's one of the first and few programs I'm aware of in the province that incorporates public speaking in their program. We know without a doubt that those 4-H members who have gone through the public speaking process - it's really helped them as they progress further in not only postsecondary education but also as future leaders of our communities. The reason for the reduction is that we've had a retirement of a very dedicated individual, Mr. Ted Youck, who for 29 and a half years put his heart and soul into this area. He has retired, so there have been some adjustments made and some movement of staff. Without a doubt the support for 4-H will continue because it is an extremely valuable program.

The Dutch elm disease came up once before. With respect to the situation in Onoway, we're working with the community.

There is some further investigation that's going on, and once we get all the details, then we'll work with you.

THE CHAIRMAN: Thank you, Mr. Minister.

I'd call on the hon. Member for Lethbridge-East.

DR. NICOL: Thank you. I just want to start my debate tonight by congratulating the new minister on his appointment. It's the first chance I've had to publicly address him. It's going to be an honour to work with you.

So we'll get on now talking about some of the issues that I want to deal with in terms of the budget that has been prepared and presented to the people of Alberta. Looking at some of the initial aspects, I apologize if I do any duplication. You're aware of the complication we had in scheduling this evening, so just start shaking your head, and I'll go on to the next one if I start to cover a point that's already been dealt with. So I beg your indulgence. What I want to do is just kind of start and address some of the main issues as we go through the budget.

I don't know if anybody has talked yet about the irrigation rehabilitation and expansion allocations in section 2 of the budget where we're dealing with some of the support for the irrigation districts and how their main canals are upgraded, kept operational. I notice that your budget for this fiscal year is significantly below what it was in past years. I know there was a transfer of the rehabilitation program out of the endowment fund that was in place I think for about three years and then last year transferred back to a general revenue support. I just would like the minister to explain why the reduction from I think about \$17 million in the last budget to \$14.7 million or so in this budget. We've got to look at: what does that mean in terms of the efforts of the irrigation districts? I know some of them are essentially complete in terms of their rehabilitation. Does that mean that there's a reduction in terms of them and then the dollars are being still used to support some of the districts that are a little bit behind yet?

We also have to address in that context, you know, the people who are behind - my contacts in the irrigation industry are telling me that some of the districts didn't take up the dollars that were offered to them in earlier years, and they're now questioning: if they chose to use their acreage charges, their farmer-raised moneys, for other things, why, instead of getting matching grants from the government to do their rehabilitation, are they now getting the opportunity to have support from the government on rehabilitation? So what we need to do is look at some kind of an equity issue there in terms of how the different districts are being dealt with.

I think we've got to look at those irrigation districts as well from the social context. The projects have been a significant economic benefit to southern Alberta, to all of Alberta, and we've got to look at how the dollars that get spent there are spent in the best interests of all Albertans.

In connection with that, I guess I'd like to ask the minister how his department fits into the proposal that's out there right now for the privatization of the management of the headworks, not the actual sale of the facility. It's the management that's being done with. I've had some inquiries from some of the irrigation districts asking if they could be given the option to become those private managers for the headworks. If that's not directly under your purview, Mr. Minister, pass it on to the minister of the environment and support the agricultural producers out there who want to have control over their total system, you know, in terms of the headworks, the main canal delivery systems, and their local distribution units within it. I think this would be a good package if we can make sure that the same interest is served from one end

to the other in terms of getting the water from the source to the irrigation producer. So that would be, I guess, a suggestion in terms of how we can deal with it.

### 9:13

I'd also like to congratulate the minister on item 2.3.4, the environmentally sustainable agriculture initiative. These are replacement dollars for the now expired Canada/Alberta program. I'd like to congratulate the minister on picking this up, because the more we can do to make sure that Agriculture retains its focus on the sustainability of our resources and environmentally friendly production of our food and fibre products the better we're all going to be in the province.

So I guess the question that I have: is the 3 and a half million dollars that's being allocated to that project sufficient to keep the initiatives that were started under the other program, where I think the Alberta government was contributing about 2 and a half million dollars? My understanding is that that was matched almost one for one by the federal government. So we're now looking at a 3 and half million dollar funding program compared to about a \$5 million funding program previously. What parts of it might be changed? What parts of it would be getting less emphasis? We all recognize the issues of prioritizing and what comes first and what comes second with a limited budget, and I guess I would just like to have the minister express some views on how he sees those priorities falling out as we drop from a \$5 million down to a 3 and a half million dollar funded program.

I guess in connection with that, maybe one of the issues that we need to look at a little bit is whether or not we're developing any kind of a benchmark within the province as to what constitutes sustainable agriculture. We're hearing a lot of talk about, you know, the reduction in the number of acres that are summer fallowed, the number of acres that are direct seeded. You know, my experience in agriculture and my farming background tell me that both of those are great measures, but then you run into some other people who say: well, reduction of summer fallow; there are some lands out there that it's just not possible to continuously seed, even if you use the best technologies. Is that really an issue? If it is, some kind of education program should be put out there so that the general population of Alberta understands that zero summer fallowed acres is not the long-run target. Maybe some positive number, greater than zero, might be a better target. That's kind of what we need to look at there.

I guess the next one I wanted to make some comments on was the new initiative that came out of Alberta Agriculture just before Christmas: the agrifood value-added initiative. What I'd like to see is the minister really give us some guidelines here as to what will be the role of this board, this group, in terms of its contribution and its partnership with industry in relation to the \$35 million seed money that was put in there. My understanding is that that's a block of money that's there now, and they've got to prove up before there are any more dollars. What are the measuring sticks that they have to prove up against, what performance indicator, or what level of activity within the industry group? Are they going to have to bring in, say, an additional \$35 million or maybe \$70 million from industry before we can say they really did their job and we're going to put more public dollars up there on a matching basis with them? How is that going to be accountable to the people of the province? That would be an important measure that I'd like to see the minister address.

As we go down a little bit further, we're getting now into program 3, support for production, processing, and marketing. I guess one of the things that I'd like to talk about here just for a minute is: why the discrepancy between animal industry, plant

industry, and processing industry in the dedicated revenue column? You seem to be putting in place user fees, or charges, to get dedicated revenue only from the livestock industry. You don't see any of these user fees or revenues being associated with what appear to be very similar activities in the plant industry part as opposed to the livestock industry. You know, the laboratories are in both animal and plant sections. They don't have corresponding revenues. Why the discrepancy?

We go down also, then, and look at the processing industry. There are some very significant dedicated revenues there, and I take it those are coming from the rental charges on the Leduc food processing centre, those kinds of things. So it looks like we've got some kind of a discrepancy there that we need to look at in terms of how that can be justified for the different sectors within the province, the livestock versus the crop production sectors.

Another one I would like to ask the minister to comment on is 3.5.4 on page 51 of the budget document. Am I interpreting this correctly when I look there and see that livestock marketing services are essentially generating a million dollars of revenue for the government? The total dedicated revenue is \$6.7 million, and we're spending, in gross expense, \$5.7 million. In other words, the livestock marketing services have suddenly now become a revenue generator for the government. Is that the intention of the minister, to make some of our agriculture services sectors actual profit centres, revenue centres for the government? I'd like some explanation there. I noticed that it was a comparable profit as well in '96-97, so when you go to '97-98, it's just a little bigger. I guess this is a growing concern in terms of its profitability. Or is this a step toward possibly saying: well, it can generate enough revenue to cover its expenses; maybe we should privatize it. Is that the next step that's going to come?

I guess the next item that I'd like to have the minister talk about a little bit is 3.4.3, the Food Processing Development Centre, down under capital investment on page 51. We see a jump from \$61 million in '96-97 to about \$266 million. I take it this is improvements at the Leduc food processing centre. Are we putting in additional technologies, support capital, support equipment that will in essence expand the capacity and expand the ability of that centre to service the value-added industry? Is this going to become an important component of the value-added initiative that we were talking about under that \$35 million program a little bit previously? We want to look at that and see how it fits in with it. As we go ahead and put in these extra public dollars in support of these technologies, how do we generate revenues? How do we generate a public return from them in terms of their direct support for the private sector, in terms of their product development?

Mr. Minister, I think this is a really exceptional facility out there. It's doing a good job. In the last three to four years it has really made a contribution to small business product development in the agriculture sector. I think we just have to get some indicators in place that will allow the public to see the real benefit that comes from their dollars being put into this kind of a facility, so we can feel confident in standing up and saying that this is the kind of thing we can do as a public and feel confident we're getting a good return on our dollar.

You know, we've spent a lot of time trying to convince the public that research dollars are in their collective interest for their collective benefit, and we're now getting to the point where public dollars are being used in more than just primary research. They're kind of getting into joint-venture support systems like the Leduc processing facility there. I think we've got to develop some indicators that will allow us to be able to stand up and say:



"You know, you're getting value for your dollar, Mr. and Mrs. Public. It's really a good deal for you. We can see jobs created. We can see value-added contribution to our economy." So if you would think about some way to possibly measure whether that extra \$200 million is going to give us – I'm sorry. Was it millions or thousands? I'm sorry; \$200,000, not \$200 million. I apologize. It does bring value back to the public.

9:23

The next issue I wanted to address would be in section 4 under field services and under 4.4.1, public lands. There was a significant increase here all of a sudden in expenditures, from about \$26,000 to \$276,000. Are these the dollars that are going to be used to fund the Member for Drayton Valley-Calmar's committee that is going to look at the evaluation and prioritization of public lands in terms of the grazing leases, the surface rights, the surface access programs, all of that? Is that the \$250,000 that's there? Or what other expenditure are you planning there to account for that \$250,000?

I think when I just came in there were some comments being made on the ag service boards and the ag societies in terms of their accountability. I guess the question I would add to the end of your response to that question is: under the proposals of Bill 1 that's now before the Legislature, will these ag societies and the ag service boards come under that freedom of information process that's associated with those one-step-removed government agencies we're dealing with in Bill 1? Are they going to be part of Bill 1? I think that would be very useful, because there are a number of questions now being raised by some people across the province in terms of how the dollars are being spent, the tracking of those dollars and whether or not they're being used to the mandate of the ag societies and the ag service boards. If we could get those included in the criteria of Bill 1, I think this would be a good step forward on behalf of the public, who are raising questions about the expenditure patterns of some of those boards.

I know there have been a number of them in the last four or five years that have had some questions as to how they're spending public dollars in terms of promotion. They're running into debt. How accountable are they? I think the freedom of information application to their operations would be a good step. You might be able to check with the Premier and make sure that that's part of the mandate of Bill 1, and maybe we can consider that as an amendment in committee stage if they're not part of the expectations of Bill 1.

The last is 4.4.2, grazing reserves enhancement. I take it that that has dropped down now to zero because these are now all being put under private management programs from what I understand. I wonder if that's a real indication of why there's a drop to zero. Or are these the dollars that were being used to improve the grazing capacity, to mend the fences and do that kind of thing on them? My understanding of the private management process is that the programs are being implemented this year, some of them in place now and some of them to take effect later in the year. Are there not some transition dollars that we as a public will have to incorporate and continue in this process until such time as the management groups do actually take over and end up on a cost recovery basis? I guess I would ask for an explanation of why we went from \$752,000 all the way down to zero. I may be way off here in terms of what I understand the line item to be, and if that's the case, I would be glad to be enlightened, Mr. Minister.

Thank you for your time, and I'll probably have a couple more after someone else.

THE CHAIRMAN: We have the hon. Member for Calgary-Glenmore who has indicated he wanted to speak, I believe, and the hon. Member for Leduc. They've been waiting quite patiently. Then Edmonton-Meadowlark.

The hon. Member for Calgary-Glenmore.

MR. STEVENS: Mr. Chairman, thank you very much. As someone who has had a lifelong interest in high-quality food, I have one question for the minister, and that is: what are you doing to help ensure that the foods produced and processed in Alberta are safe and of high quality? In answering that, Mr. Minister, could you please advise as to whether or not the increase in capital investment under program 3, page 51 of the estimate, has anything to do with those plans?

Thank you.

THE CHAIRMAN: The hon. Member for Edmonton-Meadowlark, followed by Leduc.

MS LEIBOVICI: Thank you. I have a couple of comments with regards to this particular budget. I guess one of my first questions is: what exactly is the government's policy in terms of developing its business plan, developing the budget, and determining on what items dollars will be spent in Agriculture, Food and Rural Development?

The reason I'm asking that is that I've sat in this Legislature for close to four years now, and I've heard about the Klein revolution. I've heard about how this government wants to get out of the business of being in business. Then I see the farm industry as being a private enterprise on one hand, yet on the other hand I hear the government talking about the safety net for farmers. The fact is that it seems to be a subsidized enterprise when I look at where the dollars are going. Then I sit back and I think to myself, well, the revolution, then, must only be half done. In fact, the Klein revolution has missed out a significant sector if that is what the case is. So that's what I'd like to have answered, in terms of: on what basis is the budget prepared?

If you look at the farming industry as being private enterprise and you look at some of the insurance programs that are provided to the farming industry, I know I have a lot of small businesses in my constituency who I'm sure would like to have the same kinds of assurances, shall we say, in case there is failure in their business. It's my understanding that some of the programs, such as the crop insurance programs, do not just come into play when there's an act of God but can come into play if there's bad management. If there's bad management in small business, what ends up happening is that you go bankrupt. Yet if there's bad management in farming, what seems to end up happening is that there is a whole host of programs that kick into place.

For my education and for my being able to present to my constituents, if they ask for it, as to exactly how much is given in farm income support, what I would like to see is a one-page document that indicates exactly the dollar amounts that are provided in insurance, lending, farm income support, crop reinsurance fund. There's a whole host of areas here that are all over the place. I'd like to have it on one piece of paper that indicates exactly how much is allocated, what percentage of the budget that is, and to how many people that actually goes. Who actually benefits from that? What I would also like to see is the number of individuals, the individuals who have benefited from the insurance programs, so we can see if there is indeed value that we are getting for the dollars that Albertans have put forward through their taxes.

Now, I've got some specific questions as well. On page 59 of

the government and lottery fund estimates there's a line that talks about "implementing new crop insurance coverage concepts." I'd like to know what that is, and I'd like to know how much that will cost the Alberta taxpayer.

### 9:33

When you flip over to the document Budget '97: Post-Election Update, on pages 102 and 103 I look at the ministry macro performance measures. I wonder where they came from, and I wonder how you substantiate them. I look at the Alberta farm cash receipts, and I see that they will go up 1.9 percent from 1993 as the end of the benchmark to the year 2000. Actually, in the document on page 96 it talks about 22 percent. Yes, there it is. It says, "In farm cash receipts, representing approximately 22% of Canada's primary agricultural output." That's correct. There doesn't seem to be a significant increase, yet when I look at the employment figures on page 103, there's supposed to be a dramatic increase in the employment of individuals in primary agriculture and food and beverage. Now, common sense would indicate that if there's going to be an increase in employment, there should then be an increase in Alberta farm cash receipts. It's not in this particular budget document.

The other thing that I find of note is the direct program payments. Now, when you look at the 1995 forecast – I guess we don't have the actual – there's been a significant decrease in 1995. Then it jumps up again in 1996 and then seems to stay stable. I'd like to know why that is, why there's that significant decrease, and how you forecasted what the increase is going to be? Then what I'd like to also know is – the payments here are not net of producer payments and don't include payments under the western grain transition payments program, so I'd like to have those bits of dollars thrown in so that we get a total dollar increase.

Now, in terms of the employment figures, if there's going to be that dramatic increase in employment over the next three years, then I'd like to know, again, on what it is based, on what assumptions you've made that. On the food and beverage part of the employment increase, will they also be able to access some of those insurance programs that obviously the primary agriculture sector can?

What I'd also like to know is: what are the projected rates of pay for workers in those two areas, the primary agriculture area and the food and beverage area? I'd like to know where exactly that employment will occur, whether there is a breakdown between rural and urban centres, so that we get a good idea as to where exactly we will see jobs being created.

Now, another question that I have on page 103 is on the value of out-of-province shipments of agriculture and food products. We see that there are some increases from '96 to '97 to '98, and then there is a significant jump between '98 and 2000. Again, what is that based on? How were those assumptions made, and what will be the end results? What does that mean to Albertans in the end result?

Some other specific issues on 2.3.4. When we talk about research and monitoring, is this a program that should be paid for by industry as opposed to being subsidized, if I may use that word, by the government?

There are other areas that I would appreciate some clarification on in terms of the Agriculture Financial Services Corporation income statement. It seems to indicate where the revenue comes from, but it's only 23 percent of the revenue. I guess the question is: where do the other dollars come from? When we talk about the AFSC, it almost sounds to me, when I look at it, as if this is a farmers' bank, and if it's not, then I would appreciate the minister indicating that it's not.

One of the concerns that I have is that in terms of the administrative expenses – and I know this is a government that doesn't like to be heavy in administration – it appears that 10 percent of the total expenses of this particular corporation are going towards administration. That seems to be a pretty high figure. If I look at the farm income support program, 9 percent of that program is going towards administration. I know that the minister, having sat through the last four years in this Legislative Assembly, will be sure to follow up and ensure those programs are not top heavy in administration.

I will defer to my colleague, who I know has some other interesting points to bring up in agriculture. For the benefit of this city slicker and for her constituents I would sure appreciate, once again, that breakdown of what the amounts of dollars are that are given in the various programs – insurance, whatever you want to call them – to farmers to keep them afloat, if that's what's required.

Thank you.

MR. KLAPSTEIN: Mr. Chairman, through you to the minister, my question is in regard to the Food Processing Development Centre. In reference to budget item 3.4.3 the gross operating capital budgets for the Food Processing Development Centre show increases of \$202,000 and \$205,000 respectively from the gross comparable '96-97 budget. Can the minister explain why we see these significant increases in the budget of a relatively small work unit? Following that question, the revenue forecast for the Food Processing Development Centre has increased from \$230,000 in the 1996-97 forecast to \$400,000 for the current year. Can we expect to see these revenues in 1997 and 1998?

I have one further question. Some areas of the province still have unharvested crops in the field. Is something being done through crop insurance for these farmers?

Thank you.

THE CHAIRMAN: The hon. Member for Lethbridge-East, followed by Whitecourt-Ste. Anne.

DR. NICOL: Thank you, Mr. Chairman. Just a couple more questions that I want to bring up before I finish.

I'd like to ask the minister a question that gets put to me on a number of occasions when I'm traveling in rural Alberta, and that basically comes down to: how many dollars did Alberta Agriculture or the Alberta government put into the Canadian Wheat Board debate? There are people questioning the application of public dollars to that debate. They're wondering how many dollars collectively from the different initiatives and the different activities that Alberta Agriculture undertook went into that total complex of issues that has gone on in the past two and a half to three years in terms of developing the plebiscite, in terms of supporting the studies that were brought out, in terms of evaluation of the effectiveness and the efficiencies that are associated with single-desk marketing, right up to the final study that was done illustrating examples of dual-market situations that have been successes around the world, dealing with some of the commodity marketing groups in Australia, some of the ones in the United States. They're kind of interested in knowing that. So in order for me to more adequately answer their questions, I would ask the minister if he could compile that and bring it forth at some time.

### 9:43

I guess the other issue that I would like to talk a little bit about is in your income statement of the Agriculture Financial Services Corporation on page 69. I noticed a little change from the budget

a year ago, when you were talking about a \$4.2 million provision for losses on loans and loan guarantees. It's ended up in terms of your forecast being a gross revenue of \$2 million as opposed to a loss. Were these farmers whose loans you had originally through the process kind of written off and then all of a sudden they had a very good year and came back and paid it back to you? Were these loans sold off at a premium? What happened that we went from an expected \$4.2 million loss to a \$2 million surplus on that particular line item? That's the provision for losses on loans and guarantees on page 69.

The rest of my comments are associated with looking at issues that come out of your business plan. I'll make reference to the business plan that's reported, associated with the budget rather than going to the business plan document, because I can give you page numbers off that more easily.

On page 58 of the budget document, under your business plan summary there's reference to the Alberta Barley Commission, Alberta Public Works, Supply and Services, and Alberta Agriculture's initiative to construct the Lacombe cereal crop research facility. You know, with the efforts that we're undergoing right now to consolidate and work co-operatively, is this a new facility that's been there, or is it an expansion of a current system? If it's a totally new lab process, was there any possibility given to having this work in with the Agriculture Canada centre at Lethbridge? I know Alberta Agriculture already does a lot of co-op work with them in Lethbridge, and when you're going out to build new facilities with new technology processes or new experimental equipment in it, we can make much better use of that equipment if we can share it among a larger number of researchers. I just ask the question as to whether or not that was looked at in terms of a possibility to deal with in terms of the options that the minister looked at.

I guess the other issue builds a little bit on the comments made by the Member for Edmonton-Meadowlark. I've had a number of farmers asking for any kind of a measure on the effectiveness and the efficiency with which the new farm income disaster program has been working. Is it really helping the target group? I would like some kind of indication from the minister on that. I noticed that in your business plan you do have a statement in there that says you are going to look at the farm income disaster program to see if it's really helping the target group: farmers who are in a disaster situation. So I think that process, if you carry it through, would go a long way to answering these questions that these farmers have.

Basically, all I'm saying is I think that's a very good initiative, and I encourage you to carry through with it, because we've got to be able to go out there and show the farmer, show the public that these programs are targeting a group in need and that they are actually helping them through a temporary crisis situation, a temporary disaster situation as opposed to becoming a long-term income guarantee or income support phenomenon that farmers at some point in time begin to capitalize into their land values and then it distorts the market totally. So I think that kind of a summation or analysis is really worth it, and I commend the minister on putting that into their business plan for the year.

The final comment I'd like to ask the minister for some clarification on – I guess this is not the kind of question that the minister can answer in a summary this evening, probably not even in the process of the debate on the budgets. We've seen Alberta Agriculture move to a new, enhanced crop insurance program. It's going to be broader based in terms of the crops that it covers. It's going to have a lower premium rate. When we look at the budget on page 56 and compare the expenditures that Alberta Agriculture will be putting in place under item 7.0.3, there's

about a \$30 million increase there in the crop insurance payment. This is being offset significantly by a smaller payment under 7.0.2, the farm income disaster program. I guess this shows the real interrelationship between those two programs, yet in the context of the eligibility criteria for the farm income disaster program, there is no mandate that a farmer have crop insurance before they can qualify for the farm income disaster program. So I don't see how you get that dollar-for-dollar trade-off unless you link the two programs together.

You'll be dealing with different farmers under different circumstances, and I guess I would like to see how those numbers come out. Probably one year's experience with the new program will be the data source that we'll need in order to show that that hypothesized trade-off actually gets carried through with. So I'd ask the minister to keep that in the back of his mind as he progresses through the next year and begins to evaluate how these two programs link together. Unless we actually have a requirement for joint participation by a farmer to move the dollars around from one program to another in the budget, it makes it a pretty heavy assumption about how they're going to be tied together that isn't actually there in practice. I'd like to have the minister look at those.

I think, Mr. Minister, that pretty well covers the issues that I wanted to address in the context of your expenditure patterns for this fiscal year. I look forward to the responses either this evening or feel free to provide them in a letter in the next week or so. It would be nice to have most of them if we could before the final vote on the budget, but at your convenience.

Thank you very much.

THE CHAIRMAN: The hon. Member for Whitecourt-St. Anne.

MR. TRYNCHY: Thank you, Mr. Chairman. I have four questions that I'd like to ask the minister. I don't need the answer tonight, but I'd like your department, Mr. Minister, to provide an answer to 3.2.5, animal welfare. Is the SPCA under this vote? If they are, I'd like to know the mandate, if you could provide that information to us. Just who do they report to when they do their investigations? I've had some concerns raised that these officers go out to auction marts and reject animals willy-nilly, and then they bring their vet in and clear that animal. There's no co-operation between these officers. Like the old saying goes, you put a uniform on somebody and they think they're God. I won't go that far, but the comments I get from certain people in the auction mart business who really wonder what their mandate is and who they report to, if anybody. Can we get that information from your department to me so I can at least talk with some knowledge to these people?

**9:53**

The next question is on 5.2.1, the farm fuel distribution allowance. Some farmers are asking the question, not just in my area – I imagine in yours also. With the high input costs of fertilizer, chemicals, and, of course, fuel prices going up, will this be increased? The price of grain is down somewhat from the high prices, and they're wondering: will we be chipping away at the farm fuel distribution allowance and having them pay more? That's a concern that's been raised. I believe that if we want to keep agriculture moving ahead, as I'm sure we all do, that should be looked at.

The next one to the minister is 7.0.2, farm income disaster program. I note from information that I've received that there were a number of dollars that were never applied for that were allocated to this program for the 1995 crop. There have been a

number of farmers across our area, ranging from Rocky Mountain House all the way down to the Peace country, where they either didn't apply or didn't know about it in time. They're asking the question: will there be a review of FISP, the one that this takes the place of? Can we change the regulations where a farmer could apply this year? Instead of applying for '96, could they apply for either '96 or '95 if the benefits were greater in '95? I'd like to have us look at that. I know we can't do it by legislation, because the legislation says that it quits on July 31. Can we change the regulation to have a farmer apply for either one? We have the dollars there. They weren't applied for last year. That would be a tremendous boost to those that missed in some way.

Then we have some – and I think I'll raise that with you privately – other concerns in regards to what's been done and what hasn't been done. I'd like to have a look at that with you.

The last comment and question are on 7.0.4, wildlife damage. It appears to me that there's something wrong with the system. You're in charge of the wildlife damage in funding for crops, yet Environmental Protection is in charge of the animals. I'm just wondering if we couldn't co-ordinate that a little better. We have farmers that bring in the wildlife officers, and they're told: well, you've got to see Agriculture, because you fall under snowed-under crops. I have some people in the area that have called me. They have snowed-under crops that are completely devastated and damaged and eaten up and destroyed, yet we won't pay them quickly. We say: wait till spring or summer or something like that. I think we should have a good look at that, because if the crop is destroyed, if there's nothing there, why should we hold back the funding in that regard?

It would be very much appreciated if you would provide some information in writing from your department people on those four issues, especially on 3.2.5, animal welfare. I'd sure like to hear what the mandate is of those people and how we can maybe have some better co-operation between the officers and the industry and of course the local people. I'm not against them moving and doing what they have to do to those people that have neglected their animals, but when you walk into a place and you reject an animal and then you find out that the veterinarian will approve that animal, it makes you wonder just who's doing what and why they're doing it.

So with those comments, Mr. Minister, I'd appreciate your reply some time when you have time.

Thank you.

THE CHAIRMAN: Hon. minister, I've got two more people. Do you want to hear them first before you reply, or would you like to reply now?

MR. STELMACH: Well, are we going to go to 10 or after 10? Go ahead.

THE CHAIRMAN: Okay. I have Edmonton-Meadowlark and Little Bow.

MS LEIBOVICI: Thank you. Just two quick questions. Again they're policy related, but they're based on the budget items. One is 2.3.4. When I look at the news release on the Alberta environmentally sustainable agriculture program, I notice that there are going to be four components. One is to find new technologies. There's also going to be technology development and demonstration to processors. What I'd like to know is what the government's position is – and I know this has been going on within the agriculture sector – on genetic manipulation as well as cloning. Given the fact that it has now been proven to be able to be used

on you humans, if I can use that analogy, I would like to know whether the government has a position on that and whether the department of agriculture is working with other departments to develop a position with regards to that issue.

The other question that I have deals again with the insurance programs. I remember the now Minister of Energy at one point standing up in this Legislative Assembly and indicating that individuals who would knowingly build on a flood plain would not be able to access insurance programs. Now, given what we're seeing happening in Manitoba and potentially in parts of Alberta at this point in time, also given the fact that we are moving towards global warming, where it will be more and more likely that we will have floods in this province on a regular basis, can the minister indicate what the province's stand is on those individuals who knowingly build on a flood plain?

Thank you.

MR. STELMACH: Mr. Chairman, I'll begin with the questions raised by Lethbridge-East with regards to the irrigation rehab. He'd mentioned that there's about a \$2 million decrease from what was budgeted, \$17.2 million to closer to \$14 million. There was a \$2 million payment made in the previous year's budget, so that is why there's a difference of approximately \$2 million. Our dedication remains constant to the irrigation rehabilitation, so it will continue as per our business plans.

With regards to AESA and is \$3.5 million sufficient? Again, the commitment is \$15.5 million over three years, so it's roughly equal to the commitment we had under the previous program, CAESA. Again, we had advanced \$2 million from the previous year's budget, so that's why this year it's only \$3.5 million, but it will be \$5.5 million.

There was a question raised with respect to sustainable agriculture. There has been considerable work done in this particular area, but we have more to do, and we were looking at some of the measurements. One of them was, of course, with respect to summer fallow. In some particular areas of the province summer fallowing plays a significant role in their farm management practice, and, you know, I agree with that, although there are ways of summer fallowing other than to drag a piece of equipment around four, five times a year. It all depends on how the land is summer fallowed and whether minimum tillage is incorporated together with maybe some chem fallow as well.

I can safely say that given the initiatives by producer groups in this province over the last four, five, six years, there has been a substantial reduction in the amount of stubble burning. We see that especially in my area, a tendency to burn the stubble every fall, and we've seen a substantial reduction. That quite frankly came as a co-operative initiative by various producer groups in conjunction with the agriculture service boards and the department of agriculture.

A question again was raised with respect to the Agriculture Value Added Corporation guidelines and what its role is. As I mentioned before, this fund will not provide loans, equity, or venture capital. It's dedicated to helping not only the primary but the processing sector in the area of research to enhance the development of new products and incorporate the technology that has been researched at the present time and also to address the barriers that we have to commercialization in the province of Alberta. The interim board will be providing this minister with their strategic goals and their business plan probably by the end of next month, and we will ensure that those goals and the business plan are within the contract that has been signed between this ministry and the value-added corporation.

**10:03**

Now, there was a question raised with respect to the Alberta service boards' accountability and whether they will fall within the freedom of information amendments that are being brought forward to the House. The agriculture service boards, quite frankly, are accountable just like any other creature of the municipal government. Their minutes are public, and their expenditures have to be passed in the public setting and have to be approved by the local municipality. I don't know how much more information we could get from a municipal government at this time with respect to how much money is spent on agriculture service board budgets. All municipalities break those budgets down to how much money has been spent on chemical control, how much money has been spent on weed control, soil conservation, et cetera. Unless the Member for Lethbridge-East has further information as to what information is not available, I don't know of any information that is withheld from the public in terms of where public dollars are spent.

There was a question earlier from Spruce Grove-Sturgeon-St. Albert: is the Agriculture Financial Services Corporation a farmers' bank? The Agriculture Financial Services Corporation provides lending and insurance services which are not provided by the private-sector institutions. Banking services such as chequing and operating loans are provided by the private sector and not by the Agriculture Financial Services Corporation. The Agriculture Financial Services Corporation tries to ensure that the gaps in financial services are filled where needed so that Alberta farmers are competitive with farmers in other developed countries.

With regards to grazing lease enhancement, there is substantial reduction. Last year we moved from support from the Alberta heritage savings trust fund, and now that money will come from the farmers. There will be a fee of \$3 per animal unit per month, and that's to cover the grazing lease rehabilitation and enhancement.

Mr. Chairman, do you think I should proceed or we should recess until the other people come?

THE CHAIRMAN: The call is yours, Mr. Minister.

MR. STELMACH: Oh, okay. Well, I'll keep talking until everybody gets here then.

Edmonton-Meadowlark raised some questions that only someone from a city riding would raise with respect to some of the accountability that goes on. I would hope that the Member for Edmonton-Meadowlark will share some of her opinions with her counterparts in other provinces that continue to subsidize farm operations and as a result put extreme pressure on this government to provide the same sort of subsidy programs that you had referred to.

I would like to remind the Member for Edmonton-Meadowlark that all of our budget reductions in the department of agriculture have come on the backs of farmers. We've reduced farm support programs by well over \$236 million and are working to move the management of risk from government to the farming community.

The question with respect to bad management. There is no room today in farming for bad farm managers. First of all, if you are a bad farm manager, you won't be able to access crop insurance if you consistently have crops that are written off due to either poor input or poor management, because you couldn't afford the premiums. Secondly, under the farm income disaster program, if you don't have a positive margin, you don't receive any support. The farm income disaster program isn't there to support those farmers that have no positive margin. In fact, if

you've been losing money for the previous three years, we can't pay 70 percent of the margin, because there is no margin. We're not there to support those farmers that, quite frankly, haven't been able to show a positive margin in their particular operation.

Now, with respect to crop insurance, if you can find a private insurance company to underwrite crop insurance, then I would expect you to share that with this Assembly, because that's part of the problem. There are no private insurance underwriters for crop insurance other than in some areas for hail. But if you go to those areas that have a very high risk of hail, you won't get anybody to underwrite it either. So this is why the federal government and the province are co-operating in offering insurance programs for our farming community, which, quite frankly, will increase the stability in the farming sector and also will lead to increased production.

Now, in terms of the administration, our administration in the crop insurance business and in the lending division certainly has been the lowest of any of the other provinces for at least five or six years that I remember. In fact, we are substantially lower than the other provinces, and we do have a model that I hope some of the other provinces will incorporate. That administration includes also, of course, the monitoring of the various programs that we have in Agriculture Financial Services Corporation. We're not taking a backseat to anyone in this particular business, because our administration costs are definitely the lowest compared to other jurisdictions in the country of Canada.

With respect to the question raised about the relationship between employment and farm cash gate receipts and why employment has not increased relative to the increase in farm cash gate receipts.

MS LEIBOVICI: Look at the chart. Your employment has increased significantly.

MR. STELMACH: Well, the way I heard it is: no employment increase but farm cash gate receipts have increased. That's simply because farmers are operating much larger production units, and as a result their farm cash gate receipts are up and they're certainly more efficient in their operations. As a result, there's less . . .

MS LEIBOVICI: A point of clarification.

THE CHAIRMAN: I don't know that there is a point of order or a point of clarification at this time.

MS LEIBOVICI: Okay. Just to say that the employment looked as if it was increasing, but the receipts weren't.

MR. STELMACH: The way I heard it is that the farm cash gate receipts are increasing and employment is going down in that one particular area.

In the processing, of course, the more production we have on the primary end, the more product we have to process, and as a result the more diversity of products, access to markets, and new processed products we have, that will lead to greater employment. That's why we're saying that by the year 2000 we'll see a substantial increase in the number of people employed in this sector.

**10:13**

To give you an example of the close relationship between primary production and processing, if we double our hog numbers in the province of Alberta, we have a very good opportunity of

seeing the development of another hog processing plant in the province. Quite frankly, if we can get the hog numbers up, we will get another plant, which will probably see an increase of about 1,200 people just in that one area of processing, not only the slaughter but the boning and the cutting and the distribution. You also have to remember that in agriculture it's not only the direct employment in the processing, but there are people involved in marketing, transporting those goods, accessing markets, and also in research.

I think, Mr. Chairman, I'll take my seat.

MR. McFARLAND: Mr. Chairman, I suppose the question on everyone's mind tonight is: what do diehard Edmonton Oilers fans do once they're out of the series? I think they come and sit in the members' gallery and listen to estimates for Alberta Agriculture and hope for a better team next time.

Mr. Chairman, the minister has answered a few of the questions that I had, although I would like to in the essence of time outline three or four questions to him, and I'd be happy if he'd respond in writing or something at a later time. Those questions are concerns from the constituents in our area, probably throughout Alberta, about rising fertilizer prices. The comment has been made – and I'm sure Edmonton-Meadowlark will like to hear this – that fertilizer rebate programs have been eliminated, but the farmers are more than ever aware of the increasing prices and want to know if there's any possibility you could look at any

price-fixing mechanism that the fertilizer companies might have in driving this price up.

The second one had to do with soil erosion on Crown land which is rented by adjacent farmers along lakefronts and the cultivation charges that are being put to them. Apparently there is some dispute over the acreages that are involved.

The third thing would deal with your opening comments that we'll be pursuing marketing choice in wheat and barley markets. My specific question is: will you continue to ensure that farmers have market choice in our grain marketing system? I have a couple of constituents that were recipients of \$12,500 fines, and in their minds they did nothing more illegal than carry their own sack of grain across the border.

With that, Mr. Chairman, I would like now to move that the committee now rise and report progress and request leave to sit again.

THE CHAIRMAN: The hon. Member for Little Bow has moved that the subcommittee now rise and report and beg leave to sit again. All those in favour of that motion, please say aye.

HON. MEMBERS: Aye.

THE CHAIRMAN: Opposed, please say no. Carried.

[The committee adjourned at 10:19 p.m.]