

Title: Estimates of Agric., Food & Rural Dev., Tuesday, March 7, 2000

00/03/07

8:01 p.m.

[Mr. Tannas in the chair]

Subcommittee C – Agriculture, Food and Rural Development

Tannas, Don, Chairman
Fischer, Butch, Deputy Chairman
Cao, Wayne
Evans, Iris
Gibbons, Ed
Jonson, Halvar
Lund, Ty

MacDonald, Hugh
McFarland, Barry
Nelson, Patricia
Nicol, Ken
Oberg, Lyle
O'Neill, Mary

Paszkowski, Walter
Soetaert, Colleen
Strang, Ivan
Thurber, Tom
Trynchy, Peter
Yankowsky, Julius

THE CHAIRMAN: In subcommittee C this evening we're going to be considering the estimates for Agriculture, Food and Rural Development. To begin this evening, do we want any difference of procedure? Do we want to go with a period of time and have questions and answers within that period of time, or would you like to just go 20, 20? The chair is here to serve. What would be the understanding of the committee?

Hon. Member for Lethbridge-East, do you have a thought on that?

DR. NICOL: How I wanted to proceed tonight, first of all, was maybe start with 10 or 15 minutes, kind of an address on the business plan. It will be built around a whole series of questions, and if the minister wants to answer them at the time, that's fine. Otherwise, we can just go at it. When my 20 minutes are up, then we can go on to somebody else, and then if there's time left I can come back and finish on another 20 minutes.

THE CHAIRMAN: All right. Thank you, hon. member.

So we'll begin this evening, then, with an overview by the hon. Minister of Agriculture, Food and Rural Development.

MR. LUND: Good evening, ladies and gentlemen, and thank you, Mr. Chairman. Before I get started, I'd like to introduce some of the staff that are here with us tonight. Starting on my left: Les Lyster, ADM of sustainable agriculture; deputy, Jim Nichols; our financial guru and manager, Mike Mylod; then David Schurman, and his complete title is vice-president of finance and administration for the Agriculture Financial Services Corporation; Brian Manning, and of course he's the chair of that auspicious organization; and then my executive assistant, Michael Lohner.

In his televised address in January the Premier made a commitment to farmers that bears repeating, I think, tonight. Mr. Klein said:

Some family farms are going through a tough time because of low world commodity prices and rising input costs. But I want our farmers to know that we haven't forgotten you or the importance of your industry . . . We will be there with safety-net programs for farmers in trouble. We will help you develop new products and find new markets. We will promote your interests in world trade talks.

That commitment is reflected in our ministry's business estimates and plans that we are here to discuss tonight.

The farm income situation in many parts of the province has become a major concern. In general, crop receipts in 1999 are estimated to be down nearly 13 percent as compared to the five-year average. At the same time, overall farm operating expenses in 1999 are up more than 5 percent over the five-year average.

Many farmers, particularly those in the northern parts of the province, are experiencing significant income problems as a result of the multiyears of low grain prices, low hog prices, high costs, and

continuous years of adverse weather. In the fall of 1999 we responded to the disastrous drops in income to farmers by increasing the assistance provided through the Agriculture Financial Services Corporation under the farm income disaster program and through a new Alberta farm income disaster loan program.

The farm income disaster program was enhanced retroactive to the 1998 claim year to enable farmers to (a) use the best three of the previous five years for their reference period rather than just the prior three years, (b) obtain a higher level of support when they expanded their production capacity or diversified during the claim year and during the reference period, (c) adjust negative margins in the reference period to zero, and then (d) deduct eligibility for government contributions to NISA for only the claim year rather than deducting contributions back to 1995. These changes are providing substantially higher payments to many farmers.

The 5 percent loans made under the Alberta farm income disaster loan program are helping many farmers with cash flow problems to weather the current low commodity price cycle in grains and oilseeds. They are also providing further help to hog producers on top of what was provided last year.

The estimates and business plan before us tonight extend our long-term commitment to provide a comprehensive and responsive safety-net package for farmers facing disaster. The amount, \$449,553,000, to be voted on, on page 25 of the estimates, includes the funding necessary to do this. It includes an additional \$96 million in funding for farm income support. You'll find that additional funding on page 35 of the estimates. In total, the budgets for lending assistance and farm income disaster programs have been increased by the \$96 million. The budget for farm income disaster of \$163,612,000 in reference 6.0.2 is more than double the 1999-2000 budget. The budget for lending assistance has been increased from \$18,601,000 to \$25,774,000 for 2000-2001.

For several years the Agriculture Financial Services Corporation has seen increased demands for its loan programs. Much of the increase has been in the beginning farmer loan program. However, producers experiencing a combination of weather-related problems and low prices, particularly in the northern part of the province, have been assisted by disaster loans and financial counseling services. The Agriculture Financial Services Corporation lending staff through financial counseling services has helped many farmers in the northern part of the province work through their financial problems over the past couple of years. AFSC provides this service to any farmer, not just those with loans with the corporation.

As well as the increase in the farm income disaster and lending assistance budgets three other items account for almost all the change in the department's total budget from \$371,186,000 for 1999-2000 to \$449,553,000 for 2000-2001. I'm referencing figures for the total vote on page 26 of the estimates.

First we are continuing to fund the municipal industrial wastewater infrastructure program for agricultural processing. Funding for this program is included in program 3, industry development. You'll find the details on page 30 of the estimates. Funding of \$11.5

million appears there for infrastructure assistance for municipal wastewater for the next fiscal year, reference 3.4.5. That's an increase of \$5.5 million over the 1999-2000 budget. Fiscal 2000-2001 will be the third year of the three-year pilot program announced by our Premier, Ralph Klein, in July of 1998 to assist municipalities . . .

THE CHAIRMAN: Hon. minister, the Speaker has spoken to us today about making mention of our names. Here we either have positions or constituencies. I'd ask that if we're going to complain about one side of the House using names instead of their positions or their constituencies, perhaps we should do the same.

MR. LUND: Thanks for that very, very important message. So I'll talk about the esteemed Premier. Is that okay?

By the end of the 1999-2000 fiscal year program expenditures will have totaled \$15.6 million. Second, the total 2000-2001 budget has been increased by \$2.5 million to cover increased salary costs.

The third and final major change is the decrease in the 2000-2001 budget, shown on page 29, for planning and competitiveness, program 2. The 2000-2001 budget is lower than the 1999-2000 budget primarily because the 1999-2000 budget included \$25.6 million for onetime industry reinvestment funding. As you can see from page 26, no major funding changes are planned for the department's other three programs: ministry support services, sustainable agriculture, and financial assistance to the Alberta Opportunity Company.

8:11

In addition to the items I have already mentioned, the ministry's expenditure budget appearing on page 42 includes \$66.5 million for the following major grant funding programs: \$33.5 million for farm fuel distribution allowance; \$17.2 million for the irrigation rehabilitation program; \$8.7 million for agricultural societies; \$2.9 million for agricultural initiatives; \$2.2 million for surface rights and land compensation; and \$2 million for Alberta environmentally sustainable agriculture grants.

Turning to the revenue side of the estimates, you'll see on page 42 that ministry revenues show a decrease of \$52.9 million from the 1999-2000 budget. Decreases in two items account for most of this change. First, the budget for funding from the federal government for farm income disaster assistance has been decreased by \$44.4 million. Recently the federal government announced that it is extending its agricultural income disaster assistance for 2000-2001 but has not yet finalized the details of the cost-sharing arrangement with the provinces. The only arrangement in place at this time is for the federal cost sharing of 1998-1999 farm income disaster program claims. For that reason it was felt that it would not be prudent to budget for federal cost sharing.

Second, funding from the lottery fund has decreased by \$31.2 million. Grants for irrigation rehabilitation and municipal industrial wastewater and rural development, which were funded from the lottery fund in 1999-2000, will be funded from the general revenue in the 2000-2001 fiscal year. These revenue decreases are offset by a couple of revenue increases. They are an \$11.4 million increase in the Alberta Dairy Control Board revenue for the milk price equalization pool, which is offset by a corresponding expense and a \$9.3 million increase in the Agriculture Financial Services Corporation's investment income.

Now I would like to take a few minutes to touch on the business plan for 2000-2003. If you look in the document on government and ministry business plans, on pages 29 to 43 you'll find the plan for Agriculture, Food and Rural Development. The plan builds on key

directions from previous plans, although the structure of the ministry has changed with the government reorganization. The ministry no longer includes the Agricultural Research Institute. It was transferred to Innovation and Science, and the marketing function was transferred to Economic Development. It includes the Alberta Opportunity Company, transferred from Economic Development. The plan is tied to the government's overall direction and goals and is closely linked to the government's three core businesses: people, prosperity, and preservation.

The ministry's main purpose is to help the agriculture and food industry prosper. The mission explains that its core business is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

To achieve its mission, the ministry works with its primary clients, those people and organizations interested and capable of contributing to a competitive and sustainable agriculture and food industry.

Agriculture, Food and Rural Development has set eight goals for itself. You'll find these goals on page 31 of the plan. I would like to bring your attention to a few of the major strategies my ministry proposes to pursue to achieve these goals: one, unbiased technology and knowledge will be transferred to our clients to help them remain competitive and responsive to growth opportunities; two, input to trade negotiations will be provided to support industry's needs; three, Alberta farmers will have an effective and efficient crop insurance program; four, Alberta farmers will also be offered effective and efficient whole-farm safety-net programs; five, public lands will be managed for agricultural, industrial, environmental, and public benefit; six, we will encourage investment in Alberta's agriculture and food industry; seven, the beginning farmer loan program will be strengthened to improve long-term farm viability. Beginning farmer loans have been on the increase for a couple of years at Agriculture Financial Services Corporation since the loan rate was dropped to 7.5 percent, and I must add that it is certainly good to see that we are attracting new young farmers into the industry.

We will support farmers in their stewardship of Alberta's soil, water, and air.

The food safety knowledge and skills of people working in Alberta's agriculture and food industry will be strengthened, and we will also support the agriculture and food industry in the development of protocols for safe food production.

The plan also outlines some key initiatives that will be undertaken. For example, the agriculture summit will be held in the spring to lay the groundwork for ensuring the long-term viability of our agriculture and food industries. A major review of Alberta's crop insurance program will be carried out, and it will include examining insurance coverage concepts that allow greater flexibility to customize insurance protection to business needs.

We will continue to advocate improved Canadian Wheat Board policies to allow more market choices, including dual marketing.

The Alberta Opportunity Company will approve loans to Alberta businesses that have viable business proposals when support is not available from conventional lenders. A more accountable and less costly grain handling and transportation system is something we will be striving for. Agriculture Financial Services will be providing or arranging financing for the agriculture and food industry for the development and expansion of value-added businesses in rural areas.

We'll be working with irrigation districts to develop an irrigation infrastructure management system to improve the assessment of rehabilitation requirements and plans.

Agriculture Financial Services will monitor the results of private-sector crop insurance over the next three years. In 2000-2001

Agriculture Financial Services Corporation will be entering into the third year of a three-year agreement to reinsure its crop insurance risk with private-sector reinsurance companies. This private reinsurance will minimize the financial exposure to the province if there are significantly higher than average crop insurance claims in the 2000 crop year.

Our education and extension programs will help producers adhere to the regulations and standards for livestock operations. We'll also initiate a peer review process to assist nonconforming operations. Client feedback will continue to be incorporated into the preparation of the plans and policies of the ministry, and we will be working with the Alberta Corporate Service Centre to implement governmentwide sharing of corporate services.

Those are a few examples of the initiatives the ministry will be undertaking during the period covered by the business plan. You will find more details about proposed initiatives under each of the ministry's eight goals on pages 32 through 39 of the plan.

Pages 40, 41, and 42 show the ministry's macro performance measures. Ministry measures are also shown for each key result under the goal section. The macro performance measures reflect changes at the industry and ministry levels. They record the direct and indirect effect the ministry has on the agriculture and food industry in Alberta. Of course, there are significant influences on the industry that are outside the scope of the ministry's programs and staff. The weather, federal government policies, and government policies of other countries are examples of outside factors that have a major influence on the industry. Perhaps most importantly, the demands of consumers in the northern Pacific Rim will have a fundamental influence on the industry.

The first measure shows how well Alberta farmers and ranchers are doing relative to other Canadian farmers and ranchers that they have to compete against. The ministry is forecasting that farm cash receipts will increase during the period 2000 to 2003. The target is \$7.05 billion by 2003. Continued strong livestock prices and potential upside strength in grain prices are expected to push farm cash receipts higher over the next several years.

The second measure is "net cash income of Alberta farmers and ranchers." Net cash income is forecast to remain near the \$1 billion level during the period 2000-2003. The forecast is lower than in the past three years because of higher input costs without a corresponding increase in receipts.

8:21

The third measure relates to Alberta's food and beverage industry. We remain confident that the industry will continue to grow during the period 2000-2003. The target is for shipments of \$9.9 billion by 2003. While this target is ambitious, it is certainly achievable, and the ministry and industry will work hard together to meet or exceed that target. A growing processing industry is important because our traditional commodity markets are shrinking. Without a strong, vibrant processing industry, we won't have markets for our farm products. We anticipate that over the longer term Alberta's agriculture and food and beverage industries will continue to contribute to the Alberta economy.

The target for the fourth measure is for a contribution of 5.4 percent of Alberta's total gross domestic product by the year 2000. Although the agriculture and food and beverage industries only represent about 5 percent of Alberta's economy, their indirect effect on the economy is large when the contribution of business and industries that serve and support the agriculture and food and beverage industries are taken into account. Service industries in rural Alberta are particularly dependent on how well these industries perform. Employment in agriculture and food and beverage

industries is forecasted to continue to grow over the long term.

The target for the fifth measure is for 112,000 Albertans to be employed in agriculture and food industries by 2003. However, employment in these industries is very sensitive to variations in profit levels, and annual changes can be dramatic, particularly at the farm level.

The sixth and final measure is the "Alberta land productivity indicator." The forecast is for Alberta farmers to continue to improve land productivity in the long term through sound business and farming techniques. The target is for output of .98 tonnes per acre by the year 2000.

That concludes my remarks, Mr. Chairman, and I would be interested in answering any questions.

THE CHAIRMAN: Good.

The hon. Member for Lethbridge-East, and thank you for your indulgence in the timing matter.

DR. NICOL: Thank you, Mr. Chairman. First of all I'd like to say good evening to the staff up top and tell them that they're doing a good job in the department. It's quite exciting to watch some of the things that are going on in the agriculture community right now, and we appreciate the work that you do on behalf of the sector.

Mr. Minister, thank you for your introductory comments. It was a good review of the direction that Alberta agriculture is taking and that our industry is going in.

One of the things that we hear about as we travel – and I'm sure you hear the same thing as you go across the province – is the transition, the change that's going on in the sector. A lot of the farmers are wondering how they're going to fit into it and where their future is. Some of them are very excited about that future. Others are less excited. I took from your comments the idea that the major mandate that you're undertaking right now is to put together this ag summit process, that will bring the farmers into some type of agreement about the future direction and where agriculture should be going. I guess that started off with one of your comments about your primary target or your primary clients.

One of the things that a lot of the farmers ask me I will now pass on to you in the context of their comments and their questions. I basically can't answer it for them. What they want to know is: is the department prepared to give a vision of agriculture over the next 10 or 15 years in the sense of what the relationship is to this concept of, as you quoted, "those people and organizations interested and capable of contributing to a competitive and sustainable agriculture and food industry"? A lot of them are saying: "Where do we fit into that? We're small. We're family. We're in the latter part of our personal farm life." They want to turn the farm over to their next generation, whether it's a son or a daughter. They say: what kind of changes are they going to have to undertake or be prepared for as they think about taking over the family farm?

That kind of vision I hope will be part of the output of this ag summit so that people can get a sense of where both the government and the sector see themselves going. A lot of where it goes is up to the producers and the participants in the sector. It's not up to us as legislators, because we are the facilitators much more than we are the drivers of the machine that's going to take us into the future.

As they talk about the transition – and you mentioned it in terms of Ag Financial Services, the beginning farmer loan process – I would ask the minister in that context: are you looking at any kind of a change in the structure of that beginning farm loan program? Some of the comments I've been hearing now from the industry leaders in terms of size and technology adoption and that are that they're now getting to thinking about retiring and passing the farm over to their next generation.

I met one individual in southern Alberta who was saying: "We now have a big operation. I want out, but now nobody will finance the transition for us." Effectively what this farmer was saying was that he's going to have to personally finance the transition of that farm for his children or go outside the family and find somebody who can buy it and who has another source of capital so that they can buy it. This in essence is going to shut his family out of the continuation of one of southern Alberta's more successful farming operations. You know, they're at the point now where the transition to a new generation has to occur. So I would ask the minister if there are plans to review this whole concept of how Ag Financial Services, the beginning farm loan program, and some of these other transition options are in place so that the next generation can get a successful start in the agriculture area.

While I'm talking about Ag Financial Services right now, I'll just kind of stay there for a minute. In your business plan under goal 1, page 32, you talk about Ag Financial Services. One of your actions there is to "promote the crop insurance policy and administration expertise of [AFS] in Canada and internationally." I take it from that that this is in effect the amendment we made to the Agriculture Financial Services Act a year ago, where we allowed them to administer the B.C. FDIP equivalent program. They were going down to I think it was one of the countries in South America to help them put in place or to do the background work for crop insurance and that. I guess I'd like to ask the minister how that is going and how he sees that affecting the opportunity for some of the private business sector that's also involved in advising on structure for programs and for insurance, especially in the agriculture area.

While we're on the insurance area, you talked about the review of crop insurance that's coming up. I guess I would ask: are you thinking of looking at the whole package of – what shall we call it? – disaster assistance, disaster relief for the farm sector? You've got the crop insurance programs, which we have some public dollars in. You've got the FDIP program, which is right now provincial, but there are occasions when the federal government does give us some money on a cost-shared basis for that. Is there some process where this can be all tied together and maybe we can have, you know, one program instead of a whole combination of programs?

You talked about the changes you made last October to what would have effectively been I guess the 1998 FDIP year. I've had some calls from farmers in the last little while saying that the deadline for the application was the end of February, which was just last week, and they have to go in, they have to put down their \$50 deposit to get their application on record, yet the criteria for the program haven't been fully defined. At least this is what they're saying. So they don't really know if they're going to qualify for this negative margin discussion that the federal government's been having, and if they do have negative margins, they've been encouraged to apply just on the chance that under this negotiation with the federal government they may be getting some. I guess what I would ask is: if through the negotiations with the federal government it turns out that these individuals are not going to be eligible, can they get their \$50 back?

8:31

Mr. Minister, I'm not challenging that deadline. We have to have some mechanism of keeping an orderly process, because we're going to be dealing with next year's, the '99 year, probably on the first of March, and with the deadline being the 29th of February for the other one, we have to have an orderly process to keep our applications moving. But to have people make an application on an expectation that is still under negotiation and if we can't deliver on those negotiations – I guess a couple of them have asked for their

\$50 back. So I'm passing on to you that it would probably be appropriate, because we've been leading them to believe one thing, and if we find out that's not true, then that should work.

The other thing I wanted to talk about. You're talking about improving the competitiveness of the industry, and as I was again reading page 33 in the business plans – I should have looked back last year to see if the same discussion was in there – under Strategies at the fourth point you've got "transfer integrated and unbiased technology and knowledge to industry." I was just intrigued by the "unbiased" word in there in the sense that I guess somebody from an industry could come along and say: gee, are they trying to say that a company out there trying to promote their product is not necessarily providing unbiased technology or information? So it was just kind of a word that caught my interest there as I was going through it, and I noticed that it was down again in the section where you're talking about actions. On the fifth or sixth action down there you use that "unbiased" adjective again, and I was wondering about it.

I guess the issues that come up on your Actions there – and I kind of put goal 1 and goal 2 together when I talk about them, because it's hard to talk about growth in the industry without dealing with competitiveness and the adoption of technology, the use of knowledge, and the new focus of agriculture. The issue comes up there when you're talking about this "accountable and less costly grain handling and transportation system," and I know the government is quite fascinated with the Estey/Kroeger end result, the recommendations that are in there. At what level is the government working to get those things – how many public dollars are being put in there to promote that kind of solution?

I've had a number of farmers, especially from the side of the ag community that's not supportive of that Estey/Kroeger recommendation process, say: "How can we challenge those recommendations when the government is using public dollars to fight against us? We have to come up with our own money." So they've been asking to find out how many public dollars are going into that process of support for the transportation reform that's kind of in front of the federal government right now, but I know the provincial government is active in dealing with it.

At the bottom of page 33 you've got \$2 million that's being put into the farm lending budget for innovative business opportunities. The last line on page 33: "Allocate \$2 million of the farm lending budget to innovative business opportunities". I was just wondering how successful that's been and kind of the criteria for what business opportunities you're looking at, or is it just something that's in the planning stages yet? Is this in the value-added area of primary commodities? Is it also in support of businesses, say, that are coming along with a new input technology from the service side as well? Or is it just in the value-added promotion? That's under goal 2 at the bottom there on page 33.

Under the third goal there you're talking about the "increased amount of value added to industry commodities, products and services." Under Actions, the second point, where you're assisting "municipalities to develop water and wastewater treatment," in your introductory comments you made reference to how this was a successful program that the Premier had introduced about two years ago. I guess what I was wondering is: what sectors are being influenced by that? I know the potato plants in southern Alberta got some of those dollars. Where are the dollars going? What industries, what value added, and what municipalities are being involved in that or getting some of the dollars?

I guess the next point you talked about there was advocating "changes to the federal policies that discourage value adding," and I would encourage you to work on the issues that are associated with the way the Wheat Board backs prices, commodities. You know,

you have to buy back from the Wheat Board, and it creates a real bias in favour of export as opposed to local use of our products. I've had a number of farmers discuss that with me in terms of how that can be changed and wanting to know what your ministry is doing in connection with that. It's kind of something they're interested in finding out, where the provincial government is going in that direction.

The next item there. There's a term in there, and maybe I'm just out of date, but I don't know what it means. You're talking about "Agriculture Financial Services Commercial Financial Services." Is this a new division of Ag Financial Services? I probably have not been keeping up with the structural changes and the divisions that have been created in Ag Financial Services of late, but this was a new title for Ag Financial Services that I wasn't familiar with. So if you wouldn't mind explaining where that came from.

Down farther you talk about "develop and deliver needed capital and financial services through strategic alliances and partnering." I would appreciate some kind of a reporting on how that's going, some of the partners that are being developed, some of the general dollar amounts. I know specific contracts are hard to disclose, but how successful has it been? What directions is it going? What kind of effort and resources are being put into it from the provincial government side?

When we look at goal 4, a question has come up on a number of occasions when I have been visiting some of the drought areas. Your second action here was to "support expansion of irrigation to increase opportunities for diversification and value-added processing." I've had a number of questions from some of the farmers, especially in the northeast area, in terms of whether or not there might ever be an opportunity for them to have some options for irrigation and water supplementation, given the fact that they've had a number of years of less than what they considered adequate rainfall. On that as well, you talked in here about developing some new products, new technologies. I was wondering what you're doing in that area to help with crop development, commodity development for those farmers in diversification so that maybe they can have more drought-tolerant agricultural enterprises being supported or put in place in those areas.

8:41

Mr. Chairman, I think I must have about one minute left in my time period. Two minutes? All right. I'll get a couple more questions in.

The next section there, on goal 5. I think I've talked a little bit about what we wanted to do there in terms of what was going on with crop insurance and the farm income disaster program. In the last point in your actions there, you're going to "develop a federal/provincial framework agreement on safety nets post-2000." Is that something that's coming up as a Canada-wide negotiation? Or is this an initiative that you are undertaking hoping to bring the federal government and some of the other provinces into a real open public debate on what are the needs and support for risk management in the agriculture community?

I think that kind of covers the comments that I had on the business plan. If I can have some time at the end when everybody else has had their chance, I may have some more questions for you, Mr. Minister. Thank you for your patience in listening to me.

THE CHAIRMAN: The hon. Minister of Agriculture, Food and Rural Development.

MR. LUND: Thanks, Mr. Chairman, and thanks very much, Lethbridge-East, for those comments, particularly the complimen-

tary comments relative to the summit. I hope you participate because I know you have a lot of very good ideas.

I'll try to answer some of the questions. I can't answer some of them very detailed, but I'll try to get in as many as we can.

You started off by asking whether we have a vision for the next 10 years, 15 years. Right today we're trying not to drive the summit, and I think it's really important that we don't drive it. We're going to set out suggestions. We're saying what we want out of it. Certainly we want a direction, a road map for the government, for industry, for the other partners that are participants in agriculture. I'm saying: look out 10, 15, 20 years; where do you want to be, and how do we get there? The government has a real role, I believe, in creating the environment. We don't drive it, but I think we have to be there to create the environment.

You talked about the intergenerational transfer of land, and you specifically mentioned the beginning farmer program. One of the things we did just not very long ago was increase the lending from \$200,000 to \$500,000. That was partly to address this issue, because with the size of farms, particularly when you get down in the Lethbridge area where there's a lot of irrigation, it doesn't take very much land and you're up to the \$500,000. So it is a start, but you will see that out of the leaders' workshop in Red Deer that was one of the issues which was identified that has to be dealt with, along with the other financial issues there.

You asked about AFSC expanding into operating the crop insurance program in B.C., and yes, they are. As a matter of fact, they got the contract again and they're operating in Chile. This is, I think, a real feather in their hat, that they can compete in the world in setting these things up. Actually, it's providing a bit of funds to Alberta. We're making a little bit on it. We're not trying to make a lot of money, but we are making sure that it's all covered.

You asked about the crop insurance review and then the concept of putting together a package of safety nets. On the crop insurance review what we are saying – and I'm concerned by the take-up we have. There's something wrong. Something's not working here, and actually the numbers are not increasing.

What we've been saying and what we're hearing from a lot of folks as I travel around the province – people are talking about somehow tying the amount that you can insure to the input costs so that you are covered. We're telling people: bring those kinds of ideas forward; let's see what we can do. Right now in the negotiations – and actually it was part of the last comments that you talked about – with the federal government currently they've got them split out, the \$1.1 billion that we're trying to work with. Up until today or yesterday those pots of money were split \$600 million and \$500 million. The \$600 million was to cover things like the risk, like under crop insurance – and NISA would be under there – and then \$500 million for disaster, where you get the farm income disaster program and AIDA. So they've got the two still split, but certainly it's something we've been looking at, and you'll see that's a topic for the summit as well. What kind of safety net do farmers need, what do they want, and what would it cost? We'd have to work that out.

FDIP and AIDA. Brian Manning is here this evening. He's not a member of the Legislature. I'm not exactly sure of it, but you talked about AIDA and the negative margin. It's my understanding – and Brian will correct me if I'm wrong – that the negative margin is only for the '99 crop year. It's not for '98. I get an affirmative nod, so that's right. So check with them whether in fact they . . . But the way the system works, they apply through us, and we send it over to Winnipeg to the AIDA people. But in 1999 Alberta farmers are eligible for 60 percent of those changes.

Now, I think the bigger change deals with the valuation of inventory. I think you're aware of that one. That's huge. If you're a fairly large farmer, that could be massive.

I'm biased. One of the things that we're trying to be very careful and cautious about – with this discussion of GMOs we don't want to be seen as discarding it or promoting it. We want to try to get the facts out and leave it at that. I think that's where most of that terminology comes from.

Estey/Kroeger, the dollars involved. We'll have to get back to you. I'm not aware, since I became minister, of us spending any amount of dollars. During the one trip that I made to Ottawa I met with eight ministers, the Prime Minister's office, the Privy Council, and Treasury, but it has been more on that lobby side, and I know there were some studies done on the effects. Now, what those numbers are, we can get you more of that information.

The \$2 million that you referred to is a new program that we just started, and it's innovative opportunities.

Wastewater plants. Which plants are receiving it? We'll have to get that information back to you. As you know, the one potato plant in particular got it, but I don't have the complete list off the top of my head.

This whole issue about the Wheat Board buyback and what are we doing. We have been of course suggesting to the Canadian Wheat Board that they need to change their policies, and one of the things that we're suggesting – although we certainly don't have agreement among all of the grain companies – is that the Wheat Board should be considering getting out of the domestic market. That would solve the problem for the pasta, and it would really help the breweries or the maltsters. Once again, that's something we're pushing for.

AFSC commercial lending and the partnering thing. There is a section in AFSC that deals with commercial, but what they are doing is going out and getting the banks to cofund. Actually, in some cases AFSC does not put up the money. They simply back the loan. It's an arrangement, and it's working well. They seem to be doing very well with it.

8:51

Water in the northeast. We hadn't even considered it as far as irrigation is concerned, but we will be coming forward. Infrastructure, Environment, and our department are working to come up with a new water plan, and of course we'll be trying to work with PFRA, but their amount of money is so piddly now. It's my understanding that it's even all used for next year.

Oh, then the last one is the federal/provincial safety net, and I touched on that one earlier.

So the next round.

THE CHAIRMAN: The hon. Member for Edmonton-Centre.

MS BLAKEMAN: Thank you very much. I just have a couple of questions that I'd like to bring forward, mostly around your stated goals and a bit of discussion around risk and stewardship. I'm ever aware that the Member for Lethbridge-East wants to get in a few more minutes, so I'll try and make this as quick as possible.

I have some questions around your goal 1, "Improved capacity to respond to opportunities." A couple of issues there. I know that when Bill 31 was introduced, there were some government press releases suggesting that the leaseholders might be getting \$40 million a year in compensation from the energy companies, and later when there was a countervail charge brought in by some group in the U.S., the figure was then changed to \$16 million. I'm wondering how the government arrived at the \$16 million figure, and particularly I'm wondering if there are any other repercussions around this issue that we can expect to still come at us.

Further in that goal 1 there is a statement around opportunities in biotechnology. I'm wondering what the government is doing around

assisting farmers who do not want to be involved in this or who want to be promoting products that are not involved in the new biotechnology. They're not GMOs and all of that. Is the government doing anything to offer advice or marketing strategies as to whether or not it's a genetically modified crop that they have? Do we know if this is going to have markets in different geographical locations? What is being done by way of advice or promotion or assistance to promote the independent certification, labeling, and marketing of these nongenetic crops? I think the federal government is doing something on this. Is the province working with the federal government on this?

I know there are a number of other issues around the cross-pollination that's come up, and I don't know enough about that, but I'm wondering what the government is doing there to investigate what this is going to do in the future. So that's goal 1.

Now I'd like to go to risk, which appears as goal 5. I'll note also, connected to this issue of risk, that in the most recent Auditor General's report, '98-99 – and I'll just quote from this because I think it's really good. The Auditor General notes that

the development of a competitive agricultural industry presents certain risks to the Ministry. The increase in volume and diversity of agriculture products may have an adverse effect on the environment. Loans and grants provided to farmers and others may not be cost-effective. The Ministry may encourage farmers to grow certain crops based on expected markets which may never materialize. The move by the Ministry to outsourcing certain services may result in a loss in the effectiveness of these services. To be successful, the Ministry needs to manage these and other risks.

I note that in that same Auditor General's report there was a recommendation, recommendation 20, in which it recommended that the Department of Agriculture, Food and Rural Development evaluate the performance of the Farm Income Disaster Program on a regular basis, and at least annually.

Now I know the minister has spoken about this a number of times, but I have some more specific questions about that.

I'll also note that the Auditor General said that his staff had been informed by the department that "the Department intends to set targets and compare results against [these] targets annually." Specifically, was this done?

On to some of the specific questions around these. Goal 5, "Increased capability of industry to manage risk." That is again where the crop insurance program turns up. There is a review, but specifically what process is being used to conduct that review? Is any thought being given to the scope being wide enough to look at the crop insurance with FDIP? In other words, is there an integrated approach to this? What other risk management tools are being promoted, such as the use of a futures market? Are there any courses or assistance being offered to help farmers in this type of activity?

Goal 6, "Improved environmental stewardship." I've spoken a number of times in the Assembly about the importance of our role as legislators and as stewards of the environment, and one of the things I notice is that in the previous year there was a discussion that Alberta Agriculture work with Environment and other departments, and that discussion has disappeared out of the goals and strategies and actions from this year. What is happening around stewardship of public land and its use for agricultural, industrial, et cetera? So I guess I'm interested in a sustainable resource management plan and how that is being arrived at.

Also under this stewardship would follow the greenhouse gas emissions question. Again, last year the action that was listed was to increase efforts to understand the potential impacts of the Kyoto agreement. Now, can we then assume that the outcome of that action was to decide that there should be something done to reduce greenhouse gases? What's being done by Alberta Agriculture towards this goal, and what specifically are the targets?

That's something else I'm noticing from reading the goals, the key results, and the measures. I question sometimes the measurability of the measurers, if you'll allow me to destroy the English language in that way. I'm on a bit of a tangent here. I notice, back to goal 1, that one of the measures is "desirable changes in policy and legislation." I'm struggling to understand how that is an accurate measurement of improving the ability of Alberta's agriculture and food industry to respond to changing opportunities and challenges. It would strike me that "desirable changes in policy and legislation" mostly is desirable to the government, but I don't know how that is an accurate measurement tool. I'm getting more and more interested in exactly how we try to measure the outcomes we are seeking. I don't understand how you're using that as a measurement. So perhaps you can elucidate that point.

9:01

I'm going back again to stewardship, under goal 6. What is being done around intensive livestock operations and standards? That should fall under this stewardship goal, and it's not leaping out at me. I'm not seeing anything specific here, and certainly from my reading of the news, how these intensive livestock operations are being handled and where the government is going to take a leadership role strikes me as being critical, especially around stewardship of land and resources.

I suspect that the government really needs to show leadership in this area, because it's the only one that can bring together all the players in this. We have municipalities, we have commercial livestock, intensive livestock operations, we have local farmers, we have environmental groups, and we have the rest of the citizens of Alberta who are concerned about this issue. So I'm looking to the government as to where is the leadership that's being provided on this particular issue? I don't see it in this, so does that mean that we have to wait another year? Where does it show up in your three-year plan?

Oh, I took longer than I thought. Sorry about that. I will give way to my colleague for Lethbridge-East, because I know he has more issues that he wants to raise with you.

Thank you.

THE CHAIRMAN: The hon. minister.

MR. LUND: Thanks, Mr. Chairman. The first issue you raised was the controversy that arose when the department printed some information that came from groups like CAPP, where they said that there was about \$40 million that had been paid to Canadian Association of Petroleum Producers. That is what CAPP stands for? Okay. Well, I thought that you were really asking the question, but I guess it was your researcher.

MS BLAKEMAN: No. I'm asking the question. I want to hear it.

MR. LUND: Okay. Okay. You must be really interested in the answer.

When the submission was made to the Department of Commerce in the U.S., the number that was used was the \$16 million or \$15.9 million – I've forgotten exactly – around \$16 million, and that comes from multiplying the number of well sites by \$1,100.

As far as other action, today we got word that our CAPP is dropping the charge, so that one hopefully is finished, and this issue won't resurface.

You talked about GMOs, and what is being done. We are trying to stay neutral on this one, and the reason for that is that government in the long run, particularly the federal government, is the regulator.

It's extremely difficult to be showing any bias if in fact you're going to end up being the regulator at the end of the day. So while we're trying to get accurate information out, we are not getting too closely involved in it.

However, having said that, we do have people in the department that are working on it. As a matter of fact, there's a committee the federal government has set up that is working on this whole issue. We have at the ministers' meeting said that we believe what should happen is labeling – quite frankly, it would be easier to label the products that are not affected rather than those that are – and let the consumer decide. Now, it looks like at the meeting the U.N. sponsored in Montreal that's the way they're leaning, and we would support that. That was our submission to the federal government as well.

You asked something about FIDP, and I didn't write down enough to make me remember what it was.

MS BLAKEMAN: It was under the section where we're talking about risk, and I was asking if what you were looking at was going to be more comprehensive so that it was a coupling of the crop insurance and the FDIP programs. It was in the context of the risk points that I'd raised from the Auditor General's report and under your goal 5.

MR. LUND: Okay. Now I remember it. I partially answered that question to Lethbridge-East, and I'll have to get back to you on what kind of issues we've dealt with on the Auditor General.

Lethbridge-East, that negative margin the feds are going to pay under AIDA does apply to '98, so the farmers you talk to should be getting the information.

Greenhouse gases. Currently we have a committee within government that is working on this issue, and we have a person on from our department. We are doing some things through the AESA Council. There are a number of groups out there: the Conservation Tillage Society, those kinds of people. They're all doing work, and we're supporting that work. But we are still saying: do what makes sense. Through Climate Change Central there will be some more research and things being done on this whole issue.

Then you talked about the stewardship issue. I just mentioned the AESA Council.

You talked about the intensive livestock issue. As you know, in 1998 there was a committee of stakeholders set up. It was to report to the minister. I was supposed to get it back in the early part of November. They've been around the province three times. I still haven't got the report.

There are some real difficulties. When they went around the province the last time, they found out that there was a lot of disagreement. It's not an easy issue. We're looking forward to the report. We should have it any day, and once we get it, we're not going to leave it sit. We will not be using legislation and regulation, but we will be putting forward probably some best practices. I'm not sure just exactly how we'll handle it, but we will be getting something out there to try to move this agenda forward.

I don't think it's going to be all lost. In fact, what'll happen is that we'll have an opportunity to try some things. Quite frankly, I have a little trouble with the regulatory approach, because what happens is that you have to make the regulations tough enough to make sure that the worst possible condition is met. That is not necessary. What you need to do is look at the outcome, what it is you're trying to achieve. Well, quite clearly, when it comes to groundwater, the thing we're trying to achieve is that groundwater would not be polluted, but that doesn't mean to say that if you are putting a lagoon on land that is impermeable clay, you need the same kind of liner as you do if you're setting it on gravel.

That's the problem with regulation; we're not looking at outcome. I think that'll be the way we'll be looking at it.

THE CHAIRMAN: The hon. Member for Edmonton-Manning.

9:11

MR. GIBBONS: Thanks, Mr. Chairman. I just have a few questions to the minister around municipal. Traveling the province and talking to a lot of different municipalities and it's actually very close to home: the amount of thistles in the ditches throughout the province. I've got a major problem in my constituency where it's government land around the tree nursery, the old Oliver site, and so on. I get a lot of complaints. On my own farm I spend the amount of money on thistle control, but it's blowing in from the ditches, whatever. The lack of funding to the municipalities, the downloading that has actually happened. That's their excuse to me and their concerns on that.

Then when I get talking with people, as well as my own farm, you've got canola resistance. You know, when you're trying to get rotation of crops and so on and you get the amount of costs and everything for pesticides and the fertilizer runoff, what's happening to the rivers? I have the Sturgeon River running through my farm and can see what's happened over the years, and I guess I'm just as guilty because we fertilize also. With that, just around infrastructure assistance on municipal wastewater, I asked the previous minister this question in the same kind of a committee that we've had before.

I do know from people that I know who actually work for the government that over the years they've actually had studies on rerouting water into different areas. Where the Sturgeon goes through my land, unless there's a lot of moisture or rain, that river goes right down to almost nothing, but at the same time there are more and more people being able to draw irrigation permits on that river. So the ones at the far end that have actually had them 20 years – the other ones are being able to draw them up river and get them in the last years, which seems to be unfair. I do know that there was a study back in the '70s and '80s on rerouting water from the Pembina. So there is movement.

The thing is that if we're going to be going more and more into market gardening – and what's been happening, especially when you look at the type of soil that's in my constituency, where you've got a lot of market gardens and so on, they do need water. Fortunately, there they can draw on the city water. They have the pump situation right at Evergreen Mobile Home Park. But if you're closer to Fort Saskatchewan, you're paying the heavy price through the county of Strathcona. If you're getting a little bit further out, you have to draw water from somewhere. Irrigation seems to be the trend, and a lot of people are asking about that because of the type of weather we've been having the last few years.

As I'm traveling throughout the province – this past year I spent quite a bit of time up in the north Peace country and to the northeast. I'm wondering whether or not it's a fair analysis, but their concern is that just like when we look at market value and education tax, the province is so large – I mean, we have a fantastic province, but it's so diverse. Down in your country we got the amount of rain last spring and floods, but then in the north you've got absolutely no rain. Where you've got cow/calf operations, they not only sold the calves, but they had to sell the cows because they can't even keep them through the winter because of the amount of hay and so on.

Maybe I'll get it on record. I'm wondering why it took so long to get a disaster policy in place. Why are we waiting until we try to make everybody in the province happy? Why aren't we working on areas where we do know – this is not the first year. The lack of rain has actually contributed to a few years. I do know from going to a

parliamentary conference in Quebec this past summer and talking to a few of the elected members from Saskatchewan that they almost had a program ready to kick off. In some cases they didn't kick it off fast enough, because they didn't get re-elected in the rural area. Is there a program that they were working on with the farmers that actually had lack of moisture, and do we know anything in that particular case?

I know there are lots of questions to be asked, and I'm going to sit down and listen to those and leave our Member for Lethbridge-East to ask the last few questions.

MR. LUND: Okay. Well, just briefly, the thistle issue: I'm not sure if you're talking about municipal right-of-way or provincial.

MR. GIBBONS: It's the highways.

MR. LUND: Highways. Okay. Well, in most cases the municipality would have a contract with Infrastructure to take care of those, so we'll have to see what the situation is, why they would not be spraying and/or mowing. If it's thistles, they should be doing some spraying. On Crown land, of course, if it's under disposition, that's the responsibility of the lessee. Now, I don't know what the situation is that you're talking about. In environmental protection we started a program to make sure there were chemicals available so that we could contract with a municipality to take care of the problems on unoccupied Crown land.

The irrigation from the river: that's disturbing. If in fact people are drawing from the river, they should be getting a licence to do this. One of the things under the act is that we require so much water left in the stream, so it's disturbing if in fact the water level is getting so low that the minimum in-stream flow has not been attained. Now, one of the things Environment will be doing is that under the new Water Act we have to do a water management plan within three years of proclamation of the act, so for some of those rivers, like the Sturgeon, they would have to be doing a fairly detailed study to see what the minimum in-stream flow is and needs to be to protect it. We can't have them drying up. As far as a diversion, I'm not aware of anything there. I haven't heard of it, but that doesn't mean to say there hasn't been some work done. I just simply am not aware of it.

It's disturbing when you mention why it took so long for a disaster program, because in fact back in '95 is when FIDP was first instituted, so that program has been there. Now, one of the problems we've got in some of the area you may have been into is that on a lot of that land they grow hay and pasture. One of the things that's happened is that over the dry period their coverage has gone down so low that a lot of those people dropped the hay crop insurance.

When we did the tour in that area, we were looking for what the problem is and why FIDP isn't kicking in. One of the things that we discovered was that a lot of that area has had three years of very poor conditions. That's one of the reasons we changed to allow them to go back to the fourth and fifth year. Now, granted, there could be a problem even with some of those. It may not amount to a lot of money, because their margin, even going back four and five years, may not be that great.

Quite frankly, October 14 was the day that we announced the changes to FIDP. When we were looking at it in September, there still hadn't been a frost. Things still could change somewhat. It was a little early to jump out of the box, but we got working on it fairly early, and I thought coming out with the program on October 14 was really not that bad. It was fairly quick action to the problem.

THE CHAIRMAN: Okay. The hon. Member for Edmonton-Centre.

MS BLAKEMAN: Thanks. There was just one question, which I was trying to clarify with one of my colleagues when you thought I wasn't listening to you with the absolute attention that of course I was, being able to multitask as we are in the opposition. Specifically I had asked you about what Alberta agriculture was doing about the greenhouse gas emissions and what were the targets. Part of what I was trying to clarify and got clarified was: is this government doing anything about the carbon sinks in trying to promote or get credit for the carbon sinks that are available in agriculture? That's an easy measurement. What is Alberta agriculture doing to get credit for this on our behalf?

9:21

THE CHAIRMAN: The Minister of Agriculture, Food and Rural Development.

MR. LUND: Thank you, Mr. Chairman. Well, you now clarified your question. It's a question that I've got a bit of experience in, having come from environmental protection, because of course that was the department that was doing a lot of work on it. You're right.

MS BLAKEMAN: Of course I'm right.

MR. LUND: Of course. Why would I question it?

In any case, through proper farming practices and different things that you can do, you can sequester carbon in the soil. There are a number of problems. One, carbon sinks in soils has not been accepted internationally, so no matter what you do, as far as getting credit for it, unless it's accepted internationally, you won't get credit. That's one of the reasons we've been very cautious in what we say relative to this whole issue. As you know, some utilities in Alberta have bought options for carbon credits from U.S. farmers. I don't know if any money has changed hands, but they've got those options.

The fact is that carbon sinks have not been accepted. As a matter of fact, the Minister of Environment told me, after being in Bonn last fall at COP 5, that forest sinks look like they might be accepted but that there still was great resistance to soil sinks. When I was in Kyoto at COP 3, the Japanese particularly were very opposed to either soil or forest sinks. We met with the Prime Minister and some of his cabinet, and they just wouldn't hear of it. Apparently they've moved off the forest a bit, but a number of countries are still very opposed. You can understand why. If they don't have any agricultural land to speak of, they're not going to support it. So that is a big problem.

There's another problem. This whole concept of purchasing credits hasn't been accepted yet either. So we have two problems there. It's creating some difficulty for us because farmers are wondering: why can't we get in on this? So we've got that problem.

There's another, bigger problem. The federal government has been doing quite a bit of work studying this whole issue, and agriculture accounts for about 13 percent of the greenhouse gas admissions. In that component, if you take the whole agricultural industry as a total industry and do all the proper things for carbon sequestering in soils, you may come to just about a wash. The problem we have is that even if this whole idea of sale of credits is accepted and we allow the sale to go outside of the agricultural industry, then the livestock industry could be hit really hard. In a province like Alberta if this whole concept of buying credits were to go ahead, you can imagine what the livestock industry would face relative to the oil and gas, because they're going to be needing to buy credits and so is the livestock industry. When you get into CO₂ versus methane, methane is four times as bad. If you get over and

talk about nitrogen oxide, you have 16 times as bad. When fertilizer escapes, or even with the growing of forages or legumes, you'll get a certain amount of nitrogen oxide. So if you take the whole picture, it's not pretty.

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

MRS. SOETAERT: Thank you very much, Mr. Chairman. You know, this is one of my favourite estimates, agriculture estimates, because the finest farmland in Alberta is in my riding. There's just no doubt about that, and I have the floor, so no one can argue that.

MR. STRANG: It's all paved.

MRS. SOETAERT: It's all paved? No, no. That's the neighbouring constituencies.

Anyway, to agriculture. Mr. Minister, I appreciate the work your staff does for us. I know when we've had calls and stuff, they are appreciated, so I thank you for that. Working for this minister I'm sure some days is a real challenge but always a pleasurable one, I'm sure. Of course, they're being polite up there.

Mr. Chairman, to the minister. I was pleased and honoured to be part of the farm family awards this year. As you know, one of my big concerns about what we may be losing in Alberta is that farm family. I don't know the answers to that. I don't know what we can do as far as legislating issues like that, but as the number of farmers drops, I worry about what that means to our communities. It's one thing if a business goes down. I mean, it's tough, but people will usually stay in the city and find more work. If a farm goes down, those people are gone, and then the community is gone eventually. So I have concerns about the viability of the farm family, and I'm sure you do too, because the reality of what they give to our community I don't think can be measured in dollars.

If I may brag for a minute, the farm family from my riding was Joe and Thelma Sheehan, who just happen to be my aunt and uncle. I was quite proud of that. I didn't even nominate them, you know, so that says something. So that was good.

I want to comment on the 4-H program. I'm very supportive of that. I see that the budget for that is a bit up. I'm wondering what that entails. We have so many leaders that come out of that 4-H program. It's an absolutely wonderful program that many of us on this side . . .

AN HON. MEMBER: Six of us.

MRS. SOETAERT: Six of us have gone through that 4-H program on this side. That's almost half, and there are a few over there. So we're very supportive of that program and know the good things that can come from it.

You know, every time I think of rural development – I don't know; maybe it's something we can't do here – one of the things that bugs people in my area is that they're long-distance to the town that's 10 miles away. If we're thinking rural development and small businesses in rural communities, what a saving it would be in dollars.

Now, I realize that phone companies are privatized and we don't have AGT anymore, but I'm wondering if the minister has ever looked into the reality of – I don't even know how we'd go about it. If you live in Morinville, to phone Calahoo is long distance. From Calahoo it's long-distance to Spruce Grove. If you're in St. Albert, none of them are long-distance, and if you're in Bon Accord, all four of those places are long-distance. So in the reality of rural develop-

ment if we're thinking practicality, then believe it or not, I think long-distance telephone calls are very expensive for some businesses out there. So I just leave that with the minister. I don't know if we can address that at all, but I think many rural communities would appreciate not having such a high long-distance phone bill for business matters.

I know that one of the issues coming up, though it may be under Infrastructure, is the reality that I have had several calls about licence plates in the front and back. It's been a real push from rural Alberta more than the cities. I realize that it's under Infrastructure, but I'm hoping your department will support that motion that is coming up or that you can have some part in promoting that one.

Just today I had a call from one of my hog farmers, who said: you know, in the Speech from the Throne was there anything for farmers? There was a commitment to revamp FDIP, but for them, right now, it's too late to help them. It's kind of hard to phone them back and say: you know, it won't change what happened for you last year. The reality of it is that they had added onto their barn the year before hog prices fell out of the market. For whatever reasons, they didn't qualify for FDIP and are in jeopardy of losing their farm.

9:31

So I'm hoping that the revision of FDIP will change and maybe help some of these people. I mean, in his case it was just bad luck, bad timing. I know people say: well, that's the luck of the draw in a business. I think we have to weigh: is farming just a business, or is it a way of life that we want to preserve in this province? I think that's a question that's worthy of debate in this Legislature at some point in time, because there are more elements to farming than just a straight business, as I see it.

I wanted to talk for a moment about game farming. I have a few in my riding. One person phoned me and asked: where is the whole process of hunting on game farms? [interjection] I see people are going, "Not a chance." I'm just asking her question. [interjection] Oh, we have another one there going, "Yes." So it'll be interesting to hear what the minister has to say.

I think I brought up some of my constituents' concerns. Oh, I must mention something else. I was at an agriculture forum sponsored by the Reform MP in our area. I heard many concerns about commodity prices and input prices and the loss of the family farm. One of the suggestions that came up in that was the reality that we have a generation of people in cities who don't know anything about farms or rural Alberta. I would say that a generation ago people would still go out to grandma's on the farm or to Uncle Joe's farm, but now in the cities, because they are so big and because we have so fewer farms, the reality is that people don't have the same opportunities to get out there. One person suggested a city/rural exchange. I know we go: oh, that's ridiculous. Kids come here to see the Legislature, but we forget that kids from the city don't go out to the country.

I know there was one – it was on a different level – set up by many volunteers in the Stony Plain-Spruce Grove area for kids from the inner city who had never had the chance to be out in rural Alberta. They arranged it. They'd just come out for the day. One group even saw a calf being born. These kids went back with just an amazing view of the world. They had never gotten out of the city. These kids were 10, 11, 12 and had never gotten out of the city.

Now, that wasn't the type of exchange that that farmer mentioned, but something on that basis, where we can get people to appreciate where food comes from and the work that goes into it. It's just an idea that your department can play around with. I think people from the city who just walk up and down the aisles of IGA and Safeway haven't got a clue what it took to get that loaf of bread there or that

great T-bone steak. It was an interesting idea that I heard at that meeting, and I thought: you know, I think there's some potential in that. So I relay that to you from that meeting.

To be specific for a few moments, if I may, I've got some specific questions about the administration expenses from the Ag Financial Services Corporation income statement. Transfers from the government of Canada were budgeted at \$50 million for the year '99-2000, but the forecast figure is \$133 million. So if the administration expenses were \$33 million in '98-99 and then it increased by \$7 million – I should give you the exact number, if I can find it; anyway, I'll keep going and find it – and they're expected to increase by another \$3 million in 2000-2001, really that's an increase of 30 percent in three years.

Now, last year we asked what these increases were due to, and the reply was that the additional costs were mainly for getting the corporation's computer system operational for the year 2000 and a forecasted higher volume of business both in lending and insurance operations. So that explained last year's increase, but I'd love an explanation for this year's increase, if I may.

One of the things I asked in this Legislature – in the heat of the moment I don't think I got the answer I wanted, so we'll try it again in this calmer environment. I think the Member for Wainwright was probably heckling so loud I couldn't hear you. He usually does that when I'm on agriculture estimates. He just doesn't appreciate my part of rural Alberta like he should, but one of these days I'll just show him the fine farms in my area.

The reality is, I think, that our farmers were shortchanged by about \$25 million from this federal government transfer that we were not a part of. I'm wondering: is there a plan for this government to make that money up to farmers? Are we going to go to the table again, to the feds? Maybe we'll send Lethbridge-East to the feds. He might have more luck. I still find it disappointing that we were not at that table with those Premiers. So I ask: are you going to provide that money that they were shortchanged because you didn't sit down at the federal table?

I've gotten some of my concerns out here. I realize there may be others who have a few more questions, and I thank you for the opportunity, Mr. Chairman.

MR. LUND: I'm glad to hear you express concern about the family farm because that's one of our big concerns as well, and it's one of the issues that is going to be on the summit table, the whole issue. I was surprised you didn't have the answer for it.

Anyway, the 4-H program. Of course, we're extremely supportive. It's a great program; it's an outstanding one, as a matter of fact. The Alberta program is one of the best in the country, and it's expanding, which is great to see.

The long-distance calling rates. I don't know your situation. I don't know whether the people there had a vote at one time. It's not in our ministry, but I can tell you that it won't happen. The fact is that once the CRTC took control, you couldn't cross-subsidize, and that was the end of this flat-rate calling, the expansion of it. When they took over, everything stayed.

Licence plates: that's not in our bailiwick.

The issue about the hog farmer. I don't know when he applied, but we found that some folks had expanded. Yes, it was a problem, but that was one of the changes that we made on October 14 to deal with that expanding and/or diversifying of a farm.

MRS. SOETAERT: Should he reapply?

MR. LUND: Well, I guess it would be important to know when he applied, what the circumstances were. He should phone the AFSC,

because I can't answer your question. I don't know how much he expanded; I don't know when he expanded; I don't know when he applied: all of those kinds of things. But one of the big changes that we made on October 14 was to deal with those expanding farms, because that hadn't been dealt with, particularly in the hog industry. That hit them. A combination of that change coupled with the ability to go back four and five years and build what it would have meant at that price makes a big difference.

9:41

Game farming. When I was minister of environmental protection, the folks were coming. At that time I said: when you get the Alberta Fish and Game Association members to agree, I'll agree. I still say that.

Urban education. Of course we support the farm in the classroom program. In some areas there are individuals that are taking some of this on, and I think it's important. But you've also got to remember that with education, as soon as you start adding, they feel that they're already jammed, that they don't have enough time. So it is a big problem, but we will be focusing more.

You asked a question about AFSC's administration, and we'll have to get that answer back to you. You lost me in all of the numbers. You were jumping around, so I didn't get what exactly you were talking about.

So you feel that we were shortchanged \$25 million by the feds? Okay. That's good. I just wanted to make sure that was on the record. What are we going to do, and why wasn't I with . . . [interjection] Okay. Let's look at all the things that happened.

Prior to those Premiers going down, our Premier talked to the Prime Minister. I was in Ottawa lobbying for our farmers. Actually I met with the federal minister before Romanow and Doer did. So I was there lobbying for our farmers. We went to Ottawa on three other occasions, lobbying for our farmers. We were at – well, actually it started in Prince Albert – three ministers' meetings where we were talking about this crisis. So we've done a lot, I think, to try to get the federal people onside. But I would question: what has your leader done? Has she picked up the phone and phoned her kissin' cousins in Ottawa? I would love to have an answer to that. You know, it's easy to throw darts. We've been trying very hard, and I'm sure that the Member for Lethbridge-East has talked to the Senator down there. I'm sure that has happened. I meant to ask him about that earlier. I'm sure that he did. I'm sure that he did, and I mean that.

Anyway, I guess that covers those questions.

THE CHAIRMAN: The hon. Member for Lethbridge-East. [interjection] Sorry, I didn't realize you were standing. Hon. Member for West Yellowhead, if you wish to ask a question, please do so. Otherwise, the Member for Lethbridge-East.

MR. STRANG: Thank you, Mr. Chairman. I guess what I'd like to ask the minister is: on your farm income support, I notice on your first line item the comparable for 1998-99 is \$104,049,000, but then when you go to the comparable for 1999-2000 on your budget – I guess the big concern I have is that when you go to your comparable forecast, you're at \$299,004,000. With the way the family farm is and what's continuing to transpire, in this coming fiscal year why are we estimating such a low figure of \$201,576,000 in our budget? I just wondered why we're looking at that. That's on page 43.

Thank you.

MR. LUND: Well, I'm sorry. I wasn't able to find exactly where the hon. member was reading from. I'll just have to get back to you.

Not knowing exactly where you're reading from – I've lost on that page what it was you were asking.

MR. STRANG: Okay. Thank you.

THE CHAIRMAN: The hon. Member for Lethbridge-East.

DR. NICOL: Thank you, Mr. Chairman. Good evening again, Mr. Minister. Just a few final questions that I wanted to kind of wrap up on some of the issues that we were talking about. In reviewing through my page of scribbles while I was sitting here after our first go, I'd overlooked a couple of questions on the business plan and the goals. One that stands out is under goal 7, excellence in food safety. That's on page 38 in the business plan. You're talking about the Alberta food safety emergency response plan. Could you just comment on where that's going, what input you're getting to it, the approach, and on some of the issues that people are asking about now with GMOs: what's there, how this is being dealt with, and a little bit of an idea of how broadly based the scope of that program might be? Is it just contamination and this kind of thing that you're dealing with in food safety as opposed to some of the concerns that might arise with the GMOs?

The other one that I wanted to just kind of touch on a little bit is under your management of the ministry's resources, goal 8. You talked about the functional review that you were going to undertake, and I was wondering if you had any targets or any projections on the impact that this might have on staff or on the relationship between administrative dollars versus frontline delivery dollars in terms of the overall budget. Do you have targets that you're trying to reach?

As you're doing that, do you make interministry comparisons to see how your ministry resources relative to the frontline delivery of service compares to some of the other ministries that deal with the same kind of community contact? You know, delivering services to the ag community is really the mandate of the ministry, and you have to see how effective it is in terms of getting that delivery out there relative to the staff and the cost at the administrative level rather than the frontline delivery component.

I guess the only questions, then, that I would have might be on some of your performance measures. First of all, just a little further part to a question that was raised by the Member for Edmonton-Centre. In the context of each of your goals you talk about the results and the measures. You made reference to those in your opening remarks when you talked about having these measures that are associated with each of the goals. Some of them are very, very interesting. It would be very appropriate if we could see the data that you were collecting associated with some of those measures. The only data that I find here are the macro performance measures. You don't see some of the measures that are associated with some of the goal-specific measures. I know this is a really good step in terms of getting, on some of these new measures that you're dealing with there, some indication of the progress you're making in terms of getting some of that information available for the public to look at.

In your macro performance measures I was looking at the net cash income projections. As I look at some of your targets, as far as the year 2003 you're seeing quite a change, a continued climb in the net cash income in Alberta as a percentage of Canada. What is it that's going on in Alberta that we may not be able to keep our relative position in Canada in the net farm income? Is this because we are a more crop-based agriculture economy as opposed to, say, Ontario or Quebec, where they've got a lot of livestock or some of the specialty crops? We've been up to 23.6 in '97, 22.5 in '98, down to 19.2 this year, but you continue to see a decline in the relative farm income as a percentage of Canada. That kind of surprised me. I

thought that with the complete growth that we're seeing in the livestock sector, the growth we're seeing in some of the specialty crops in southern Alberta, we would not be seeing quite as much of a trend there. So some comment on why you see that decline.

9:51

I was also interested in your measure 4, the importance of Alberta agriculture as a percentage of the total gross domestic product of Alberta's economy. This is on page 41, Mr. Minister. I was noticing that that is projected to go up as a percent of the total gross domestic product in 1999. I would have expected, with the unbelievable prices we were getting in the latter part of '99 in the oil and gas industry and when you look at the low prices in especially the grain sector of Alberta, that we would have seen a drop in that percentage of the gross domestic product that's associated with agriculture just because of those. So some comment on that. Help me to understand where I'm missing something.

The next one, where you're talking about the employment of Albertans. We're looking at the basic trend in the total food and beverage sector. From 1989 to 1999 it's gone from 104.3 down to 103.0, yet now you see a turnaround, especially a big jump by 2000. What changes do you see in the industry that would reflect that bottoming out in our employment cycle in agriculture and the agrifood industry? With the low prices right now you look at what's going on and you'd expect to see either a stability in employment or even an exit of some of the farmers as we see amalgamation. I know that the auctioneers I've been talking to are basically telling me that their farm sales are booked for this winter and that there are enough people selling out that they're filled up. If those people are exiting the industry, the bigger farmers picking them up usually are more labour effective than the smaller farms, so you would expect some kind of a decline.

Mr. Minister, the last couple of comments, then, on the last macroindicator that you report there, land productivity. This is quite indicative of the success we've had in agriculture in Alberta reflecting our increased yields, increased productivity. I was wondering how much of that also is influenced by trends in summer fallow acreage or where we're actually cropping or getting more output off land that used to be fallow. I guess it would be interesting to see if those kinds of trends really are there. I know this is an indicator of productivity of land, and as you use land differently, that effectively increases its productivity. So a mechanism to help understand and see in what direction those are going.

That's the conclusion to my comments, Mr. Minister. I just want to congratulate you. I've really appreciated the way you've responded to the questions so far this evening, and I look forward to working with you the rest of the year.

THE CHAIRMAN: The hon. minister.

MR. LUND: Thank you very much. And thanks for those comments.

Food safety. This is one of the big issues coming up. When we talk to foreign buyers, food safety is extremely important to them. I think that in agriculture we're going to find that there are a number of forces out there in the marketplace that dictate what we do back on the farm, and this is one of them. So we have a choice: we either resist some of the changes that are coming and get ourselves out of the market or we stay in. My answer is that we've got to stay in because that's our future.

Now, dealing with a couple of things. The cattle identification: that's coming down the rail really fast. I guess you've probably seen what happened with Danish beef just recently and how that was

pulled off the market. That's a prime example of how important it is that we are able to track right back really quick and isolate where the problem came from. That's the attempt that the Canadian cattle identification group is trying to implement. There are other diseases. I know that some of our folks are concerned about the dangers of some of the imports and what that might bring, and that just exemplifies how important it is that we have this track back.

The HACCP back on the farms. That's coming. The hog industry is out leading it right now. The poultry industry is getting into it. That's just another one of those things that the consumers are demanding, and it's critical that we be there.

The functional review. We did this in environmental protection, but one of the focuses was different. Here we're not talking about a reduction of expenditures. What we're talking about is assessing to make sure that everything we're doing is necessary. If the answer to that is yes, then can it be done in a different way? As you know, with the way technology is changing, we have to keep changing too. So while the exercise we're going through is a snapshot in time, what we're suggesting to staff is that a number of the things we're doing are the kinds of things that you need to be doing on an ongoing basis. As far as going into it with any kind of target that we're going to have a certain number of things happen, no. We're going in assessing everything, and hopefully coming out of it we'll have a streamlined system that is effective.

When you talk about comparing with other departments, we're not really comparing with other departments, but we continually do customer surveys to see if in fact we are doing what the customer wants and needs. That's how we're trying to measure what we're doing.

I lost you on the measures and goals question. I'll have to get back to you.

The net farm income. As I mentioned in my opening remarks, one of the problems we've got of course is that ever increasing input cost, and that's squeezing the margin. While the gross is going up, the margin is still getting squeezed, and it's a big concern that we have. Even with the high livestock prices, when you look at the purchasing power even at this so-called high market, it's very narrow.

The gross domestic product. That's a tough one. You're absolutely right about the increased price of oil. Of course, back when we were doing this, the price wasn't as high, so it'll be a challenge to meet that if in fact we're able to with the ever increasing price of our other natural resources.

The change in employment. You're right. There are people exiting the primary production, but there is a fairly healthy growth in the food and beverage industry, and that's where that growth in employment will occur.

I'm very pleased that you happened to mention the measure of production, whether that's a good measure of the soil. My staff will enjoy this, because that's the one measure that I've questioned all along. As a matter of fact, before I was this minister, I questioned it for the very reasons that you identified. I don't think it's a good measure of soil quality and whether we're preserving the soil. There are too many other things you can do. So this is one we're wrestling with: how do we really get good measure for this output? We're working on that one.

With that, I would move that the subcommittee adjourn debate.

10:01

THE CHAIRMAN: The hon. Minister of Agriculture, Food and Rural Development has moved that the subcommittee do now adjourn debate on the estimates of his department. All those in support of this motion, please say aye.

SOME HON. MEMBERS: Aye.

THE CHAIRMAN: Those opposed, please say no.

SOME HON. MEMBERS: No.

THE CHAIRMAN: Carried.

The hon. Member for Drayton Valley-Calmar.

MR. THURBER: Thank you, Mr. Chairman. I'd like to move that when the committee reassembles, the subcommittee report progress on Agriculture, Food and Rural Development.

THE CHAIRMAN: The hon. Member for Drayton Valley-Calmar has moved that the subcommittee report progress when the committee reassembles. All those in support of this motion, please say aye.

HON. MEMBERS: Aye.

THE CHAIRMAN: Those opposed, please say no. Carried.

[The subcommittee adjourned at 10:02 p.m.]

