

Title: Tuesday, March 23, 1999 Subcom. C: Agriculture, Food and Rural Development

Date: 99/03/23

8:09 p.m.

[Mr. Tannas in the Chair]

Subcommittee C - Agriculture, Food and Rural Development

Tannas, Don, Chairman
Fischer, Robert, Deputy Chairman
Barrett, Pam
Cao, Wayne
Clegg, Glen
Evans, Iris
Gibbons, Ed

Hlady, Mark
Klapstein, Albert
MacDonald, Hugh
McFarland, Barry
Nicol, Ken
Smith, Murray
Soetaert, Colleen

Stelmach, Ed
Stevens, Ron
Strang, Ivan
Thurber, Tom
Trynchy, Peter
Woloshyn, Stan

THE CHAIRMAN: Good evening. I'd like to call the subcommittee to order. We have for our consideration this evening the estimates of the Department of Agriculture, Food and Rural Development. To begin the evening, we'll ask the minister to make his comments, then we'll call on the critic, and then we'll move along from there.

We have a motion to be made before we call on the minister. The hon. Member for Lethbridge-East.

DR. NICOL: Mr. Chairman, I'd just like to move that the minister be allowed to have the deputy minister sit at the table with him, so I'll put that on the floor as a motion, please.

THE CHAIRMAN: Okay. The hon. Member for Lethbridge-East has moved that the deputy minister be allowed to sit at the table beside the minister. All those in support of that motion, please say aye.

HON. MEMBERS: Aye.

THE CHAIRMAN: Opposed, please say no.

You have your consent, Mr. Minister. Hon. minister, if you'd begin your comments.

MR. STELMACH: Okay. Well, thank you, Mr. Chairman, and good evening to everyone. I'm certainly pleased to be here this evening to present Alberta Agriculture's budget for the upcoming fiscal year. Before we do that, I'd like to introduce a number of people that have joined us today from the ministry. Of course, sitting to my right is Mr. Doug Radke, deputy. We have sitting in the audience, in the gallery - behind the ropes, so to speak - so I don't miss any, Les Lyster, who's an ADM; Mr. Barry Mehr, right against the wall, ADM; Ray Bassett, ADM; joining them, Dr. Ralph Christian, the executive director of the Alberta Agricultural Research Institute; Mr. Mike Mylod, director of finance; and making his 24th and final appearance at Committee of Supply due to his upcoming voluntary retirement, Mr. Larry Lyseng, whose presence we will miss. Also from the Agriculture Financial Services Corporation, new people. The reason I say that is that Mr. Manning and the vice-presidents are at a strategic planning retreat this evening, but we have Laurie Whitecotton, financial planning; Tom Crozier, research and program development; and Frank Blush, who's the senior manager of farm lending services.

I'd just like to make a brief comment with respect to our staff. We've come to some difficulties in agriculture last year, but I want for the public record to say that it's been a pleasure working with our staff here and of course with the people over at O'Donoghue and all of the staff that have provided us excellent service throughout the

region. In fact, we had an excellent support rating from our constituents, our clients, and that speaks highly for their commitment to agriculture.

Before I get into the meat of our presentation - I'm just checking to see if everybody's awake - I think it's worth while to take a moment and recap what's happened over the past year in the agriculture industry. For some of our farmers it was a very good year, and for others 1998 is probably a year best not discussed. Preliminary estimates from Alberta farm cash receipts totaled \$6.29 billion for 1998. That's down 1.3 percent, from \$6.47 billion in 1997. Despite the decline both 1997 and 1998 levels were higher than the five-year average, taken from 1993 to 1997, of about \$5.85 billion. Alberta still remains the second highest generator of farm income in Canada, just slightly behind the province of Ontario, at about \$6.74 billion, but we're going to catch up with them here pretty quick.

Total Canadian farm cash gate receipts were also lower in 1998 by about 2 percent. Although Alberta was among the four provinces to report lower farm cash gate receipts in 1998, Alberta and Ontario both reported the smallest decreases, down 1.3 percent as I mentioned earlier. Saskatchewan receipts fell 6.8 percent, and Manitoba was down 7.2. Quebec receipts were up by about 2 percent as program payments were 106 percent higher than the 1997 level. Direct program payments to Alberta farmers totaled \$238 million. That is up 21 percent from \$196 million in 1997, an increase mostly attributed to higher crop insurance and FIDP payments to drought-affected farmers in the Peace and northeast regions.

The increase in program payments did not, however, have any significant impact on net income levels as it was far outweighed by the increase in market receipts for some commodities, particularly canola, which was up 21 percent, and live cattle was about 7.4 percent. Reduced marketings and lower prices contributed to a \$204 million decline in Alberta's 1998 wheat receipts. Also due to sharply lower marketings and prices, barley receipts were down about \$114 million. With live hogs, '98 marketings were down almost 8 percent, while prices dropped 36 percent. Hog receipts in 1998 fell \$125 million, to \$355 million.

I just would like to take a moment to touch on the hog situation. In a few moments I'll outline how Alberta's farm income disaster program responded to the disastrous drop in income experienced by hog producers in the province. Just before last Christmas prices per kilogram, dressed, dropped to a low of less than 50 cents per kilogram, or less than 23 cents per pound. Prices have come up since that time to about \$1.10 per kilogram, but the break-even point for most farmers is about \$1.25 per kilogram. Farmers should be back in a break-even position by June based on futures prices, but in the meantime there have been some regrettable casualties among hog producing operations in Alberta.

As bad as the hog situation was last year, strong canola prices helped maintain overall farm cash receipts at about average levels. Compared with 1997, canola receipts for 1998 were up \$146 million,

about a 21 percent increase in marketings, to lead all crop receipts. Receipts totaled \$859 million compared to \$142 million for wheat, so definitely canola was the Cinderella crop for 1998, providing you sold it before Christmas. Also on the positive side, 1998 live cattle receipts rose to a record of \$2.77 billion. That's up more than 7 percent. That's really due mainly to a 5 percent increase in marketing.

In total, Alberta's 1998 livestock receipts reached a new record of \$3.67 billion. Crop receipts were down about 7 and a half percent, and that's where most of the hurt took place. Farm operating expenses are forecast at \$4.86 billion for 1998. That's up about 1 percent from the 1997 estimate. A combination of higher receipts and level operating expenses should produce an increase in net cash income for 1998 currently forecast to be about \$1.59 billion. It was about a 3 percent increase. However, due to a forecast increase in depreciation, 1998 realized net income is forecast down 2 percent from a year earlier to about \$582 million.

I would like to move on now to the specifics of the budget. A moment ago I mentioned and talked a bit about the farm income disaster program, or FIDP as I'll refer to it further on. During '99-2000 the AFSC will be processing FIDP claims mostly covering the 1998 tax year. Funding for those claims was approved in last year's budget. For '99-2000 the budget proposed is based on expected long-term averages for overall farm margins. Using these averages, claims covering farm operations for the 1999 tax year are forecast at about \$70 million.

To date in 1999, 147 producers have received an average of about \$36,000 each on FIDP claims. We've already paid out \$5.3 million for 1998. To compare this with last year, in 1998 less than half a million dollars in claims had been paid out to mid-March, so it's a 10-fold increase that's reflecting the kind of commodity price drop and the hurt that's occurring out there. I should mention that FIDP is the program by which the federal/provincial agriculture income disaster assistance program will be administered over the next two years in the province of Alberta, and we'll go into greater detail just in a few moments.

A number of program changes were made for 1998. One change which has resulted in more farmers benefiting from the program, particularly in back-to-back tough years, was the inclusion of accounts payable. This change benefits the producer in such a situation because it more accurately recognizes the severity of an income drop and could trigger a larger payment than it otherwise would.

Another change was quicker payment to farmers. That was a result in change of deadlines for farm operations with business year-ends which are not December 31. Program and processing improvements have both contributed to getting the funds into farmers' hands more quickly.

8:19

Turning now to the beginning farmer program, this program was reviewed during the last year. Improvements were made to reflect farmers' needs in 1999. Eligibility was more clearly focused, and flexibility to deal with individual situations has been improved. With the reduction in the beginning farmer loan interest at 7.5 percent and increased awareness initiatives, AFSC has significantly increased its assistance to the number of beginning farmers. In '99-2000 new beginning farmer loans are anticipated to be about \$81.6 million.

Now, this program has been one of the best tools available to maintain a steady flow of new farmers into the industry. Through its loan monitoring and counseling capabilities, the corporation has been able to keep its arrears and write-offs at a reasonably low level,

and during the difficult period farmers are experiencing in northern Alberta, the AFSC's beginning farmer customers have generally fared better than customers of other financial associations. In fact, we would submit that the performance of AFSC compared to other lending institutions is as good and in fact in some cases better. One of the reasons is that the average experience of our loans officers is in the range of 14 to 16 years, which is far greater than those in chartered banks. That's where some of the problem is. When we get people that may work for chartered banks in the larger cities doing car loans getting asked to move out and do farm loans in rural Alberta, they just can't seem to get the job done. AFSC staff are particularly helpful to their loan customers where conventional lenders, especially in the Peace River area in 1997, were really tightening up on their lending.

Many of these initiatives that I've just mentioned have been particularly helpful to hog farmers dealing with an unprecedented income loss. AFSC adapted its developing farmer loan program within a week to start helping hog farmers with quick injections of cash. These loans - and I repeat, loans - provided badly needed cash flow as banks and feed companies drastically cut back on credit. It is expected that new developing farmer loans in '99-2000 will total about \$6 million. One hundred and seventy-eight quick injection loans for \$6.2 million and 21 financial restructuring loans for almost \$3 million were made to hog operations, and financial counseling was provided to virtually hundreds of others. This quick action by AFSC made it possible for many of these farms to remain viable. There is an increased demand for AFSC's developing farmer loans due to the growing gap that is not being serviced presently by the banks.

There are numerous other areas where farmers in Alberta will benefit from significant financial commitments that were made as part of Budget '99. One of these significant areas is the up to \$44 million that we're prepared to invest in new agricultural initiatives over the next two years. Included in the '99-2000 budget is \$27.1 million, and the '98-99 forecast includes another \$16.6 million. This money has been freed up by the fact that the Alberta government is receiving significantly more money from the federal government under the farm income disaster program as part of the federal commitment to farm income disaster assistance across the country over the next two years. We as a department are now in the position to reinvest these provincial funds into the growth and development of Alberta's agricultural sector. We are in a process of consulting with industry and other stakeholders at the moment to see how these funds can be best reinvested in the agriculture and food industry.

Another significant commitment to supporting research in emerging priority areas is we are allocating \$1 million for this initiative. The Alberta Agricultural Research Institute, AARI, is creating a new program that will support projects and activities aimed at exploring and resolving emerging strategic issues and new initiatives in areas such as food safety, agricultural biotechnology, water quality, waste management, research capacity improvement, functional foods, nutraceuticals, greenhouse gases, and climate change.

We are also continuing to fund the municipal industrial wastewater infrastructure program for agricultural processing. This is a program the Premier announced, a three-year pilot program, maximum \$35 million over three years, to assist municipalities with sustaining development. Since that time, one project has already been approved, Lamb-Weston with a total value of about \$6.1 million, and another project underway that may qualify would be McCain's.

We are also implementing a new regulatory approach to intensive livestock operations. As part of this commitment we are allocating

nearly \$500,000 in '99-2000, another \$800,000 for 2000-20001. We are endeavouring to develop standards for intensive livestock operations, and these funds will be used when the standards are developed to ensure that producers are aware of any new changes and to administer any new legislation. I think that this is one area where we have had extensive consultations, and we will keep consulting with stakeholders until such time as we build consensus. At the end of the day we won't be able to satisfy all of the issues that come forward, but we'd like, on a consensus basis, to have the most support from the key stakeholders.

We are also increasing the funding of ag service boards by \$700,000. This is the first increase since 1981, and they do deserve the increase because they've been really covering many of the costs, especially the programs they deliver on behalf of Alberta Agriculture. They really deliver some of the soil and water conservation, weed and pest control, and educational programs.

Increasing the Alberta farm fuel distribution allowance by \$1.2 million brings it up to \$33.5 million. This recognizes the fact that more farmers are purchasing diesel trucks and hauling their products much greater distances to market than used to be the case.

I'd like to take a moment to touch on some important new initiatives for the department that are going to continue to build value to the services we offer the agriculture industry. In recognition of the growing importance of environmental and food safety issues to Alberta agriculture, we are in the process of a major restructuring of the department to better respond to the needs of our clients and more proactively address these issues. Our business plan already identifies a new goal, number 7, food safety. Numerous departmental staff are working on environmental food safety issues within the department and with other departments in government. We believe this restructuring will greatly enhance our efficiency.

So at this time I'd like to conclude my formal remarks and answer any questions you may have this evening.

THE CHAIRMAN: Thank you, Mr. Minister.

It's my understanding that the subcommittee would like to just go ahead with the straight 20 minutes, and then the minister may respond at the end of whatever time you've taken. Is that agreeable?

MR. STELMACH: Yes.

THE CHAIRMAN: Okay. The hon. Member for Lethbridge-East, followed by the hon. Member for Wainwright.

DR. NICOL: Thank you, Mr. Chairman. It's a real pleasure to be given the critic responsibility for agriculture. It's a favourite area of mine. I want to start by just congratulating the minister and his staff on their efforts at bringing our agricultural sector through a very trying year. There are a lot of people who are concerned about what has been going on in it, and I think the minister and his staff should be recognized for undertaking a yeoman's work in a situation of a lot of pressure. I say that notwithstanding the questions I'm going to be asking as well. It's nice to know that the commitment is there by the staff and the minister, that agriculture's important in this province.

I guess if I were to ask the question of the minister that probably is asked most often by farmers, by people in the agriculture sector, it would be something like: what happened to the federal money? I know the minister tells us all the time that this is being put into development for sector funds and it's a matter of bookkeeping. You know, the money goes into the ag budget in the farm income disaster program and releases Alberta money out of it.

8:29

There's a lot of question as to why this isn't going into supporting farmers in the income crisis situations, why it isn't being directed to support farmers in the areas of the province or in the economic situations that would help them somehow to alleviate their susceptibility to future income crises. They look at the suggestions that are being given to them through the press that this is going to go into initiatives that will increase the overall well-being of the sector. The people who are in a financial crisis this year do not see themselves as being the major beneficiary of that, even though that's what the federal dollars were targeted for. They see as the major beneficiaries of the broad-based agriculture sector initiatives the neighbour who they see as having done really well when they were not very well off. So this is, I guess, an issue that the minister needs to address in the context of how those dollars are being accounted for in the budget.

In that case, even if we look at the issue of the income statement on page 60 where the minister reports the general revenue streams from his department, if we look at the transfer from the government of Canada under agriculture support programs, the numbers that are floated around in the public vary anywhere between \$50 million to \$70 million to \$80 million this year and then a subsequent \$20 million, \$30 million, \$40 million next year to total something in the neighbourhood of \$120 million over a two-year period coming from the federal government. Those dollars don't show in that table. When you look at the relationship between the '98-99 and the '99-2000 numbers, we see something to the tune of only a \$25 million or so increase in transfer. So the farmers are looking at that and saying: "Where is it? How much is it?" I know that the minister is still negotiating the nickels and dimes of the actual amount, but the millions should be reasonably close at this point in time, and they should be built into that budget.

This, I guess, leaves a lot of other questions in the context of the business plan where you're talking about the general role of the farm income disaster program: how it relates to the initiatives of stability within the sector, how it relates to the proper functioning under the WTO guidelines. There's a lot of question as to whether or not the program is overly rigid, whether the program is not as flexible as it could be. There are three or four options for programs that are given under annex 2, and there's a number of the farm groups now that are saying: why not use some of the other options which would provide more flexibility in providing income support, especially when the federal government is going to contribute part of the dollars required to support that program? So it's more a matter of how that works.

Also in the business plan you may recall a reference to the review that was under way of the FIDP program. There were some questions in terms of how this was going to be built into the future and how it might affect the budget in the coming year. So that's basically where we're going in the context of that FIDP program. I guess it really boils down to the farm sector wanting a little more openness and a little more accountability in exactly where those federal dollars are going to end up in the agriculture budget. Even when you look at the document, it doesn't show up in an overall budget where you see it even at the aggregate level. The overall amounts to be voted for agriculture don't reflect any significant increase in total expenditure.

So in essence what's happened or what people are seeing is that those dollars came in from the federal government, and when we look at the '89-90 forecast of \$356 million and the '99-2000 gross estimate of \$268 million, you're only looking at a \$12 million difference. So, in essence, the government of Alberta has cut the agriculture budget by the federal contribution minus \$12 million. Are those dollars going to disappear? Will they be replenished when

the federal program runs out in two years? There's a lot of concern that this is leading to a gradual erosion of the dollars that are going to be contributed in support of the agriculture sector, I guess, as opposed to contributing to it. It's dollars in support of it.

We see, again, the agriculture initiatives that you were talking about. The development funding is an interesting thing to appear now under your program titles that reflect the income support. This is not normally what a person would consider to be income support. It's more a matter of the issue of sector expansion, sector diversification, sector flexibility as opposed to income support when you talk about development funding, unless this is going to be approximately \$25.6 million next year put into the development of programs that eventually will deal with income support. So I guess what we'd ask the minister to do is elaborate a little bit on that development funding and specifically why it's included under the title of farm income support.

I guess I could be a cynic and say that this is one way of trying to show that those federal dollars are really an income support even though they're going to go into export expansion or product diversification, when they're actually allocated to a project or a program. So I guess the sector would like to have some kind of an explanation, and, Mr. Minister, so would I. It's difficult for us to track those dollars when we don't have the specifics and keep them accountable when they end up under one title but actually are being used in the format of a different title.

As we're talking about the overall budget of the ministry, it's interesting to note that there is no contingent liability, you might want to call it, or possibility for the money that you may owe to the Livestock Identification Services. There's a real debate out there that some groups are claiming \$6.5 million to \$7 million being owed to the Livestock Identification Services from the ministry of agriculture. I guess when it doesn't show in the minister's budget as even a possibility of a contingent liability, the minister is making a statement that effectively the amount that's owed is zero. This is, I guess, maybe hard negotiation, but we have to be aware of the fact that this could be a future liability for the ministry, and it needs to be at least referenced in the context of our accountability for the budget.

I guess the other question that I'd like to address kind of up front before we get into some of the specifics of line items is a phenomenon that we've noticed quite extensively in the new budget. This is where there are now line items where the dollars are being transferred from lottery funds. If we look at that, specifically the lottery fund estimates, we're going to skip over to the page where they're listed under Economic Development, but we'll deal specifically with the agriculture and economic indicators section, where agricultural research is going to get \$8 million; rural development services, \$9 million; irrigation rehabilitation, \$17.2 million; municipal wastewater use, \$5 million. And these are all new dollars. So we're looking at something to the tune of almost \$40 million now coming into agriculture and out of lottery, and these are supposedly onetime funds, if we follow the Premier's guidelines where the lottery dollars are not to be used in any budget or in any process for ongoing funding of programs. So it's a matter of how that's going to relate to ongoing funding for those initiatives.

8:39

We see also that the rural agricultural societies have a million dollar increase there, again coming out of lottery funds. Those rural societies are really an institution in a lot of communities that have been funded year after year, and I think the members of the rural community that get benefits through those agricultural societies would see them as ongoing funding as opposed to this lottery funding definition that's there. So that's something that I think the

minister needs to explain to the people of the community, why suddenly now we're dealing with about \$40 million worth of new dollars from lotteries and an ongoing \$10 million or \$11 million from prior year initiatives, totaling about \$52 million coming from the lottery funds.

These are the kinds of shifts that are really interesting in the context of the ability to be accountable and to be straightforward with the people in the community, when you're saying in one case that lottery funds can't be used for ongoing funding, yet we're putting them now into line items that appear very much to the expectation of the community to be ongoing, continuing funding of projects.

The other thing I wanted to chat a little bit about. You make the comment that the ag service boards are getting an increase in funding, yet when we look at line item 4.3.3, I would suggest maybe there must have been a typo in that, because it looks to me that it's actually short about \$5 million. Your ag service boards last year were \$4.5 million, and this year, according to that, they're down to \$214,000. Yet in your introductory statements you told us that they were getting a \$700,000 increase in funding. So that's an interesting, I hope, typo, where the 5 is missing at the front of the 2, or else they're showing up somewhere else in the budget now, and people need to do some adding and subtracting in some other places to come up with those kinds of numbers.

Some of the specifics, then, that we'd like to get into. I'd like to start again with the business plans a little bit and talk about some of the goals that are there in the context of the overall structure and overall expectations of both the government and the Minister of Agriculture, Food and Rural Development. The government has a major section of its goals and expectations to expand research and technology that provide "viable commercial products."

What we'd like to see and couldn't find anywhere in the business plan is kind of a record that would show success rates for Alberta Agriculture, Food and Rural Development partnered activities. I know there are a lot of success stories out there right now for private-sector initiatives, but the success rate on these new product development diversification issues that Alberta Agriculture, Food and Rural Development have actually been partnering with - we need to have a little report, I guess, on the success of those and how they're contributing relative to some of the other departments, to the government's overall objective.

Also, as you're doing that, the criteria that you put in for deciding which projects to put public dollars in support, how you want to do that, whether or not they're coming out in terms of this expansion.

The government business plan also talks about the international marketplace, the international initiatives, and I know the minister has on a couple of occasions been off on trade missions, been off on international information-sharing initiatives, and in the business plan, especially in the performance indicators, there's little or no measure of where the benefits come back from those kinds of activities.

I know the minister talks about the contacts made, and I think it would be appropriate for the people of Alberta if we had some mechanism of reporting back, even if you're dealing with a two- or three-year time lag, even if this year you reported successes that resulted from an initiative started two or three years ago. I'm sure most Albertans, because of their awareness of the business community, recognize that an initiative started today doesn't necessarily bear fruit today. You're looking at five-, six-, seven-, eight-year time horizons on these international trade and product awareness expansion initiatives. So I think it would be appropriate to have that kind of a performance indicator built into the business plan and the performance indicators of the ministry.

There was another one that kind of struck me as interesting, and that's on page 19 of the business plans. Your goal 16 talks about land quality measures and targets, and there's a commitment there to target an increase in dry matter production to "0.98 tonnes per acre by the year 2000." I guess this is something that we'd have to get Alberta Environment involved in as well, because when times are tough like they are right now with a little bit of a drought condition and low commodity prices, there's a tendency for farmers to mine their soil and maintain their dry matter production or not reduce it as much as possible. I would ask the minister to outline for us what measures are in place to make sure that this increase in production is associated with viable long-term sustainable agriculture, not a crisis management situation, where one year we see it jump because farmers did this or that or the next thing that really is effectively mining the soil and degrading the long-term productivity of it. This is something we need to look at because long-term sustainability is important.

There was one more question that came up in the context of your specific business plan that I'd like to go back to, and this is when we're dealing with the farm income disaster program. The 1998 payout was \$196 million in terms of your measurable results in your table, bullet 4 on page 52, yet you forecast \$240 million total income support. This is FIDP, the crop insurance, all of the income support programs for agriculture. If the year was so bad, why is it that it's down compared to the year previous? You know, we're hearing all the concerns about the hog sector. We're hearing about the drought conditions. So that kind of an explanation for consistency between perception and the numbers.

Thank you, Mr. Chairman. If I have time later, I've still got a number of pages.

THE CHAIRMAN: Hon. minister, do you wish to commence answering questions, or do you want to proceed?

MR. STELMACH: Sure. Do you want me to give you the full load?

THE CHAIRMAN: Well, we will limit you to 20 minutes or less.

8:49

MR. STELMACH: The reason I ask if it's the full 20 minutes is I don't know how many other questions are going to come around the table. I can certainly begin. It'll probably take more than 20 minutes to cover all that's been asked here. I just don't want to leave anybody not able to ask questions later. But I'll start, and then we'll take it from there.

The first question was: what happened to the federal money? The Member for Lethbridge-East is referring to the dollars that we're expecting to come to the province of Alberta, 60 percent federal contribution to the costs associated with FIDP. The number of dollars that we anticipate to pay out for the year 1998 and of course what we're projecting to pay out for the year 1999 won't be paid out until the applications come for the year 2000. So I think we've been very conservative in our estimates.

First of all, we don't have an agreement in place. We're working on it. We are cutting cheques now because we do have the program in place, and like I said before, there's over \$5 million paid out now. In many of those provinces that did not have a farm income disaster program, they're just setting up the whole administration process. I suspect that many of those won't see any of those dollars until September or October of 1999.

I just want to quickly mention that another province will be cutting cheques for their farm producers much earlier than the balance, and that is the province of British Columbia, which entered

into an agreement with AFSC and the province of Alberta to administer their whole farm insurance program. That agreement I think is the first of its kind, where one province has asked another province to administer a program for them. We've had excellent results in processing claims for the province of B.C. for the year 1997. In fact, the province has had so much confidence in our ability that they have signed an additional agreement allowing us to process their claims for this crop year. We already have the infrastructure in place and the people in place. This is on a cost basis, so we will be receiving compensation for doing those applications and processing them. The bottom line is that it's going to save the British Columbia government some dollars, and it will be getting money to the farmers much quicker.

When we're talking about the federal money, the other issue that we probably should look at - I think you were quoting page 60, but we should be going back to page 58. Our estimate there is \$60 million for the '98-99 fiscal year, which is a net increase of about \$40 million, shown in the 1998-99 forecast. Now, for next year our estimate is \$35 million, which shows up in '99-2000. Again, here we are, trying to guess what crops or livestock numbers 60,000-odd producers will be producing, trying to predict weather conditions a year ahead and some of the commodity price fluctuations. So we have to be careful as to how much money we commit for what is really a second year out, because if there are any losses accrued in 1999 to farmers that have qualified for the program, they won't be able to apply until the year 2000.

Now in terms of the program, we get advice from many individuals, certainly various farm producer groups. We have at least 40 people around the table of the Alberta Farm Safety Net Coalition, which offers advice to Alberta Agriculture, to the ministry, and also to AFSC as to how to design the programs and make them more beneficial and react quicker to change in commodity prices, et cetera.

Also, when we're designing these programs, we have to ensure one very important thing, that we do not create the situation where we violate our WTO agreements. With this new federal money that's coming, there are some that are saying: well, maybe we should just increase and tweak the farm income disaster program so we pay out more. But whenever we move to change any of these programs, we run the risk of violating WTO and of course possibly incurring countervail. When we do that, the costs of countervail to Alberta producers will create havoc and chaos in the agriculture industry, because we really don't know what the costs will be when that countervail is determined. Secondly, it may far outweigh whatever we paid out in assistance to the farmers.

One of the areas of consultation - what we're doing now with the industry is going out there and saying: look; we had some significant discussions in this province as to where various sectors of our industry should be going. During the growth summit the agricultural sector had a tremendous contribution to the overall recommendations coming out of that particular exercise. In looking at where we think would be best to reinvest to position ourselves again on the cutting edge of much of the technological changes that are occurring in agriculture, we're looking at a number of key areas.

One of them is centered around human resources. If we look around the province at agriculture, we are critically short of people with the necessary skill sets in agriculture, whether it's in farm business management, whether it's in veterinary medicine, whether it's in various research fields. Today we're bringing people in from countries like Ireland and some from Holland to manage many of the larger farms, the larger hog operations. There shouldn't be any need for that. So human resources is one. How do we encourage more of our young people to take up agriculture as a career? That's one key area, and I believe the industry will come forward with some ideas on how we do that.

The second is investment. To drive the industry to \$20 billion value added, we're going to need about \$5 billion to \$8 billion of new investment. Some of that investment will come from Albertans. Some of it will come from other areas of Canada. A lot of it, quite frankly, will come from other countries that are going to look to Canada to provide some of the value-added products they need in their countries.

The other area is infrastructure. There's no doubt that we've gone through some significant changes in policy in this country. The one perhaps most significant is the elimination of the Crow rate. As a result, that has created a situation where we're seeing closure of many of the smaller elevators and moving to the large throughput elevators, creating a situation where there's additional pressure on our road infrastructure. But the infrastructure doesn't just stop at roads. We have to also look at the kind of infrastructure we have available for research, which is going to be integral.

To give you an example, we have, I believe, one PhD food scientist - and I stand to be corrected - or maybe two now, but Nestle's Quik has 700. I'm not saying that we need 700 food scientists in this province, but certainly when you see issues of food safety and environment quickly percolating to the top, with the consumer going to be the most important in this equation, we're going to have to have the people in this province able to respond quickly and do the necessary research.

8:59

That's centred not only around some of the issues brought up earlier, in terms of mining, soil, et cetera, but the growth in agriculture and value added, a sector that - I don't know of any other industry that's going to use as much water in processing. That's an area of concern, and the issues centred around some of the issues of transgenic foods, the cumulative genetic modified organisms, how that's going to affect the marketplace. So that's one area of investment.

The other is transportation. This is one area, quite frankly, that as a minister of agriculture and also as a producer just aggravates me to the point where sometimes you get a sore liver. For years and years, ever since I was old enough to run under this table, we've heard this whole discussion in Canada and Alberta about transportation. Governments in the past, to compensate for the inefficiency in transportation, said: well, maybe we'll dole out some cash to farmers, and, you know, we'll allow the inefficiency, the strikes that are continuing on the coast almost on an annual basis; we'll close our eyes to it. Keep in mind that today, compared to the countries we are competing against, we have the most inefficient transportation system, clearly. We know of the sales that we've lost.

I mean, I was in Japan personally. You know the Japanese; they don't like to say anything that may upset you. But when we were in the Torigo flour mill in Fukuoka looking at wheat coming down into this huge - well, there were 48 grinders in that particular facility, and the intake pipes had about two feet of plexiglass. You could see the wheat coming down with 4 to 5 percent barley, 3 to 4 percent wild oats. And I could tell there was 3 to 4 percent barley because I had the same kind of wheat that year, with barley in it. I said: "What are you grinding here? Multigrain flour?" He said: "No. It's Australian wheat." I said: "Well, what grade?" He said: number 1. I said: "Well, that's certainly not number 1 in Canada." "Oh, we know of your quality, but you can never get it here in time. We can't afford to have these mills standing free. They've got to work. They've got to work 24 hours." As a result, that's just an indication of how we're losing our sales.

So now we're in discussion again, going through a fairly extensive report. I think we have the best individual, a former Supreme Court

judge, to review the whole grain handling and transportation system, to give us some very tough recommendations to really shake up the system and prepare us for the future. All of a sudden now we have a backlash, people protecting their turf and saying: "Well, no, we shouldn't change, because if we change, it might threaten the Canadian Wheat Board. You know, if we moved the Canadian Wheat Board out to port, well, we might lose that particular institution." Railways are also looking at their own interests, some of the grain companies. Producers are now again going to be torn apart, because some are really vehemently supporting the recommendation, and others are saying: well, I think maybe we can live with the board and with some of the inefficiencies because the government has always made up the loss on margins.

Well, the taxpayer in the future is not going to be covering and making up those margins from direct cash payments to farmers if they know there are savings to be made in building larger margins by gaining efficiencies. So there's an area where we're really going to have to concentrate and drive efficiency in the system. At the end of the day, quite frankly, if we can't get the job done in Canadian ports, then let's build the 100 miles of railway that's going to be required to move that grain down through Lewiston and Pasco and get the grain out to another port. These guys sitting up in these grain handling facilities won't have a thing to load because our markets will either evaporate or we'll find other ways of getting the grain out.

But rather than worrying about getting the grain out, maybe we should be adding more value to that particular product here and sending the bagel as opposed to the raw wheat. Then that brings us to the next question. Do we need the really heavy locomotives, slow and expensive to operate, the heavy rail line that's necessary? Or can we look at faster trains getting the product to the coast in containers, load it on ships, and get it to our markets in Japan or China or even down to Mexico much quicker and reduce the cost of transportation? If you're sending a raw commodity, the transportation costs are close to 50 percent. If you're sending value-added, it's closer to 16 percent, so it just makes sense to add more value. You produce more jobs; you create more wealth here in the province and in the country of Canada. That's one area where we're going to have a huge, huge discussion.

Part of this federal money - I think the industry is also very critically looking at the issue of food safety. Monsanto now has a potato genetically engineered so that if a potato beetle lights on the plant and takes a little bite, it gets a severe stomach ache and falls off the plant and dies. The question is: is the consumer going to find it safe to eat that potato? That's the kind of research we have to do further to ensure that the consumer has confidence. On one hand the consumer says: please don't use any more chemicals and don't use any more fertilizer to produce products because we're worried about contamination, but on the other hand, don't genetically modify my food.

Well, we can't have it both ways. If we want to go to what it was before chemicals and fertilizer in agriculture, best be prepared to eat a very rotten, ugly looking apple, shriveled wheat, and maybe chewing on more wild oats than actual wheat, because that's the only way of increasing the production currently. So biological wheat and pest control is something we have to invest dollars in. At the end of the day the point I'm trying to make is that you might give over the next few years some cash injection to the operation, but in the long term, looking well into the horizon, are we going to keep up with the rest of the countries that are rapidly advancing in these areas? Nobody is sitting still, I can assure you. Not the European community, not the Americans, and certainly not Australia or New Zealand.

Now, the other question raised was with respect to the livestock inspection services and liability. Representatives from the beef producers, the Alberta Cattle Commission, the auction markets, the

Alberta Cattle Breeders' Association, the equine association, the stockgrowers - I believe I'm missing another third party - were at the table originally to enter into these discussions. They said: "Please, can you move up the privatization of brands in your planning cycle? We think this is a real issue that we should attack and get our hands on almost immediately; that is, livestock identification and being able to track that product from plate right back to gate." We said: sure, we'll start the process; it's going to require some changes in our budgets. We had some opening discussions, and clearly when we first met, there were two issues that the cattle industry brought forward. One is that they don't want any union. Two is that . . . Oh, are my 20 minutes up? I guess so. Sorry. We'll have to start again.

THE CHAIRMAN: Okay. Perhaps you can pick up where you've left off the next time around.

MR. STELMACH: Thank you.

THE CHAIRMAN: The next questioner is Wainwright, followed by Calgary-Buffalo.

MR. FISCHER: Thank you, Mr. Chairman. I, too, want to compliment your department, the staff and yourself, on the difficult job you've had over these past few years, because agriculture has had a lot of difficulty. I know that it puts a lot of pressure and strain on everyone. You have an excellent staff. You have good people working here.

9:09

I want to go back to the same old thing that you've heard me talk about so many times, and you addressed it quite a little bit in answer to Ken's questions. I look at vote 3.5, marketing services, 3.5.1 to 3.5.4, and you have \$7.316 million. There's four items there that I would like you to break down and explain further as to exactly what those dollars are being spent on.

I look at our grain industry and our agriculture industry in this province. We have lots of problems with our FIDP, and we try to put money out. The biggest problem we have is that we're not getting the proper price. Our farmers in Alberta are competitive with anyone in the world. Yes, we have got some transportation problems, and I liked what you were saying about the transportation problem. If we can't get things through the way they are now, we've got to look for an alternative and get that cost down.

I don't know how we are going to do some of the things. I don't see us being aggressive enough in the marketplace. Whether we're in Japan or China or South America, are we finding the markets and competing against our opponents the way we should be? I don't know the answer to that question, but I feel that the \$7.3 million helps me answer that. I know there are other places where money is spent marketing, but I really believe that we're not aggressive enough out there.

I did have an opportunity to go down to Mexico to the Guadalajara cattle show, and it was alarming that the Australian cattle and feeder cattle and everything were pouring in there. I know we can compete against them. Yes, there are financing reasons and there are other reasons, but the bottom line is that we're not getting that market. Then you get into: why? I don't even know if it's entirely government's job to do that. I know that we've backed off and tried to let the private sector get in there, but when you look at the whole big picture, I don't feel that we're getting that job done. Certainly there are big opportunities out there, and when I think of the U.S., especially with their high dollar, I think we should be able to

compete easily with them, even though we might be at a disadvantage in transportation somewhat.

I guess there's a lot of things wrong, but I know there's a lot of things right that your department has been doing, whether it's food safety - I know we've had a lot of meetings with the U.S. people on trying to keep those border people satisfied and comply with our trade rules and so on, but I don't feel that we're spending the dollars that we need to spend on marketing. If you take that to the private sector, any company that is doing business spends a much higher percent of their budget on marketing.

With that, I'd like you to continue on and tell us a little bit more about maybe what you are doing. I would like you to break that down, please, those four items there.

Thank you.

MR. STELMACH: I didn't get the numbers, Butch.

MR. FISCHER: It's 3.5.1 to 3.5.4, on page 47.

MR. STELMACH: Just to talk about more aggressive marketing, in the experience that we've had in traveling to parts of the world like Japan, China, Taiwan, into the Pacific Northwest, to Chile and to Mexico, in most of these countries we find that many of our competitors are aggressively pursuing those markets. There's no doubt. I am pleased to say that we have a very good presence in Japan. We're the only province that shares space with the Canadian embassy, and we have of course a full-time Alberta Agriculture person there, now funded through Economic Development, Mr. Brad Klak, who's there on a three-year contract. In visiting Japan in October of '97, clearly the Japanese recognize that Alberta has still remained committed to keeping our relationship with Japan, and I think as a result - or perhaps that's the reason why - we see an increase of about \$50 million in sales to Japan, even though they've had a difficult financial situation there.

Now, the issue around: how much should the private sector do, and how much should government do? In many of these countries, quite frankly, the private sector can certainly take over, but the opening of doors, the building of relationships still has to be done by the government. The reason I say that is that when we were in Beijing and we signed the beef technical agreement, when we met with the Ministry of Agriculture, all of the private-sector people were invited, and I sat across from the Chinese delegation. All their private people representing the genetics companies and agriteam, et cetera, were behind us. We had an excellent chat, but at that meeting they did not allow the private sector to make any comments.

Then when we were to proceed to signing the agreement in front of the Chinese media, they asked the ministry, the Minister of Agriculture and a few of the supporting staff, the Premier, yours truly, ADM Barry Mehr, and our interpreter into a room to sign the agreement, but they would not allow any of the private-sector people into that room. So that tells me that even though we're breaking through and we've got quite a number of projects, especially on the beef genetics side and some related to food processing and potatoes, we still have a lot of work to do. But in that particular country, definitely the government opens up.

When we were in Mexico, there again in the state of Jalisco the Premier met with the governor face-to-face. The private sector could come in after the original meetings, and then the delegation broke off separately and had their meetings individually. But the initial ice breaking, talking about government policy, what some of the ways are that we can work towards increasing trade both ways, was still government to government.

In the Pacific Northwest I don't think really we need government

to government. The private sector is doing very well. But where we need leadership is on the issue of these border tantrums that occur and will be occurring more over the next few years. I really appreciate the fact that the Premier took time to visit Governor Racicot in Montana, met with him. We will have the first summit of Alberta and Montana producers to really share the kind of information that seems to be irking both sides in terms of: well, you're getting more subsidy; no, you're getting more subsidy; you have something more than we do, et cetera. Only through an exchange of information, I think, will we be able to tone down some of these issues.

Then his proposal for a very informal dispute resolution process was embraced by the governor of Oregon and also the governor of Washington, who we met personally shortly after their elections. The proposal was embraced by the newly appointed Agriculture Secretary in California, in Idaho, and also in Colorado. So that's the kind of work, I think, that's beneficial to us in agriculture in that particular area - that's in trade policy - trying to keep both sides, I think, from escalating these tantrums, to making them international issues. Quite frankly, when they get to the international scene, we begin to draw lines in the sand and - sorry, Calgary-Buffalo - get silk-suited lawyers involved, very expensive, and once that line is drawn in the sand internationally, it's very difficult to back down. So we spend millions and millions of dollars in fighting some of these petitions, whether they be countervail or antidump, in that area.

9:19

Generally speaking, we're going to have to maintain our marketing services. I agree that we have to find additional funds somewhere in these very tight budgets, because in every country we visited, somebody's been there already. Although we've been successful, I agree: Australian cattle in Mexico; you know, they're getting some of the contracts. They're dealing with some of those issues of high interest rates, and they have mechanisms to deal with that. Unfortunately, as a province or as the country of Canada we don't have that, but we're going to have to find ways of working around those.

THE CHAIRMAN: Are you finished, Mr. Minister?

MR. STELMACH: Yes. There were some specific line items there, but I'll answer next round, because I think there are more people here who have some questions.

THE CHAIRMAN: Next on my list is Calgary-Buffalo, followed by West Yellowhead.

MR. DICKSON: Thank you, Mr. Chairman. Good evening, Mr. Minister. Let me start with some specific line items, specific elements. Farmers' Advocate, 1.0.4. I take it Mr. Dean Lien of Warner is still the Farmers' Advocate in this province. The last annual report I've been able to find was 1997. If in fact that's the last one that's been published, some questions then: the number of complaints that have been addressed by the Farmers' Advocate in the last year, at least subsequent to the last published annual report, resolved to the satisfaction of the farmer complainant.

Then some specific questions. How many drainage concerns and how many surface rights issues have been addressed by the Farmers' Advocate? Also, I understand that there are typically a number of complaints around intensive livestock, so if you can give us some indication of the number of complaints about that.

Access to collection and mining of ammonites, I understand, is one of the things that the Farmers' Advocate has addressed in the past. You might indicate how frequent those kinds of concerns are.

[Mr. Fischer in the chair]

How many claims under the water well restoration program? I understand that applications for that are actually dealt with by the Farmers' Advocate. Could you indicate the number of applications? If you could also indicate the number of inquiries about mineral rights generally. This may all be covered in an annual report that's about to be published, but to the extent that it's not coming out immediately, I'd pose that question.

Also, how many complaints under the Farm Implement Act? It's useful to sort of track whether year over year we're making progress or sliding backwards.

I know the surface rights area has been a big concern of complaints to the Farmers' Advocate's office in the past. In fact, I think there was a steady increase in the number of complaints with respect to surface rights for six years in a row as of the 1997 annual report. Now, there have been some other initiatives, I know, in terms of consultation around the broader issue of surface rights, but in terms of what we might expect to see in the Farmers' Advocate report: how many files with respect to reclamation, how many files with respect to disposal of drilling waste, how many files with respect to seismic operations?

You show an increase in element 1.0.4 of \$65,000 from last year. Is there a reason why you're forecasting an increase? Is it envisaged that the Farmers' Advocate will be involved in the kind of process the Premier has alluded to in terms of trying to deal with conflicts between landowners and the energy industry? Does that account for all or part of that \$65,000 increase? I note increases in elements 1.0.6, finance; 1.0.9, information technology; and 1.0.13, human resources. Are there specific new programs responsible for those increases, or is it due to a general growth?

In terms of program 2, planning and development, a total budget of \$99 million, we see an increase of some 37 percent. Now, going through some of the specific things I wanted to ask about. Vote 2.3.4: I think the opposition is pleased to see that the initiative around environmentally sustainable agriculture is going to be continued. What specific projects, Mr. Minister, are currently being funded by that vote?

Infrastructure assistance irrigation, 2.3.6. We note that the \$17 million that last year came from general revenue this year is coming from lotteries. Is this an indication that infrastructure funding is no longer to come from general revenue? Is this a decision that's going to be pursued now in the future? Does it mean that in the future the funding may be dropped if lottery revenues decline?

Farm income support, 2.4. I'm going to leave that because I know that Lethbridge-East has a particular interest in that area and may want to come back to it.

Moving on to program 3, though, 3.2.4, animal health laboratories, we see the forecast was \$99,000, but the dedicated revenue for '99-2000 is estimated at \$24,000. Why is the revenue four times the amount estimated? Why is the revenue expected to decline to the former estimate of \$24,000 in 1999-2000? Is it just an aberration? If so, why? It's a sort of hiccup when you do the year-to-year analysis.

Sheep and diversified livestock, 3.2.7. What changes have occurred, Mr. Minister, to account for the increase in revenue? I make it to be almost twice the amount received last year. It's \$124,000.

Food Processing Development Centre, 3.4.3. I'm actually really disappointed to see that you're projecting a 28 percent decrease in dedicated revenue. You know, when I read the optimistic projections for adding value to agricultural products in the province and so on, I guess I'm a bit distressed to see that we're expecting to see less

revenue from the Food Processing Development Centre. I thought that was one of those really useful vehicles that was going to help propel us to steadily increasing revenues. So I'd appreciate your explanation around that.

Food quality, 3.4.4: why is that dedicated revenue down by two-thirds?

Infrastructure assistance municipal wastewater, 3.4.6. I note that there were supplementary estimates of \$10 million this year. Now, the amount has declined to \$6 million. What specific projects will be completed with this money, and will it be adequate?

Program 4, field services, total budget of nearly \$52 million. You got a little bump up over last year, but as a result of the \$20 million coming in from lotteries, the general revenue funding is only three-fifths of the amount that you budgeted last year. So as we go through the items under 4.3, rural development - firstly, ag service boards, 4.3.3, a decline from \$4.5 million to \$214,000. How do you account for that dramatic drop? Are the boards going to receive all the lottery funding? Is that where that's coming from to make up the difference? In other words, is it coming from 4.3.7 or 4.3.8? We need that information to make sense of what you put in front of us.

9:29

Vote 4.3.5, educational services: a decline again from \$1.8 million to \$7,000. Is that now going to be financed by lotteries? If not, why that huge drop?

Engineering services, 4.3.6, also declined from \$2.7 million to less than \$1 million. Same question, Mr. Minister: will that be funded by lotteries? You know, where's the certainty in that? I assume that people, both bureaucrats and farm operators, are going to be making decisions based on a certain level of government commitment, and it may be a little scary to the extent that now that's shifted almost totally to lottery funding. Once again I'm making some assumptions, and I'll wait for your response and won't pursue it further.

Rural development, 4.3.7. How is that \$9 million dollars from lotteries going to be allocated. Is it going to go to some of these programs that I've mentioned in the 4.3 area? How do you decide priorities within that area?

Vote 4.3.8, ag initiatives. This is \$1 million higher than last year, but there's no line item. In our office we can't find a line item entitled ag initiatives for last year. So where was the money in last year's budget? We can't make a comparison readily because we can't find a comparison. Now, I note that in the '98-99 budget there was a line item called "rural initiatives," but that only had a budget of \$142,000. So there seems to be a gap somewhere in the presentation of the budget information. I guess just a comment. The total budget for rural development in the '98-99 budget was \$9.4 million, yet in this budget presentation you've given us it shows that \$10.2 million was the amount spent in ag initiatives last year. So once again the numbers don't seem to match up, Mr. Minister.

[Mr. Tannas in the chair]

Program 5, ag research assistance. Vote 5.0.1: funding has declined from \$8 million to \$1 million, and there's a footnote that there's going to be some partial funding coming from the lottery fund. The amount is \$8 million in the separate statement for the institute. Once again, for Albertans and certainly farm operators that want to see stable funding from a reliable source, how do you allay concerns that we're shifting to such a huge extent to what most of us would regard as a fairly unpredictable funding source, namely gaming or lottery revenue?

Moving on to program 6, ag insurance and lending assistance. There were some big swings within the subprograms. I refer you specifically to 6.0.1, lending assistance. We've got a big drop there.

We've gone from \$27 million to \$18.6 million. How do you anticipate what the budget's going to be? I mean, what sort of projections are you doing? I'm assuming we're doing something more scientific than an Ouija board or something else. If you could share with us what mode you use to try and anticipate that. Farm income disaster, 6.0.2: a big increase here from, I think, \$67 million up to \$75 million. What's interesting is that even though Alberta farmers would regard 1998-1999 as not a great year, the amount paid was \$7 million less than the amount budgeted. So some interest around that.

Just let me quickly touch on 6.0.3, the crop insurance budget, nearly \$60 million. Last year it was \$4 million more expensive than expected.

I note 6.0.4, wildlife damage, just some questions around that. The amount paid out last year was only one-tenth of what had been budgeted. Are we using more reliable criteria? Are we going to be closer to the target, Mr. Minister, this year?

Then the Ag Financial Services Corporation described on page 63. The admin expenses have increased from \$34 million in '97-98 to a budget of \$40 million in '99-2000. Why? Why has the cost of reinsurance declined from \$35 million in the 1998-99 budget to under \$10 million in this year's budget?

The Alberta Ag Research Institute, page 64. What effect will the uncertain funding have? I mean, we're shifting to lottery funds in a big way. We're talking about \$8 million coming from lottery funds. What effect will that have on research being undertaken at the institute?

The last thing is just about the Dairy Control Board. What does the phrase "restricted revenue" mean? There's been a change in accounting, so we're interested in some explanation around that.

Those are the questions I've got right now. Thanks very much, Mr. Chairman.

THE CHAIRMAN: Hon. minister, do you wish to answer any of those questions?

MR. STELMACH: I couldn't write that fast. What I'll do is I'll continue trying to answer as many questions as I can. I took some notes, but the Member for Calgary-Buffalo covered quite a bit here. Why don't we go ahead and get other questions so that we get at least all the questions tonight? Then I'll start responding to them.

THE CHAIRMAN: Okay. Fair enough.

The next person that we have, then, is West Yellowhead, followed by Lethbridge-East.

MR. STRANG: Thank you, Mr. Chairman. First of all, I must also echo the other aspects that the rest of the group stated on your hard work and understanding of this portfolio.

I guess some of the concerns that are coming up in my area. As you realize, the Water Act was proclaimed on January 1, 1999, and with the intensive livestock - I sort of looked through the budget, but I couldn't really see too much on that.

I guess the other aspect I'm sort of wondering about is the stream areas that are in the higher elevations that we have grazing leases or other different leases on. I'm just wondering: what are we going to do to save these different streams because of the different watercourses filtering into other watercourses?

I guess the other thing that I'm really wondering about, too, is that we don't know what the federal government is going to do since they let Bill C-65, which is the endangered species, die on the Order Paper. My understanding is that they should be coming up with one this spring or early fall.

I guess the other thing that I'm worried about or have sort of a

misunderstanding on is the knowledge that we need to get out and talk to the farming community. In looking at the budget, I can't see anything in there that is going to work with the farmers to sort of get organized on this facet that's going to have impact on their land. As you realize, with some migratory birds and other animals we have to really look at that aspect and sort of work together as a team. I mean, sure, some of it is under Environmental Protection, but still it affects the farmers. Looking through the budget, I don't see much there.

So I guess those are a few of the questions I would sort of like to get answers to in that respect. So I'll allow the next speaker to go ahead on some questions.

THE CHAIRMAN: Okay. Thank you.

The hon. Member for Lethbridge-East.

9:39

DR. NICOL: Thank you, Mr. Chairman. Mr. Minister, I'd like to skip back a little bit again to some of the issues that come up in the business plan of Agriculture, Food and Rural Development and how it relates to budget expenditures and the issues that we talk about in terms of accountability and that. As we are progressing through, I think what I'll do is give the page number that they're on and the goal and then go from there on them.

The one that I wanted to talk a little bit about is the research component that's on page 55 under goal 2 when you're talking about your support to research. I was just wondering right now what Alberta Agriculture, Food and Rural Development is doing in the area of guidelines, process, even trying to develop and establish a strong biotech, genetically modified organism research program, developing into an industry here in the province.

Also in that area, the minister's aware that international meetings are going on in different levels of progress right now trying to develop some kind of a set of standards for international trade in GMOs. On behalf of Alberta has the minister made any presentations to the federal government so that the research components here in our ag sector are having their interests conveyed to the federal government so we can make sure that we do have a real opportunity to develop a viable GMO sector here in Alberta? Also I would hope that the minister is working in terms of partnering his research rather than just straightforward public funding of it and some indication of the success you've had, the number of requests you've had for funding, any potential success rates, and as much as anything, how you eventually will measure the success of the public dollars that are involved in that, because this is something that has to be justifiable in the eyes of the Alberta taxpayer.

The next one I just wanted to comment on is goal 2 at the bottom there where you're talking about the beginning farmer loan program. This is at the bottom of page 55: "Strengthen the Beginning Farmer Loan Program to improve long-term farm viability." I guess most people in the sectors perceive the beginning farmer program as an entry level, entry support, entry finance program as opposed to developing long-term viability. So, I guess, clarification on that. Or is it making reference to when you get a farmer started, that you want to make sure the farmer is starting at a level that is viable long term? If that's the reference there, then that's a good explanation for it.

Next one, page 56. The new Agriculture Value Added Corporation has had a year or so now under its belt. How is it performing? What success has it had? In your performance indicators there's no real direct measure that shows the success of that corporation. This is something that would be helpful, if we could find out how it's performing, the success rate of its initiatives, some of the feedback that can come to our sector in Alberta from that.

Similarly, right next to that, the next bullet you've got there talks about the Agricultural Value-added Engineering Centre. This was

something that I guess I'm going to admit that I didn't even know existed. So thank you for including it there. I think the same type of justification, success measure, and performance indicator for that needs to be included so we can see how the public's dollars are being used effectively.

The bottom of page 57, goal 4, your third bullet. You're talking about the expansion of irrigation. I guess a lot of the taxpayers in the province right now would be really interested in what role the government sees in the expansion of irrigation - this is from the business plans section - and the initiatives of the government to improve, I guess, efficiency in irrigation, how this is going to relate to the expansion of irrigated acres. I've been noticing some public comments made by two of the irrigation districts in southern Alberta right now. They're going to have a vote of the membership to see whether or not they can actually increase the number of acres under the licence, because they've been delivering less than the average licensed acre-feet. Is this what you mean by trying to expand irrigation, or will there actually be greater diversions?

In the next section there on page 57, goal 4, under your actions section. I'm taking my page numbers from the agriculture business plan. You're dealing in bullet 9 with developing risk management strategies. How is that working? How are you going to make sure these risk management strategies that are being investigated, looked at, are going to be effective and affordable? In a lot of discussions I've had over the last year with a number of the pork farmers, some of them didn't even know that the small contract hedging option was available. So when I said, "Well, why didn't you do this?" it was kind of like this is something new. So as these projects are made available, an information-sharing component needs to be put in there, almost an extension component.

The next one, goal 5 under your actions component, again bullet 6. You're making reference there to putting in place a drought preparedness plan. What would that be other than an expansion of the crop insurance to better reflect drought conditions that might be faced by farmers? Or are you looking at some of the other issues that are associated with information on drought-tolerant crops? I guess it would be nice to get a little broader perspective on what the ministry sees as a drought preparedness plan.

Next, under goal 6 where you're talking about the food industry and food quality, bullet 2 there. You make reference to the food industry having to deal with animal wastes. Is this more a matter of the issue of food industry by-product and disposal, processing, impact on local wastewater treatment, or what do you mean specifically by animal waste? Are you defining the nonusable by-products as animal waste?

The other one, as well on goal 6, under your actions component, the first bullet. The reference is to developing environmentally sound intensive livestock operations. This is all going to fit underneath the government's initiatives right now that are under way on the regulatory changes and code of practice, et cetera, for intensive livestock. I guess it would be interesting to see what the minister is actually talking about in terms of safe standards, environmental risk, the degree to which the code of practice is going to translate into measurable environmental quality standards.

9:49

I bring this issue up specifically for a lot of our residents in southern Alberta. I know, Mr. Minister, last year when there was all the trouble with the water, two of the little villages getting their water out of the same irrigation distribution canal that I do were required to do boil water orders because of the contamination of giardia in the water. So how do we translate the code of practice into actual, measurable water quality, fly contamination, odour contamination measures that the public can really understand, and the relationship there that exists?

I know the Chinook health region has been doing a lot of work on the issue of the relationship between intensive livestock and southern Alberta health from a public health component. They're putting in place some options where they can actually go in under the Public Health Act and require changes or even shut down an intensive livestock operation. I guess, as an agricultural sector participant, I think it would be much better if we could do that within agriculture rather than having Health, but we also then have to look at where Environment does come in in terms of setting those relative safety standards. I guess that kind of debate needs to be undertaken in a very public way so that the people feel comfortable that, yes, there is a relationship between the code of practice, the new intensive livestock feeding guidelines, environmental protection standards, and the public health system, so that when I have visitors out, if the minister comes to southern Alberta and I open my tap in the kitchen and say, "Have a drink," you feel safe that the water is good for your health.

The next thing, getting toward the end of it, if the minister would, goal 6 actions, bullet 3 deals with the idea of CO₂ emissions, you know, the air quality, the Kyoto process, the PO standards. Has the government made any suggestions on how agriculture could get involved in this? I hope that you are dealing strongly with the idea that agriculture should be viewed as a carbon sink, so that we can get credits for our high-productivity agriculture, intense agriculture from a cropping perspective, where our new intensive agriculture is going to consume more CO₂ through the photosynthetic process. I think that's something we want to make sure gets into the international discussion and gets reflected. That's going to help us trade off our intensive livestock and intensive activities in agriculture, where they're not going to be just an addition to the CO₂ debate, where we've actually got the carbon sink that can become a benefit in our context.

The other issues that we want to look at are how the government is dealing with the ideas of farmer safety, farmer health, possibility of contamination with pesticides, with whatever in the context of the farming operation. I know the government has a very strong and a very public farm safety unit within the ministry. They've done some excellent work. They're working with the issue that's going on there with how this is getting communicated, partnering that's going on with a number of the businesses in Alberta to promote this through TV, radio, newspaper ads, the importance of safety and that kind of initiative.

The next thing that I'd like to just comment on briefly, if I could, is the performance measures. I made these comments last year, and I'll make them again this year and probably again next year. I think it would be really important in the context of agriculture if there were a direct relationship between some of the performance measures and the actual expenditure patterns of Alberta Agriculture, Food and Rural Development, you know, to use a performance measure of the standing of Alberta in relation to the Canadian provinces in the production of agriculture or percentage of gross domestic product or the role we play in international exports.

A lot of these are influenced by and direct results of the international competitive and economic system rather than government initiatives, and if we could get some performance measures, like under the farm income disaster program a performance indicator that would show how farmers are moving to their own initiatives, their own risk management, as opposed to relying on public dollars, so we could see where there's an increase in crop insurance, an increase in hedging, an increase in these kinds of things and a reduction in the expenditure of public dollars through FIDP. That kind of real trade-off would show, yes, the initiatives in education, yes, the initiatives in developing new innovative programs in risk management are paying off because it's taking some of the demand on the public out of the Agriculture budget. So that kind of thing.

When you also talk about your performance measures and you measure the farm income, net cash income, one of the things that might be reasonable is to break out the amount that's coming from government payment, government support, the government's contribution to the various programs of income support that are there, and just report that up front as part of the farm income, because it does get involved in a lot of the reports. You know, the source doesn't matter. It's what's in the pocket of the farmer that's included as farm income, but if we could see that over time the contribution of the public to that farm was declining, we would be able to say: yes, Agriculture, Food and Rural Development is really improving in their ability to have farmers self-sustainable in looking after their own risk management. So that kind of performance measure is important, you know, where there is a direct relationship between what we see as a performance indicator and it can be followed back to direct expenditures by the general revenue of Alberta Agriculture, Food and Rural Development.

Mr. Chairman, I'm getting a lot of signs from across the table there. I think we're getting to the point where my 20 minutes are just about up, so I'll provide the minister with the option to close out because we're almost at the end.

THE CHAIRMAN: I have one more speaker. The hon. Member for Little Bow.

MR. McFARLAND: Thanks, Mr. Chairman. I have two minutes? If you don't have time to respond, I'd like your commitment that you'd get back to me, Mr. Minister. Of the 57,000, 58,000, or 60,000, whatever the number of actual producers there are in Alberta, could you give me a breakdown of how many are actually sole proprietorship and what the trend seems to be from five years ago into the future? I'm interested in knowing the number of sole proprietorships, the number of corporate farmers.

The reason I'm doing that is: would you consider a strategy that would encourage the continuation of family farms? I'm trying to make that in a positive sense so that people don't think we're doing anything in the way of subsidies. We've heard a lot about tax credits in other areas, and I'm wondering if there's any form of incentive that would encourage the retention of the family farm unit. I would like to know if it would be possible as a strategy that you could, through your department and the good work that your staff does, continue to make the public aware of the historical farm gate return of 3 to 4 percent.

I compare that to the Energy and Utilities Board, which seems to guarantee a rate of return to shareholders of 12 to 15 percent. It's a bit tongue in cheek, but maybe you might consider setting up a commodities utilities board that would give some people on the family farm some reason to think there's a light at the end of the tunnel.

I would like to ask a lot more, but I think I'm out of time, Mr. Chairman. If you would get back to me.

I would, then, like to move that this committee rise and report.

9:59

THE CHAIRMAN: Okay. The hon. Member for Little Bow has moved that the subcommittee do now rise and report. All those in support of this motion, please say aye.

HON. MEMBERS: Aye.

THE CHAIRMAN: Those opposed, please say no. Carried. We'll reconvene downstairs in Committee of Supply.

[The subcommittee adjourned at 10 p.m.]

