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The 29th Legislature
Second Session

Standing Committee
on
Alberta's Economic Future

Agrifood and Agribusiness
Stakeholder Presentations

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**Legislative Assembly of Alberta
The 29th Legislature
Second Session**

Standing Committee on Alberta's Economic Future

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Standing Committee on Alberta's Economic Future

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8:31 a.m. Thursday, February 23, 2017

[Mr. Sucha in the chair]

The Chair: Good morning. I'd like to call this meeting to order and welcome members, staff, and guests to this meeting of the Standing Committee on Alberta's Economic Future. Before we begin, I would like to recognize that we are on the traditional land of Treaty 6.

My name is Graham Sucha. I'm the MLA for Calgary-Shaw and the chair of this committee. I'd ask that members and those joining the committee at the table introduce themselves for the record, and then we'll hear from those on the phone. I will start to my right.

Mr. van Dijken: Good morning. Glenn van Dijken, deputy chair and MLA for Barrhead-Morinville-Westlock.

Mr. Taylor: Good morning. Wes Taylor, Battle River-Wainwright.

Mr. Orr: Ron Orr, MLA, Lacombe-Ponoka.

Mr. Schneider: Dave Schneider, Little Bow.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Mr. Coolahan: Craig Coolahan, MLA for Calgary-Klein.

Mr. Piquette: Good morning. Colin Piquette, MLA for Athabasca-Sturgeon-Redwater.

Connolly: Michael Connolly, Calgary-Hawkwood.

Mr. Rosendahl: Eric Rosendahl, West Yellowhead, sitting in for Kim Schreiner.

Ms Fitzpatrick: Maria Fitzpatrick, Lethbridge-East. Just a reminder to speak up so I can hear you, please.

Mr. Carson: Good morning. Jon Carson, MLA for Edmonton-Meadowlark.

Mr. Koenig: Good morning. I'm Trafton Koenig with the Parliamentary Counsel office.

Dr. Massolin: Good morning. Philip Massolin, manager of research and committee services.

Ms Rempel: Good morning. Jody Rempel, committee clerk.

The Chair: And those on the phone?

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Ms McPherson: Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

The Chair: Excellent. Thank you.

For the record I would also note that Member McPherson is substituting for the hon. Mr. Anderson and that Mr. Rosendahl is substituting for Mrs. Schreiner.

Before we turn to the business at hand, a few operational items. Microphone consoles are operated by the *Hansard* staff, so there's no need to touch them. Please ensure all cellphones are on silent mode. Audio of the committee proceedings is streamed live on the Internet and recorded by *Alberta Hansard*. Audio access and meeting transcripts are obtained via the Legislative Assembly website.

We'll move to the next item on the agenda. Would someone like to move approval of the agenda? Moved by Member Carson that the February 23, 2017, meeting agenda of the Standing Committee

on Alberta's Economic Future be adopted as circulated. All those in favour, please say aye. All those opposed, please say no. On the phone? That motion is carried.

We'll now move on to the next item on the agenda, which is panel presentations, panel E, moving on to our second day of the panel presentations regarding the agrifood and agribusiness sector in Alberta. As noted yesterday, all participants have been invited to make five-minute presentations as part of the inquiry into growing Alberta's agrifood and agribusiness sector. After the presentations are complete, I will open the floor to questions from committee members.

At this point I would like to welcome all of our panel guests to join us here at the table. Once you arrive, please introduce yourself for the record before you begin your presentation.

We'll start with the Alberta Beef Producers to provide us with your presentation. If you want to introduce yourselves first.

Mr. Lynch-Staunton: Yeah. I'm Tom Lynch-Staunton with Alberta Beef Producers.

Mr. Vander Ploeg: Casey Vander Ploeg. I'm vice-president of the Alberta Cattle Feeders' Association.

Ms Ference: Erna Ference. I'm chair with Alberta Chicken Producers.

The Chair: We'll be having the Alberta Grazing Leaseholders Association joining us by phone as well. They'll be joining us shortly.

I will start with the Alberta Beef Producers to start off the presentations.

Alberta Beef Producers

Mr. Lynch-Staunton: Okay. Well, good morning, everyone, and thank you, Mr. Chairman. Thank you to everyone for giving us and the other cattle associations here as well the opportunity to present our ideas on how to grow and diversify agrifood and agribusiness in Alberta.

A little bit of background about the beef industry. Obviously, it's very important to Alberta's economy. We have approximately 20,000 primary producers. That includes cow-calf, feedlot operators, and processors in Alberta. Our producers employ about another 40,000 workers directly and then another 30,000 or so indirectly in primary support services and food processing and manufacturing, so quite a significant industry. It is the largest agricultural sector in Alberta and contributes over 40 per cent of the \$13 billion industry. I just wanted to point that out for everyone to think about in context.

We already did a submission. I'll just go through high-level points. I know that Casey – and I don't know if James is on the phone right now – will be getting into a bit more specifics. The four main points that I want to touch on here are ensuring that the beef industry producers have access to resources; two, access to labour; three, access to markets – that's very important – and then, of course, investment in research and innovation. I'll go into this in a little bit more detail.

What we mean by access to resources: this is ensuring that we have access to adequate land, water, and infrastructure in Alberta. This really includes public lands and grazing leases and forestry permits as well. They play a huge role in the beef industry and ensure that we have an economical way of ensuring grazing space for our cattle. This is recognizing that there are many competitive pressures on land, including farming, urban development, industry, and recreation.

Increased investment in infrastructure: I know Casey is going to talk a bit about that, but one thing I wanted to point out that would really ensure a lot of innovation getting applied in the beef sector would be high-speed rural Internet, so getting our communities connected first and then, hopefully, our farms and ranches after that. I think that getting that last mile connected is very important, so if we can get investment there.

I wanted to also talk a little bit about resources. We talk a lot about the value of ecosystem services that our ranchers and farmers provide to society. We're looking into a lot of different programs that could be used for payment for ecosystem services. I know James is going to talk a lot about that. I won't get into a lot of detail. One thing I'd like the committee to consider is thinking about the carbon levy revenues in such a way that they can be reinvested in the beef industry, not just thinking about GHG emissions but about environmental benefits as a whole, the whole ecosystem, conservation of grasslands, that type of thing, which will also have a significant GHG benefit.

The other thing about business and agriculture is rethinking small business. Our small businesses aren't that small anymore. They're getting quite large. Family farms are, you know, over 500 cows. They're employing quite a few people, and the revenues are getting over, you know, \$1 million or \$2 million. So thinking about how our small-business programs can also be accommodated in a bit larger farming businesses: I think this is important.

8:40

Next I'll get into access to markets, obviously, continued diversification of export markets and what the Alberta government can do to assist our federal government in access to markets like China, Japan, and Europe. Especially with the uncertainty in the U.S., if that market access is restricted, these export markets are hugely valuable. In addition, with these we can maybe develop more value-added products, using the abundance of raw materials we have in Alberta, further processing, value-add them, and then get those exported as well.

As well, access to markets – and I know Casey will talk a lot about this – is ensuring that whatever policies and regulations we have in place, we can also ensure that we're competitive in a global market. We export about 50 per cent of the beef we produce. Global markets are hugely important, so we have to remain competitive. If there is added cost from policies, we have to make sure that there are also mitigation measures to counteract that.

I'll go into access to labour. Casey will talk a little bit about that as well. [An electronic device sounded] Good morning, James. This is Tom.

Mr. Hargrave: Good morning.

Mr. Lynch-Staunton: I'm just trying to get my five minutes out here.

Mr. Hargrave: Sorry.

Mr. Lynch-Staunton: Oh, no worries.

Access to labour. We'd like to see more permanency of foreign workers and immigrants into agriculture. They've been of huge value for us. Having the programs that restrict them becoming permanent residents has really hindered our access to labour, especially when energy, oil and gas, is competing with us for labour, so working on our federal government for labour laws. As well, in the cow-calf sector seasonal labour is very important, so any programs that can ensure better access to seasonal labour, summer work, that kind of stuff, is pretty important for the cow-calf sector.

Lastly, research and innovation investment. We have seen a decline recently in investment in our research programs for beef, forage, et cetera. I think it's really important that we continue to invest in these programs that will support research and innovation in our agricultural departments, in our universities, our government research programs. Then, as well, an application of innovation on farm will be really important, that knowledge transfer piece.

I think I'll leave it at that. I'm sure there are going to be lots of questions, and I'll pass it on.

The Chair: I'll pass it on to the Alberta Cattle Feeders' Association.

Alberta Cattle Feeders' Association

Mr. Vander Ploeg: Good morning, and thank you, Mr. Chairman. I'm pleased to be here this morning representing Alberta's cattle feeders and share with you our perspectives on the twin goals of growing and diversifying agriculture and agrifood in Alberta. Alberta is home to 4.7 million beef cattle. That's half of the national herd. We produce over 70 per cent of Canada's fed cattle, and in 2015 this production generated over \$5 billion in farm gate receipts. To give you a sense of scale of the industry here, Alberta's cattle-feeding sector has a standing capacity of about 1.4 million head, and we have an annual output of almost 1.8 million. That makes Alberta the fourth-largest cattle-feeding jurisdiction in North America, behind Texas, Nebraska, and Kansas. It's big business, and to give you a sense of the scale, simply consider this. The Cargill processing facility in High River can process 4,000 head of beef cattle a day and ship 2 million pounds of boxed beef daily.

Yes, beef is a very distinctive characteristic of our agricultural landscape, and that's impressive, but all is not entirely well either. Cow-calf production is down. Feedlot numbers are in decline, and fed cattle production has fallen 17 per cent, from 2 million head down to 1.7 million. Alberta's cattle feeders are concerned. We're concerned about losing our industry's critical mass. A particular threat would be the shutdown of one of our province's large processing facilities.

Cattle feeders, I think, would say that the key to growing and diversifying Alberta's agriculture industry presupposes an economic environment that's competitive. Competitiveness is the single most important prerequisite to achieving growth and diversification. It's critical for two reasons. One, cattle are mobile, and two, cattle feeders are price takers operating a margin-based business. Many cattle feeders have operations in northern Alberta, southern Alberta, Saskatchewan, and even the U.S. The reason is that cattle are fed where the economics pencil out. A good supply of feed grain at a reasonable price is perhaps the biggest factor, but there are others.

In terms of competitiveness, let me share with you what Alberta's cattle feeders are talking about. At the top of the list would be the changing tax regime. The new carbon tax, even with the farm fuel exemption, is expected to cost beef producers some \$6 to \$7 per head just for transporting cattle through the supply chain. I'd echo what Tom says, that a determined effort must be made to develop workable offsets for agriculture that take a balance sheet approach where carbon emitted is offset by carbon sequestered, and ways must be found for the revenue from that tax to flow back into agriculture to spur development of carbon-reducing technologies and ensure that producers can adapt.

It would be interesting to perhaps note that one of the things we often think about here is a way to accommodate efficiencies of yesterday and how that matches with the carbon tax regime of today. In the past 50 years we've made quantum leaps in productivity. If Canada were to produce the same amount of beef

today using the practices we used 50 years ago, we'd need another 45 million acres of land to do it.

Another tax concern is Lethbridge county's new head tax on livestock. This is a \$3 head tax on every livestock animal in the county. For a 30,000-head feedlot, that's a one-time tax increase of \$90,000. There are half a million head of cattle on feed in that county. The tax is increasing fixed costs, creating a destructive local tax competition, and is eroding our competitive position. Cattle feeders believe that this issue must be at the top of the province's agriculture policy agenda.

The province must work with municipalities and agriculture to find a fair, equitable, and enduring province-wide solution that respects the needs of rural municipalities to raise revenue without negatively impacting the competitiveness of agriculture. Part of that enduring solution, cattle feeders believe, is to renew the property taxation of farmland, which makes no accommodation for intensive livestock and has not been updated since the 1980s. A more equitable, transparent, and robust property tax system for farmland would go a long way in resolving this issue, and that was also the conclusion of the 2002 MLA report on farmland assessment. Yet another tax concern spins around the increase in provincial taxes as of the last budget.

In summary of all of this, cattle feeders are feeling and talking about a piling on, a piling on that is eroding competitiveness and diminishing long-term viability. These taxes, when you add them together, could amount to up to \$14 per head. The average annual profitability of feeding cattle in Canada over the last 10 years is \$18 per head. Are cattle feeders concerned? You bet they are.

I'm running out of time, so I'll just mention some of the other issues that we brought up in our written submission that we provided to the committee. On infrastructure, Alberta's beef industry does have tremendous potential given new export markets and recently signed free trade agreements, but if that's to be realized, then sufficient and reliable public infrastructure must be in place. There is an acute need for the province and the federal government to develop infrastructure programs through a rural lens that acknowledges the fiscal limitations of small rural municipalities.

On the labour front this, too, is a very large challenge facing agriculture, particularly in our agrifood processing. It's challenging competitiveness today and threatening our prospects for tomorrow. Every day meat processing facilities across Canada are operating with hundreds of vacant workstations. It's making the meat-packing industry uncompetitive, and because full carcass value is not being realized, the impact ripples right back to producers through the entire beef value chain. These challenges must be resolved. We ask for support for the agriculture and agrifood workforce action plan, enhanced access to foreign workers, and let's ensure that things like the provincial nominee program are working well and that processing times are reasonable.

8:50

There's been a lot of chatter on Bill 6 as well, and there are worries about the bill's potential impact on competitiveness. However, I would say that cattle feeders do believe that much depends on the regulations that will be put in place for that. If the technical rules are generated in a collaborative way that reflects the realities of agriculture, then it might all be workable and affordable.

Ongoing support for research and development to boost productivity is important. Historically, the government of Alberta has been very invested in that through entities such as the Alberta Livestock and Meat Agency. We are concerned that the recent roll-up of ALMA reflects a diminished commitment. We would encourage the province to continue investing in research and ongoing innovation in agriculture.

In summary, reaching the twin goals of growing and diversifying Alberta's agriculture and agrifood industry requires a policy drive that reaches beyond agriculture. It touches on rural municipalities, transportation, rural economic development, environment, research and innovation, market access, and tax policy. We believe that Alberta has all of the necessary ingredients to become a true international superpower when it comes to agriculture and agrifood. We've got the ingredients in place. When it comes to beef, we have the land base, ample natural grasslands and pasture, superior herd genetics, an ample supply of feed grain, a suitable climate, technical know-how, and an internationally recognized food safety system. But to ensure that success, all of that must be supported by policies and programs that boost competitiveness, support and maintain it, and can lever the strengths of those natural advantages.

Thank you.

The Chair: Excellent. Thank you very much.

I will now call upon the Alberta Grazing Leaseholders Association to provide us with their presentation. Can you just introduce yourself for the record, please?

Alberta Grazing Leaseholders Association

Mr. Hargrave: Thank you, Mr. Chairman. James Hargrave, chairman of the Alberta Grazing Leaseholders Association and vice-chair of the Western Stock Growers' Association.

The Chair: Excellent. Please proceed.

Mr. Hargrave: Okay. Well, thank you, Mr. Chairman, and thank you, ladies and gentlemen of the standing committee. I appreciate the opportunity to present here today. I'll make it as quick as possible as I have kids pounding around upstairs. I'll get right into it.

Is the slide show loaded?

The Chair: The slide show has been distributed, and it's available on OurHouse.

Mr. Hargrave: Okay. Excellent. Well, we'll slide right into it here. Economic contribution of the cow-calf sector. There are 1.2 million cows at approximately \$900 per weaned calf, roughly \$1.08 billion. Estimated value of the forage production consumed by cattle is about \$392 million. Looking at the multiplier effect down the chain, the cow-calf sector, in turn, drives the cattle feeding industry and the packing industry in Alberta.

Getting into high-level problems that were faced in the beef sector, one of them would be overregulation and then certainly competitiveness, access to labour. Probably one of the biggest issues moving forward for the beef sector and for agriculture in general is that the agricultural community is experiencing extremely low rates of succession, and this will be a focal point moving forward in the discussion here.

Specific problems in the grazing sector. Now, most ecosystem goods and services produced are not recognized in any marketplace. They don't function in any marketplace. Really, the only ecosystem service that would function would be the food that comes off the landscape. Certainly, there is competition with other land uses with higher financial return. Many of these are negative for environmental goods and services. Some of those land-use examples would be intensive cropping and rural residential. Currently there are no incentives for maintaining grasslands in their natural state. There are only incentives for change of practice.

Getting into new opportunities in agriculture, if we were to look at reclassifying EGS as an agricultural product to establish a

marketplace, it would drive the supply of ecosystem services by incenting production of those environmental goods and services for which there is demand. Carbon, water capture and purification, biodiversity, habitat, recreation are all examples of ecosystem services. This represents an untapped opportunity to diversify our revenue streams. It certainly would level the playing field with other land uses such as rural residential, annual cropping, and intensive cropping. Some environmental goods and services such as wheat, canola, and beef are already ag products and very effectively operate in the marketplace.

Now if we look at cows becoming the tool, an adaptively managed grazing animal is crucial to the integrity of a functional grassland, certainly a working landscape. Grazing enhances plant production, plant diversity, biodiversity, and soil health. Functional grasslands contribute billions of dollars worth of environmental goods and services annually. The estimated value of carbon stored in Alberta's rangelands is at this point just over \$2 billion, and that's just carbon. If we look at water capture, storage, and purification, if we look at biodiversity, there's potentially up to \$5 billion to \$8 billion annually just in Alberta. An average of 27 tonnes of carbon per hectare per year is sequestered on managed rangelands. Each gram of carbon in the soil can store up to eight grams of water.

Some of the challenges that we face are proper management of grazing in the face of multiple land uses. As we move forward, there are always competing uses on the landscape. A few examples would be industry, recreation, urban creep, and rural residential. It's essential that the leaseholder, the landowner, the manager on the landscape has security of tenure to enable adaptive management. Security of tenure is paramount in moving forward so that the steward of the land is able to invest in their asset to enable adaptive management.

Thank you, ladies and gentlemen. I will cut it off at that point. I probably don't have too much time left. I appreciate the opportunity.

The Chair: Thank you very much, Mr. Hargrave.
We will now move on to SM5.

SM5

Ms Ference: Thank you. Again, my name is Erna Ference. I'm a producer, and I represent Alberta's supply-managed poultry and dairy farmers in today's talk. I just want to say that it's an honour to have this opportunity to present to the Standing Committee on Alberta's Economic Future.

Supply-managed farms have always been at the forefront of growing and diversifying Alberta's agriculture sectors for decades. As a matter of fact, Alberta Chicken Producers celebrated their 50th anniversary last year. Our poultry and dairy industries contribute \$3.7 billion to Alberta's economy and well over 20,000 jobs to the province. The supply management system readily allows for the generation of new ideas for innovation and new products made by Alberta's dairy, poultry, and ag industries. The industries also are attractive to a whole new generation of farmers as evidenced by the number of new entrants into our industries. Many of our farmers, it should be pointed out, have diversified operations, and their operations may also include other livestock and grains.

I want to say that we're leaders in implementing auditable food safety and animal care programs, ensuring that consumers have a safe, high-quality supply of local products grown to the standards that they can trust. Our farmers have also been early adopters of clean energy and technology. Over time our producers have continuously demonstrated the ability to adapt and to respond to dynamic market needs. Some of the ways that we've responded to the demands of consumers include the generation and expansion of

organic and free-range dairy, poultry, and egg products; enriched egg, dairy, and poultry products; and also specialty products such as halal, kosher, and specialty breeds required to meet the needs of niche markets. We've also been innovators in poultry and dairy by-products.

9:00

So we're not only extremely agile and capable of generating new products that meet the needs of our consumers, but we also work closely with our processors and have exemplary systems that allow our processors to apply for new market programs. Processors have made and continue to make significant investments in their facilities and equipment in Alberta, including expansions and construction of new facilities. Our industries are experiencing significant growth, and the continual investment of farmers and processors into the industry further contributes to the growth and diversification of our Alberta economy.

With a long history of adding value to the agricultural sector in Alberta, our primary sector concern with respect to the economic future of our industries is competitiveness. It's imperative that we remain competitive interprovincially to continue to meet the demands of Albertans by growing and diversifying our products. Legislation and policy must enable our industry to continue to compete with other jurisdictions and, as well, attract further investment. Further, legislation must be enabled to treat all sectors of agriculture fairly. Therefore, we respectfully request that the Standing Committee on Alberta's Economic Future and the government of Alberta work with us to ensure our industries are able to thrive and remain competitive with our sister provinces as we move to green our economy and transition into a new economic future.

Another important concern for our sector is the growing disconnect between urban and rural consumers. As industries we are opening our barns to the public and transparently providing fact-based information to the public in an effort to dispel the many myths around farming. One important issue is the use of the words "factory farming." We believe that our provincial government has an important and an influential role to play in educating the public about the value of our agriculture industry and dispelling all the myths about our agricultural production practices. We would hope for and welcome the opportunity to work with your committee and the province to instill greater public trust in our agriculture and agrifood industry.

With these two concerns addressed, we are confident in the ability of our industries to continue to thrive, attract new investment, and significantly contribute to diversifying Alberta's economy.

On behalf of our supply-managed poultry and dairy industries I'd like to thank you for this opportunity.

The Chair: Excellent. Thank you very much.

I'll now open up the floor for questions. Mr. Taylor.

Mr. Taylor: Thank you, Mr. Chair. How would you see the benefit of the government including cultivated native lands, grasslands into a carbon credit? Would you see a benefit in that?

Mr. Lynch-Staunton: Absolutely. Yeah. There's really good evidence to say – and maybe, James, you can pipe in if you're still on the phone. Are you saying conversion of marginal cropland back into perennial forage as a carbon credit? Is that what you were saying?

Mr. Taylor: Yeah.

Mr. Lynch-Staunton: Yeah. That would be something that would be very favourable because there is a lot of marginal land that's still

in crop production, which could be better served in a perennial forage. There's really good data to show the amount of carbon sequestered over time in a perennial grassland, and there have been programs in the past like that. The federal green cover program was one of those programs. We took advantage of it on our farm. It was a per-acre payment for putting marginal cropland back into perennial forage for a set amount of time. There's a 15- or 25-year time frame that you could do it. But a carbon credit as well: I think if the Alberta government can work on a carbon credit to capture that value of carbon that's sequestered, I think that would be hugely valuable, absolutely.

Mr. Taylor: Have you done any studies to determine how much of a carbon sink that might be?

Mr. Lynch-Staunton: Well – oh. Go ahead, James.

Mr. Hargrave: Well, I could contribute to the conversation here. For example, I can't really speak for marginal lands or intensive cropping, but a number of studies on functional native grasslands with a managed grazing animal have shown anywhere from five, well, up to 27 tonnes per hectare. I guess conversion would be anywhere from three to 10 tonnes per acre of sequestration. I guess I answered your question fairly specifically.

Mr. Lynch-Staunton: There's been great work done at the U of A on carbon sequestration and increases or decreases determined through farming practices or other land uses or even how grazing can actually increase a native grassland's carbon storage. Just to put it into context, when you break up a native grassland, you can lose 30 to 50 per cent of the stored carbon on the first pass. That's what you can capture back. Of course, carbon depends on different soil types. You can have anywhere from 50 to 200 tonnes of stored carbon per hectare, so if you've lost 100 tonnes of carbon in that acre, that's the potential to get back over time with putting it back into a perennial forage, whether that's native or tame perennial. Of course, we want to get back to native, but that takes a longer time and is hard to do.

Mr. Taylor: So if there was a carbon sequestration payment that was made, how much would that offset what the carbon tax is per head that you're currently looking at if you were able to get a credit payment from that?

Mr. Lynch-Staunton: That's a good question. I mean, ultimately it would be great if you can make it net zero, so whatever tax you're paying on farm, you could recover that through the carbon sequestration activities you're doing. However, you know, there's a greater value to society of the ecosystem service of the whole management of a perennial tame or native grassland. You know, James said that if we can capture that value in some way, not just through a carbon credit, but there could be market mechanisms to capture that, so conservation easements that still allow grazing, that type of thing.

James, do you have anything to add to that?

Mr. Hargrave: I'd just like to add that the Alberta government is already funding the U of A and the Alberta Land Institute to carry on a number of these studies, and there's great work being done – Dr. Ed Bork – certainly, right across the country and North America wide.

Not only carbon. I think we have to look at the bigger scope here. There's much more going on than just carbon. I mean, certainly, water capture and storage is intrinsically tied to carbon capture and storage. But I think if we were to look at it from a 30,000-foot level,

there are many other ecosystem services that come into play such as wildlife, just the general habitat, soil health. It all sort of links together. I caution us focusing directly on carbon. It is definitely part of the answer in the equation. Look, there is some great work being done, but I think we need to, as it was said earlier, find these market mechanisms.

The Chair: All right. Mr. Piquette has a question.

Mr. Piquette: Thank you, Mr. Chair. I guess just general comments to the panel. Very informative, and I think it's excellent to see just how together our producer associations are, you know, in the face of a very, very complex policy environment. I mean, the work that you guys do is greatly, greatly appreciated. It's also nice to see that some of you are able to make it here after all.

I just want to pick up on, you know, that a couple of you had mentioned issues with labour shortages. Now, of course, in the present context that might be something that's kind of hard for Albertans to understand. Seeing as how the mandate of this committee is to try and offset the sort of roller coaster energy sector with good, made-in-Alberta jobs, it might be a bit difficult to see the logic behind bringing in people from outside the country to fill those positions. I guess I'm wondering if you could speak to, say, perhaps what are the ongoing challenges in getting domestic assistance in the industry and how we could maybe address that balance for people.

9:10

Mr. Vander Ploeg: Well, sure. Let me take a crack at that for you. When it comes to agriculture and agrifood, there is extreme difficulty in securing sufficient labour, and there are a number of reasons for that. A lot of these jobs are in the rural parts of our province, and of course a lot of the current unemployment pressures are urban. That's a factor. I think, to put it simply, these are also jobs that a lot of Canadians don't want. Working in a meat-packing plant is not exactly a pleasant undertaking. It's difficult work, and environmentally it's tough, too. Then there's the whole question of skill sets, too. On a cattle feedlot, for example, one of the most important jobs is a pen rider, and this pen rider is responsible for taking a horse through that pen of cattle and having that intuitive sense to see: this animal is not well; this animal needs to be pulled from the pen and diagnosed and given a treatment because it's sick. That's a very, very important job. If that animal were to die, we're talking about thousands of dollars being lost. So it's a matter of the location of the work, the type of the work, and the skill sets that are involved.

What I've often said to people is simply to take a look at Canada and Alberta's history when it comes to this sort of thing. I'm the son of a Dutch immigrant who was an electrician in the Netherlands, who immigrated to Canada to work on a farm. Why was that the case? Because Canada has always had a need for these types of workers to come in. We've used agriculture as an essential gateway for immigration and foreign people to come into the country, and it's worked quite well.

I guess the challenge is that we're also in an integrated North American market, and we need to compete with our U.S. competitors. They have sources of labour as well that help provide these types of activities for them. I think we do need to take a look at the important role that immigration and foreign workers have brought to our growing industries for decades now and continue to make sure that that works for our industries.

Mr. Lynch-Staunton: One of the challenges as well – I don't know how to solve this problem, but maybe we can think about it – is that right now, yes, there's some unemployment from oil and gas.

Absolutely, you know, we welcome them to work on farms and feedlots and ranches. The fear is that once oil turns around, they're gone again, and we really need sort of a permanency of workers on the farms and ranches and feedlots. Losing someone right away when they can make better money in the oil patch is a challenge for sure. I'm not sure how to solve that except that we have seen, as Casey mentioned, that the foreign workers or immigrants that come in tend to stay in these jobs, and it's hugely beneficial.

Mr. Vander Ploeg: Yeah. I mean, I know at the Alberta Cattle Feeders', too, our operators always look first for domestic, local workers. It's simply the way to go because bringing in temporary foreign workers is a really daunting task: huge amounts of red tape to go through. It's very costly, you need to travel these people here, and you need to provide housing and do all sorts of things for them. It's a costly enterprise, but they're doing it because they simply have no choice.

Tom's point about permanency is a critical one. We talk a lot about temporary workers, but agriculture and even agrifood processors are not interested in temporary workers. We want permanent – permanent – workers. Bring people into the country who can be trained. Then they succeed at that job and find a pathway to permanent residency for these people.

You know, the wages: let's talk about that for a minute, too. The wages being offered are quite competitive. I mean, an entry-level wage at a cattle feedlot is \$18 to \$22 an hour, which is a fairly good entry wage, and there are also opportunities for advancement. I know that in one of our operations in the Picture Butte area a Mexican temporary worker had come in to work at that feedlot. He is now managing, a manager of part of that operation, right? So there are huge success stories there. I think that if agriculture is to play a growing role on the provincial economic landscape, we've got to get around that challenge, resolve that challenge for producers and on the processing side.

The Chair: Ms Ference, do you wish to comment as well?

Ms Ference: I would just echo everything that these gentlemen have said, but we see it more on the processor side. We hear about it from the processors. Most of our farms are pretty small, a lot of family businesses. Having said that, we do employ a lot but not as great a labour need as with the cattle, for sure.

The Chair: Do you have a supplemental, Mr. Piquette?

Mr. Piquette: Yeah. I suppose one of the challenges, then, would be having, you know, maybe people in urban areas who, if they tried these occupations, might find them something worth sticking around for. Maybe it speaks a bit to that rural-urban divide that I think you were talking about earlier. That's, I think, one of the things that we might want to be looking at, how we can encourage people looking more seriously at those. I wouldn't mind getting some feedback, gentlemen.

I guess that before that, I don't want to be misconstrued. Of course, in our province, you know, the cattle industry was built by immigrants. I do appreciate your emphasis on having them become permanent residents. I think that really changes that equation and also kind of the public interpretation of what you're trying to do. But as far as getting more and encouraging more people locally to look at that – and I'm speaking as someone that grew up on a farm. I know there's sometimes a bit of a culture difference there. Is there maybe anything you think we could be doing a bit better on our end to get more of our young people to stay interested in the business?

Mr. Vander Ploeg: Well, one of the things that we've done at the Cattle Feeders' Association is that our communications person now has developed a relationship with Inside Education, which takes teachers in the province out for practical experiences in different areas. She's led a number of tours with teachers and students to feedlot operations and as part of a broader agricultural tour, right? The Alberta Cattle Feeders' Association are also part of the process with Alberta Education in a curriculum redesign and trying to make sure that, you know, agriculture and knowledge of agriculture and its importance to Alberta are being taught in the schools as well.

One of the things we've got to do if we're to tackle part of the urban-rural divide is perhaps, I guess, more loudly proclaim a slogan that we like to use when we're talking to people about these things: you don't have to have grown up on a farm to work on a farm or own a farm. There is that cultural thing there, that you farm if you've grown up on a farm, but if you haven't grown up on a farm, you're not eligible, that sort of thing. Right? So there is messaging around there that needs to be broadcast. Our association sees the need for that. We're doing as much as we can on that front.

Mr. Schneider: I'd echo that.

Ms Ference: I think the curriculum is a big one. I think Alberta students are being shortchanged when it comes to where their food comes from and the information they're supplied. We're seeing teachers that are animal activists promoting messaging that's against farming, and it's misinformation. We see it when we're at the Calgary Stampede and we have children come through our booth. So the government needs to look at that education and what's happening. I think they have a role to play as far as what kids are taught in school. I think it's going to just become worse. That rural-urban divide needs to be addressed. I would echo coming up with solutions. I think we have a few, and Casey mentioned some, but I think that's something that we all need to work on together.

9:20

The Chair: Mr. Schneider.

Mr. Schneider: Thank you, Mr. Chair. Thank you very much, panel members. Very informative. This is our second day of listening to submissions, and I asked this question yesterday as well. I believe that it's a good one for this panel, too. How important do you believe entrepreneurialism is to moving agrifood and agribusiness forward in the province of Alberta – it's actually two or three questions in one – and how do you see entrepreneurs and the competitive framework being empowered in Alberta? Also, what barriers do you see that could be considered hurdles to growth and success?

The final thing. I think every panel member this morning used the word "competitiveness." I wonder if you could comment on that as well.

That's for all, whoever wants to answer.

Ms Ference: I can start, certainly. I'll keep it brief. I think that when it comes to entrepreneurship, you need to encourage an open type of growth situation, whether it's for farmers or further processors or – I'm drawing a blank here – a university type of promotion of food and food products and alternative uses. I think that's a growing area. There are a lot of animal by-products that could be developed into further products that researchers are really promoting. Translating those ideas into usable products I think is what's key. Part of it is that educational link, but it's also the ability to get all those parties together to further those ideas into profitable or usable methods.

I also think that the government's role to play is to have enabling legislation as opposed to mitigating and stumbling blocks. When I talk about stumbling blocks, I can think of a few in our areas. You know, I think of some of the issues that the CFIA may have against some of the researchers' works, right? Those are some of the barriers, I think, that government can help in overcoming.

I hope I answered your question. That's sort of my view.

Mr. Schneider: Thank you.

Mr. Lynch-Staunton: Entrepreneurialism, of course, is huge in terms of continued succession in the beef industry. James mentioned succession as a challenge. I'll get into that in a minute. Entrepreneurialism will drive innovation—you know, you'll get these innovative people starting businesses and improving and changing the way we grow food in the province—as much as that can be encouraged.

I'll comment a little bit on the barriers. Succession is huge. You know, we've got aging farmers and ranchers, and that's a challenge. They don't always have someone they can pass that farm on to—and if they do, sometimes they don't want to take it over—so figuring out ways that succession can happen outside of family members. One of the huge challenges is land values. You know, if I want to go and buy my own ranch and start raising cattle, I mean, it's a huge amount of investment because land values are so high. That's why I emphasize the need for continued access to public lease land, forestry permits, et cetera. That is a huge value to the industry to sustain grazing.

For ranches in southern Alberta, southeast Alberta, down in James's area, three-quarters of the ranch is lease land. They're managing that very well, and it's a more affordable way to raise cattle than buying your own land and trying to do it that way. It's essential that we can maintain that public land grazing. Then the public gets a huge benefit out of that, too, because it's very well managed. James talked about wildlife, biodiversity, carbon sequestration. All that stuff can be managed, and we've proven as ranchers to be able to manage that land.

Mr. Vander Ploeg: That's quite the question, but it's a good question, and I'm writing down thoughts as I'm trying to sort through it. Entrepreneurship in agriculture and its importance: as far as cattle go, it's absolutely critically important. It actually goes back to the beginning of the cattle industry in Alberta, when those first ranchers brought up that first herd from Montana to populate the eastern slopes and take advantage of all that grass that was out there. They thought, you know, that if they can bring some animals into the province, they've got all the feed that they need and will be able to make some money on it.

In today's context cattle-feeding entrepreneurship is absolutely critical. I mean, I'm a relative newcomer to the industry in the sense that I've only been working with the feeders for about three years now. It's been a real opportunity for me to really learn a lot about how agriculture operates and how beef is produced. I asked one cattle feeder one time: what's the most important thing that you need to accomplish as a cattle feeder to be successful? His answer was very much like the real estate answer: location, location, location. His answer was: conversion, conversion, conversion; in other words, being successful at taking a feed grain and putting that in an animal and converting that feed grain into a quality protein that has huge added value to it.

Cattle feeders are looking for any way they can to achieve high rates of conversion with the least amount of input possible because they're basically a margin-based business. They're looking at: how can they eke out another 25 cents a head? They're always looking for that.

A good example of entrepreneurship in southern Alberta is a cattle feeder there who has decided that he should feed some of his cattle potatoes. Now, mainly we're talking about barley-fed beef in western Canada—right?—because barley is what produces that great marbling, that great taste, that great eating experience. He does the barley as well, but there's potato processing in southern Alberta, and they have potatoes that are not fit for human consumption. They're also processing it, and they have a slurry by-product that can't be used. The only place for that stuff is the landfill, and the feeder said to the company: "I've got a use for that. I'll take it off your hands for free. You don't have to pay the tipping fees at the landfill." Excellent. So he's feeding his cattle potatoes. Some of the other guys will tease him about it. The cattle love it. So entrepreneurship is critical.

The competitiveness framework: I think I spent most of my time talking about that. That is a very broad thing. It includes everything from tax policy and regulation to market access, infrastructure, adequate labour, trade, and all of that. I guess my point on competitiveness vis-à-vis cattle is that it's such a critical thing for, I think, two reasons. First, cattle operate in an integrated North American market. We're an integrated market with the United States, so cattle producers are in direct competition with American cattle producers, bar none. It's a very competitive industry for that fact alone.

I think the second part of it is that when we look to the future, we see real growth potential for our industry in offshore markets—places like Europe, the Pacific Rim: Japan, China—those places where incomes are growing, a new middle class is being established, and they are looking for higher and better quality sources of protein in their diet. We certainly have the capability, the willingness to provide that for them, but in order to do that, we're going to need the trade agreements. We're going to need to develop the relationships to get that product there, and they're willing to pay a premium for a high-quality product.

When we look at our current environment in which we operate, when we look at future growth potential, we see that competitiveness is key. Any barrier to that would be policies that simply detract from it, that kind of hold us back in terms of our ability to compete. Sometimes the thin edge of that competitiveness is very, very small. Very small. Sometimes our guys will talk in terms of cents per head—"Yeah, I'm getting a few extra cents per head on this, right?"—and that's going to make the margin go positive and turn it into a success.

The Chair: Mr. Hargrave, do you wish to comment as well?

9:30

Mr. Hargrave: Yes, I would. Thank you. In regard to entrepreneurial opportunities for younger generations: listen, simply right now it's extremely difficult and in some cases not even possible for a younger generation to move in for opportunities.

If we cannot figure out the succession, if we cannot figure out opportunities for rural revitalization, you know, we can't get there. We can't get around to successful business, particularly the next generation, unless you marry into it or it's handed down to you. It's similar to how it was 20 years ago with poultry and dairy. It's extremely difficult to access financially for any start-ups.

Now, that being said, I'd like to expand on the earlier comments on competitiveness. There are many market forces out there that are driving these land values. You know, a few of them I mentioned earlier: rural residential, NGOs gobbling up conservation easements. A prime example is that Nature Conservancy puts a value on undisturbed viewscapes of the Rocky Mountains, so

suddenly you have these undisturbed, aesthetically pleasing viewscapes of the Rocky Mountains on prime agricultural land. You have this driving force such as Nature Conservancy pushing the market value way over the top of the productive value of the landscape, therefore effectively removing any agricultural opportunities on that landscape. So there are huge issues not only in the foothills of Alberta but down in my corner as well.

Land values are driven by the highest and best use, obviously, but I guess that if we were to turn the tide and shift things, you know, in the direction of – I talked earlier about levelling the playing field. Putting a value on the EG and S, I think, and developing a marketplace around EG and S are crucial for the agricultural industry to move forward.

Thank you.

The Chair: Excellent.

Mr. Schneider, did you have a follow-up?

Mr. Schneider: Yeah. I don't know that everybody on the panel will be able to answer. Ms Ference may not. I know that research and innovation would be something that's very important to both the beef producers and the cattle feeders. Now, both of your organizations have a check-off, I believe. Is that right? Does that add to research and potential innovation?

Just one last thing. I believe Casey Vander Ploeg referenced a report that was brought out in 2002 by the Alberta government, and I'm not sure everybody in this room would be aware of that report. If you could just enlighten us a little bit on that, too.

Thank you.

Mr. Lynch-Staunton: I'll just mention that Alberta Beef Producers collects a levy on cattle across the province, and that does help us fund research and innovation, absolutely, and it's very important. That money is mainly used for research, innovation, marketing, and some trade advocacy to help the Canadian Cattlemen's Association as well. Correct me if I'm wrong. The Cattle Feeders' Association is a membership organization, so members pay their fees. Those fees as well are very important for research investment. Collectively we use those dollars to help trigger government funds, but we have to make sure the government funds are there to trigger. Otherwise, collectively, even in our own organizations, we can only fund so much research with the dollars we have. That's why being able to use those dollars for leveraging, for research and innovation is hugely important to us, and we do it both provincially, across provinces, and nationally as well.

Mr. Vander Ploeg: Yeah. The Alberta Beef Producers has a \$3 check-off for every animal sold. Whenever an animal is marketed, \$3 will go to ABP. That's a statutory levy. The Alberta Cattle Feeders' Association: of course, our members are going to be paying that check-off, too, when they market cattle, but our association is a voluntary association. It's membership driven. The Cattle Feeders' Association will pay a check-off to Alberta Beef Producers. They also would make a voluntary contribution, a membership contribution to our association for the specific work that we do on the cattle-feeding side of things.

The 2002 MLA report that I'm referring to: I can't remember the precise title. There was a committee of MLA Barry McFarland, MLA Loughheed, and MLA Marz that was looking at the system of assessment of farmland under the property tax in Alberta. Just some quick background to that: it's been known amongst the agriculture community for decades that the system of assessing farmland has certain inequities built into it. Part of the inequity arises from the fact that you have three classes of farmland. You have dryland cultivated, irrigated cultivated, and pasture land. When that system

was put in place, what hadn't arrived yet was the modern-day era of intensive livestock operations, whether that's cattle-feeding, whether it's poultry production, dairy, you name it. There is no real accommodation within the farmland assessment process that fairly assesses those types of operations. So you have a certain inequity within the farmland system of taxation.

Now, this is important, and why I bring this up is that we have a situation in Lethbridge county now where the county is saying that we can't use the property tax, the farmland part of the property tax, to raise sufficient revenue to deal with our infrastructure challenges – my sense is that that's because of that inequity that is there – so they've instituted a special levy on livestock as a way to raise the funds. Now, there are some significant problems with that levy, not only from the competitive point of view but even from a tax fairness point of view. There's been no measurement, at least that I can determine, that says, you know, that the levy and the burden being placed on cattle feeders are commensurate with the costs they're imposing on the infrastructure. That hasn't been demonstrated yet.

But to the root issue, I think one of the reasons municipalities are starting to go down this road is because there is a certain – how would you say it? – lack of integrity within the property tax system that allows them to use that system to generate the revenue that they have.

Now, the committee in 2002 was dealing with that issue. They were saying: look, how do we ensure that the property taxation of farmland and assessment practices are equitable so that we're building a fair, transparent, and workable property tax system for farmland? They were struggling with that question, how we're going to deal with that. The agriculture community then came up with some suggestions and brought that to the committee, this idea of a footprint concept. Basically, the report was recommending changes to the property tax system for farmland to make it equitable amongst all producers, whether that's a crop producer, whether it's a livestock producer. In doing that, municipalities would be able to simply more easily use the property tax to generate the revenue that they need.

We're involved in the same debate now within the agriculture community with municipalities like Lethbridge, the AAMD and C, and with the ministers of agriculture and Municipal Affairs as well here in the province of Alberta, and we're trying to roll through this and find a way to address the rural infrastructure challenge at the same time, you know, but ensure that the taxes being imposed to pay for that are equitable and fair and don't take away from our ability to compete.

One of the things we've recommended to people is: let's take a look at that report again. They spent three years discussing it. They had over 400 written submissions made to the committee, over 1,300 oral presentations given, and there was a consensus around that type of idea. We're saying: let's not try and reinvent the wheel here; we need to take a closer look at that report. One of the questions we've had is: how come the recommendations never went forward? I think that was timing. That report was released in 2002, and in 2003 we had an incident called BSE. Everything came off the table at that point. But there is significant work done already.

We're just hopeful that in there lie the seeds of a really good solution moving forward, that's an enduring solution and that's province-wide – right? – because the last thing we want to do is to now start creating competitive enclaves of this county here, that county here, a cattle feeder saying: jeppers, I'll make three bucks more a head if I feed in the MD of Taber than if I feed in Lethbridge county. That type of stuff is just not good for the industry.

9:40

Mr. Schneider: Thank you.

Ms Ference: I don't know why Mr. Schneider wouldn't think that I would be able to address that, but we're big R and D investors in this province. As a matter of fact, there's a poultry building that we built and funded at the U of A a number of years ago. We also contribute to that significantly on an annual basis, and I do know that dairy does as well as the ag. We're big R and D funders in this province, and it's imperative, if we're going to remain competitive, that we have the ability to continue to invest those dollars into the research in this province. We have some unique situations. We need some special vaccinations for our products here in the province, so that's why we have a need for that R and D.

Thank you.

The Chair: Thank you.

Ms Fitzpatrick.

Ms Fitzpatrick: Thank you, Mr. Chair. My question is going to go to the Alberta feeders, but I'm actually going to start with a few comments. Because I'm from Lethbridge, I regularly attend the mayors and reeves meeting of southern Alberta. I'm going to say that I was part of the conversation about the tax in that I sat and I heard lots of discussion about it, and I certainly appreciate that there's a need to have some kind of equitable solution. But I will say that Lethbridge county is responsible for a number of roads and bridges in the county, and the discussion about adding that tax was that they have to have roads and bridges to drive the cattle liners over to take the cattle from the cattle feedlots.

I was very fortunate to visit several of the feedlots in the Lethbridge area, and I certainly saw the intensive operation that is created in that situation. I'm also aware of efforts that are being made in the Lethbridge area to deal with some of the manure from the feedlots and to change that into energy. So I guess I want to say that there's a lot being done in southern Alberta to address the issues that you talked about.

One of the other issues you talked about was having access to markets. The minister of economic development has been to Asia on a trade mission, the minister of agriculture has been to Asia on a trade mission, and at this very moment a team from Lethbridge and Lethbridge county is in Asia on a trade mission. From all the reports that I've received from the mayor of Lethbridge, that trip has been very successful, and certainly the minister of agriculture and the minister of economic development have said the same thing.

Now to my question. We know that last year cattle prices were pretty high, and this year they're quite a bit lower. My question is: how is that affecting the business sector in terms of the cattle feeders?

Mr. Vander Ploeg: You're correct: 2015 beef prices were very high. In fact, they probably reached their historical high. Producers hadn't seen higher prices. There were smiles all around. This year is a different story. Of course, the year before that it was a different story, too. There has always been volatility in the production of cattle and the prices of fed cattle. Some producers see that volatility becoming larger going forward; in other words, the swings could get bigger. Our producers, therefore, put a major emphasis on having in place appropriate business risk management tools to protect them from that. The sources of that volatility and being able to financially manage that volatility are critically important for our producers. It's often said, you know, that to be a successful cattle feeder these days, you not only know how to feed cattle, but you have to be an expert on financial markets, you have to be an expert on hedging, you have to be an expert on controlling for your exchange rate risk, all of these different factors, right?

One of the things our association did was work with Lethbridge College, and we've now developed a business risk management program at the college, a set of courses along with a certificate that can be earned based on how you manage those business risks within agriculture. We've done that in partnership, the Alberta Cattle Feeders' with Lethbridge College. Lethbridge College in turn partnered with the University of Lethbridge, the first effective partnership between those two institutions, to develop a program where students will spend some time at the campus of the university and some time at the campus of the college in order to complete that program. It's a critically important thing.

At the end of the day, though, I was talking to a cattle feeder yesterday from Iron Springs, and I asked him that question, "How do you manage the sleepless nights that have to go along with this business?" He said: "You know, you have a good year. You're going to build up equity in that operation. You're going to hold on to it. You're going to use that equity to carry you through to the next year and buy the cattle, and you hope that throughout that period of your career you have a positive margin on feeding those cattle." And he said, "Your banker has a large role to play in it because they're investing in it just as much as the cattle feeder himself is."

At the end of the day, though – and we track this. I don't track it, but some of Tom's colleagues at ABP and, I think, I guess more at Canadian Cattlemen's through Canfax track these prices. They track the prices of feeder cattle. They track the prices of fed cattle on an ongoing basis. Weekly they pull together the numbers. The one number that I would just continue to focus on in terms of the long term is that number of \$18 a head average profit for cattle feeding in Canada over a 10-year period. Eighteen dollars a head. We need to keep that in mind because, back to the issue of competitiveness, anything that pulls away from that margin simply makes the business less profitable, less viable, and increases the risk. This is one of the things, too, I think, in terms of growing agriculture in the future: it is a risky enterprise. As the risks go up, if rewards don't go up, you start to look at people who now say: well, is it worth investing in this business anymore for the reward I can expect to get relative to the risk I'm taking? There are some saying that it's not worth it anymore.

Things like the western price insurance program, WCPIP; AgriStability: all these different programs to manage these risks are vitally important for the agriculture sector. I think that going forward, as economic dynamics continue to change or be in flux, those programs need to keep pace. This will ensure that our public programs that help agriculture through these difficult times are working for producers. That needs to be an ongoing conversation, I think.

9:50

In terms of what's going on in Lethbridge county, just a quick comment on that. The cattle feeders and agricultural producers in that county are very well aware that they are situated in a region of the province that is probably the most productive agricultural region in Alberta. They are well aware of the need for infrastructure required to move their equipment to their land, to move the product off the land and get it to market. They're keenly aware of that. They're also keenly aware that agriculture as a beneficiary of that infrastructure needs to help pay for it. No one is saying: we don't want to pay for it. Cattle feeders themselves have said: you know, we're willing to pay more for good quality infrastructure that will secure the future of our industry and get our products to market.

The question that they're struggling with is: what is an equitable share? For example, the county has many, many bridges. It's a direct result of the irrigation infrastructure down there. A lot of the

cattle feeders aren't crossing those bridges, yet half of the problem lies in replacing those bridges. Under the current levy that's in place, when you look at the livestock head tax that's in place, cattle feeders are going to be paying 90 per cent of that, and cattle feeders are saying: we're not using 90 per cent of the infrastructure. Cattle feeders are willing to pay their share, but we need to ensure that that share is equitable and fair. That's the challenge that I think we're rubbing up against.

The Chair: Ms Fitzpatrick, do you have a follow-up?

Ms Fitzpatrick: Yes. First, thank you for mentioning the college and the university partnership. That was the result of a \$5 million donation by Cor Van Raay that was matched by this government. I certainly think that we see the value added in providing that kind of money to move things forward.

I do beg to differ that the cattle feeders aren't crossing those bridges over the irrigation ditches because in half an hour I watched 20 cattle liners driving over at least two of those irrigation ditches. I could be wrong overall, but that's another story.

As a follow-up, though, marked gasoline and diesel are the only exemptions to the carbon levy, and this support is worth about \$55 million. How do ranchers and feedlot operators benefit from this exemption?

Mr. Lynch-Staunton: How do they benefit from the exemption? Well, it just lowers their costs of production. I mean, I don't know if we want to get into a debate about whether we should be taxing farm fuel or not, but what it does is absolutely reduce those costs. You know, that \$18 per head is factored in. Fuel is factored in. The more you can reduce those costs, the better.

I've struggled with this one, whether farm fuel should be exempt. I think the best argument, which I think makes sense, is that we have to farm. We have to truck cattle. We don't really have much opportunity to make farming, a tractor more fuel efficient, right? We still have to get those acres in the ground. If there is a way to make it fuel efficient, we've probably already taken advantage of it, like no-till farming. I think there's a very good argument to say that for us to do business, we have to use that fuel, and we can't necessarily have an opportunity to make any more fuel-efficient measures on farm fuel. At least, I can't think of it.

Mr. Vander Ploeg: Yeah. I think you're right, Tom. The primary benefit there is lowering fixed costs of production for food.

I've worked in issues of policy and economic policy for about 25 years, first with the Canada West Foundation in Calgary and now with the Cattle Feeders'. I asked this question once of a colleague of mine. I said: "You know, I really don't understand agricultural economics. Can you give me a quick primer on that? Why is it that exemptions and special treatment are often given to agriculture when it comes to things like taxation and these sorts of things?" His answer was quite simple. It's simply because, well, agriculture is all about growing food, and food is very important for national security. A country needs to be able to feed itself. If it's not able to do that, they are vulnerable. There's a vulnerability that comes with that, so it's always very important why government has its eye on the health of agriculture because it's important to national security and food security.

Another reason, I think, why we often do these sorts of things for agriculture is simply by the nature of the economics. Agricultural producers, on balance, are price takers. This means that they have limited capacity to pass any tax on to the consumer. When we talk about the Lethbridge head tax, we've had tax economists take a look at that, and we've said: "You know, where is the tax incidence on this going to lie? It's being applied to cattle feeders in this industry,

but will they be able to share that tax in part with cow-calf producers? Will they be able to maybe push forward a part of that tax to the packers, who are buying it, and ultimately to the consumer?" The answer we got is that there is very little likelihood of that happening simply because of the nature of the industry. The tax incidence will land on producers, who are going to bear the incidence of that tax. You know, there are a number of reasons why as a society we value agriculture and place a particular emphasis on it.

Back to the Lethbridge head tax again for a quick minute. We did a quick geospatial analysis of our feeding operations in the county of Lethbridge and located them relative to provincial hardtop. Where are the great bulk of these operations, and how much of that infrastructure are they actually using? What we found out was that the great bulk of those operations are within two kilometres, two and a half kilometres of provincial hardtop. I don't think it's been demonstrated that the costs of that infrastructure are commensurate with the tax being levied as the overall picture, and I still think that's part of the issue that we're wrangling with here.

Ms Ference: I'd like to just say that that fuel tax exemption doesn't really affect us that much. It doesn't help our industry to the degree it does the cattle feeders or the grains and oilseeds. The grains and oilseeds use a lot of fuel to, you know, plant their grains and whatnot.

In our industry, actually, we're intensive natural gas users. We're already very efficient. Most of us have already installed efficient boilers. You know, we are efficient, so it was really discouraging when the government all of a sudden gave an exemption to the greenhouses and not to our industry. I will say that. That's one thing that makes us uncompetitive in Canada. I know that in B.C. they have a carbon tax, but they don't have the weather challenges we have in Alberta, largely. They also got the straight reduction in corporate taxes that Alberta hasn't provided to small business. That's already been mentioned.

That's my comment. Thank you.

The Chair: Mr. Gotfried.

Mr. Gotfried: Thank you, Mr. Chair, and thank you to our presenters this morning for their great insights into some opportunities for us here in Alberta. I'd first like to just note that we have a lot of conversations around diversification. It's my belief that we have an opportunity to diversify our economy around our existing sector strengths, with arguably the best beef in the world and many other high-quality, global best-in-class agricultural products for export around the world. I think we just need to get out there in support of industry and shoulder to shoulder with them in new and key growth markets, and, obviously, to compete aggressively to ensure that we can take this very strong export market and export products and move them to high-value markets.

I'd also like to just comment. I've had a lot of conversations around entrepreneurs, and I always remind myself that the original entrepreneurs in this province were actually agripreneurs with our agrarian roots. It was that entrepreneurial spirit of solving problems and making things better and more efficient that have led us to the urban variety of entrepreneur. The entrepreneurs of the urban environments followed the agripreneurs that actually built this province.

I've heard a lot of conversations around competitiveness. That's, obviously, very much the key for us here in terms of competing not only across Canada but across North America and internationally. It's my thought that we need to further incent research and innovation with respect to efficient and increasingly environmentally sensitive production rather than layering on costs and trying to

find ways to mitigate the negative impact of these costs. I think the mantra there would be to provide a positive environment, regulate only as required, assist with market development, and, quite frankly, get out of the way and let our industry and those people who are building a great industry do so.

10:00

My question to the presenters here: I'll let them choose how they want to address it. I have a question around costs and what could be, I guess, characterized as a head tax. I think I heard that around \$6 or \$7 per head is the layered cost as a result of the carbon tax or levy and perhaps other taxes and regulations on production and transportation to market, how those costs affect us. I'd like to understand how this is affecting your competitiveness with key competing jurisdictions.

Further, given the recent experience with the closure of Western Feedlots are we at risk of further damaging our ability to compete and to grow this sector, thereby further diversifying our economy? I'd like very much to hear from our panel about competitiveness, about how that's affecting their competitiveness with key competing jurisdictions, and whether there's a slippery slope here of us possibly further damaging our ability and losing further capacity.

Thank you.

Mr. Vander Ploeg: Well, I think the quick answer to that is: is there a concern about declining competitiveness within at least the cattle-feeding sector? Absolutely. In my presentation I said that cattle feeders are concerned about that. The concern comes from a number of different areas. Of course, the changing tax regime is part of that, but there are other factors, too. It was mentioned here, the increasing volatility of cattle markets. For crying out loud, they even talk about changes to NAFTA and the integration of the North American beef industry and what the future there holds and, you know, uncertainty around not just NAFTA. Producers at one time were very much looking forward to a new trans-Pacific partnership agreement with guaranteed access to the Pacific Rim for, yes, some of the best beef in the world, and that seems to have hit the skids as well. There is concern about declining competitiveness.

Again, in terms of growing agriculture, competitiveness is the key. An appropriate return for the investments made is required in order to grow the industry. I mean, there are other issues, like labour, as well. It gets very complicated quite quickly because there are a number of factors that impinge upon competitiveness.

Here's a thought that I think I would like to share with the committee, too. Sometimes I think we think of agriculture as being quite segmented between the different agricultural commodities. You've got your wheat grower. You've got your barley grower. You've got your canola and your lentils and pulses. You have your cattle livestock, your poultry, your turkey, your chicken, and on and on. You know, we think of it as segmented, but really it is a fabulously integrated industry.

I would simply point to this. We have a very large beef production component in western Canada. A lot of that is centred in Alberta. That is integrated with wheat and barley production across western Canada because when wheat doesn't meet the grade for human food consumption, it is then sold as a feed grain for livestock. It might be pork and poultry, definitely beef. We take that subpar product that can't be marketed for human consumption, and it still has value. When barley doesn't meet the grade for beer, we put it in a steer.

If livestock producers in western Canada weren't there, what would happen to the grain producers? Well, they would lose a significant source of revenue because some of their product can't

be sold. It would be worthless. You can't ship that stuff too far, either. There's only a certain distance you can ship feed grains before it becomes completely uneconomical, right? So when we're talking agriculture and agribusiness, we are very much talking about a whole wide range of products, but it is part and parcel of a very complex, integrated system where benefits are flowing back and forth across that. To the extent that we can make conditions competitive for agriculture, all the boats, it would seem, can lift up at the same time. Right, Tom?

Mr. Lynch-Staunton: Absolutely.

Mr. Vander Ploeg: I think that's how I would look at it. That's a key part of the tremendous potential here, I think.

The Chair: Ms Ference, do you wish to comment?

Ms Ference: I think Casey captured that very well.

The Chair: Mr. Gotfried, do you have a supplemental?

Mr. Gotfried: Yes. Just following a little bit on my comments around the export market development and whatnot, I just wanted to get your thoughts on whether you feel that there are some things that we can do better in terms of export market support. I'm going to use an example that I came across just last December whereby there were people from the Taiwanese economic office very interested in pursuing some opportunities primarily for Alberta beef tendon to be exported into that marketplace. They were having a hard time getting traction through the ministry and various other organizations because our market share – now that they're reopened for acceptance of Canadian beef into the Taiwanese market, they're very keen. Our market share from the statistics I got is significantly below what our production capacity is on a global scale. Maybe you could just comment on some of these emerging markets and whether you feel that the support that we're giving – maybe more appropriately, what can we do better to support the elevation of the Canadian product in some of these new emerging and growth markets internationally?

Mr. Lynch-Staunton: I'll try to comment on that one. I personally think that the Alberta government has been doing an excellent job of pursuing these markets with their federal counterparts. You know, to Ms Fitzpatrick's comment, we do recognize the effort that's gone into China and Japan and Europe and all these other areas. Obviously, Washington – and the government is going to be down there in the next few days – is hugely important. Very, very supportive of those initiatives. You know, we've been on some of those trade missions, and I think it's been a very good collaboration. I guess what I would say is that we fully support continued efforts in emerging markets, absolutely. Obviously, you know, the largest low-hanging fruit is China, Japan, Europe, and Pacific Rim countries, that Casey mentioned.

I would say, maybe, that I'm not sure if I can give recommendations of what you could do better. Perhaps when you're doing trade missions, continue to make sure that you're consulting with industry as much as you can, with the ag commodities, perhaps bringing them on those missions with you. When you've got delegations coming here, we can help host. Don't forget about things like the Canadian Beef Centre of Excellence in Calgary – some of you have been there before – and getting tours to our ranches and feedlots, our processors, showing our production systems. We can all help in that way to do this as a collaborative effort. I don't know if I have recommendations other than that.

Mr. Vander Ploeg: What can we do better on the trade front? Well, I think it's more a question of what we need to continue doing. Continue with these trade missions? Absolutely. Continue supporting, you know, the concept of free and fair trade, whether that's bilateral trade agreements or multilateral ones? Very important as well. All of that needs to continue.

I think that government also needs to perhaps look at making investments with industry into some of the details around this as well. There are a lot of technical barriers to trade. It's not just the idea of tariffs and duties but, you know, food safety standards and how it's shipped and what can be shipped and in what form. For example, right now we're restricted to shipping to China only frozen beef. We cannot ship chilled beef to China. That is still a hangover from the BSE thing. That's a choice that the Chinese government has made.

10:10

There needs to be a dialogue between Canada and China on being able to move that ahead. The reason? Let me just share a very practical story. There's a cattle feeder in southern Alberta who was approached by some Chinese retailers and restaurateurs who wanted to import beef from Canada into China, a high-end market for the retail and restaurant business. They want chilled because that's the premium product. Right now they can only do frozen. So they're trying to make that work. The cattle feeder is supplying right now 10,000 head a year. They do custom processing of these animals at Cargill in High River. It's then packaged, frozen, and transported over. The Chinese partners want to get that up to 50,000 head a year. That's what they're looking for. But in getting there, all of the stuff that needs to be done and pulled together to line up that supply chain has to come together, right?

It gets even more complicated if you're talking about places like the European Union, where they want a specific product. They want a product that is raised a certain way. It might be without implants or other sorts of things, and they want verified systems in place, too. So the whole supply chain has to line up, from the cattle, from the cow-calf producer producing that calf. There are only certain things that that animal can be treated with to be taken care of, and then that animal needs to go to the auction market, to backgrounding, to cattle feeding, to processing. As it goes through that chain, these different systems need to be verified about how that animal was raised and produced. Then it can go into the EU market.

So there is a lot of work that needs to be done to line all of that up – right? – and there are risks at every step on the way. The cow-calf producer: will he produce that animal? He likely will only produce that animal if he has some guarantee from the packer that he's going to buy it for a higher cost because it costs more to produce animals like that. If the guarantee isn't there, the cow-calf producer says: I'm not going to take that risk.

The trade missions, the free trade agreements: all of that is good stuff, but there is a lot of rolling up of the sleeves to be done around all the intricate details associated with developing those markets. Sometimes, at least from an industry perspective, I am certainly overwhelmed by a lot of that. So I think that the more technical expertise we get on the ground, the more conversation that happens between industry, the provinces, and the federal government, which has a huge role there through things like the Market Access Secretariat and their responsibilities for international trade – support there is definitely required.

The Chair: Ms Ference, do you wish to comment?

I just want to get to the next question here, being cognizant of time as well. This will be the last question. Then I'll allow members to read them into the record following that. Mr. van Dijken.

Mr. van Dijken: Thank you, Mr. Chair. Great discussion this morning. We've been hearing many discussions in the last two days with regard to the ability to compete on a global scale, especially also the ability for food security. I am a son of a gentleman that grew up during the Second World War in the Netherlands, in a time of starvation. Food security is critically important and recognition of the work that you do each and every day to help ensure that our people are fed.

In the past two days we've heard a lot about competitiveness being key to any types of entrepreneurship moving forward, any type of ability to remain at a mass that allows us to be competitive throughout the globe. One presenter yesterday producing hogs and value adding into pork talked about price taking. I hear it again this morning. I was also in the hog industry. I know full well about price taking. In the hog industry my workers understood in our meetings how everything we did the pig had to pay for. At the end of the day, whatever added costs we put to it the pig had to pay. They understood that that pig paid for everything, whether it was their salary, whether it was the taxes they paid, whether it was the feed that had to get paid, whether it was the regulations that came forward that had to get paid. All these things piled on, needing to recognize that we're competing in a global environment that is competing with large parts of the world that work for dollars on the day, so it does become very difficult but at the same time very doable.

One thing that was mentioned earlier on – I believe, Tom, you alluded to it – was mitigation efforts to offset some public policy that comes forward in order to stay competitive in order to protect that critical mass and ensure that production is able to maintain its critical mass and possibly grow and become even more viable; in other words, do no more harm but offset any implications that come from instituting public policy.

You talked about – I've heard it from a couple of the presenters – with regard to environmental ecosystem services, putting a value on that. Especially in this time of discussion of climate change and carbon emissions and sequestration I guess my question is: who's going to put that value on it? We heard that there's work being done at the U of A and that type of thing to get an understanding of what that true value is, and then if we can capture some of that value, it can offset some of the implications. Ms Ference, you talked also about how the disappointment of being – the winners and losers of public policy, where the greenhouse gets offset and the supply management operators saw nothing to help them with the offset of that public policy. So a question with regard to who's responsible, who's going to do that, when are we going to come up with the numbers.

Then, also, a question for supply management systems. That extra taxation, extra cost with regulation that's instituted through public policy: how do the supply management pricing mechanisms come into effect there to help in that regard? A couple of questions: who comes up with the values, implementation, structures, and then how does supply management deal with increased taxation?

Mr. Lynch-Staunton: Okay. To come up with the values of an ecosystem service, I mean, is a challenge that's happening around the world and as well in Alberta and the western provinces. Well, all of Canada is working on it. You know, to come up with that value is going to be a collaborative effort between industry, our university researchers, and government. Alberta Ag has people working on this right now, as we speak, trying to figure out what the value of biodiversity is. You know, we've got the Alberta Biodiversity Monitoring Institute. What's the value of wildlife on a landscape? So trying to come up with that value in a specific way is ongoing.

You know, we can value carbon now. If we say that carbon is \$30 a tonne, that's a price that's been made, and then we can value what is stored in grasslands and get a pretty good estimate on that. How we recognize that value back to a producer – is that a direct payment, or is that some sort of system? – those details have to be worked out, and we have to look at all the different options there. There are complex payment structures that could be, but it could also be very simple.

A very simple one – and, you know, this needs to be explored. I'll do two examples. One example would be project programming, which is already in place for riparian management. Fencing off a riparian area: that creates biodiversity, but it's paid for by government to do that, and the rancher takes care of it, helping to pay for off-stream watering. That protects a resource, and that's a simple payment for an ecosystem service.

Another one could be paid access to recreation on private land. If people want to come and either hunt or view wildlife on your land and are willing to pay for it – it doesn't mean you have to charge for it – you're going to probably protect that resource as much as you can, right? That's a mechanism. I'm not saying it's the right one, but it's those kind of options. I also talked about, you know, things like a per-acre basis for valuing a grassland, for example, could be an option.

10:20

Those values: yes, we have a lot of work to do. I think my recommendation would be to continue to look into this and see what those values are. It's not just a provincial responsibility. It could be a federal responsibility – I know they're looking at it, too – but as well as a municipal responsibility because of water, for example. Municipalities could pay for protecting a water resource coming into their city or community, making sure that water is clean. It reduces their treatment costs, for example. There's a value right there as well. There are many, many different measures or activities to try to get these values in place. Carbon credits is another one.

James, if you're still on the phone, do you have something to add there?

Mr. Hargrave: Yeah, I do, actually. We're only just starting to scratch the surface of the value behind these ecosystem services, especially soil health. When you look at the bacteria and fungi that are present, I mean, every day the science moves a little further along and we get a deeper understanding of what's actually going on and how, really, what's going on under the ground really determines what happens up top and vice versa.

I encourage the Alberta government to continue working with the University of Alberta and the Alberta Biodiversity Monitoring Institute and, you know, coming up with these market functions, finding ways to attach – I think it's important to recognize that in order to move forward in a marketplace, I think we do have to attach a property right of some sort to these ecosystem services, to EG and S. I mean, for example, the Alberta Land Stewardship Act, I guess, formerly known as Bill 36. Part 3 deals with these conservation directives. It has mechanisms in place to enable a marketplace for EG and S, but part 1 discourages the development of a marketplace by effectively removing the property right. So there is actually legislation in place that could enable, and I think it needs to be looked at a little closer.

I guess that's all I really have to say. I appreciate the opportunity to comment.

The Chair: Ms Ference.

Ms Ference: Yes. You asked about how pricing will be affected by the carbon tax. Because when we determine our price it's negotiated

provincially in our sector, I can just speak to the one that I'm familiar with, and that's chicken. Actually, chicken is a nationally sort of available product, so we are actually competing against our counterparts in Ontario or British Columbia or Quebec, so we price according to what they're pricing. Because Ontario is a low-price factor, or they have a low-pricing mechanism, we have sort of a related price based on theirs. It's very transparent, and you can see it on our website. It's very available.

The fact is that we'll be negotiating with our processors here in the next – I think in August our pricing agreement is up, and we will be negotiating. You can imagine that they're facing the same increased cost for carbon, so they're going to be at a disadvantage with their counterparts, so they're going to be negotiating down, and we're going to be negotiating up. It'll be similar to what happens in other sectors. While we do have the ability to set price, we still are price takers because retail ultimately sets the price of chicken, so the price trails down from there. I'm sure you've heard that there have been a lot of competitive retailers in the market now, and they're all fighting for market space, and that's translating down to pressure on the processors and pressure on the producers.

The Chair: All right. I'm going to take this opportunity to have members read out any follow-up questions. To be cognizant of our panellists' and our guests' time, because I have quite a few people who want to do this, please, I would highly suggest avoiding a preamble to your questions here as well.

MLA Dach.

Mr. Dach: Thank you. I did want to get this question in to Ms Ference regarding supply management of farms. It's an important sector. I wanted to have you respond by saying what incentive mechanisms there are that incent the industry to be, as you said in your remark, responsive to demand, innovative, and agile. I think a lot of Albertans don't quite understand the benefit of supply management and how it works, and they think there's no profit motive within it, yet you still do develop new products and are innovative. I'd like to have that story told by you as to how those mechanisms work within your industry, to still be agile, innovative, responsive to demand, and invest in new plant and product development.

Ms Ference: Do I answer that?

Mr. Dach: Written response.

The Chair: Mr. Orr.

Mr. Orr: Yeah. Just a brief question. Is the AFSC \$5 million cap adequate? If not, what should it be?

Mr. Piquette: Gee, I had a big preamble.

Considering the presentations that we've had and discussion around other challenges of downward pressures on commodity markets, what do your associations think that we could do together with you to get into more of the higher value niche products internationally and nationally?

The Chair: Also, don't worry about writing quickly because this is all being transcribed by *Hansard*, so we can send it off to you as well.

Carson.

Mr. Carson: Thank you. My question is about emerging markets and any specific examples of value-added within your industries, whether it be cogeneration or new diversifying products that you offer.

Mr. Taylor: Part of this committee's goal is to undertake a study to grow and diversify agrifoods, so my question kind of is that – you said that slaughterhouses have been closed down, and I wondered if this is because of red tape and bureaucracy and duplication of bureaucracy. What would you suggest that this committee consider to streamline this industry to reduce this bureaucratic duplication if it does exist?

The Chair: Mr. Schneider.

Mr. Schneider: Yes. The panel was asked about the carbon tax on fuel and what it may mean to their particular industries. I think that the committee needs to understand that a trucking company that hauls livestock in and out of a feedlot is not exempt, and a trucking company that hauls feed in and out of a feedlot and a trucking company that delivers supplements and feed and potentially hauls chickens is not exempt. These costs of the trucking industry, for example, which are a small part of this entire discussion, are paid by the producer and likely not passed on to the consumer. I just would ask for comments from the presenters on that comment if I could, please.

The Chair: Mr. Gotfried.

Mr. Gotfried: Thank you, Mr. Chair. I'll keep to a very, very short preamble. Just given the fact that we have air cargo capacity from Edmonton to Beijing and Calgary to Hong Kong, I guess my question to our panel is: what can we do as a committee or as Albertans or the Alberta government to lobby for a change in status from the restriction of only frozen beef to chilled beef, which would allow us to then move to a higher value product and to take advantage of this air cargo capacity that we have in our marketplace, which we absolutely do not want to lose?

Thank you.

The Chair: Ms Fitzpatrick.

Ms Fitzpatrick: Thank you, Mr. Chair. Again, my next question is for the cattle feeders. Can you comment for the committee on the anticipated benefits to your industry that will occur as a result of the Harmony Beef processing centre near Balzac, which begins production in the next week?

The Chair: Excellent.

Thank you to our presenters for joining us here today as well and responding to our committee's questions. If you wish to provide any additional feedback or answers to the questions that were asked, please forward them to the committee clerk before the end of the month. I will make sure that we send off those questions for you in the next couple of days, too.

We'll now take a short break and resume in five minutes, at 10:35.

[The committee adjourned from 10:30 a.m. to 10:36 a.m.]

The Chair: Welcome back, everyone.

As a courtesy to our guests, I would ask that all committee members around the table introduce themselves. My name is Graham Sucha. I'm the committee chair and the MLA for the constituency of Calgary-Shaw.

Mr. van Dijken: Good morning. Glenn van Dijken, deputy chair and MLA for Barrhead-Morinville-Westlock.

Mr. Orr: Ron Orr, MLA, Lacombe-Ponoka.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Mr. Coolahan: Craig Coolahan, MLA for Calgary-Klein.

Mr. Rosendahl: Eric Rosendahl, West Yellowhead, sitting in for Kim Schreiner.

Ms Fitzpatrick: Maria Fitzpatrick, MLA, Lethbridge-East.

Mr. Carson: Good morning. Jon Carson, MLA for Edmonton-Meadowlark.

Dr. Massolin: Good morning. Philip Massolin, manager of research and committee services.

Ms Rempel: Good morning. Jody Rempel, committee clerk.

The Chair: I'll allow for Mr. Taylor and Mr. Piquette to introduce themselves as well.

Mr. Taylor: Good morning. Wes Taylor, MLA, Battle River-Wainwright.

Mr. Piquette: Good morning. Colin Piquette, MLA for Athabasca-Sturgeon-Redwater.

The Chair: And on the phones?

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Ms McPherson: Karen McPherson, MLA, Calgary-Mackay-Nose Hill.

The Chair: Excellent. Again I remind everyone today that the participants have been invited to make a five-minute presentation, after which I will open the floor to questions from committee members.

I will open with Awqaf Canada to start us off. Before you do your presentation, just make sure you introduce yourself for the record as well.

Awqaf Canada

Mr. Kaddoura: Good morning, hon. Members of the Legislative Assembly, Chair, and committee members. My name is Imad Kaddoura. I am the president of a nonprofit organization registered federally in Canada called Awqaf Canada. The name basically in English translates to: endowment trust Canada. We are a nonprofit organization. We work with local communities, government bodies to help boost economies, and we are here today to present our view on how to diversify the agrifood business in Alberta from a point of view or from an angle of the global expanding and growth of the halal industry.

First of all, thank you very much for inviting our organization to present its views and input to your study on growing and diversifying the agrifood and agribusiness sectors in Alberta. A major futuristic field of growth and prosperity for the agrifood and agribusiness sectors in Alberta is in the colossal global field of halal agrifood and industry.

According to the Global Islamic Finance Report 2013

the global halal industry is estimated to be worth around USD 2.3 trillion (excluding Islamic finance). Growing at an estimated annual rate of 20%, the industry is valued at about USD 560 billion a year. Thus, making it one of the fastest growing consumer segments in the world . . . The halal industry has now expanded beyond the food sector to include pharmaceuticals, cosmetics, health products, toiletries and medical devices as well as service sector components such as logistics, marketing, print and electronic media, packaging, branding, and financing. In recent

years, with the increase in the number of affluent [middle classes around the world], the halal industry has expanded further into lifestyle offerings including halal travel and hospitality services as well as fashion. This development has been triggered by the change in the mind set of Muslim consumers as well as ethical consumer trends worldwide.

The halal market is non-exclusive to Muslims, and has gained increasing acceptance among non-Muslim consumers who associate halal with ethical consumerism. As such, the values promoted by halal – social responsibility, stewardship of the earth, economic and social justice, animal welfare and ethical investment – have gathered interest beyond its religious compliance. The popularity of, and demand for, halal-certified products among non-Muslim consumers have been on the rise as more consumers are looking for high quality, safe, and ethical products.

No longer a mere religious obligation or observance for Muslims, halal (which means “lawful” or “allowable”) has become a powerful market force, becoming increasingly a worldwide market phenomenon for both Muslims and non-Muslims alike. The appendage of “Halal” to a product is not just a guarantee that the product is permitted for Muslims, but it has also become a global symbol for quality assurance and lifestyle choice. This is evident by the participation and involvement of non-Muslim countries and organizations where halal is fast emerging as the standard of choice. Many Western countries have recognised the emerging global trend in consumerism towards halal products and services, and are now racing to gain a footing in the halal industry.

In lieu of the paradigm shift on global issues such as sustainability, environmental protection, and animal welfare, the potential growth of the halal industry has made it a lucrative market to be tapped into and presenting a major global opportunity. Players from every sector of the industry, from the huge multinationals down to small enterprises, are looking to capture their share of this growing market. In the last decade, the halal industry has undergone further evolution as a market force when governments have started to look at halal in terms of policy formation for developing their own economies.

As a future look at a growing market force,

Muslims represent an estimated 23% of the global population or about 1.8 billion consumers with an average growth rate of 3% per annum.

This growth trend is continuing.

Muslims are expected to make up about 26% of the world's total projected population of 2.2 billion in 2030.

This, coupled with the factor of the rapid increase in halal products' adoption by non-Muslims world-wide, indicates that encouraging and supporting initiatives and projects in this field would be a landmark investment in the future of Alberta's economy and its prosperity.

Thank you very much.

The Chair: Excellent. Thank you.

I will now ask the Alberta Small Brewers Association to start their presentation.

Alberta Small Brewers Association

Mr. Rock: Great. Thank you. My name is Terry Rock. I'm the executive director of the Alberta Small Brewers Association. I'm going to give you a quick overview of our association and the industry and then go into a strategic approach to growing this industry to maximize its economic benefit for Alberta. In our industry right now, at least as of last week, when I checked, there were 51 class E licence breweries in Alberta, representing 45 unique corporations, and of those 45, 42 would be considered small breweries. In the

latest edition of the *Alberta Craft Beer Guide* 29 breweries are in the planning phases right now and have put their hand up and said that they're planning a brewery.

10:45

“Small” means under 600,000 hectolitres of annual production, so the vast majority of the breweries in Alberta that you would know meet the criteria for small, and all except Big Rock produce under 2.5 million litres of beer. The majority produce under 1 million litres of beer, and that's because most of them are less than two years old. So these are very small businesses, but we call them beautifully inefficient. If you're talking about our economic future and creating jobs, you should know that craft beer takes seven to 10 times the labour content compared to Canadian industrial brewers. It is barley intensive, so a glass of craft beer has more fantastic Alberta barley in it than industrial beer. We are growing, and we are not slowing.

How big could it get? The biggest beer market jurisdiction in the United States is Oregon. The latest numbers from 2015 say that their economic impact was \$4.5 billion, they supported over 31,000 jobs, and they have over 200 brewers. We are much smaller than Oregon right now, and you can see what the potential of this industry is.

We have on the consumer side the most open and most competitive market in Canada by far. On Alberta Liquor Connect you can see over 4,500 types of beer available for purchase. For comparison's sake, a similar website in Ontario showed only 880 types of beer available for purchase. In Alberta alone there are over 1,900 Canadian beers available for sale. This government has taken important steps to grow the industry, and they're paying off. In a recent survey of my members I saw that the majority that answered the survey, which was 16, had hired, were creating dozens of new jobs, and they had already invested or were planning to invest hundreds of thousands of dollars in new equipment.

So we've got the industry where we want it. How can we take it to the next level and realize the potential? In Ontario since 2004 there's been something called the Ontario microbrewery strategy. In 2016-17 that strategy will invest \$700,000 in promoting and improving the quality of Ontario beer. The strategy has been around since 2004 and has invested annually up to \$1.2 million in the industry. In 2011 Ontario had 31 craft breweries. There are now over 130, more than quadrupling in six years.

As the home of some of the best barley in the world and an established tourism infrastructure we have the opportunity to make craft brewing a signature Alberta industry, with vastly higher impact than we have now for multiple revenue and activity streams, from the combine through to the beer glass.

To get there, we should create an Alberta craft brewing industry strategy with the following elements. First of all, we should invest in promoting the advantages of locally produced product to Albertans, promoting Alberta-made beer to tourists at major and international events that draw travellers to Alberta, places like the Calgary Stampede, which is currently exclusively Budweiser.

We should work on developing new markets outside of Alberta and building stronger links in the value chain right through from barley and hops cultivation to malting and equipment manufacturing.

We should streamline and modernize regulations. The regulator has done a good job, but breweries still have a tough time creating a connection with their customers. The work around modernizing regulations needs political leadership – we've made several submissions – and the time to act is now.

We need to establish an integrated R and D agenda for brewing that starts with barley, goes into malting and down into the brewing

process. We have great things happening at Olds College. We can do more.

To fund the strategy, we propose doing something similar to a tourism levy, whereby a small portion, .1 per cent or less, of the markup that's collected on beer sold in Alberta could be reinvested in the industry, which would generate about \$350,000 to go towards the strategy.

Thank you.

The Chair: I'll now invite the Alberta Greenhouse Growers Association to do their presentation.

Alberta Greenhouse Growers Association

Dr. Mirza: Good morning. My name is Mohyuddin Mirza. I'm with the Alberta Greenhouse Growers Association and also the total greenhouse industry. Many of you who have called in we have met and made our presentations to. I did send a handout in advance, so I won't be dwelling on the industry as such, but just to highlight: we have about 380 acres right now, but these acres are different than an acre of land. We're permanently growing seedless cucumbers, fresh tomatoes. Peppers are a new crop for us now. Of course, an upcoming crop is medicinal marijuana. It's an upcoming crop, which especially we find could be very good for the industry. Then, also, the latest trend is growing indoors. In Edmonton alone we now have investments of over \$6 million, \$7 million in fresh leafy vegetables. So that's the trend.

Our biggest barriers are listed in the handout on page 4. That's what I want to highlight. Our number one issue is the classification of greenhouses as farming. Alberta Agriculture and Forestry has been classifying us as farms or farming operations, but Municipal Affairs and the counties and many of those areas don't consider us farming because we are factories. As a result, we have an issue with building codes, and that's stopping the expansion and new investment in greenhouses. I think uniformity needs to be established that greenhouses are farming operations so they have to be treated like farms.

The carbon levy, of course, was a big concern, but we are very fortunate, thanks openly to all of you, that 80 per cent of the carbon tax is rebated. That really helped the industry and already is giving confidence to the industry to expand further.

A few small things, of course. Minimum wage is affecting us. Pressure from large retailers: we're still price takers, not price makers, so we still have to compete with not only Mexico but also B.C., Ontario. They sometimes consider us a dumping ground for that. Demand for locally grown, of course, has not translated into actual price. Although we are delivering and our carbon footprint is low, it has not translated into a better price for us.

One of the things which I want to highlight is the research funds. The greenhouse industry, because it is a highly technical investment as well in climate, in pest management, needs constant funding. I mean, recently we had a big virus coming in with the cucumbers, and if the ACIDF had not supported us, I think this industry could have been wiped out. Similarly, a pepper disease came in. So disease and others: constant research funding investment is needed in that direction.

Supply of labour for us is a constant issue. We depend on offshore labour quite a bit. Bill 6 has added some additional overtime issues, vegetable greenhouses versus flower growers. That's a constant issue which we have to face.

Thank you very much.

The Chair: Thank you.

I will now invite the Alberta Food Processors Association to provide us with their presentation.

Alberta Food Processors Association

Mr. Bigam: Thank you, Mr. Chairman and members of the committee, for inviting us. I'm Jerry Bigam. I have a company called Kinnikinnick Foods, which is one of the largest gluten-free manufacturing companies in the world. We supply about 70 per cent of our business to the United States and have about 12,000 retailers in the U.S. and Canada that supply our product.

There are a number of issues that are very critical to the food processors in the province. I guess the first thing that we all have to recognize is that there are two different types of food processors. There are local industry processors, which supply the Alberta regional market, and then, of course, there are those companies that are dealing in the export market. The export market, of course, is where growth has to occur. You'd be surprised, I'm sure, to find how many substantial exporters there are in the Edmonton area alone. It's really quite remarkable how many companies supply especially the U.S. market. Clearly, the recent changes in politics down in the U.S. give us a great deal of concern, so that's something that we're wrestling with now as an industry.

I think the most important thing that everyone needs to recognize is that Alberta is the most disadvantaged location in North America for food processors. The reason for that is location. Every time we make a product for export, we've got to ship it a great distance, and when you're dealing in the North American market, that's particularly difficult. Freight rates and things like that really have a tendency to have a huge impact on your bottom line.

10:55

So what do we try to do as food producers? We have to make some of the most efficient plants that are available. You'll have good examples, people like Heritage Foods, that makes perogies, that has got a unique technology, and they supply all over the country and into the U.S.; Aliya's, which makes samosas, unique technology; Kinnikinnick Foods, unique technology. The thing that is critical is that if we're going to develop a good, solid export business, it has to involve niche markets and unique technology. Combine that with the geographic problems, and you can see where we're going with this, which is that we need clearly to focus on research and development of products that maybe are difficult to make or hard to make or whatever.

I think that in Alberta, historically one of the key issues that we've enjoyed is that we've had some major resource-based companies like Westcan malting and the meat companies and things like that. Those particular kinds of industries, including rapeseed and so on, are probably not the kind of growth we're going to see in the future. That kind of resource-based big project is not going to drive a lot of the ag processing in the province. We're looking at specialty manufacturers that are going to have to do this.

One of the huge issues that we also have to deal with is, clearly, the cost escalation we've had. It was mentioned that the labour supply or the minimum wage are significant issues. You've got to keep in mind that the largest single employer of our immigrant labour is probably the food processors. I know we have a United Nations of people in our plant. That's a big issue.

The carbon levy clearly is a huge issue. I think the industry in general would basically say: we are in favour of it, we have no problems with it, but we need the resources to reduce our own energy and carbon footprint. The program that you've introduced with the greenhouse company is precisely the kind of thing that has to be applied to processors. We cannot afford to pay additional costs both on the labour side and on the carbon side and be expected to have the funds necessary to do the kind of energy greening that we'd all like to do. Moving those kinds of funds into reduced energy

costs and greenhouse gas footprints is absolutely something that the industry would favour.

I think the other thing that's important is that, with the uncertainties in the U.S., we absolutely have to reposition our thinking in terms of markets. Offshore the Pacific Rim is definitely an area we have to focus on. I can tell you now that when I ship a truckload of product to New Jersey, it costs me \$10,000 a truck. When I ship the same product to Japan, it costs me \$2,800. It doesn't take a rocket scientist to figure out that maybe we should be repositioning, particularly given the fact that I've had four shipments interrupted at the border in the last month because of the thickening of the border regulations. We're really in kind of a state of higher costs, political uncertainty, and the industry has to look at repositioning.

The final point, I guess, is that the food industry in Alberta right now is doing fairly well in the sense that: thank heavens for the dollar. I hate to say that. I know the oil people don't like that, but the dollar is really, incredibly helpful to us now. With the dollar as low as it is, it should give the industry a chance to do some restructuring, productivity enhancement, that type of thing because when the dollar swings the other direction, we're going to be – you know, it has a huge and immediate impact.

I think the last thing on research and development that I wanted to say is that the federal SR and ED program, which is to help build research, is a good program. The province ties into that, which helps a lot. The feds are tightening up the SR and ED considerably, making it much more difficult to get those kinds of funding, which means the province is tightening it up because it's a percentage deal. It's going in the wrong direction when we're looking at the need to improve productivity and get new products to the market.

Thank you very much.

The Chair: Thank you.

I will now invite the Alberta Crop Industry Development Fund to provide their comments.

Alberta Crop Industry Development Fund

Mr. Hall: Thank you very much, Mr. Chair. Compliments, I guess, in a couple of areas: one, the work that you're doing with the Leduc food processing centre expansion is very well received by a number of the processors in this province. That expansion is a very good thing to see happening. ACIDF has put in place with that a pilot plant around the whole crop fractionation area, so companies will be able to use that facility both to develop and to do some very early toll processing for market development purposes. So compliments on the efforts on the Leduc centre. I'm very much looking forward to that expansion coming on stream in the next year or two.

Who is ACIDF? ACIDF is a company. It is owned by farmers through their commissions: the canola commission, the pulse commission, the Wheat Commission, and so on. There's the Greenhouse Growers. There are about 12 of those organizations who are the actual shareholders of ACIDF. ACIDF is in a delivery role with the provincial government in terms of dollars into research and development with respect to the crop sector. About 25 per cent of the investment has gone into genetics, about 50 per cent has gone into production systems, environmental issues, those sorts of things, and about 25 per cent of the dollars has gone into the upstream, value-added side of things in terms of product development, technology development for the various processes, be they food, be they beverage, be they on the industrial side.

Alberta Treasury Branches published about six months ago some quick figures on the size of the industry. I'm not going to bog you down with a lot of numbers here, but basically oil and gas kind of

split into two components. Around 20 per cent of the value-added of the Alberta economy comes from the oil and gas around diesel, gasoline, and those sorts of things. About another 20 per cent comes from the chemicals and plastics business, and about another 20 per cent comes from the food business in terms of the value-added. That is up very significantly from 10 years ago. The growth curve is actually quite dramatic. It's probably upwards of a 30 per cent increase over the last six, seven years in terms of the food sector, so that is moving rather well.

ACIDF did a bit of work with a number of key individuals, if I can put it that way, in the food industry to get a sense of: where do we need to focus in terms of growing the business? One of the areas that came through pretty loud and clear is that although it's worked well for us in the past on a commodity basis – I've got wheat, and I've got to find a place to sell it; I've got canola, and I've got a place to sell it – we have to do a little better job in terms of the value-added side of things in terms of: what is the market, who are the buyers, what do they need in terms of some very clear specifications, and then how do we back here start to put together a product and processing that can serve those markets? Rather than "I've got something to sell," it becomes more of a mindset of "What is the market, and how do I pull through to the market in terms of my product development," that sort of thing. We've had a bit of feedback that basically said that that's kind of a key mind shift change that is under way and we're going to have to have more of it.

The second area was looking at local. Jerry spoke to it briefly. Lori Ell used to be the past chairman of the Alberta Food Processors, and she tells me that about 70 per cent of the cost is tied up in transportation, storage, and handling on the retail side of things in terms of moving product to the consumer. Anything that can reduce some of those costs is obviously a plus.

The third area is around research and development as a driver of some of the specialty-added type of products in the food and beverage business and even starting to emerge on the industrial side. We had an opportunity last fall, about a year ago, to visit a food centre in Denmark. It started in 2007, and now it houses about 70 companies and three universities. It's got three major anchor tenants that are three of the top five ingredient suppliers in the world: Novozymes, Danisco, and Christian Hansen. Basically, the message from those folks was: in the value-added side when you get to the ingredients level, we're talking about probably investing about 10 to 15 per cent of our sales on an annual basis into research and development because that's where the market demands us to come up with solutions, both in terms of product quality and in terms of the processing methodologies, manufacturing methodologies. So that is an area, I think, that as we look forward to driving the business here in Alberta, we're going to have to pay some attention to, the R and D side of things.

11:05

I want to close with a little story: canola. When canola got started, it was back in the 1960s, and a plant scientist with Agriculture Canada at Saskatoon had a dream that he could change the oil profiles in canola to meet the health requirement need that was evident in the food industry. So he went to work on the breeding, and, by golly, if he didn't succeed in doing it. Out of rapeseed emerged canola, with a much better, much healthier oil profile.

That then led to: how does the industry build from there? So farmers started growing a bit of canola. There was a processing plant or two that got established on the prairies. More research and development was conducted in terms of dealing with production practices around this new crop because to change the oil profile also changed how the plant functioned, and that meant that you had to

do a few things differently as a farmer. There was some work done on the processing side as well in terms of extraction and those types of things. The oil industry with canola then emerged. It got to a certain size in about the '80s, and you started to see some of the genetics companies moving in. You saw Dow get very involved. You saw Monsanto get involved. You saw some of these guys, Bayer, crop scientists, those types of folks get involved on the breeding side, and so on and so on.

What's canola today? Today there are about 20 million acres of canola now grown in western Canada. Half of that canola is processed here in western Canada. Alberta has two or three of those plants. You talk to some of the companies that are involved in the crushing side; they're saying: you know, we've been shipping our canola meal – it's a high-protein meal – to the area guys in California. It seems to me we can get a little better price out of canola proteins if we did a little work on trying to further process the meal and extract various ingredients that the food industry may require and find quite useful.

As we see, the canola journey continues. It went from a crop that farmers paid absolutely no attention to. Today it's a 20 million acre crop. It's got a processing industry on the prairies, where about half of the crop is being crushed, and a very bright future in front of it.

Yes, as you start to put that kind of pressure on, you have other issues arise. As Mirza talked about, diseases in the greenhouse. Certainly, you've got diseases arriving in the canola business, things like clubroot, things like blackleg, things that can be quite the impediments. Just recently China was threatening to shut down the import business in China to Canadian canola. Thank goodness, that got corrected and didn't happen.

That's a bit of a story on canola. I think that it's how some of the other areas may well develop as well.

I'll close by simply saying that similar efforts are already getting under way in crops like pulses, which would be peas, fava beans, lentils; in the oat crop; in hemp; and then in some of the niche crops, crops like rhodiola and some of the herbs and spices and those sorts of things, which represent nice little opportunities.

Bottom line: the sense is that the bulk of the growth is going to come from small, medium companies, so they're going to be more locally based, local investors, some attraction of international investment in terms of branch plant, and we'll see a pretty healthy growth in terms of the industry as we look ahead to the coming decade.

I look forward to answering any questions.

The Chair: Thank you very much.

I'll now open up for questions from our committee members. As a reminder, just be cautious about preamble length as it does cut into the number of questions that we can do. I will open up with MLA Fitzpatrick.

Ms Fitzpatrick: Okay. Sorry, Mr. Chair. I am going to open with a little preamble. I just want you to know that I'm from Lethbridge, and just in case you don't know, Lethbridge and southern Alberta have been on a pretty even keel throughout the little recession upheaval that we've had because of the price of oil. We have been level because of the things that you've talked about. Certainly, canola, potatoes are huge; sugar beets are huge; and pulses. In fact, this is pulse month, and I made quite a nice batch of split pea soup for this week. Just so you know.

The other thing. We've had a number of trade missions. The Minister of Economic Development and Trade, the agriculture minister, and currently the city of Lethbridge and Lethbridge county have a team of 24 people in Asia right now on a trade mission. We have been reaching out, and certainly your comment

about the \$2,800 to go to Asia bodes well. When you talked about disadvantages, I was a little taken aback because in Lethbridge we've had a \$350 million private investment by Cavendish Farms for food production, so I see this as a growing industry, certainly in southern Alberta, and I see it growing beyond southern Alberta.

You did mention disadvantages, which, if I'm to understand, include the challenges of processing and the difficulties of entering distant markets. I hope that we're addressing some of those with the things that have happened. My question is: can you expand on the challenges of processing, focusing on those that exist currently in Alberta? Anybody can answer.

Mr. Bigam: Certainly. There are a number of different answers to that. One of the biggest problems – we mentioned geographic distance. I mean, clearly we all know where we are. One of the other significant issues for processors is the concentration of power in the retail sector. For many years we pioneered the gluten-free industry with Safeway in Alberta, and for many years they did things on the retail side that nobody else did. For many years local producers were able to deal with Sobeys because they were locally-owned IGAs. Now they're all corporations, basically, or they're going in that direction.

When you now walk into a new Safeway/Sobeys store, it's all Compliments. That means that small processors don't have a hope of getting their brand in the Compliments section. You can't possibly do that without very substantial production facilities. So how are we going to get small processors into our local markets? Overwaita is not much different, and Superstore is worse. You've got to go to Toronto just to get an appointment, and getting appointments is almost impossible for small companies, so I'm not quite sure how smaller processors are going to get up to the level that we are, for example. I mean, we deal with these people and buyers on a national basis, so we have that opportunity, but for the next coming generation of food processors we're not quite sure how we're going to do that.

To make matters worse, on the food service side, which is just as big or a substantial portion of the food business, it's also controlled by two major companies who really don't like to fool around with small processors. I mean, Sysco and GFS would rather make deals with national brands to bring products from wherever – Ontario, Quebec, Iowa, any number of locations – meaning that our local processors often have a very difficult time getting into that. That applies even to our institutions like our colleges and our hospitals. Alberta Food Processors as an organization has tried unsuccessfully for a number of years to get some kind of arrangements going with the food service industry.

Now, that's not universal. I'm sure the greenhouse people will tell you that they supply a lot of products into the food service industry, but I can tell you that smaller food processors have a very difficult time getting in there. Well, that's a real problem. I don't know how you get over that because that's a competitive issue. Clearly, on the food service side there's definite leverage. Governments pay those bills in terms of hospitals and senior citizens' homes and so on. Clearly, there should be an initiative there that gently directs some of these purchases to local suppliers. I think that's kind of a minimum thing we should be doing. We've talked about it, the Food Processors, for a long time, unsuccessfully. We've tried a number of times, but we don't have the power and the influence with those people. That's probably at least a bit of an approach to some of the problems that we have to deal with.

The biggest issue that we have now is that the changing structure in the retail industry in Canada is going to make it very difficult. Food Processors went into a deal with Safeway two years ago: buy local. You know, they really made a big effort to do that. Now that

program is gone partly because of the change in policy with the Sobeys takeover. It's not an easy task.

I find it much easier for us to sell products in the U.S. right now than it is to sell in Canada. We are repositioning our company to the Pacific Rim.

11:15

Also, if I can just make a quick point, strangely enough Alberta is relatively well positioned to sell food into Europe and the Middle East. We have something called the polar route by aircraft. We're supplying the U.K. right now by air for food products because we have all this empty air cargo space. There is a great initiative there where we're going to work within the industry to see if we can't expand. Those are the kinds of things that we think we have to approach, to try to look at special opportunities.

Ms Fitzpatrick: Thank you.

The Chair: Do any other members wish to comment in relation to that?

Dr. Mirza: Can I add a comment? You mentioned southern Alberta. The greenhouse industry is highly concentrated right in Medicine Hat, and now the Lethbridge area is expanding quite a bit. B.C. companies, too, have come into there, Rainbow Greenhouses and DeVry. DeVry in Pincher Creek is expanding.

But we already have been told that many counties are saying: hey, we can't supply you water now, so stop it here. They're already telling us that. Then we are using supplemental lights, and complaints are coming in: oh, that is light pollution. We need lights, although they are covered. So those are the kinds of issues. Those companies came to invest in Alberta, and they have been established for a few years now. But those sorts of things will need to be addressed, infrastructure issues, at the municipal level. I already mentioned the building codes and how we are going to handle supplying them more water. We recycle our water diligently. There's no waste water. I think that this is how issues emerge.

On the other hand, B.C. companies are very interested because of our sunlight, our labour supply generally. They still have to depend on offshore.

That's a very interesting corridor, either for acres of hydroponic, aquaponics. Lettuce is coming up there. So there must be something good happening right in that area.

Mr. Bigam: Sorry. I left out one very critical element which I should have said. It's absolutely critical. The biggest issue for food processors in Alberta is financing. It always has been and always will be. It's one of the issues that really concerns me. We built our business from a farmers' market – it's our 25th year of business – to an eight-digit, \$30 million business. One of the key elements of that was that we had an organization called AFSC. The financing issue is absolutely critical. At every stage of our growth and development and expansion they were there with a capital program. I don't know how many loans we've rolled over over 20 years, but it's an awful lot. I can tell you right now that if you poll the food processors in the province, almost every one of them will say: yes, we at some time had significant input from AFSC. It's absolutely critical.

Right now we don't know what's going on, to be honest. It's just a big uncertainty as far as we can see. But you cannot minimize the fact that the conventional banking system will not bank food processors in the growth stage. They don't even like to bank you when you're big, but occasionally you get enough assets, and they do. You cannot minimize that. It's something that must be addressed because that's what people rely on to grow in this province.

That was one of the things that I missed. Sorry.

Ms Fitzpatrick: Thank you.

The Chair: Do you have a follow-up?

Ms Fitzpatrick: I do. There have been a number of examples of crops with potential for growth, specifically in industrial use of by-products, including lentils, vegetable oils, hemp, and oats. Can you tell us which of these you view as having the most potential and why?

Mr. Hall: Oh, boy. Each one is different, isn't it? The hemp one is driven by a couple of things. One, it's driven by the protein. It currently is primarily going into breakfast cereals, those types of things. It's driven by protein in terms of the food use and driven by fibre on the industrial side of things. I suspect that hemp is going to be a pretty significant player in terms of volume of crops produced on the prairies within the coming next few years, five to 10 years.

There are a couple of companies in Manitoba already that are pushing this. We did some dealings with a fellow out of Edmonton called TTS labs, a fellow by the name of Tam Tekle. He's from Ethiopia originally, and he's got a nice little business going here. He saw the opportunities for hemp, got together with Canfor, which is a forest product company in Vancouver. They had a pilot plant and basically said: "We don't need it anymore. We're going to make more money in Vancouver out of condos, so we're getting rid of the pilot plant. Do you want it, Tam?" Tam said: "Yeah, I'll take it. How much money do you want?" "We don't want any money. Just get it out of here."

So 43 semi loads of equipment later, Tam had trucked this equipment over the mountains, brought it to Alberta, put it into storage on a farm out in the Edson area, and then got together with a former vice-president of General Motors, got together with the fellow who had run the plant with Canfor in Vancouver, and they developed their new centre, that's based in Drayton Valley now, developing insulation materials primarily from hemp at the moment, but flax and some wood fibres are also on the table, and that's making it's way as insulation products into the automotive industry. Tam was able to pull those connections together from both his past and looking ahead and made that whole thing a success.

Similar stories are happening on the outside of things. It's a little smaller. It's more of a home-based business. There are a number of products that are being developed right now, with the protein centre at the University of Alberta being some of the science, with a number of small companies in the Edmonton area that are going to be the product manufacturers, and in combination with the chefs program at NAIT. The chefs are basically putting together these product development things with the companies, and ultimately they're going to end up with something that's going to be manufactured and go forward from there. That will be packaged up initially with help from the Leduc food processing centre and the pilot plant I referred to earlier. Some of those products are going to come on the market in 2017.

Those other crops. The pulse one I'll get into this afternoon in a bit more detail if that's okay. Then there are some niche crops. There's a group of companies in the Edmonton area that is working on various niche types of opportunities in the market and some of the feedstock that they're using around natural health products.

So those are things that are under way. Are they at the scale and at the level that the canola business is at? No. Will they get there? Well, probably not to that same scale. Pulses will, but we'll talk about that one later if that's okay.

Hopefully, that helps.

Ms Fitzpatrick: It does. Thank you.

The Chair: Okay. Mr. van Dijken.

Mr. van Dijken: Thank you, Chair. In the last two days we've been hearing a lot about competitiveness issues and the fine margins, whether we're at the production end of things or the processing end of things, that we deal with in agriculture in Alberta. A representative from the Greenhouse Growers Association talked about the confidence to expand further based off the rebate of the carbon tax. We heard in a previous panel this morning that other producers felt disenfranchised by the fact that that industry was singled out. These types of signals have huge impacts on investment decisions. It allowed the greenhouse operators to move forward with confidence and others to sit and wonder: "How can we benefit?" or "How does the government perceive mitigating the costs that are being impacted on the industry?" Whenever government puts out public policy that's going to impact production, government has a certain responsibility to try and mitigate that impact.

I guess my question is: how does the processing industry view government responsibility to reinvest dollars that are essentially coming out of your industry to try to offset that cost? Is there a way to help the industry adapt, to lower your carbon footprint? You're paying up front. At the same time those dollars could have been used to become more efficient on carbon footprint. So we have a responsibility in setting forth public policy that will help to offset that and help you move forward for the efficient use of carbon.

11:25

Mr. Bigam: If I could respond to that. I agree totally. I mean, for us it's very simple. The carbon levy cost me \$80,000 this year, just for the new levy. I need to replace all of my halogen lights in my 150,000-square-foot operation with LEDs and timers and things like that. Well, that's going to cost me \$150,000. So if I could basically pay for half of those lights from the levy, you know, then everybody wins. My carbon footprint goes down. My cost is neutral, more or less. Most importantly, that money is gone from my operation. So I can't use that for productivity. Normally I'd use that in new investment and productivity enhancement. So what do I get out of that operation? Well, I get a cheaper energy cost. Okay. That's a big advantage, so that's a positive.

If you recycle those levies into reducing our energy costs, that's great for the industry. Now, that goes on to things like heat-recovery units. In Alberta picture this. I have a bakery. I've got all this heat going up the stacks, you know, which wastes a lot of heat. At the same time I have a freezer, which cools everything down, which is a lot of heat going up the stacks. And outside it's 20 below. How come we don't do something smart about energy reduction in this province? Some of us have always wondered whether there's maybe some technology outside that we can develop that says: take Alberta's cold winters and put them into your freezers and save yourself some energy. It doesn't seem like rocket science, but nobody has ever done it.

The issue is just that, the danger of taking away the capital without putting something in exchange which is really a reduced carbon footprint; i.e., cheaper energy costs. Keep in mind that right now our energy costs are reasonable. You know, five years ago, under deregulation, they went through the roof. Some of us just – well, I bought a plant in 2005 because the company closed it down because of the energy costs, one of the biggest private-label cookie plants in North America.

That's around the corner. So we should be working as hard as we can to reduce that energy footprint, energy cost, not just with easy things like lighting but with some technology things like heat-

recovery systems and those kinds of things that go into reducing energy.

The Chair: Anyone else wishing to comment?

Dr. Mirza: Mr. Chairman, I just want to add that the greenhouses are taking advantage not only that the rebate is there but already recovering carbon dioxide from the stack for the plants, then, of course, switching to LED lights in most cases, then already quantifying our total carbon footprint. Unfortunately, we don't have any good data yet. We fix carbon dioxide by plants in greenhouses, but how much carbon footprint? We are using sunlight: how much contribution in kilowatts per hour? So it has stimulated – we are not saying: okay; that's enough, and we are not going to do anything.

We are already going into the future, taking advantage of this rebate, and looking at all the technology. Combined heat and power is becoming big now. That's an incentive, and then some dollars from the Growing Forward application – I think it is a combination, that with this rebate came along incentives to explore further, have new technology, invest some of your own money, some from research and development. So it's very interesting, how it could stimulate the total greenhouse industry in that way.

The Chair: MLA Dach.

Mr. Dach: Thank you, Mr. Chair. I had a question specifically for Mr. Kaddoura if you'd like to respond. I heard some recurring themes yesterday and today about some of the major impediments to development and growth of our small agricultural producers. One of them, of course, is the concentration of capital in the country and the big five banks aren't really receptive to lending money. That's been a recurring theme.

Secondly, also, it had to do with corporate concentration that's in the retail sector of the grocery industry. I'm wondering on the side of the financing, where it's difficult for growth financing to be obtained through the big five banks – you've mentioned Islamic finance. That's something that I think is an untold story in this province, and I think it's a source of financing which is huge globally. We don't really know a lot about it. I'm wondering if you could expand on it and let us know if it's possible in your vision to see that farm credit lending could be one element that the Islamic finance community takes under its wing to satisfy the need that we have in this province not only in food processing but also at the farm gate as well.

Mr. Kaddoura: Absolutely. Thank you very much, and you are absolutely right. It does and it can. In fact, Islamic finance is not only growing in leaps and bounds; it's even evolving. Just an example to that, last week, in partnership with Alberta Agriculture and Forestry, we concluded a workshop where some international experts on Islamic finance visited us from Malaysia and they gave speeches about how we can utilize that great untapped resource for establishing projects in Alberta in agrifood and agribusiness. We are working currently with Alberta Agriculture to do that, in fact, whether it's farms, abattoirs, food processing, so on and so forth. Because of the accelerating technologies, sciences, and even paradigm changes in the world of Islamic finance, now many major Islamic banks, and – for example, in Malaysia there are laws that have been passed that enable major banks and even some associations to produce bonds, Islamic bonds, to finance projects in the agriculture sector in Alberta or Canada in general.

Mr. Dach: Excellent. One quick follow-up if I may. One of the happy by-products of the expansion of the halal market is that we're seeing a resurgence of the local butcher shops in our communities.

One of them is in my area, attached to the local mosque, and I happily shop there and get some fresh halal meat products regularly. You mentioned in your submission about developing initiatives in both production and export. Could you expand on that and let us know what types of things, what products and so forth, you're now focused on developing for export in particular?

Also, there's some awareness effort that you're making at the Edmonton International Airport, and I wanted to know how you're going about spreading that awareness and exporting those products.

Mr. Kaddoura: Absolutely. In fact, the workshop I alluded to earlier was also in partnership with the Edmonton International Airport, and it was held in the Edmonton International Airport. Productwise, which products: really, the sky is the limit. For example, live cattle. There's a huge need now in the Islamic nations and Islamic world for live cattle, whether sheep or beef products, meat, processed food as well. Another quick example: in Saudi Arabia in the last few years they have established a factory that produces over one billion halal gelatin capsules for medicine. One billion. Just that one plant. They have a huge need for halal gelatin, and the best halal gelatin comes from cows, or beef. That's just, you know, one example. Other areas of growth and expansion are halal pharmaceuticals, halal cosmetics, halal nutrients, so on and so forth. So in terms of which products, really, the sky is the limit. Halal candy, for example.

11:35

Mr. Dach: Rather than exporting the raw product, we could actually manufacture those gel capsules here, could we not?

Mr. Kaddoura: Absolutely. Yeah. In fact, one of the guests that came last week was a representative of the Islamic Development Bank, which is the second-largest development bank in the whole world after the World Bank. And they are in fact very interested in working with us to develop major projects here in Alberta to cover the colossal need for halal products.

Mr. Dach: Very exciting. Thank you.

Mr. Kaddoura: You're welcome.

The Chair: Mr. Orr.

Mr. Orr: Thank you. Yes. If financing is the biggest issue, I'm going to ask a question that I've asked others before just as a first piece, and then I've got another one that I'd like to ask, but just a quick question: is the AFSC cap of \$5 million adequate? If not, how does it need to change?

I guess my other question would be related to the regulatory burden. Are there increasing or specific regulatory issues that hamper the development of any of your businesses, and if so, what needs to change?

Mr. Bigam: To the first question, one of the biggest problems we have in Alberta is that AFSC financed companies up to the small stage. They were excellent for getting them going. Then companies that were ready to graduate from that level had a real problem. They're not big enough to go to the banks because they don't have enough asset-based lending. So we were definitely hoping that that limit was going to go up to a \$10 million limit, something like that. Once you get to that level, then you're sort of big enough to move to the banks. But there was quite a gap in there to grow your business from small-medium to medium-sized. That was definitely a real gap.

The biggest problem, I think, that a lot of processors have is that they lease their facilities, so they don't build asset-based lending.

You know, if you buy your facilities, then you can go to the banks, and then they'll lend money against them. For a lot of food processors they'll go that way. It's a real problem to grow beyond that upper cap of \$5 million in capital, and \$5 million in capital is not a huge corporation. I mean, you might have sales of maybe \$7 million, \$8 million, \$9 million, \$10 million. To get to the size which you need for export, clearly, you need a certain mass in order to deal with all of those regulatory issues in the export markets. You need a certain size.

Graduating from let's call it the smaller size to the international size, export size, it needs the higher level of capital. Absolutely. Perhaps even more creative kinds of capital. I know that when we built Westcan malting 20 years ago, the government put in a second debenture, you know, a convertible debenture, which was ultimately paid out in about six years. Huge. It happened to be a critical element of financing at the right period of time.

Now, it gets tricky when you start talking about different kinds of capital. I would say that the first order of magnitude would be scale. Definitely, going to a \$10 million cap or something like that would be a very helpful deal. But right now the issue is more: make it efficient now, you know, get it working smoothly, and get it more accessible to some of the processors.

These processors have to find markets, you know, and that's a big issue. We have trade missions going on, which is great. We need that. It's good to have a trade mission, but you've got to have follow-up. You've got to be there. You've got to have effort continually in China or in Korea or in Japan. When we did our malting project, we were in those countries for three years before we built the plant. Well, not very many companies can afford to do that, so we need to build those new markets, and there need to be some structures that support – and kind of an industry-government representation in some of the markets that we want to target.

I guess I kind of switched from your financing question, but the financing is probably the single most important issue in the growth of the industry.

The second question was . . .

Mr. Orr: Regulatory burdens. Growing? What are they?

Mr. Bigam: You know, I guess we all complain about it. I mean regulatory burdens like the carbon levy. Is that a regulatory burden? I suppose it is. Regulatory like the minimum wage. Those are, clearly, regulatory burdens. There are some issues that are concerning, but the shoe hasn't dropped. I mean, under labour relations – I don't know the last count – there are 326 ways that you can be shut down overnight without any kind of recourse. We haven't seen any of that yet, but it's there in the legislation. It's a little bit unnerving, sometimes. I guess we don't see a huge amount of regulatory interference that's not manageable. They may be things that you can control, but those are not the things which affect the industry substantially. I think that's fair to say.

Mr. Rock: In financing I have to really say that ATB Financial has been fundamental to the emergence of the small brewing sector. They have absolutely come to the table fantastically, and they are really helping to build a connection between our industry and the communities that they work in. It's been great. We don't have breweries at this point that are into growth phase, but I'll touch on the regulatory side of it.

What's happening right now is that if you own a restaurant in Alberta or a restaurant chain and you happen to also want to invest in a brewery, you can do that with a one-off exception from AGLC, but you can't serve the beer that's made in the brewery that you own in the restaurant that you also own. That's from Prohibition

days. It's called tied-house legislation, and we understand that there are changes on the table, and we would really like those to come forward because the capital that's going to help our industry grow is often from these places where people own businesses that serve beer. So that needs to change.

You can have a brew pub and serve beer out of your restaurant brew pub and package it and sell it, but you can't be Big Rock and open a restaurant. We think that's problematic. We understand from our discussions with the regulator that things are changing, but we'd like that to go faster.

Currently you can buy your estate wines, your fruit wines, at a farmers' market. You can't buy beer. You can't get a growler filled. A lot of the margin in beer is made by directly selling to a customer, so our submissions really have been around: let's create an environment where it's not taboo to have a locally produced beer. Let's be able to do that. Buy it at your local farmers' market. Make those connections.

Let's have the ability to have events at your brewery. On the drive up today I was speaking with a brewery in Red Deer who has a Bible study group that wants to have something called theology on tap. I highly recommend it. It is not allowed. You can't do that. They can do it in a restaurant, but they can't do it in the taproom. They have trouble.

Mr. Orr: One other follow-up. There have been tumbling, topsy-turvy efforts to create legislation to support and protect the small brewers. There's currently a court challenge. If the government loses that one again, too, are there policies that you would like to see put in place to support the small brewers that would actually be legal?

Mr. Rock: It's our opinion that the current approach is legal. You know, this is the wrong order of government to be dealing with this unless you wanted to do bilateral agreements. We would be considering that. I'll give you a perfect example. We just had a little foray into Ontario. Six Alberta members of my association decided to go to a craft beer festival in Ontario, and they had to send their beer, that everyone in Alberta is drinking, to a lab in Ontario to get tested to make sure that, you know, this Alberta beer was acceptable for Ontario consumers before they could get there. It was a tremendously difficult task.

Mr. Orr: What a helpful little trick. We should just do that.

Mr. Rock: It is. Well, there you go, right?

In Alberta, which we support, we have an open market. If you want to sell your product here, it doesn't matter where you are in the world. You can do it. But if someone comes here and dumps their beer in our market, which they were doing, at, say, 60 per cent of the price that they charge in their home market and we can't go back and compete on that same basis, it's not fair. Our industry will not grow if that imbalance remains, so we feel that the government has taken steps to address this. We feel very confident that we still are the best province by a long shot in the country at being open to competition.

That's our read.

11:45

The Chair: Thank you.

Mr. Piquette.

Mr. Piquette: Well, thank you, Mr. Chair. I'll try to be brief, but it's difficult. So many questions I want to ask. I think this panel has been, well, music to my ears particularly, anyway. I think from discussion that you guys understand one of the main purposes and

the necessity of moves like the carbon levy to be able to reposition, you know, not just our energy sector but all of our sectors of the economy in a way to take advantage of this growing demand for ethical, responsible types of production. I think that the ladies and gentleman here really made a good point of that.

I think that we're in a period where we have some remarkable opportunity, especially considering the perhaps not quite well-thought-out positions being taken by some of our larger trading partners, let's say. I'm just wondering if you guys would see some new opportunities opening up from the way we've been able to reframe our reputation as an ethical producer or how we could maybe go that way. How could we take, you know, what's looking like a real cause for concern and instability down south and turn that into an advantage for us?

Mr. Bigam: I guess part of that is that in our case we were involved in some of the original CETA discussions in the common market in terms of some of the negotiations, and we have spent 18 months positioning ourselves to start exporting into Europe. I have to tell you that the reputation helps. I mean, the fact that it's a Canadian company: you sort of get in the door. We're known for safe food, for good food, so that's a big plus.

One issue that is relevant to opening those kinds of new markets, though, is that even with the free trade coming up in the summer, we have a huge problem, which is that all food products in Europe are non-GMO, so here's this enormous nontariff barrier, which is that for the most part companies in North America aren't worried about non-GMO supply chains. We had to reformulate 44 products to go to a non-GMO supply chain just so that we were positioned, ready to go to Europe, and that also meant we had to develop all-new packaging. That took part of that 18 months.

These obstacles, even though we do have a great reputation, are not easy to overcome sometimes, and there are very few companies in Alberta right now who are positioned to take advantage of CETA unless you're doing beef, you know, something like that, which is clearly – but if you're doing processing, your supply chain has to be non-GMO. That means – I hate to tell you this – we don't get our canola from Alberta; we've got to buy it from Manitoba because it's the only non-GMO canola plant that we can get it from. So it's things like that, which are – well, that's just the way it is.

Certainly, there's an advantage there, but it's complicated, expensive, and time consuming, and it's going to take us a while to take advantage of markets like the CETA market. The Japanese and the Korean markets: we've still got tariffs on the Korean side, so there's a bit of a delay there, but they do like Canadian products. There's no question. We were in Seattle and Paris, and we have, I think, about 12 major contacts in China, Korea, Japan because of the Canadian label, if you will. We have to take advantage of that, and there are a whole bunch of things in order to do that.

Did I answer your question or just raise them? I'm not sure.

Mr. Piquette: Yeah. That was addressed to everybody on the panel. I don't know how much of that's . . .

Dr. Mirza: As a greenhouse industry we took an approach that, doing a major study on carbon neutral, we want to create a carbon-neutral or carbon-positive product. I guess some basic data we are trying to generate is that we are using sunlight, we are using carbon dioxide, the plant is like a solar cell, manufacturing all the – so once we synthesize that, I think it will become ultimately maybe a label: grown in a carbon-neutral environment or carbon positive. The plants use carbon dioxide. That's the approach that we are taking.

Mr. Kaddoura: I'd like to add one point regarding the reputation of Canada. I'm very happy to say that in the Muslim world, for

example, the reputation of Canada is platinum. It's even more than gold. That is something that we can capitalize on big time. It was and still is. Today it's even more with the developments around the world like in Europe, the uncertainty with Brexit and what's happening to the European Union, and with the United States, the uncertainty with the United States and what's happening currently in the United States. Among the whole world Canada has a beautiful, great reputation within Muslim countries and even Muslim populations. That was one of the major reasons that third entities like the Malaysian central bank and the Islamic Development Bank sent representatives, like I said last week, to look at how to enhance that, enhance relations with Canada in agrifood and agribusiness.

Mr. Rock: From our perspective, you know, our industry is growing very quickly right now, and I'm not sure, except for the long-established groups, whether people have really dialed in where their costs are. This is an industry that takes sustainability seriously. I wanted to mention that we have a convention happening on March 28 and 29, the first annual Alberta Craft Brewing Convention, and at that event we are undertaking a strategy session with the Alberta Craft Distillers and the Alberta Estate Winery and Meadery Association to talk about what it means to be made in Alberta from a craft beverage standpoint. We have partnered with Alberta Barley, and they will be coming in to talk about an initiative they have that really talks about from combine to craft and how that contributes to sustainability. We use the term "signature industry" around reputation for this purpose. We think that the way that Alberta is perceived, as a place that grows great food and has great tourism opportunities, brewing fits right in there and that we can be a global destination for the industry and the tourist.

The Chair: Mr. Hall.

Mr. Hall: Yes. One of the individuals we work fairly closely with in terms of both the livestock and the crop sectors is a fellow by the name of Dr. David Hughes out of the United Kingdom. David spends about 300 days a year basically doing consumer research and talking with companies on where the consumer trend is going, what are going to be the requirements that we're going to have to meet in order to be able to move into certain consumer markets over time. People like Walmart, people like Danisco, and so on, global players as well as some local players, are people that he's on a first-name basis with and often gets into their board meetings, those sorts of things, to talk strategy in terms of where they go as companies.

One of the things that David mentions very frequently is that Canada has a global reputation of being a safe – and I don't want to say secure; dependent maybe is a better word – provider of materials in terms of livestock and crop products. He's says that we're well recognized for that. It doesn't mean there aren't hiccups like Jerry referred to, maybe a GMO thing in terms of Europe, those types of things, but fundamentally we're coming from strength on that one as compared to other jurisdictions in the world like South America or other exporting areas.

11:55

The other aspect I just want to mention briefly is on the GMO front. Aside from canola all of our major field crops are not GMO at all. Oftentimes there's confusion around that. Our cereal grains of oats and barley and wheat, all of our pulse crops – our potato industry has been very careful not to bring GMO into the potato industry in southern Alberta just because of wanting to keep markets that they've got. That's very much front and centre of people's minds. On the canola side that's not the case. On the canola oil side that is the case because the GMO was tied up in the protein,

and there's no protein in the oil, but certainly on the meal side that's going to be a fairly significant issue for them in certain markets.

Canada has the strength of being seen as a dependable supplier of high-quality products and basically meets most of the market requirements that other global buyers would have when they buy from us, be that at the ingredient level or be that at the bulk commodity level.

Mr. Piquette: Thank you so much.

In the interest of time I'll give up my supplemental question and make up for the long preamble.

The Chair: Sure.

Mr. van Dijken.

Mr. van Dijken: Thank you, Chair. I'd like to go back to – I had a supplemental question to the question before with regard to carbon sequestration from the greenhouse operators. You talk about being carbon neutral, possibly carbon positive. We're in a world that wants to charge for carbon usage. Possibly the world should also pay for carbon sequestration. From the greenhouse operators' standpoint do you see an opportunity there for being paid for carbon sequestration? Also, then, from crop industry development, how can we improve that part of it and help to grow our industry with recognizing the value that they bring to the whole discussion of sequestration, global carbon usage, and that type of thing?

Dr. Mirza: Great question. We have been trying to convince everybody who will listen to us that plants fix carbon dioxide. Our air has got about 399 parts per million of carbon dioxide, but human beings and animals, we produce 4 per cent. When a plant fixes carbon dioxide, vegetables especially, the air coming from outside will deplete the oxygen, and we have to add extra oxygen to maintain productivity. That's the angle we are trying to convince everybody, that we are a carbon user. To do that, we have to have the temperature proper. We have to have proper sunlight.

The data we are working right now is that – I was totally surprised that in a greenhouse, because they are poor insulator buildings, we want maximum sunlight to come in. That sunlight – in Edmonton, for example, we have about 39 kilowatts per hour as a blend that we produce per square metre per day from sunlight. I'm making a calculation that sunlight alone is the equivalent of so much carbon dioxide. The equivalent is being produced. Then we are using natural gas to heat the greenhouse, so this is the carbon dioxide. Then we're recovering it. I think it's just the question of generating more data. We ultimately want to work towards carbon neutral and, hopefully, carbon positive if we take all of it. It depends on the productivity. We have the best production in the world now.

In Lacombe, Medicine Hat last year we had about 200 cucumbers per square metre per year. That's one of the – so the total management package, utilizing carbon dioxide, plant density, how many plants per square metre you can squeeze, using biological controls. The biggest carbon footprint comes from pesticide use. We are almost zero pesticide; we are using more biological controls, which have less of a carbon footprint. Promoting those energy conservation plus crop management practices, we are very hopeful that we'll have a model that our greenhouses are either carbon neutral or are pretty close to getting close to that. I think that that's the approach we are taking.

Mr. Hall: There is an effort being organized right now on the crop side of things that involves a number of the farmer organizations like the commissions. It involves a number of the not-for-profit groups. It involves the aboriginal community, Ducks Unlimited, and other groups like that, probably 20, 30 different organizations

coming together. The story, as I understand it, is basically: in terms of carbon solutions about 30 per cent of the solution could be provided by the biological industries, primarily forestry and agriculture, yet it's not getting a lot of recognition.

So what are the ways and means in order to bring those solutions to the table and put them into practice? That will do two things. I'll speak from a farmer's perspective for a second. One of the things that it will do is that it will provide us some better assurances of continued market access in some countries or into some markets that we're currently selling, you know, the environmentally clean, et cetera, et cetera. Those sorts of things are very important criteria they have around whether I buy from you or I don't buy from you. The livestock industry and to some extent the produce industry are already experiencing that.

So far that hasn't been a big deal on the field crops side of the world, but it's coming. You talk to some of the companies, and they say: yeah; it's starting to come. It's McDonald's, and it's the Walmarts and so on that are driving that agenda. They're not really driving it. Consumers are driving them, and they have to react to the consumer and so on, and down the chain it comes.

That kind of work is getting – this coalition has come together. It's a loose thing at this point in time, but over the next six months or so the intention is to pull together what is going to be needed in order to come up with these biological solutions for the 30 per cent. That will (a) help protect our markets and (b), quite frankly, is a bit of a solution to the carbon issue and (c) could become a revenue stream of some significance to the farmers themselves. You put those three together, and they're starting to develop a momentum to say: we've got to go down this road.

The Chair: Just because I'm cognizant of the time and it is 12 o'clock, we'll do two more questions, and then we'll do the remainder read into the record and break for lunch.

Mr. Coolahan.

Mr. Coolahan: Thank you, Chair. I was actually willing to cede my question as a result of my rumbling tummy, but since we're going, we'll go forward here.

My question is for the Alberta Small Brewers Association. First of all, thank you for acknowledging the work that the government is doing to try to protect and grow the small-brewing industry. In your submission you mentioned the need for building stronger linkages in the value chain. Can you explain to the committee how you see these linkages, what it should look like?

Mr. Rock: Well, we think that our biggest differentiator in the sort of global world of beer is that we grow the world's best barley. We have to be better at telling that story. We have to show how it translates through into malt and then into the product that we have.

Actually, I'm really happy that at our convention we have a seminar just about barley from the Canadian malt barley technical institute. We have an emerging craft malting industry. We have a 20-farm association of hop growers that is being supported by Olds College. We're bringing all these folks together, and we want to develop a strategy that ties the identity of our product to the fact that the whole value chain is here, and it's high quality, the best in the world. You know, the research is happening all along the value chain, but there isn't sort of an overarching agenda or strategy to do that. There's no one that has a mandate to pull that together, so we're really trying to ask the government to use its convening power to pull this piece together.

Alberta Ag is fantastic. They're a partner with us as well. I need to say that the government has responded to the growth of this industry really well. The staff at AGLC and at Alberta Agriculture

are overwhelmed, honestly, with growth, and they're really doing a great job in helping us as best they can, but we think more could be done.

Mr. Coolahan: Thank you so much. It is advantageous that our Finance minister really likes beer.

Mr. Rock: Smart guy.

Mr. Schneider: I like beer, too.

I have two questions, Mr. Chairman, one specifically for the Greenhouse Growers, and another is just a general question. Recently I received an e-mail about a county in Alberta that is discussing changes to its land-use bylaw that would, I believe, directly affect greenhouses in Alberta. I'm sure you know what I'm talking about. Anyway, the question is: if municipalities create changes to their land-use bylaws that move greenhouses from agriculture to commercial taxation – I guess it's a simple question – how would that affect your industry?

12:05

Dr. Mirza: That's what I've been highlighting. That's going to be a very negative thing. That's the problem we are facing on the taxation issue, classifying us as a factory rather than a farming operation. Basically, we are fixing carbon dioxide, like I've been mentioning. We have very high productivity per acre. We conserve water as well. That's the kind of pressure which is building up due to complaints, and that's going to be a very negative impact on the greenhouse industry.

Mr. Schneider: Yes.

I guess, for everybody: have you ever used the international offices of the federal trade commissions or the Alberta international offices to access foreign markets, and if you have, what was your result, and was it positive?

Mr. Bigam: The answer is: many times going back many years. We're opening our market in the U.K., so we've had great support from the federal U.K. authorities. Canada House has been very helpful. Extremely good support from trade commissioners. At a trade show in Paris we met with 16 trade commissioners in Europe, and out of that I probably got about five or six specific, you know: here are distributors, here are companies, here's interest. Very good support.

On the Alberta side we get the same kinds of issues. We're dealing with the Washington office, you know, on issues down there, on trade, on border crossing, thickening the border issues. The answer is: those are valuable, valuable contacts to have. There's no doubt about it. They're great contact people. They don't do the job for you. You've got to still get out and sell and do all that kind of stuff, but they do open doors. They direct you in the right directions. It can be very valuable that way.

The Chair: Excellent.

Mr. Hall.

Mr. Hall: Yeah. I might add to what Jerry has said. I just got a note this morning from the trade commissioner's office in the Netherlands, and they've got a delegation coming to Alberta. Well, coming to Canada. They're going to be in Ontario in late March and then here for a couple of days around March 29 and 30. They're looking for connections, that they can have their companies meet with some of the folks over here and see if there's room to do some deals. That type of thing goes on on a fairly regular basis.

I guess the other example I would use is that there's a thing developing called the protein highway, which is kind of an effort

between the Great Plains of the U.S. – Iowa, Indiana, the Dakotas, Montana, Idaho, that general region of the U.S. – and western Canadian provinces, saying: we could be the global providers in terms of proteins to the world, so how do we go about doing that? The demand is there from the markets. I'll speak a bit more of that this afternoon. It was the trade office in Minneapolis that actually got that whole thing, getting catalyzed, getting started going. They're at a two-day meeting down in Minneapolis, in fact, today, where a number of folks from across these jurisdictions, both private and public, are coming together to say: "We've got a heck of an opportunity. It's bigger than any one of us, so how do we get together to take advantage of it?" Trade offices are very critical people.

Mr. Kaddoura: From my experience, yes. Actually, they were instrumental in saving our workshop last week from Malaysia because they helped in expediting the visa of one of the directors general of the halal hub of Malaysia, which is part of the Prime Minister of Malaysia's office, actually. As well, we use the Dubai commissioner, and they were also very helpful and co-operative.

Mr. Rock: In the brewing industry there have been some efforts to promote Canadian craft beer in the U.S., and I can say that that's probably the market that we'll be exploring when our industry gets bigger because they'll actually take it. Yeah. It's going to be easier for us to sell in the States than it is across Canada at this point.

The Chair: Excellent.

I'll allow remaining members to ask their questions for the record, and then we'll distribute them to all the panel members here as well.

Mr. Orr.

Mr. Orr: Thank you. Yeah. This is more just a thought, and you can respond to it later when you do. I don't know if this will be a consortium or a single entrepreneurial player that would respond to this, but are we ready? By that I mean: do we have the critical mass and the consumer mentality for an Alberta-grown brand supply chain and retail outlets all as one piece to supply, well, the entire Alberta food and beverage industry? I realize it would take some legislative changes to allow those to be in the same place. Are we ready for that? That's my thought to you.

Mr. Taylor: This is for Mr. Rock. In the event that the government loses in court again to the legal challenges by Steam Whistle and the Great Western brewers, what policies would you like to see in place to support small brewers that will be compliant with the agreement on internal trade, New West Partnership trade agreement, and section 121 of the Constitution Act of 1867?

The Chair: I want to thank all our presenters for joining us this morning and for responding to any of the questions. If you wish to provide any additional feedback or any answers to the questions that were just asked, please forward them to the committee clerk before the end of the month.

We're going to take a recess and resume at 1 o'clock.

[The committee adjourned from 12:11 p.m. to 1:01 p.m.]

The Chair: I'd like to welcome everyone back to the meeting.

Just as a quick courtesy to our guests who are joining us here at the table, I'd ask that we all introduce ourselves for the record. My name is Graham Sucha. I'm the committee chair and the MLA for the constituency of Calgary-Shaw. I will move to my right.

Mr. Taylor: Wes Taylor, MLA, Battle River-Wainwright.

Mr. Orr: Ron Orr, Lacombe-Ponoka.

Mr. Schneider: Dave Schneider, Little Bow.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Mr. Coolahan: Craig Coolahan, MLA for Calgary-Klein.

Mr. Piquette: Colin Piquette, MLA for Athabasca-Sturgeon-Redwater.

Connolly: Michael Connolly, MLA for Calgary-Hawkwood.

Ms Fitzpatrick: Maria Fitzpatrick, MLA, Lethbridge-East.

Mr. Carson: Good afternoon. Jon Carson, MLA for Edmonton-Meadowlark.

Mr. Koenig: Good afternoon. I'm Trafton Koenig with the Parliamentary Counsel office.

Dr. Massolin: Good afternoon. Philip Massolin, manager of research and committee services.

Ms Rempel: Good afternoon. Jody Rempel, committee clerk.

The Chair: Those on the phone?

Ms McPherson: Hello. I'm Karen McPherson, the MLA for Calgary-Mackay-Nose Hill.

The Chair: All right. Once again I'll remind everyone that today's participants are invited to make a five-minute presentation, after which I will open the floor to questions from the committee members.

At this point I'd like to welcome all of our guests. I would ask that before you begin your presentation, you just introduce yourself for the record. The first presentation I'm going to start with is Alberta Food Cluster.

Alberta Food Cluster

Mr. Hall: Hi. I'm Alan Hall. I'm with the Alberta Food Cluster. This is a new initiative that's just getting organized, so we'll take a little bit of time to talk about it, but I want to kick it off with a short, minute-and-a-half, two-minute video.

[A video was shown from 1:03 p.m. to 1:05 p.m.]

Mr. Hall: The Alberta Food Cluster is an attempt to try and get things organized here in Alberta to take advantage of some of these opportunities. We've talked to a number of folks, including the regional economic development authorities in Lethbridge, Taber, up through Calgary, Edmonton, Nisku, Leduc, some of those types of organizations. I'm out next week spending time with the eastern Alberta group, that is meeting in Camrose. There's tremendous opportunity here to add manufacturing at the local level. The other groups we've been talking to are some of the investment groups: AFSC, Alberta Treasury Branches. We've talked to several companies, those types of things. How this is going to emerge and what it's going to look like I have absolutely no idea at this point in time, but basically how do we get together in an organized effort to try to advance the commercial side of this agenda, supported with research and development as needed?

This is part of a bigger effort that's getting under way as well on the prairies, which is the development of what's called protein innovation Canada, which is a multiple effort across the prairies – at this point it may actually expand into Ontario and B.C.; that's yet

to be determined – that involves companies. It involves some of the governments, some of the institutions like universities, those types of things, some of the farm organizations.

How do we take advantage of this protein opportunity that's coming at us globally in terms of consumer markets and then the end-use markets? We could be the provider of that. That is also connected back into the protein highway, which is a yet even broader effort – it's getting some serious discussion this week down in Minneapolis – that involves the States, in terms of Indiana, Iowa, the Dakotas, Montana, Idaho, sort of that Great Plains, northern states kind of an area, coupled with the three prairie provinces.

Clusters are a way of getting some of this work done. They are a way of cutting through some of the chaff and then helping companies get up and running and get going. There are a number of clusters around the world in different segments of the economy. I think, for example, in Saskatoon we have the science cluster that's around crop development. That started about 25 years ago, and now Saskatoon is one of the globally, internationally recognized hubs for science in terms of genetics and advanced crop production, those sorts of things. A group called Ag-West Bio was created at that time and kind of catalyzed the whole thing and made it happen. It involves provincial and federal governments. It involves companies, et cetera, et cetera.

There are other clusters that are around the world in other areas. We visited one cluster in Denmark. It would be back about a year ago now. They started up on private investment and now house about 70 companies, three universities and have three anchor tenants, three of the major global ingredient suppliers in the world.

We think that there's that kind of an opportunity here for western Canada, but it is probably going to be a bigger play than just a Saskatchewan effort or an Alberta effort or a Manitoba effort. Somehow this opportunity here – as the prairies we could really make some of this thing happen, so work is under way to try and get those discussions under way, get them organized, and see where it may take us. We have been in the process of getting some discussions under way now with senior folks within the Alberta government in a couple or three of the departments: Agriculture, Economic Development and Trade. Those discussions, we're hoping, will happen in the coming little while. There is a meeting being planned for late March, where we'll probably bring in about 75 to 100 government, industry, and investment-type leader sorts of individuals – “Let's take half a day, and let's bat some of this around” – and out of that will come some next steps and that sort of thing.

I just wanted to bring this one to your attention. We've got the opportunity there. It's a fast-growing market. Proteins, plant proteins specifically, on a global basis are growing at about 20 per cent a year. It is a huge market. We can choose to ignore, or we can choose to grab on and go for a ride. It's kind of up to us, and these are initiatives trying to get that going.

I think with that, Mr. Chairman, we'll throw it back to you and certainly look forward to any further discussions during the question period.

The Chair: Excellent. Thank you.

I'll now invite Alberta Food Matters to provide us with their presentation.

Alberta Food Matters

Ms Roberts: Thank you, Mr. Chair, and I'm delighted to be here on behalf of Alberta Food Matters – I see my MLA, Eric Rosendahl, here; it's nice to see you – which is a nonprofit company here in Alberta, that actually has a membership of over 900 people that are

involved in food from the teaching perspective, from the farming perspective, and from the processing perspective, all aspects of food. I'm here today to present to the group the idea of a two-pronged approach to economic development with agriculture, that would impact our health, our environment, and our education system. Basically, we are promoting a universal school food strategy for Alberta, the strategy being that all children in schools have healthy food, local food, and they learn how to both grow it, cook it, preserve it, and they understand where it comes from. Couple that with a strategy that looks at farm renewal, business development, and labour.

1:10

I'm hoping you see the relevance, that if we make a difference in the school, if we have an impact on the school curriculum – presently this is a very important time because here in Alberta the Department of Education has announced funding for the pilot school programs. What we're looking to build on that: we would primarily look at the change in curriculum, and it's very important for this committee that you consider those curricular changes so that it's not just a matter of feeding kids; it's a matter of the kids being involved in the food system and understanding where their food comes from. That's a piece.

If we're effective there and, concurrently with that, if we have an on-farm renewal project that looks at new farmers – how can we support farmers from the land point of view, and how do we get their products out there? If we can put the two together so that schools are combined with the farmer that looks at local produce, there's economic benefit – and there's research to show this – here in Alberta. In other words, the picture is this: kids in school get or grow their own food or get local food by meeting and being in touch with people who grow the food. They learn how to grow it themselves, they learn how to cook it, preserve it, and they understand the system from whence their food grows.

I have here in front of me a little montage of a tractor, a little school scribbler, Alberta barley, and an Alberta apple. How are they all related? They're related through a school. If we have school kids that understand where the apple comes from – not the applesauce; they make the applesauce. If the kids make soup with Alberta barley – like, there's a school in Fort Vermilion that has a farm school where they actually use farm equipment and grow commodity food, fruits as well as vegetables. If they get that whole picture together – so the commonness is that everybody understands the food system.

In closing, I just want to say that we basically have four key messages for this committee. One is to support a crossministerial approach that would successfully support a universal school food strategy and that this committee be involved in the curricular changes that must happen through the Department of Education and that it be across ministries: environment, agriculture, Health, and Education.

That the committee also commit to a farm renewal, business development, and labour process, which will help new farmers as well as farmers that are already in place that don't have a succession plan in place.

Thirdly, the coupling of these two, the school food strategy as well as on-farm renewal, which means that kids will know and see that farming is a viable and valuable career.

Finally, that the committee would look at how we evaluate this, how to have a sound evaluation to let us know that we're being successful from an educational, health, environmental, and agricultural point of view.

There are a couple of references that you have. I'd refer you to the Farm Renewal, Business Development & Labour in the Next

Agricultural Policy Framework document that you have as well as a position paper on promoting healthy school food environments.

I'm keen. I'm hoping you're keen. And remember: the tractor, the apple, the scribbler, the pencil, and the barley all fit together.

Okay. Thank you very much.

The Chair: Excellent. Thank you very much.

I'll now invite the member from BioComposites Group to provide us with their presentation.

BioComposites Group

Mr. Madlung: My name is Dan Madlung. I'm the owner of BioComposites Group with my wife. She's behind me. I'm here to talk about industrial hemp and commercializing the value chain. I represent the industrial hemp industry, I represent BioComposites Group, and I represent the regional hemp alliance, which was formed not too long ago with all the municipal and county leaders from Devon through to Brazeau county. We also have an alliance with Leduc, Nisku, and the county of Wetaskiwin. We formed this alliance in order to commercialize the industrial hemp fibre industry, and we're moving forward on that basis. Behind me I have the reeve of Brazeau county, and the mayor of Thorsby is with us also.

What we're talking about here: these numbers have been vetted by the Department of Agriculture and Forestry, their ministry. Right now Alberta is a leader, has the largest production of hemp plants in North America. We grow 32,000 acres, and it's all grown for seed. We cut the top off the plant, and then the stem itself, which can be six to 10 feet tall, is a waste product. That's the part we're talking about. Utilizing just that hemp stalk in the fibre supply chain will create 485 jobs – that's about \$9.5 million in provincial income tax – and result in a capital investment of \$220 million and economic development activity, which is revenue, of \$212 million. Every acre or hectare sequesters five times more CO₂ than the equivalent acre of forest. That's what we're talking about here.

When we look at the left side of the screen there, that is seed. There is a commercial industry right now for 32,000 acres. We're talking about taking the stem, on the right-hand side. You can take the very centre, the woody part of the stem, which is the hurd, and there's a list of products there. The other part is the bast fibre, which is where we are, the BioComposites Group.

The value chain itself: what we're talking about here is farmers. We're talking about processing that stem into hurd and bast fibres, which is called decortication. There's a very large company starting up just around Calgary right now called Just BioFiber. It will utilize the hurd product. BioComposites Group is our company, and we'll use the bast fibre. We're the only ones doing that in North America.

We're a fairly large investment, about an \$18 million plant, and we just got our first purchase order from General Motors for this interior automotive panel. It's the first interior automotive panel produced in Alberta and the first one in North America utilizing hemp fibres. We also deal with a lot of young entrepreneurs to build small businesses. This is made out of hemp. It's lightweight, super strong, and it'll result in a young entrepreneur making a living. [interjection] Pass that around, yeah. You'll notice that this is super lightweight. This is for General Motors. It's for a sports car of theirs. They cannot get that as lightweight or as strong anywhere else. We also have contracts with Toyota, and we're working with Ford on a special process.

The next phase in the supply chain is pressing. We can replace anything fibreglass or carbon fibre. We're just between the two in strength. We talked to several large companies – they've approached

us – including Boeing, so we're looking at the aerospace industry right now.

1:20

What we want to do here. Alberta has invested 12 years and several hundred thousand dollars in developing the hemp industry. As I say, we're farther along than any other jurisdiction in North America. In Europe they're doing a little more than we are, but they're a mature industry there, so we can learn from them. But it's time to commercialize this. We're at the applied research stage except for my and my wife's company. We want to commercialize a whole value chain, and we have the people in the region supporting us.

The last piece. What we really want to do is remove commercial barriers. What I mean by that is that I have had every major company that's dealt with hemp fibres come to our plant from Europe and the U.S., and I don't know what to tell them, so I want to make sure that Alberta is represented and that we can bring this investment in. We've had discussions with your ministry of economic development and with your Ministry of Agriculture and Forestry, and we're currently working with the regional hemp alliance to secure funding of \$1.5 million a year for three years in order to commercialize that. That's what we consider provincial support. We're asking for your provincial support in order to do that, and as you can see from the tax base, it's a high return on your investment.

I won't go over the numbers again, but you can see the numbers there. We want to create a new industry in Alberta which is expandable to other jurisdictions, including Saskatchewan and Manitoba. We will sequester CO₂. In my view as a businessman, it's easier to sequester than cut back on producing it. When we've finished this three-year program, we want to have experts trained in the whole industry and create a template for expanding the whole value chain.

That's all. Thank you.

The Chair: Thank you very much.

We'll now go to the representative from BioWise Canada for their presentation.

BioWise

Ms DesLandes: Good afternoon, Mr. Chairman and committee members. My name is Astrid DesLandes of BioWise Canada. It's a company focused on the creation and advancement of social innovation, concentrating on new forms of co-operation and business models, especially emphasizing those that work toward a sustainable society. I am partnered with Exploration, a group out of London in the U.K., a group of highly motivated, ecosystem-thinking experts, and together we are dedicated to the revolution of the urban food production industry by taking what we need less of, which is waste, to produce what we need a great deal more of, locally grown, low-carbon, nutritious food. We've got a quote up here talking about how waste is not really a useless matter, that it's just something that we don't know how to use yet.

Our current global economy operates on a linear model, which goes against the way our natural world operates, which is circular. We use the world's finite natural resources in a linear fashion, thereby creating a deepening void of those natural resources and creating a rapidly growing, useless mound of waste. This fulcrum that is nature's delicate balance will not hold us up indefinitely. We need to act now. This is why the Nexus project is such an exciting opportunity. We can take everyday household waste, that is considered worthless, and turn it into a valuable commodity.

In Canada \$31 billion worth of food ends up in landfills or composters each year, but here in Alberta we can be the first ones to do something about it. Let me highlight an amazing trend that we intend to leverage. As of 2015 15 per cent of the global food supply was produced by urban farms, which is a figure that is only said to increase as urban populations grow and as they develop an understanding of nutrition and an increasing desire for tasty food.

The food that we eat in cities today comes from very far away. On average, it has travelled over 2,000 kilometres to make it to our plate, accruing a vast carbon footprint. The one thing that food is terrible at is travelling, yet it is packaged, shipped, repacked, sold, and reshipped many times over. By the time it reaches the consumer, it has lost almost all of its nutrition, taste, texture, and smell. For example, we've gone from having over 500 species of tomatoes to just 12. Ah, the ubiquitous tomato, the one we talk about in remembering our grandparents' farm. We picked it off the vine. We cut it up. It was still warm from the sun. It tasted amazing. We don't have that so much anymore.

The Nexus project solves these issues by bringing together the urban cycles of waste, energy, food, and water all under one roof in a manner closely resembling that of the natural ecosystem so that the waste of one system becomes the nutrient for the other.

I'd like to tell you a story. In an area in the U.K. called Wakefield, just south of Leeds, a fellow by the name of Graham Wiles started an initiative known as the Able project to get children with learning difficulties back in the workplace. Graham saw an opportunity in the waste cardboard being produced by the local shops and restaurants, and since they considered it waste, Graham and the kids convinced these businesses to pay them to collect the cardboard and take it away. Then, once collected, they shredded the cardboard and sold it to equestrian centres as horse bedding. Once it was soiled, the team were paid again to collect the bedding, which they placed in the wormery composting system. The wormery produced two sources of revenue for the team, worms and compost. They sold off the compost and fed the worms to Siberian sturgeon, which produced caviar, which, in turn, they sold back to the restaurants.

That was a great system. It transformed a very linear process into a closed-loop model and created more value in the process. If we can do this for waste cardboard in a rural setting, why can't we do this for everyday food waste in our cities?

This is how we could do this. We will take the food waste from local residents and businesses within a close proximity of the site and feed it into an anaerobic digester, which will produce all the gas required to heat a greenhouse as well as the liquid fertilizer to feed our intensive, hydroponically grown vegetables and herbs. By co-locating these systems under one roof, we can create fantastic advances on conventional agricultural systems. If Dan has any waste, we'll take that.

The benefits are that we get to divert the food waste from landfill sites. In diverting food away from landfill sites, there are vast reductions in operational energy and water usage costs when compared to conventional urban agriculture projects because of the gas- and nutrient-rich liquid produced by the system. There is no need for expensive fertilizers as nutrients within the food being recycled are used, closing the nutrient loop, and there is parallel freshness of food with a very low carbon footprint – near zero – as it's grown and consumed locally. There is no use of pesticides, so our food is truly organic. Tying into what Susan was talking about, there is an incredible opportunity for education, bringing schools throughout the place. The place has not only growing opportunities, but it has farmers in there. It has a restaurant. As you saw in the material that you received, it has a whole system that can take care of everything that's produced and reuse it again.

When we remember that 800 million people world-wide grow fruits and vegetables in cities and that this represents an astonishing 15 per cent of global production, as we were talking about, I know that this is possible and that Alberta is the place where we can show how to reduce our carbon footprint while increasing our food security resilience, which was talked about this morning.

That last point, about food resilience, is an important one given that when Hurricane Sandy struck New York in 2012, the only vegetable produce on any of the supermarket shelves for miles around was that of the urban farm Gotham Greens.

About the opportunity in front of us, I would like to finish with a quote by Paul Hawken, one of my favourite people. "Don't be put off by people who know what is not possible. Do what needs to be done, and check to see if it was impossible only after you are done."

Thank you.

The Chair: Thank you very much.

We'll now go to the representative from Organic Alberta. Please proceed.

Organic Alberta

Ms Boileau: Good afternoon. My name is Dawn Boileau, a local organic farmer and representative for Organic Alberta Council. We sincerely thank you for the invitation and opportunity to contribute.

1:30

I'd like to start with some background about Organic Alberta. Established in 2005, the Organic Alberta Council represents all 500 organic producers and processors in Alberta as well as over a hundred businesses across the value chain. We provide leadership, networking opportunities, and education to the Alberta organic community. We encourage and support producers through their transition to organic production, provide market and business development information, and help build the relationship between consumers, retailers, and producers.

Organic agriculture is a process, a method of production which strives to work with the natural environment. It focuses on building healthy soil that will grow healthy crops, preserving biodiversity, promoting animal welfare, and preserving the ecological integrity of the environment without the use of synthetic fertilizers or synthetic pesticides. By definition organic means no genetically modified organisms. Organic means third-party certified.

The federally regulated national certification system ensures organic practices are accountable and transparent. Each step of the certification process is scrutinized by an agency accredited by the Canadian Food Inspection Agency. However, the national regulation only applies to organic products that move across provincial and national borders. British Columbia, Manitoba, Quebec, New Brunswick, and Nova Scotia have all adopted provincial regulations. Alberta does not currently regulate organic products grown and sold within the province. This lack of a provincial regulation erodes consumer trust in local organic products. It impedes market growth, favours imported substitutes, and causes an uneven playing field for Alberta organic producers.

Organics is an exploding agriculture and food sector. Canada has the fifth-largest organic market in the world, valued at \$4.7 billion a year, up from \$3.7 billion in 2013. In 2015 there were 5,605 operators with organic certification in Canada. Organics represents 2.7 per cent of Canadian agriculture but employs 3.75 per cent of the agricultural workforce. The demand for organics in Canada is increasing at a rate of 16 per cent per year, and domestic supply is not keeping pace. Fifty-six per cent of Canadians and Albertans buy organic on a weekly basis. The latest data shows that in 2012

organic food contributed over \$415 million to the Alberta economy, representing a 30 per cent growth in mainstream retail sales of organic products between 2006 and 2012.

Currently demand far outstrips supply. Prairie organic grain production has been in a state of severe supply shortage for the past several years. Processors have either cut back on their organic products or looked to other countries for organic ingredients. Supply has been slow to meet demand partly because there have been no major programs to increase organic acreage and improve organic production.

Organics has a strong business case. In 2014 for hard red spring wheat, durum, oats, barley, and flax average operating expenses per organic acre were 32 per cent less than conventional production. Average gross margin per acre was 300 per cent higher, and maximum gross margin advantage was 840 per cent for oats and the minimum was 189 per cent for brown flax.

Organics is a substantial opportunity for growth and diversification in Alberta's agrifood and agribusiness sectors. Alberta has an immediate opportunity to become a key supplier of organic grain and other products throughout Alberta, Canada, and the world. By focusing our energies on organic production and processing, Alberta can lead the way towards meeting consumer demand.

What needs to be done to achieve these outcomes? First, Alberta needs to close the regulatory gap by adopting regulation that mimics the Canadian organic regulation.

Secondly, Alberta should incentivize and reward best environmental and climate-resilient practices. Programs should incentivize the use of techniques that reduce energy use, increase soil carbon, improve watershed health, enhance biodiversity, and reward producers like organic growers who carry out those practices as a fundamental part of their operations.

Finally, Alberta should adopt programs that increase organic acreage and assist growers to improve their management practices. Potential programs include those focused on risk mitigation, especially during the transition to organics, supporting organic research, and employing agronomists trained in and focused on organic management.

On behalf of Organic Alberta Council thank you for your time.

The Chair: Excellent. Thank you very much.

I'll now open up the floor for questions.

Mr. Schneider: Yes. I'd like to ask a question to Mr. Madlung. Now, you talked about commercializing the whole supply chain of hemp fibre in Alberta. Currently you have farmers growing hemp, taking the top off, which is where the seed is, and the rest of the plant to the farmer is considered . . .

Mr. Madlung: Do I press this here?

Mr. Schneider: No, you don't have to press anything. I just wanted one word out of you, so I can finish my question.

Mr. Madlung: Yeah. It's considered a waste product.

Mr. Schneider: It's a waste product for them. Sure. I assume that the people that grow it let you have the stalks?

Mr. Madlung: No. Right now the government of Alberta in Vegreville at their plant has a decorticator. They're currently paying between \$80 and \$100 a tonne for that material, and then I buy the fibre from that decorticator.

Mr. Schneider: Okay. You turn that fibre into the textiles that you make?

Mr. Madlung: Yeah. The products.

Mr. Schneider: Yes. Would that be considered a low-grade fibre?

Mr. Madlung: No. The fibre that I use, the bast fibre that's on the outside of the plant, is a high-value product, and the shive or hurd in the centre of the plant is a low-value product.

Mr. Schneider: Are you missing anything in your processing between getting the fibre from a plant that the Alberta government owns – is that right? – and your factory?

Mr. Madlung: Yeah. The decorticator that the Alberta government owns is a research facility, so it has a very low volume. My facility is commercial. We produce about two tonnes an hour, so we'll do a 53-foot van in eight hours. That would take Vegreville about a month to produce. As we commercialize, that fibre isn't available, so we will need a commercial decorticator, which is about \$10 million. You know, we had five minutes, but I have investors from all over the world that will build that. They want to partner with us as soon as they have a market for their fibre, the fibre we use, so as soon as we're producing full out, we will see an investment of \$10 million. The investment money is available. In the interim I can import canna from Bangladesh, or I can import fibre from Europe at a similar price to what I can get it from the government facility in Vegreville.

Mr. Schneider: Can I have a follow-up?

The Chair: Go for it. Yeah.

Mr. Schneider: Can they grow hemp in the U.S.?

Mr. Madlung: Well, physically you can grow hemp in the U.S., but no one wants to invest there for a couple of reasons: one, political, but the other one is that there's . . .

Mr. Schneider: That's usually the worst one.

Mr. Madlung: Yeah. People are coming here because of that. I'll tell you that. I'll be frank. More importantly, they cannot legally grow it there. It's illegal to grow. But you can get a permit to grow it for university research purposes, and some people are doing that.

Mr. Schneider: Okay. Thank you.

Mr. Carson: Thank you very much to all the panel members. My question is specific to the Alberta Food Cluster, but it is open to anyone. It's just in reference to your submission. In your submission you mentioned that with encouragement upwards of \$2 billion in ingredient infrastructure investment could be made throughout Alberta in the next decade. I'm just wondering what kind of encouragement from the government you're hoping to see.

Mr. Hall: Not necessarily money. I think what we need to make sure is that policy is supporting, and we need to make sure that we have the mechanisms in place that can kind of I call it grease the skids for the various parties to be able to come together and do deals. Sometimes that gets a bit overlooked in terms of importance, but you go back and look at cluster development in other parts of the world – whether it's the IT cluster in North Carolina or California, whether it's the science cluster in Saskatoon, whether it's the mining cluster over in China, wherever it may be at – that whole greasing the skids is really a critical part because it gets people together and gets them talking, and then away we go from there. That would be more the area we'd be looking at from the government side.

1:40

Government support to research and development is needed, certainly, at some of the earlier stages as oftentimes there is technology development that needs to be involved or some product development formulation type stuff that needs to be involved. Active government support in terms of science is a critical piece as the industry for the most part will not invest in big science. They're more focused on: how do I capture a fairly immediate commercial opportunity? That's going to be a critical role in there for the government as well, be it federal or be it provincial governments.

In terms of the \$2 billion dollars, yeah, that's a kind of a "We'll grab it from the sky and pick a number," but I can tell you right now that there's \$1 billion of investment on the prairies that is either committed or in process on six fractionation plants for crop materials. One is in Manitoba. It's been announced. Two are in Saskatchewan; one has been announced. Two are pending in Alberta with no announcements yet. The sixth one is a Saskatchewan-based company, a Regina-based company, Alliance Grain, that currently has their big processing facility in North Dakota – I can get into those reasons if you want – who are looking at their second plant being here in Alberta. They're about a \$2 billion in annual sales company. It looks like there's already a billion dollars showing up on the street here, partly already and part to come within the next year or so, on these types of facilities here on the prairies, of which Alberta is probably going to be a one-third share by the look of things at the moment.

The other thing I would mention is that I think it's going to be critical from the corporate point of view in our discussions with companies – they're not really interested in playing one province against another. What they're more interested in is: how do we take advantage of the opportunities on the prairies? They view prairies as kind of a common area regardless of our provincial or municipal politics. They view it that way. There's been a bit of a discussion around our table to say: how do we facilitate that kind of an approach to happen? Whether the New West Partnership agreement between the four western provinces can be a vehicle that could be written to help with that, I don't know. In terms of discussions with the federal government, they're going to play the card: "Well, man, how come just prairies? Why not the rest of Canada, too?" Then you get kind of too broadly based and watered down if you're not careful, and then that can stumble and struggle.

Those are some of the challenges that are going to be in front. But bottom line: the investment is coming. There are examples of it having already shown up. There are going to be more on the way over the coming few years. There's no question in our minds whatsoever. As you talk with the companies, you certainly get the same message from them. It's not just about attracting branch plants or attracting foreign investment; there's a good chunk of this that action can also happen from a more local, regional-type of an approach. The two companies in Alberta, the investment money behind that is local money; it's not international money. The plant in Manitoba, one of the plants in Saskatchewan are international monies: one's French, and one's German. The Chinese will be here one day. I just don't know how soon, but it's coming. They've already bought out the Nutri-Pea operation in Manitoba, and basically their policy is: let's process abroad and bring the stuff home to eat. These are real opportunities, but the numbers can certainly be challenged. If anything, we think we're a bit on the conservative side.

Mr. Carson: Anyone else like to take a shot at that question? If you don't mind, Chair. Just what can the government do to encourage investment in your industry?

Mr. Madlung: I put a slide up there. Of the biggest pieces I have, one is that funding mechanisms are designed around research and applied research. Getting to that phase, getting to commercialization is a different animal. With industrial hemp I think that Alberta has been a leader in getting to the applied research stage, so now we've got to think like an entrepreneur and develop this like an entrepreneur. What does it take to get investment? It takes marketing. We need to have that. In our industry, an innovative industry which is not a commodity, you have to develop the industry. When I go to Detroit and say, "I've got a hemp-based automotive panel. What do you think?", "Well, that sounds good." Bren and I have spent a million and a half of our own money in three years developing that, and now we finally have a PO.

Meanwhile, I mean, a lot of people talk about the valley of death. That's what it is. When you build a plant and then you're in a new market, that becomes an issue. I think entrepreneurs need help developing their markets, and then we need help educating investors. We've spent the last year educating investors on what is industrial hemp. You know: do you smoke it? What is that? I mean, I think the word's out there now, so we have a lot of investor interest. I can tell you that.

The other thing we need to educate is our governments. What is industrial hemp? I mean, do you know what industrial hemp is? Do you really know? Do you know the market? Do you know what it's about? If you don't, then it's hard to get your support. When industries and companies like ourselves are building this, it's hard to do it yourself. My wife and I work pretty hard, and it's hard to develop a whole new industry for a province or a country.

Since we've formed this alliance, it's been amazing. I mean, the mayors and the reeves are bringing in potential clients. We had one of the largest manufacturing companies out of the Netherlands just this morning. I barely made it here. That was brought about through, you know, governments and educating governments. We need that piece. We need to educate governments on that.

Just the whole piece around: when companies come, what do you tell them? When that company comes and says, "Boy, I'd like to invest in your industry," where do I send them? We have that every second week. I don't know. Where do they go? Part of what we want to do is set up this region that says: "Okay. We go there." I mean, you have some amazing people in your ministries like Lori-Jo Graham in agriculture, but they're getting inundated. Since we've raised the awareness of the hemp industry, they can't keep up. I think that's another key part.

I mean, for me, the money is not there. It's just a lot of education and a lot of marketing support, if I'd summarize.

The Chair: Ms DesLandes.

Ms DesLandes: Thank you. I will definitely support what Dan was saying in terms of the need to think more like an entrepreneur, and what most successful entrepreneurs do is work, just like in nature, on a quick feedback loop. You try something, and you see whether it works or not. You get that data, and you try again. I would say that in our province, because of the incredible success that we've experienced through energy such as oil and gas, our investors are often rather risk averse. However, they're noticing that we're moving away from exploiting finite resources somewhat, that there's a trend towards the renewable resources. Therefore, the education component of both investors and government is really important.

I would say, in answering your question, that it's speed. Speed is absolutely necessary, and this is where the quick feedback loop can be helpful. If we're going to be innovative, we have to stay abreast of any competition, global competition especially. We can't be

developing something, have somebody else in another country notice the genius of it, and they develop it faster, and we just lose our edge. I would say speed in terms of changing policies, whether it's rezoning even to have urban farming, for example. Regulation policies and speed in making changes will benefit us and keep us competitive.

The Chair: Ms Boileau.

Ms Boileau: Thank you. Our primary focus right now is really about having Alberta adopt the Canadian regulations, the standards. It really will lend strength to the industry. Secondly, education is always key, having consumers understand the benefits to health of organic products and to the environment, the soil sequestration. Education would go a long way in just increasing the market even further.

Thank you.

1:50

The Chair: Mr. Hall.

Mr. Hall: Yeah. I just might add, to follow up on Dan in terms of government, that the municipal governments and the regional economic development authorities are going to be absolutely critical pieces in how these things will advance. That's where the siting happens. That's where some of the connections locally happen, be it suppliers, be it whatever. Those are going to be very, very key groups, both at the municipal level and at the regional economic development level. I think that the support, for example, that the Alberta government has put towards the recent announcements in the regional economic development authorities and helping them, incubators, et cetera – those types of ideas are going to be very, very helpful as we move forward. The action will really happen probably at the more local level.

The Chair: Mr. Orr.

Mr. Orr: Yeah. Lots of questions; so many different choices here. Well, this time I'll do Alberta Food Matters. I like some of what you're doing. I think the educational piece is really good. I think you've got some interesting ideas. Are you part of the Alberta Education curriculum rewrite to get this into education?

Ms Roberts: We're spread across the entire province, so there are some people that are part of Alberta Food Matters that are a part of that curriculum development. We have a small school food network across the province that is involved in that.

I meant to mention also, though, that we just recently had a conference, two weeks ago, called Cultivating Connections, and it affirmed what we're suggesting here. I feel that I'm a little bit out of the ball game here because of my four counterparts. Really, if you were looking for an impact long term, it would be to work with our young people and our kids and our schools. Organic Alberta could help; you could help with BioWise if we really were a partner in the school: agriculture, economics, education, environment, and so on. Our suggestion is Alberta Food Matters being the very foundation of all of what we're talking here.

Mr. Orr: To other points: has the government been receptive to your ideas and your organization?

Ms Roberts: Somewhat. We like to think in part that we had some influence on the decision to allocate some of this funding, the pilot school projects, to some extent, yet I'm not sure. Where we need your help as a committee is looking at this not just as a feeding kids approach. It's about the kids understanding the food system so that

they can take it and begin to make a difference, whether they join BioWise or whether they become a farmer or whether they actually question the policies that are around our country around how to grow our food.

Mr. Orr: That's the part I actually like.

I do want to say, though – and I'd appreciate your response to this – that I think there is probably a pretty strong perception out there, and in order for you to get political buy-in and even social licence, the issue is: how are you including parents in the partnership of this? Quite frankly, there are people who view it as an unintended consequence of basically just encouraging parents to be dysfunctional and irresponsible: "The parents are supposed to feed their kids. Why aren't parents feeding their kids?" And in order to get political buy-in on this, you're going to really have to answer that question.

Ms Roberts: I think you're right. We attended a conference a couple of years ago, and the question was: what's getting in the way of us making a change in terms of the curriculum? Interestingly, though, this was a group called Ever Active Schools. It really works hard with schools all across the province. There were parents there, there were school administrators, people in politics. The answer was not parents; the answer was school staff and the bureaucracy within the school system. There were parents actually there. We haven't experienced that as we worked with the school food network across our province. Parents have been only supportive of this, haven't looked at it as if we're whipping away their responsibility of cooking for their kids. They've in fact benefited because their kids come home with some of these novel ideas.

I want you to understand that this is a whole community developing this approach. It's parents, it's the school board, it's the kids, it's the teachers, and it's the community. In fact, the potential for this is that a school could become a local food hub. Because they have the land, they could grow as well, be part of the urban movement here, but that sometimes is difficult.

Mr. Orr: I think it's an interesting idea. I think it probably will take root better in the urban environments.

Ms Roberts: It's interesting. Let me just give you a couple of examples if I may. Any of you from the Fort Vermilion area?

An Hon. Member: He's not here.

Ms Roberts: Well, there's a young man up there that started a farm school, and the kids are learning. They raise animals, they grow commodity food, and they do the entire thing. There's a young man right now in Calgary who, with the help of kids, actually feeds breakfast, lunch, and snack from local foods to 1,200 kids a day. There's a guy, Scott Hall, who works in the Maskwacis First Nation. He's doing the same. There's a geodesic dome growing food . . .

Mr. Orr: In Lacombe.

Ms Roberts: Yeah. You know?

Mr. Orr: I know. I've been there.

Ms Roberts: So there's a lot going on. I didn't mention that, but there is a lot going on. What really has to happen, where we first of all need government support, is to help us bring those people together to make policies. When they were trying to build the geodesic dome in Lacombe, it took them two years because of all the hula hoops that they had to jump through. Also, again, it's

crossministerial. It's Education, but really we're talking about: how do we promote sound agricultural practices in the school environment, and how do kids understand the environmental implications of the food that they're eating? It's really multidimensional. That's been our toughest sell. How do we get a crossministerial buy-in to this? It's not just Education; it's Ag.

Mr. Orr: Yeah. You're on to some good stuff there. You should have heard some of our panels yesterday talking about the incredible deficit of agriculturally trained people in our province and the need for agricultural workers but that nobody wants to go there and the need for it to happen in schools. You're onto something good. I do think you will have some resistance, though, in terms of the actual feeding of the kids and taking that away from the parents. There's a parental issue there that I hear about a lot.

Ms Roberts: Oh, do you? Well, that's interesting.

Mr. Orr: I can connect you to some of it if you want.

Ms Roberts: I've had some sort of aggressive parents have a conversation about this, but when they realize that they could be part of what's happening in the schools, they can be teachers.

Mr. Orr: That's why I'm saying: how do you make them partners, and how do you draw them in? That will be the question that you'll have to answer.

Ms Roberts: That's critical. That's brought up when you read our position paper. That's in there. I think it's really the building block for all that we're talking about here because we want to build the industry, and young people are the ones that can do it.

Mr. Orr: Yeah. That has real potential.
I'll quit monopolizing the time.

The Chair: Sorry. I just wanted to allow Ms DesLandes to comment.

Ms DesLandes: I would like to support the argument that my colleague Susan was making. We hear a lot these days that if you want your kids to survive the future, tell them to learn how to code. I would say: learn how to grow food. I see that as much more important towards survival.

In terms of the question that you asked, I have created programs in the past for a client of mine, the Calgary board of education, for a few years. Bringing in the parents and engaging them was absolutely key. It's not about the children telling the parents what to do. For example, one of the programs that we had going was recycling. Now, depending on what area or cultural background you come from, recycling is not necessarily something that you grew up with or that you have even given any thought to, yet at the same time, when the children came home and were saying, "Can we move this over here, and can we move that over here?" the parents started coming along. We brought the parents in as well to see some of the projects that the kids were doing in the schools, and that really engaged them. So the parents did not feel like they were told how to raise their children, and that was a really good thing.

The second point that I want to make is that I'm from France, and there are school programs in France, starting in junior high, to teach your children not how to code but how to raise animals, how to make cheese, how to grow food, to start re-creating what we've lost, which is the small growers, the small farmers, the small animal raisers. It's really picking up because a lot of children don't want to be sitting at a computer all day long, believe it or not. Especially in France, they're not that keen on it.

It's doable. It's absolutely doable to show the kids how to connect with nature, how they are a part of it and not a part of the apex, as we've been taught for so many years. Yes, I support it, and I think it's absolutely doable.

Ms Roberts: I just want to complement. I'm sorry. Just maybe a minute.

The Chair: Go ahead.

Ms Roberts: Somebody mentioned that this is sort of more of an urban-driven thing. Really, there is a huge market for kids that are in the rural environment. Truly, we tend to paint those kids with this brush that they actually know how agriculture works, and we have found and learned from the students themselves that they still don't know, maybe even if they live on a farm. I just wanted to say that it really is universal across all children in our province and in our nation as well.

2:00

The Chair: MLA Dach.

Mr. Dach: Thank you, Chair. I have a couple of questions here. It's a fascinating afternoon. I wanted to focus my questions for Mr. Madlung from BioComposites. I understand there's an increasing demand for hemp fibres. You had indicated that sources for those fibres are located out of the province. Many members of our caucus visited a farm just west of Edmonton, by Stony Plain, and that farmer had a small acreage, I think about four acres, where he was growing hemp just as an attempt to sort of enter into the market. I'm wondering if those tepid efforts are being rewarded. Are there other farmers? We need to increase the crop production of hemp here rather than sourcing it outside the province. What efforts are being made by your organization in concert with the provincial government to encourage production here in our province?

Mr. Madlung: The first thing, to be clear, is that we're very successful at this as a province. There are 32,000 acres – no one else can say that – so we're successful. You know, a good example of this is the county of Brazeau. I've been on a speaking tour once a week for several months, and one of our alliance partners, the county of Brazeau, has started to have workshops for farmers and potential farmers. At the first one there was myself and a couple of representatives from the Ministry of Agriculture and Forestry, and with very little advertising there were 84 potential farmers there. Available at that, Hempco, which is establishing in Leduc and Nisku as a seed producer, had contracts for the farmers. They were looking for 5,000 additional acres; they already had 7,000 signed up. The questions were there, and they just kept coming and kept coming. That conference went forever, and it never stopped, and it's still coming. I had to produce a publication called *The Seed for the county to help answer their questions*.

That's part of the education piece I'm talking about. We need a central place where a farmer can go. It's not like you can just go down to Stokes Seeds and pick up a pack of seeds. I mean, you have to be licensed with the federal government, and that red tape has been reduced lately through a lot of work with the Canadian Hemp Trade Alliance. But how do farmers do that? They get frustrated, the small guys especially. How do you seed it? What kind of ground do you grow on? How do you harvest it? What variety of seed should I use? There's a new variety developed by us, Albertans, that's 20 feet tall and still has the seed. Should I be growing that? When can I start growing that? You know, we all paid a couple of million dollars for that – right? – so let's take advantage of it.

That's the education piece that I'm talking about, the education of the farmer. We've got one person in Vegreville who knows how to run a decorticator. I have to fly somebody in from Vancouver to run my plant. There's something wrong with this, and we've got to build the infrastructure for that training piece. I think it's a great question: how are we doing that? I mean, there are some people running ragged right now trying to educate farmers that all of a sudden have this huge interest. That's what we want to use the money for and use the county and town resources to establish and have that legacy for future farmers also.

Mr. Dach: Okay. A quick follow-up if I may. In the late 1990s I know that Thorhild county was attempting to investigate building a plant which would use straw fibre to make particleboard. I actually ran into one of the German investors on a train in Europe. He had a sample of it, and he had actually just come from the small village of Thorhild after making a presentation there. But that failed, and the plants ended up getting built in, I think, Manitoba and Montana for various reasons, and I'm concerned that that kind of thing can happen as well with our hemp industry. We don't want it to fail. We want to make sure all the components come together because there's great promise and great excitement. That never did happen, and it still hasn't happened in Alberta. I'm wondering about those two components, if straw fibre can be melded with the hemp. Are there any synergies there at all so that that can be reignited here?

Mr. Madlung: Okay. Alberta, I think, had three strawboard plants, and they all failed. They all came on gangbusters, and there was no co-ordinated effort in that. Every one of them was heavily subsidized. What happened there was that no one did the study to say: "Is there a difference between that straw that's grown over there versus that straw over there, and will my straw be storable? It's a cyclical crop, so how do I use straw in June when the harvest is in September?" People didn't study that. They just went: "Boom. This is a great thing. It's going to be wonderful." I was asked to invest in it myself, and I didn't, thank goodness.

But this is different. The applied research has been done for 12 years on this, and it's not an industry that's unusual. It's done in Europe, so we go over there and we learn from that. We've been doing it in Vegreville. We've been growing hemp and processing it and sending it out around the world to help other jurisdictions develop their industry. So those questions have all been answered.

You know, will there be a couple of hiccups? Yeah, but I think it's really important to understand that we in the industry are all co-operating. It's a friendly industry right now, and we're all just trying to get over that hurdle of commercialization so that the competitive nature isn't there. We're all working together, and we're all working together to make this work. The last thing we want is two big, \$10 million decorticators sitting still while I'm not buying their fibre. That effort is being done, and that's part of this whole regional development piece so that we can time our investments.

Mr. Dach: Thank you. Glad to hear that.

The Chair: MLA Carson.

Mr. Carson: Thank you, Chair. This question is for Alberta Food Matters.

Ms Roberts: Exclamation mark.

Mr. Carson: Oh. Sorry.

Ms Roberts: No. I'm kidding.

Mr. Carson: I guess, first off, I would just like to say that I believe I actually ran into you or somebody from your organization at my old high school.

Ms Roberts: J.P. high school. You did. You're right.

Mr. Carson: Exactly. They have a horticulture program there, and they've been working a lot on food security and just making healthier decisions overall. But that's beside the point.

In your submission you suggested the creation of a farm renewal, business development, and labour pillar in the next federal agricultural policy framework, or you were recommending that. I'm just wondering how you would see such a framework contributing to growing and diversifying the agrifood and agribusiness sector here in Alberta.

Ms Roberts: Well, I'm going to also relate it to the school food and the potential of local foods. There are across our province – and I'm sure you're aware – a lot of young farmers and new farmers who are looking, really, at producing food for the local market. With the challenges that they have because they're smaller farmers, smaller acreages, maybe new people to our province, young farmers, or somebody trying to make a change in their farm, there's really not a lot of support. I can kind of relate a little bit to the Organic Alberta problem. That's where help needs to be.

On the farm renewal that the federal government is contemplating, Food Secure Canada and all of the organizations that are a part of that national nonprofit are trying to say: this would make a difference, so let's go. In the document that you have on farm renewal, it actually gives some figures. When you look at that, when you look at some of the European countries and even some of the American states, the impact of growing and selling locally has the monetary economic impact but also the environmental implications that also can be measured in terms of the food not travelling. There's a lot of controversy about food travelling or not, but I think the bottom line is that if you keep food close to home and you sell it close to home, you're going to save on the environment.

I don't know whether that kind of answered your question or not.

Mr. Carson: Just a follow-up question on that point. Yesterday in some discussion I asked a question to one of the organizations about urban agriculture and farming. I'm just wondering what value you see that having in the future of our province.

Ms Roberts: A great value. I mean, we had our conference, as I said, two weeks ago, and right there there were a lot of urban farmers and a lot of small farmers. There's a great value. I don't know whether you would have seen yesterday or within the last 48 hours the grow towers that are being built in China now. IKEA is being a big supporter of that. In terms of carbon sequestration and that there's a big role there.

2:10

Also, I've been in the field for about 20 years. I sort of look around at grass and also people who are motivated to be urban farmers look at grass and think: "What's its purpose? Could we do something better that's even prettier and also that people could eat?" There's a huge potential for urban farming. When I look across our province at what's happening, even in the rural setting, there's a lot of urban farming happening. Here in Edmonton our Edmonton Food Council is doing a lot of work on that. Medicine Hat is doing some work on that. As well, Grande Prairie is doing some work on that. There's huge potential.

You know, we need a shift. The farming that's happening already in Alberta is something, but there could be a change. There is a

trend there, but the change is: let's grow for our own and then export. Right? I was saying to my colleague here this morning: "Wouldn't it be great to have a map of what we grow and where it goes, of what happens in between and where it goes? Do we grow it and send it out and then it comes back, all that?" To have our students be part of that momentum, students could actually be part of creating that map, so we'd really understand how our system works and where we need to make those changes.

Thanks for your question, Jon.

The Chair: Mr. Madlung.

Mr. Madlung: Yeah. I'd just like to say that we're a strong supporter of organic gardening and urban gardening . . .

Ms Roberts: Good. A potential supporter. I'll write that down. How much?

Mr. Madlung: We're more in potential products being used right now to do living roofs. As a substrate we've sent our product off to several organic gardeners in the area, including in our hometowns and stuff, and it's being used in various methods. Our product can be grass-seeded and used by the Alberta Department of Transportation for erosion control. We're the only one hundred per cent biodegradable erosion control product on the market. I mean, for example, if the Alberta government specified a one hundred per cent biodegradable erosion control, we would put all our farmers to work. I would do that this year. If there's some way – and right now you do specify that, but you don't enforce it because there are no other products available.

I just want to say that we're all connected even though we sound a little bit different in our presentations. We're all connected. This whole piece around an organic, one hundred per cent biodegradable growing medium: that's what we are. Urban gardening and organic gardening: we do all that. Like, you can imagine that you put our mat down, plant a few strawberries in there, and then you don't have to spray them. You don't have to worry about the rot and stuff like that. So just examples there.

Ms DesLandes: You were asking my colleague here about some of the advantages and benefits of urban farming and why it's a good thing. In nature, nature benefits from relationships and mutualism, meaning that organisms work together, especially in times of stress. It's been noted that if nature is under stress, it works co-operatively versus individually.

The beauty about an urban setting is that there is proximity. That means that there are opportunities for several organisms within the urban setting to co-operate together and work together. For example, a system like I was proposing could go on top of a building such as Costco. It doesn't require any more land. However, it would capture all of the heat, for example, that escapes from that. You could put the biodigester onto the ground, and it could support the weight of things growing on there, and it could capture, as well, emissions from other things that are close by. That's the beauty of the urban setting. It's a principle behind urban farming.

The Chair: Thank you.

Mr. Orr.

Mr. Orr: Yeah. A couple of – well, again, I'll stick to one, BioWise. I'll chat with you, Astrid. I would really appreciate it if you could provide some documentation for your figures of 15 per cent global food from urban farms.

Ms DesLandes: Okay. Yeah.

Mr. Orr: The other thing that I would really like to see some hard numbers on: I have no problem at all with the idea of local food, but I do think that I am not convinced about the numbers. Is it really a cheaper, cleaner footprint to grow a plant in the sun, where it sort of would grow naturally, and ship it with a new diesel engine that actually has a scrubber on it, doesn't hardly produce any greenhouse gases – you can actually breathe the air that comes out of a new diesel truck – versus growing on concrete under glass, which has a big carbon footprint, heated six to eight months of the year with natural gas . . .

Ms DesLandes: No carbon footprint. Zero carbon footprint.

Mr. Orr: Concrete has a significant carbon footprint to produce. Glass or plastic has a significant carbon footprint to create. If you include those factors in, those are issues that are part of the total equation. Then you have to heat it one way or the other. Sometimes you can do it with geothermal, but I do know from looking into pricing that geothermal is not cheap. Sometimes you can do it with solar, but you can't do it all year round with solar. So there are challenges there. I'm not saying it shouldn't or can't be done. I'm just saying that I haven't seen the hard numbers yet to truly prove to me that it is actually any cheaper or less carbon footprint to grow the stuff under the sun without having to have all of this other stuff supporting it.

Ms DesLandes: By using buildings that already exist, we are not creating any more concrete.

Mr. Orr: Fair enough, yeah, in that particular case. But I'm looking at the picture on your slide show, and that's a dedicated greenhouse.

Ms DesLandes: That's a greenhouse, yes. In terms of heating, I was listening to some of my colleagues this morning talking about their greenhouse and how they were using natural gas to heat it, for example, and were fairly dependent on the sun. Because this system uses anaerobic digestion, meaning digestion that does not require oxygen, basically the nutrients are broken down by micro-organisms. It creates biogas, and you can use this biogas to generate electricity. You can use it to heat.

Mr. Orr: You need a lot of biodigestion, though, to create that much heat.

Ms DesLandes: That's why we use the proximity of other businesses, of restaurants and so on. It doesn't have to be one or the other. When you were talking about the transport, for example, using environmentally friendly transportation, we could use that to bring the biodegradable materials from schools, from restaurants, from hospitals, for example, and from any of the other industries that my colleagues here represent that have waste that could be used, that is biodegradable waste. It is absolutely doable, and it is a near zero per cent carbon emissions system.

Mr. Madlung: I've been an entrepreneur. I'm involved in a few businesses. One of them happens to be 20 acres of greenhouse. We use a double plastic system, so you take two layers of plastic, and you just have something like a little blow-dryer, and you blow the air layer between that. That's the insulating area. We also developed – and I think we're the only ones that do it. We take waste heat from pulp mill effluent, and we heat that greenhouse 10 months of the year. We cool down that effluent so when it goes in the Fraser River, the fish are happier. There are ways to do this, and I just . . .

Mr. Orr: I agree. If you've got a secondary industry that you can pull heat off, then of course.

Mr. Madlung: We have tons of that, if you look at the heat dissipaters around this industry. I mean, you just go east here of Edmonton, and there are steam clouds everywhere. That's just a pipe going to a piece of ground. As a small entrepreneur we were able to develop that technology. There are examples out there that we can learn from.

Mr. Orr: Yeah. I totally agree. Using secondary heat: that's a fantastic idea, and that probably will work. But if you have to create that heat as a raw cost, then I have questions about it.

2:20

Ms DesLandes: No raw cost. In terms of growing products in the sun, that's lovely, but we live in a cold country, and our season is really short. That's the whole argument behind having something like that, that would allow us to engage small local farmers, schools as well, and then even retailers who'd want to be able to sell within that location as well.

Mr. Orr: Thank you. I'll quit.

The Chair: Mr. Dach.

Mr. Dach: Thank you, Chair. I had questions around the Organic Alberta presentation. I was wondering. The perennial argument about certification doesn't seem to have been totally settled. I'd like to learn how organic farmers in Alberta currently obtain their certification. Is there a national standard we adhere to? Would the establishment of province-wide organic standards and labelling assist the industry, or should we rely more on national standards? What are your thoughts?

Ms Boileau: As an organic farmer I'll speak to this. There is the Canadian organic regime, which has been being developed over the past five years, I believe, and is constantly in question and being developed in a more strong way. Yearly I fill out my organic application through a certifying body that is more than Canada-wide. My body is Pro-Cert. You can be in the States and use the same certifying body, and they all follow the standards set out by the Canadian organic regime.

The problem with Alberta not having those standards, as other provinces do, is that as I take my vegetables to market, any other number of farmers who are not certified are able to market their vegetables as organic. They've not spent the time, you know, learning about good practices, organic practices. They've not spent the time in having a third-party inspector come out and look at growing practices yet are able to market in the same value chain as us with no transparency about what their growing practices truly are. So having that standard provincially is a great support to us local farmers. Say for larger farmers – I'm vegetable, but for a grain producer, you know, there are financial benefits to being organic, a greater price given for grain. But if your neighbour can also sell without proof that they are growing organically, there's not as much of an incentive to make the switch, to transition.

Mr. Dach: You would say that it allows an enforcement mechanism to be implemented, then?

Ms Boileau: Exactly, and right now we don't have that.

Mr. Dach: So there are quite a few cheaters right now, you would say?

Ms Boileau: Well, there are. Just in this area there are definitely the naturally grown or organic-claimed products. It does happen quite a bit.

Mr. Dach: You're saying that there is a real need for verifiable and enforceable standards, then?

Ms Boileau: Absolutely. It's one of our top priorities.

Ms Roberts: I'd say that concomitant with that is also the consumer understanding, consumer education to ask the question, right?

Ms Boileau: Uh-huh.

Mr. Dach: Are there discussions ongoing, to your knowledge, to work towards that end with government?

Ms Boileau: There are. As a board member one of our directives to our executive director is to address education, to have our consumers understand what it means, that naturally grown is different than organic. As a farmers' market vendor I constantly get asked similar questions about GMOs. As an organic producer there are absolutely no GMOs grown on our farms. We use untreated seed all the time. There just generally isn't a lot of knowledge at the consumer end, so it's something we try to do all the time.

Mr. Dach: Standards would also be applied to, say, transitioning soil that wasn't organic classified into an organic farm. There are also standards that you would rely upon to initiate an organic farm, correct?

Ms Boileau: Yes, there are. It takes three years to transition, and there are guidelines on how to do that. Alberta Organic has helped build the prairie organic grain initiative, which has done a lot to help larger grain growers transition. It's a very clear process that we're able to help move along.

Mr. Dach: All right. Thank you for that.
Thank you, Chair.

The Chair: No problem.

Any other questions from committee members?

Seeing none, I want to thank our presenters for joining us this afternoon and responding to any of the questions. If there's any additional information that you wish to provide to the committee members, please forward it through the committee clerk before the end of the month.

With that being said, we're going to take a recess and resume at 2:45.

[The committee adjourned from 2:25 p.m. to 2:46 p.m.]

The Chair: All right. I want to welcome everyone back here. Before we begin with our final panel for the day, I would ask that we quickly go around the table and introduce ourselves for the record for the sake of our guests. My name is Graham Sucha. I'm the committee chair and the MLA for Calgary-Shaw.

I'll move to my right, here.

Mr. Orr: Ron Orr, Lacombe-Ponoka.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Mr. Coolahan: Craig Coolahan, the MLA for Calgary-Klein.

Connolly: Michael Connolly, MLA for Calgary-Hawkwood.

Mr. Rosendahl: Eric Rosendahl, MLA, West Yellowhead.

Ms Fitzpatrick: Maria Fitzpatrick, MLA, Lethbridge-East.

Mr. Carson: Good afternoon. Jon Carson, MLA for Edmonton-Meadowlark.

Mr. Koenig: Good afternoon. I'm Trafton Koenig with the Parliamentary Counsel office.

Ms Rempel: Good afternoon. Jody Rempel, committee clerk.

Mr. Piquette: Good afternoon. Colin Piquette, MLA for Athabasca-Sturgeon-Redwater.

The Chair: All right. And those on the phone.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Ms McPherson: Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

The Chair: Excellent.

Just as a reminder as well, today the participants have been invited to make a five-minute presentation, after which we will open with questions from the floor.

With that being said, I will start with Big Rig Craft Distillery. Before you proceed, make sure you introduce yourself for the record as well. Please proceed.

Big Rig Craft Distillery

Mr. Beile: Okay. Thank you. Good afternoon. My name is Mike Beile. I'm the general manager of Big Rig Craft Distillery and the distillery there. I'm here on behalf of Geoff Stewart and Karen Stewart, who are the owners of Big Rig Craft Distillery, as well as for the Alberta craft distilling industry. I understand today that we've been invited to provide you with information on issues related to the agrifood and agribusiness sector. Well, instead of highlighting issues, I simply want to tell you our story and give you a better understanding of how the Alberta craft distilling industry already helps support local business and local sustainability and further helps the Alberta agrifood and agribusiness sector.

First, I'd like to start out by telling you a little bit about Big Rig. Big Rig Craft Distillery is in Nisku Business Park and is in the unique position of being the first craft distillery in the greater Edmonton area and the second craft distillery in Alberta. Our family business makes spirits that are locally sourced, produced, and distributed. Our main grain supplier, Schneider Farms, is a fourth-generation farm located two miles from the distillery. Our products are packaged in a distinctive trademark bottle that is a replica of the Leduc No. 1 drilling rig, paying tribute to our rich history of both agriculture and resource development in Alberta.

Our aim is to be a leader in the craft distilling industry and foster partnerships with local businesses while producing the highest quality spirits possible for our customers. We deal with local farmers, berry farms, and local businesses to procure our ingredients for our spirits. We purchase grains, berries, garlic, and coffee beans from the Leduc, Calmar, Millet, and greater Edmonton areas.

Big Rig has some specialty products that showcase Alberta's great agricultural resources. For example, we make several whiskies using grains from local farmers as well as malted barley from the Rahr Corporation, a plant located in Alix, Alberta. The plant is one of the largest malting plants in the world and ships Alberta's premium grains to countries all over the world as well as local companies. We also use sugar beet sugar, which grows in the Taber and Lethbridge areas, and we use this to make our sugar beet rum-like spirit that we call brum. For our garlic vodka we use

locally grown Russian red garlic along with hard red wheat from Schneider Farms. At Big Rig we feel that these products really showcase Alberta's rich agricultural resources.

Our goal for supporting local businesses and local sustainability goes further than just that of the purchasing of the materials we use to produce our spirits. When Big Rig is finished making their products, the spent grain or distiller's grain is given to local farmers. The farmers simply come down to the distillery and pick up the spent grain for free. The spent grains are rich in proteins and make excellent cattle and pig feed. The protein-enriched grain is also provided to a local mushroom farmer, Gruger Market, which grows gourmet mushrooms for local restaurants and markets. Big Rig and Gruger Market have a truly symbiotic relationship, where both companies help each other to find new customers and new markets.

In conclusion, even though I've only given you a brief insight of how Big Rig and the Alberta craft distilling industry works with the agrifood and agribusiness sector, I believe that together we, the Alberta craft distilling industry, can provide information and solid solutions to areas where improvements can be made in growing and diversifying Alberta's agrifood and agribusiness sector. Working together, we'll keep Alberta strong.

Support local. Thank you.

The Chair: Thank you very much.

I will now invite the representative from Red Cup Distillery to do his presentation.

Red Cup Distillery

Mr. de Groot: Good morning. I'm Rob de Groot from Red Cup Distillery, east of Elk Island park in Vegreville. We were legally allowed to make liquor November 6, 2015. On December 6, 2016, we were allowed to sell liquor. I must say up front that AGLC has been wonderful, and even though none of you is responsible for CRA, they've been brilliant. I find that because we are in a new area of craft liquor, a lot of us are learning together, both in the government and in the private sector.

I'm in a unique situation because I'm from east of Elk Island park. Culturally you kind of take a line from Camrose to Provost and everything northeast of that were cultures and groups that made their home brew for the last 150 years. Quite often the home brew pre-1945 was better than the government liquor. Of course, we all know that farming was difficult from 1930 to 1940. We had the dust bowl, which ultimately created the AFSC and ATB, by this building. It was one way that we could barter with the city for basic necessities. K Division has been absolutely wonderful, reminding me that they were just happy we weren't committing suicide on the prairies and that we'd basically have the money for the necessities if mom sold. If dad sold, we'd all be getting to know each other in jail for a while and the cops would be standing.

In our area my biggest fear is an older gentleman in his 80s or 90s coming in and saying: this is crap. The standard is very high. Baba made good liquor, and Irish people – it didn't really matter.

We have been growing quicker than we have expected. We've had 14 countries, 14 states, and 10 provinces come to Vegreville. I don't know if you've been to Vegreville. There's an egg, and now there's a little distillery. It's a little humbling because even last night I had a phone call from the sixth craft distiller in the U.S. There are now 700, and they are now going all-natural. Because I do it the same way as pre-1945 means that I don't have alpha-amylase in a jug. It means I have to sprout it like God does or Mother Nature, and I have to not outsmart it because I'll lose and basically come up with the grain. My worst batch was when one tonne of grain made two bottles. We scientifically had to refigure

out how grandpa did it. SR and ED and CRA said that if grandpa didn't teach dad or mom and mom or dad didn't teach the kid, it's lost forever.

Sugar shine is common. You go to the co-op, you buy sugar, and you mix it. A hundred per cent wheat is Scottish, and it is very difficult. We have figured it out, and because of that, our demand is exceeding our supply.

At present we can make about a thousand bottles a month. We're putting in a 1,000-gallon still made in Edmonton. We haven't bought out of a catalogue from China or from Germany. The two guys who built this one, now with the young guy – the old guys were arrested in 1960 for making moonshine. This is their bucket list item.

2:55

We are now planning to build a 3,000-gallon still as well, so we're moving from basically 1,000 bottles to 12,000 a month. I am part of District Ventures, which Arlene Dickinson opened in Calgary to help consumer packaged goods reach a world market. When you're with people that are like her, the demand far outpaces supply, so I guess with agrifoods there are a few problems. If you don't have a wealthy parent who lives on Riverside Drive and you're growing faster than you can imagine – and I have presales – coming up with money has been very interesting. ATB-Community Futures has been brilliant, but with all craft distillers, the capital costs for them is huge out of a catalogue. For us, because of the research and having to figure it out when my extraction is lower, that has been difficult. So on us the science but also the developing of Alberta-made equipment.

Then the other big problem we have is truth in labelling because of the industry having been 50 years of, essentially, three or four suppliers. You had Hiram Walker, the guys at Highwood there, brilliant guys, blue collar. But because we now have a bunch of new players, we're all having to pay for this equipment, so we can be a little bit interesting in our truthfulness on labelling.

We're the only ones in North America, I've been told, that make a rye with no chemicals. There is a man in Sweden. That's where I look to you guys. If you can deal with AFSC's board shortage – get a new board. They were looking at doing value-added, but then there's been a shift on the board. ATB: I've got to say that management is exceptional. We did the Alberta BoostR and presold 250 bottles before we opened. Then we were on CBC at Christmas-time as a unique gift and we sold out in two hours. We were working on getting inventory for the liquor store – so anything you can do for value-added.

It's scary for the banks. Banks just aren't traditionally into that area, and those of you around the table are the first ones to deal without the Canadian Wheat Board. Five years ago I could not buy grain from my farmer who's right across the highway. Mine's seven miles even though I'm in Vegreville. Vegreville is bigger than Nisku. Basically, since 1928 to the present if I didn't sell it to the Wheat Board, I'd be in trouble. Now I can go to my local farmer.

My farmer does not use any desiccant. We can't because we're sprouting, so even my grain is not using chemicals in the last three-quarters of the growth. We use the local seed plant to clean all of our grain, and he deals with all of the bushels. We clean it to basically 100 per cent seed-quality grain.

Our yeast has been from the co-op, and we're now working directly with Fleischmann's, so we use Fleischmann's yeast.

Because of science, because of the equipment cost and I have to grow, I have orders right now for 200,000 bottles a month, and I'm happy that I can now do 12,000 in the next six weeks. I'm planning for 40,000 bottles to 45,000 bottles in the next eight months in the existing location, and then I have to move.

Thank you for having this meeting. I think it's very appropriate in Alberta. Thank you.

The Chair: Excellent. Thank you very much.

I'll now invite the member from Special Areas Board to give his presentation.

Special Areas Board

Mr. Christianson: Well, thank you, Chairman Sucha and to the panel members as well, for the invitation to meet with you guys this afternoon. It is certainly a pleasure. Again, I'm Jordon Christianson. I'm the chair of the Special Areas Board. And I apologize; I'm not here to speak of anything as exciting as home brew and distillery. We don't produce alcohol in Special Areas, but what I am here to talk about, maybe, is a regional water supply project called the special areas water supply project.

Maybe, first of all, just a little bit about myself for context if nothing else. I was raised in Oyen, Alberta, along the Saskatchewan border, just on the eastern side of the province, on our family farm and ranch. After attending university, I returned to the farm in hopes of farming. In order to feed my addiction for agriculture, I did get a job with the Special Areas Board, and I've been there ever since. Through my career with Special Areas I've filled a number of roles, including my current role as chair of the Special Areas Board.

Maybe before I get into the details of the project, I'll just explain a little bit about the Special Areas, again for context here. The Special Areas, if you're not familiar with it, is a unique form of municipal government in the province of Alberta, and I do use the term "municipal government" loosely. Technically, we are an agent of the Crown under Municipal Affairs. The Special Areas was formed back in the late 1930s by the province, really, in response to the extreme hardships that were faced by that region as a result of the recurring droughts throughout the 1920s and then the economic depression through the '30s.

We've continued to evolve since that time. Today the Special Areas Board is responsible for the provision of municipal services in that part of the province: roads, streets, emergency services, recreation. Then a secondary role that we provide is as a public-land manager as well. We manage the public lands within the special areas in that part of the province, too.

The special areas can be represented geographically by the towns of Hanna and Oyen and, as well, by the village of Consort. In its current form, today it covers approximately 2.1 million hectares, or, if you're more comfortable with acres, about 5.2 million acres, of which over a million hectares, or 2.5 million acres, is public land.

This region of the province has experienced a slow, steady decline in population since the late 1920s and the 1930s, and in fact the population reached its maximum in the late 1920s at about 26,000 rural residents. In the latest census data that population is now 4,100 rural residents. This is important because a major impediment to economic diversification and stability in that area has been recurring, chronic droughts and the lack of a secure, stable water source.

So that is why I'm here today, to talk about, you know, a project that would attempt to deliver a secure, stable source of water to that part of the province. Again, it's the special areas water supply project. If I could maybe just spend a little bit of time talking about the project itself. It is a water diversion project that is proposed as a means of providing, again, reliable water to the region. This would be delivering the water from the Red Deer River to the headwaters of the Sounding and Berry Creek systems and the Craig Lake tributary. The water would be used for multiple purposes, including domestic use, municipal uses, stock watering, waterfowl and

wildlife conservation enhancement, recreation, and, of course, for irrigation purposes as well.

Just a few of the details on kind of how the project is laid out. The main pumping station is proposed on the Red Deer River and located near Nevis, Alberta, with a pumping capacity of about 2.5 cubic metres per second, with an additional booster pump located halfway along the initial pipeline. Out of the river it would then move water 103 kilometres down a 1,200-millimetre diameter pipeline. That pipe would pass through the counties of Stettler and Paintearth and then into the special areas, and it would then convey water from the pump station to what's called the new construction of the Lehman reservoir. Then from there water would be diverted down the Berry Creek system and the Sounding Creek system as well.

In addition to that, there are two new storage reservoirs. I mentioned one, the Lehman reservoir. It would be impounded by the Lehman dam and then at a second reservoir, located at Oyen, which we've termed the Oyen reservoir. There's also a structure on the Sounding Creek which would divert water out of the Sounding Creek tributary.

Again, part of the project includes about 350 kilometres of creek channels, which would be used to convey water, some of which would need to be improved. Then approximately six to eight kilometres of canals would be constructed to convey water where channels do not exist or where there is potential for excessive water loss or where there are water contamination issues from other sources.

Then, finally, 14 multi-use projects, which are essentially controlled wetlands, would provide waterfowl and wildlife habitat, also water for livestock, grazing opportunities, and some irrigation potential as well.

This is really the Coles Notes of the project. This project has actually been through a number of different iterations, but this current project that we are working on has been in the works since the late 1980s.

3:05

In terms of project timelines, in May 2011 cabinet had decided to proceed with a voluntary environmental impact assessment, and again the purpose of this was to examine the positive and the negative impacts related to the environmental, social, and economic impacts of the proposed project. This process is currently being led by Alberta Transportation. We are expecting the EIA to be completed in mid-2017. Following the completion of the EIA this project would be required to undergo a review by the NRCB, and the NRCB would then, in turn, make a determination on whether the project is in the public interest. If the decision is that it is, in fact, in the public interest, then it would be referred to cabinet, upon which they would make a decision on whether or not to fund the project.

That is really the project in a nutshell. Again, in summary, I think all we have to do is to look at the multiplier effects that you see in some of the other irrigation districts across the province in terms of what a secure, reliable source of water does for economic stability and diversification, especially related to agriculture.

I guess, with that, I will turn the mike over to you, and I appreciate any questions you might have.

The Chair: Thank you very much.

I'll now invite the member from The Marketing Edge, who is joining us by phone. Ms Hope, please proceed.

The Marketing Edge

Ms Hope: Hi. I don't know if you're aware of my background, but just for those who may not understand, The Marketing Edge Inc. is

a company based in Calgary. It's been around 25 years doing marketing for a variety of business types, but I got more specific in the food industry when I became the managing partner for CattleBoyZ Foods, back in 1999, and I was the pioneering partner to take it to market and get it into the stores across Canada. My partner bought me out in 2009, so I've been a consultant since and have worked with many food companies – well, maybe not many – with small start-ups and newer food companies that are dealing with agrifood or subsidy grants to help launch their business. I've been involved in marketing plans where I've been paid through the government to produce for new start-ups, and as well I've had consulting sessions where I've talked about and listened to their needs.

There's a really reoccurring problem, which is the fact that all of these start-ups, when they want to bring product to market, don't have the funds to get to market. Often the government refers them to specialists, and often the specialists don't even have, you know, experience in the food industry. I'm a rare combination of having a marketing background professionally as well as having owned and operated a food company. I could see that if somebody needs a professional to write a business plan or marketing plan who has not been in the food industry as an actual participant, it would be very difficult to guide any of these people. Some have wasted good money after bad on strategies that still keep them selling out of the back seat of their car or in a farmers' market.

When I saw the advertisement looking for ideas, you know, one that had been brewing in my mind – it's too big of an endeavour for myself, and I wanted to just present it – is a way to be able to help them as a group. There's a lot of money that agrifood has put towards helping these people that haven't succeeded, and I think that the money can be better used in a group solution. Some of the same problems they have are getting recognition, getting in front of brokers, getting a distribution mode. The idea presented is a website-based strategy. It would get the products into the hands of consumers, and it would help them build their grassroots story, because you can't get into a grocery chain or a distributor won't even look at you if you don't have sales. If we were to group these people in a way that categorizes the products and get behind marketing the website, we could bring recognition and bring some distribution.

Selling the product in case lots or cases: I did this with CattleBoyZ. When individuals couldn't find the product, we made an effort to send them the case, and the cost per product with the shipping turned out to be very close to retail and acceptable to them.

It's too expensive to ship individual units, but cases make it reasonable, so the plan would be to sell by the case as well as to have representation to grocery chains and distributors with the grouped Alberta products. It would also be a bit like a catalogue for them, leading them to the people that they can connect with for more volume pricing.

There are also other initiatives that this website or this group could undertake, and that's helping people with warehousing, shipping, other factors. There are very few warehouses that will take in very small retailers or start-up companies if they don't have the volume. The warehouses are often shipping the product as well to the stores, so if there's no warehousing, there's no shipping. Then there's: how do you get the product to market cost-effectively? Well, I think that as a group we would be able to do some consolidations.

The website name is a little familiar. Buy Alberta Now is the website idea for a domain, and that name would be similar to the one they had: better buy Alberta. It becomes something well known and a logo that would be developed as part of the branding for the

website and the whole concept. The website would bring in the e-commerce aspect.

Even fundraising is another area. With CattleBoyZ and custom labelling we earned about \$100,000 a year from companies and schools that wanted to put their names on products where they could just take them door to door. So there's that other aspect that could help these people build their grassroots story and also get their product into the hands and mouths of people to try.

It's a big initiative; it's not small. You would need manpower and funding behind it. I present that as an idea where I as a marketer and someone who's been in the business could help. I don't know if your handout gave you a sample of a page from buycanadianfirst.ca. That's a website out of Quebec that is doing this for Canada, not just for food but all products. That would be a good reference point if you're wanting to understand more of my concept.

Thank you.

The Chair: Excellent. Thank you, Ms Hope.

We'll now open this up for questions by committee members. We'll start with Member Connolly.

Connolly: Perfect. Well, thank you so much, all four of you, for your submissions. I want to start with, as Jordon said, the more exciting part, I guess. Not that water is not exciting; it's very needed. However, it's hard to party with water.

To start off, two years ago I was in Louisiana just on a visit with the Legislature, not all the Legislature, obviously, and I visited I think it was Bayou Rum. It seemed that they were very successful at what they were doing. What they had is a bit different. I don't usually like rum, but it was quite good. It was very different. It seemed like they were very successful in getting it into the Louisiana market and were very good at getting it as part of the culture there, whether it was putting it through hotels and resorts that already existed in Louisiana or even through Texas.

Basically, I also recently visited Eau Claire Distillery down in Turner Valley. I was there for part of Cool Little Towns, which is just trying to get more tourism out to places like Turner Valley, Okotoks, Longview, all those kinds of places. Now it's part of that group and brings more tourism down to Turner Valley and Black Diamond and that whole area.

Basically, I was just curious: what can the Legislature do to assist you in either helping your brand become stronger or also increase sales, that sort of thing?

Mr. de Groot: I would say that the government is doing a lot of good things already. Travel Alberta has been wonderful. I know that Big Rig has also managed to talk to a number of groups where they are trying to help. There is Go East of Edmonton for us. You are part of the capital region, so that is good.

3:15

Mr. Beile: That's correct. We're also with the Leduc economic development association. They've been a big help for us. In fact, they've actually even got NAIT students to come and do a video starting with the farmers, where the grain starts from, and the processing and manufacturing of it right to the finished product. They've been helping out. There's another group that's been helping out.

Mr. de Groot: So there is ATB, the booster campaign that I did was brilliant, and the media is really trying hard generally for local. That is the good part. For distribution in Alberta Liquor Connect is great. In the liquor stores I know Ryan Engan from the Liquor Depot has been a big ambassador of Alberta. You've got Sherbrooke, the private guys. I just talked to Chateau Louis.

The interprovincial is a big issue that obviously the government of any day is going to have because they're fighting. My order list is from the U.S., China, Japan, and India. That is beyond Alberta.

The biggest part is the capital for expansion, not necessarily to buy more equipment out of the catalogue but the infrastructure.

I do have to say that special projects is a big reason my moonshine is doing so well, because they make really good rye. We actually have the first sprouted rye. We don't kiln dry. The science is a big one, and your government employees are very smart, especially the food sciences people, the Leduc group. That's helpful.

Accessing capital and having the experts you already have being able to give it at a reduced loan rate or something just because the banks – ATB is wonderful, but they have other rules they've got to live by. As you're expanding so quickly with orders, we definitely need an AFSC or someone like that to come along. Arlene can open doors, but we now have trade secrets that we can't share with anybody. I never expected to have to worry about that.

I know the capital. When you look at a piece of equipment, that's \$1 million for most stills. Mine I build myself, so it's not \$1 million. But that's a lot of capital, and the amount of tourism: these guys have people showing up all day for tours. Thank goodness I only get them a little bit because I'm an hour drive, but we still have had people seek us from Edinburgh, Scotland, and just come straight out. So the capital is huge.

If we can make the best Alberta product, which means no neutral grain spirit – if someone says they're making liquor out of neutral grain spirit, like some in Saskatchewan are claiming, that's not craft. At least use local grains. Even if you're using alpha-amylase from a synthetic source or fungus or whatever, something has to convert it from starch to sugar. I'm floor malting, so I don't expect Mike to start shovelling every day. He'd have to work longer.

Mr. Beile: We've tried it. It's a lot of work.

Mr. de Groot: That's where CRA already knows that we are the only ones doing it successfully, so they don't expect him to start doing that. We're using local farm ingredients.

Then the big thing is to celebrate when we do have a good one. Like on the beer side you have Tool Shed. We now have the sour beers that are going to be starting in Edmonton. He's brilliant. That's Greg. There's so much already happening. I think if you give the existing infrastructure that you have and some of these very smart on a management level – be it NRC, IRAP, which are federal, but also Dana at Growing Forward – they all are aware of what's going on. Just give them resources that they can make the professional judgment because they're scientifically brilliant, and we do have a lot of people that can help. Just give them the resources, and I think we'll be happy.

Demand a good product. I know the brewery side is having a tough time with some people who started a brewery because dad gave them 5 million bucks, but then there are great brewers. You know, Folding Mountain is opening up. They're brilliant. Tool Shed is great. Just make sure that there's a quality product that we can put Alberta behind. Otherwise, we may as well just keep sending our barley to Scotland and say: make that good stuff, we make crap.

Highwood has been really good to us just in emotional support when you're sitting there crazy. They're good blue-collar guys that put their arm around you. But yeah, just help the existing infrastructure. You don't have to build anything more. Just give them the freedom.

Connolly: You kind of touched on this. I don't know if Mike has any comments about it. What do you mean by truth in labelling, and what can we do to make sure that we maintain truth in labelling?

Mr. de Groot: That's the hard part. Remember, since 1928 we had Prohibition, and we had the big guys. You had Hiram Walker. They're now the big guys. We read in books about how Seagram's made money. They had kind of an internal rule, and I think the biggest lobbyist in Canada is the guy from Ontario for the spirits group. When you do add ingredients, it's much like a loaf of bread. If it's a loaf of bread, are you using yeast, salt, sugar, eggs, flour? Where is your flour from? In our industry are you using malt barley? Are you using wheat? Are you using alpha-amylase from a jug? Are you floor sprouting? Are you adding glycol? Are you adding, you know, fruit juice from some chemical? You know, there are a lot of games you can play with flavouring, and there are companies built on flavouring vodka. I think that's the biggest thing. If you're going to have three drops of this perfume and this of that – we get asked: how do you have the flavour in your liquor? Well, we don't take anything out that we have to put in. My liquor is bottled at 50 per cent. His still can run 97.5 per cent.

Mr. Beile: Yeah, about.

Mr. de Groot: You can run your Model T Ford off of it.

I think that if we are going to have craft, which I think we should, if you're buying B.C. apples, great. Put it on the label: they're B.C. apples. Don't say that it's locally sourced from the Vegreville Co-op, which we don't do, so you don't get anybody in trouble. I'm locally sourcing my apples and my bananas: well, come on. Or I have distilled spirit. Well, I'm making sugar shine. Sugar shine should not be a craft item, but if you label it as a vodka, because vodka doesn't have to have all the stuff labelled because of some national stuff – now, CFIA is looking at it on a national scale because they do see this becoming a problem. There's a fellow in Montreal that's calling it brandy from molasses. Brandy must be from fruit. Eaux-de-vie must be from fruit. There have been wars over words by expensive lawyers. That's going to be a mess happening. You can't make brandy from sugar, so there are some national things.

CFIA only has a few resources. AGLC kind of knows what has to happen, but for their rules they have to rely on CFIA. I think that if there is more communication between all of the smart people there, it would be dealt with. The inspectors at AGLC are brilliant. I have nothing but respect, but they understand that shortfall. I think if you talk to the president there or the lady in labelling, Tamara – she's a really nice lady – I think it could be dealt with very quickly. Just as at Alberta standards, especially for Travel Alberta, if we win awards out in the world for our grain, let's make it on the liquor. I think we all have that same goal. I think we'll be fine.

Connolly: I have one more follow-up.

The Chair: Go ahead.

Connolly: I know that both of you try to locally source your ingredients, but how do you maintain that you're locally sourcing your ingredients and making sure that they're not coming from B.C. or have B.C. apples?

Mr. de Groot: I use Fleischmann's Yeast. That's made in Calgary. Yeast is a small thing. It's made in Oregon. They're made in New Zealand. That can come from anywhere in the world. The jugs of chemicals are probably from the U.S. or China, but for the grain

itself he's got grain bins and totes all over. You can smell the grain when you walk into his place.

Mr. Beile: Yeah. Then you know that we're using grain. We deal directly with the local farmers, so we know where our grain is coming from. Our flavoured vodkas are all natural maturations or natural infusions. We use the berries themselves. Again, we talk with the local farmer. We're using Evans cherries for sour cherry flavoured vodka. We know the farm. We go look at his native Alberta cherry trees, and we do natural maturations. We're not adding juices to them or anything.

Mr. de Groot: CFIA is looking at the labelling of the food ingredients that are not the liquor because they have to be done in a proper, CFIA-approved plant. You can't just go dig up grandma's rhubarb and toss it into the bin. There do have to be standards on that, and I know that there is some grey area.

We're lucky that we only make one product, which is our wheat shine, and our rye. If the test comes back from Labs-Mart, the rye should be ready next week, and that's all we will do. But they're making stuff for lots of palates, including sugar lovers.

Mr. Beile: Yes, we are. Yeah. We have 21, 22 different products already within a year and a half. Lots of them are flavoured vodkas, but, again, they're all natural infusions, no juices added. We also had to put the ingredients on all our flavoured vodkas. If we're making vodka, we have to explain that it's made with hard red wheat and raspberries because it's raspberry flavoured.

Mr. de Groot: But not all the additives.

Mr. Beile: But not all the additives. That's correct.

3:25

Mr. de Groot: Scotch is very strict in Scotland. The women made it that way over there and said: don't compromise my liquor. If you look at it historically, other places started compromising because they made the women get out of the liquor, and they started adding corn syrup. *Whisky Women* is a brilliant book if you want buy your mom something for Christmas.

Historically, certain cultures kept the standard. Vodka became a standard in the 1970s for pure ethanol, essentially, to be mixed in a bottle, and there were a lot more freedoms put into what you could call vodka. So as we're developing it, the government is going to have some issues. Like, you're not going to be able to demand that vodka people now put everything of what you make the vodka from, but they should know if it really is a vodka. Is it nonvodka or nonwhiskey? It requires genuine labelling. The government knows. You guys have smart people working in there.

Connolly: Don't worry. I'm very much aware. Thank you very much.

The Chair: Excellent.

Mr. Orr: I'll pass over the party guys except to say that if you guys ever get the chance, you should thank Rick Strankman for going to jail so that you can buy your wheat from the local farmers.

Anyways, let's talk about the special areas. The Red Deer River runs right through the middle of my riding. It's a big part of where we are. I'm just wondering: in terms of the focus of our committee to grow rural agriculture and agribusiness, what is your vision to actually use that water to grow the agriculture? In what ways do you plan to actually use that water?

I guess sort of a related question: how much allocation are you actually asking for?

Mr. Christianson: Okay. On the allocation, Mr. Orr, off the top of my head I'm not sure what the water licence application is for. The diversion is actually 2.5 cubic metres per second. In terms of the actual volume in the Red Deer River there is plenty of capacity of water flowing down the Red Deer River after we would do our diversion on this project, so in the grand scheme of things not a lot of water allocated under this.

In terms of the use, there are a number of uses. I kind of generically defined them as domestic and municipal use. I think in terms of agriculture, though, again, I think if you look to places like the Eastern irrigation district, St. Mary's, if you look at what's happening north of Taber through Picture Butte, when you've got a secure, stable source of water, that is where industry develops. You know, I listened to the panel talk this morning, and I think if you would ask, say, for example, the Alberta Cattle Feeders' Association if they would be where they're at without what's happening in terms of water supply, I don't want to put words in their mouth, but I think it would be a different scenario if that water supply was not where they're at.

If this project went ahead, I could see uses on it like, say, for example, feedlot uses. Maybe there is opportunity for secondary processing of agricultural products based on that. Again, with the agriculture within this project there are about 8,000 acres of land that are kind of defined as potentially for irrigation, so, again, not a lot of acres in the grand scheme of things but another use of this water. On the cropping side, you know, on kind of the more domestic water use, just for spraying purposes, that kind of thing, I think there are a number of direct linkages to agriculture for that water.

Again, the project is really kind of set up as multi-use. In terms of economic development, you know, I think the structural reservoirs located at Lehman reservoir and then north of Oyen – Lehman reservoir kind of geographically would be located somewhere between the town of Hanna and the town of Coronation. Then, of course, the Oyen reservoir, which is north of Oyen on Sounding Creek: we think that there would be a lot of potential for recreational purposes.

Again, in special areas it is a very arid region. There are not a lot of large, secure water bodies for recreation. The Special Areas Board does manage two such water bodies. One is the Blood Indian dam located at Big Stone. Then for the other we're in a partnership with ATCO on the Sheerness generating station. At the cooling pond there we have a 103-stall campground that we operate municipally as well.

Mr. Orr: Can I do one supplemental?

The Chair: Absolutely.

Mr. Orr: Are you taking your pipeline and the creek system you're going to use into the special areas still within the Red Deer River watershed region, or are you taking it out of the Red Deer River watershed into another watershed?

Mr. Christianson: That's a good question. The water being diverted for the most part stays within the Red Deer River watershed, especially that water that is diverted down through the Berry Creek system. Berry Creek at its headwaters, again, north of Hanna, in between Hanna and Coronation, actually flows south, and it winds up back in the Red Deer River. That is part of the watershed.

The Sounding Creek system is actually part of the Battle River watershed. I think that technically it's a dead-end watershed, meaning that once it sort of spills into Sounding Lake in big runoff events, it would leave Sounding Lake, but it doesn't go any further than that. As kind of a technicality, when Alberta Environment

defined watersheds, I think that Sounding Creek system was put in with Battle River for no other reason than to include it in a watershed. Regardless of that, in part of the submission to cabinet I think there was a recommendation that Environment would have to look at legislation that would allow that interbasin transfer between Red Deer into the Sounding Creek system and into the Battle River.

Mr. Orr: One last question. I mean, this has been in the air for decades and decades and decades. Have you made any progress? Is government responsive to this, or is it still just an idea that's been out there for decades and decades?

Mr. Christianson: Again, I think that's a fair question. Again, we are in the EIA process, so we've completed kind of the engineering confirmation study work. We've done the terrestrial aquatic surveys. Right now we're working on historical resources and completing a socioeconomic impact assessment. Once that work is done, Mr. Orr, I think then we can evaluate what the project looks like, you know, if it is feasible, and then we can evaluate whether it goes to the NRCB, and there's a determination on whether or not the project is in the public interest.

Again, I'm not going to deny the fact that this is a capital-intensive project. With any kind of capital-intensive project I recognize that a lot of that is a matter of timing, and given the current economic conditions there probably isn't a lot of appetite for it. Regardless, in the grander scheme of things, again, I really believe that these kinds of strategic investments in infrastructure, if you want to grow and diversify agriculture, is one way to do it.

Mr. Orr: I would agree. Okay. Thanks.

The Chair: Mr. Coolahan.

Mr. Coolahan: Thank you, Chair. Thank you for your presentation. It was great. I'm a little disappointed that there aren't any samples, but that's okay. We are at work.

Connolly: We could all have some water.

Mr. Coolahan: That's right.

Over the course of the day we've heard a lot about growing local food and promoting local food and buying local food. How would the promotion of Buy Local benefit your industry?

Mr. de Groot: I think it's happening. It's happening quickly, and I even think it's beyond Buy Local. When my friends were in Hong Kong talking about my product, the Chinese were looking at our Travel Alberta pictures of big blue skies, big grains. I think at the time they weren't going to see the sun until January 12 because of the pollution. They see Alberta as being clean. So my wife, in my business plan, was not to sell Vegreville as much liquor as possible, because we'd have a dead Vegreville, but we are looking basically at value-adding our wheat and selling it to the world. I think we have a lot of opportunity with what we can produce. Our beef is exceptional.

My waste product goes to a bunch of mom-and-pop pork producers – all have sold out this year's crop of pigs – because it is a high-protein feed. Same thing. We're not selling to corporates. We really are focusing on mom and dad. Innisfree is one of my pig farmers. Another pig farmer is just west of Edmonton. It's kind of helping them all out a little bit.

The other thing about Buy Local that we have intentionally done is to have our equipment made locally. My fermenting, mashing, and soaking equipment is made in Willingdon. I think everybody's trying to look at it.

Buy Local is great, especially for media and to get people out of the grocery store. Tell them to get to the farm. Go to Prairie Gardens. Go for a drive and buy your liquor and actually know Mike. That's better than the liquor store in some ways, but I think there's a lot more opportunity, and Travel Alberta is helping. For me, it wouldn't help much; for me, it's getting it out there to the liquor stores. Just the existing demand, I think, outstrips supply. Yeah.

3:35

Mr. Beile: The local support has been phenomenal, actually. Some of the first places to pick up our alcohol were the very small, very close-knit communities like Coronation, Alberta, and the Sunnybrook Hotel. So the local is coming. I think it's also important that we expand, as Rob was mentioning, out of country, even. There's no reason that we can't make a premium vodka like the Russians do, like the Swedes do. We're on that same geographical line. We grow the best grains in the world right here in Alberta, Saskatchewan, and Manitoba. We're already shipping most of our premium barley, you know, out of country to make premium beers and scotch in Scotland.

We already have interest in other provinces as well. We've just recently picked up a Canadian Brewhouse. They started out in Edmonton, six brewhouses in the greater Edmonton area, and it went so well that now they want us all the way from Manitoba to B.C. in all their stores. Now, there is some paperwork and some challenges in getting our alcohol into those other provinces, specifically eastern, so that's what maybe we could get some help with. We do have a lot of interest down in the southern States as well in our alcohol. A lot is to do with our bottle being the replica of Leduc No. 1; it goes far in the oil and gas industry. But I think that there is opportunity outside of Alberta as well.

Mr. Coolahan: Great. Thank you.

I just wanted to ask about the water diversion project you were talking about. I think I heard you answer that there's an environmental assessment taking place right now.

Mr. Christianson: Correct. Yeah.

Mr. Coolahan: Okay. So I won't ask about that, but the other piece of that is: do you know how many farms it will impact at this point?

Mr. Christianson: Again, I don't have a number in terms of the total farms that would be impacted by this specific project. Again, if you're looking at just irrigation, there are about 8,000 acres currently that have been identified under this proposal. If you look at the special areas total, you know, we think that there are about 3,000 separate farming operations within the special areas. This project, through some of the engineering – I had mentioned that there are about 350 kilometres of canal and pipe associated with this project. Through the engineering report they did look at an impacted area that I think extended – and this is just off the top of my head – 20 or 30 kilometres all along the actual route of the project. So there would be a considerable amount of land base within the special areas that would actually benefit from this project.

Mr. Coolahan: Great. Thank you.

Thank you, Chair.

The Chair: Any other members wishing to – Mr. Schneider.

Mr. Schneider: Sure. To Mr. de Groot, sounds like you've got a good problem over there, more demand than supply. I think that we have all heard in the last year or so about the issues that have gone

on with the AFSC board. You recommended replacing the board in order to focus on value-added. Could you expand on that?

Mr. de Groot: No. It's not replacing. They didn't have a board for a bit, or there are issues right now with whatever. I just know from the newspaper and also from talking to my local AFSC guy, who's a really good guy. But the direction comes from the board, and right now, with that in . . .

Mr. Schneider: There isn't much of one. Yeah.

Mr. de Groot: No. They were going to move into value-added, and then with the changes, it was halted. The AFSC as a staff are great. It's just that because of the missing board members, they're unable to do what they used to do or do what they're made to do. That's fine.

Mr. Schneider: Okay. For both distillers if I can: what do you think needs to change at AGLC in order for craft beer or spirits to get into farmers' markets, like the honey guys do with their wine and mead?

Mr. de Groot: I don't want to be in farmers' markets.

Mr. Schneider: You don't. Okay.

Mr. de Groot: Now, that's just me, personally. Because it's liquor, you now have to worry about ProServe. You've got to worry about this, that, and the other. It's different than if, say, I'm a fruit wine. Yeah. It's a lot of work. I'm much better to deal with the existing infrastructure of the AGLC and the liquor stores. I'm sure that if I had an unusual – there's a distiller, to be fair, in Grande Prairie. What does he do? He makes that fortified wine. I'm sure that he would love to be in it because he's in Grande Prairie, and to send it to St. Albert and then to go all the way back to Grande Prairie – otherwise, he's just selling out of his store. But for me, I don't see the farmers' market.

What I could see Alberta doing is mandating that you use Alberta products for a tax credit – I know the government is doing a review on spirit taxes, which are extremely high; it's about 60 per cent of every bottle – and giving the credit if you're using Alberta products. Don't go so far as to say that you can't use Beano, but if you're using local grain, that's the value-added part. Now, then you have the Constitution and everybody who's crying all over the place. I don't know about that fight. B.C. implemented something, and every province is being disingenuous. I think AGLC is doing the best with what they can, given a system that is interesting at best.

Mr. Beile: Yeah. We did talk about farmers' markets. Geoff did bring it up. We thought it was a good idea just to get word of mouth out there a little bit more. It's a cheap way to advertise, if you will, but we haven't really pursued it because the opportunity is not there. AGLC has been great to work with.

Rob touched on it. It's the taxes. We pay the same taxes as the very large distilleries, the three large distilleries in Alberta. Let's face it. The economics are completely different. They're buying their grains in bulk. We buy our grains from the local farmer by the tonne, so it costs us a lot more money to just operate. I think we approached the government at one time with the Alberta Craft Distillers Association to say: why don't we mimic the model that's in B.C.? If you produce X number of hectolitres of alcohol, you're at this tax bracket; if you move up, if you start producing more, you move up to the next tax bracket. Once you've reached the level that the big distilleries are at in the province, then you pay those same taxes. I think that would go very far.

Mr. de Groot: And they also dealt with the neutral grain spirit.

Mr. Beile: That's right. You would only get that break if you . . .

Mr. de Groot: If you use the grain.

Mr. Beile: . . . use the grains.

Mr. de Groot: B.C. has fruit, much more fruit than we have. We have to add sugar to our fruits. I know Saskatchewan allows neutral grain spirit to be run through a still and called "craft" and sold for 60 bucks a bottle. Actually, you should be using the grain and value-adding Alberta products, not just a marketing campaign. We do have the opportunity, the first time in a hundred years, to make liquor. Let's actually make it. We're actually looking at the States and overseas before we look at B.C. or Saskatchewan or Manitoba or Ontario. It's just not worth it. There are the battles the government is having to fight, but it doesn't matter which government; they'd be fighting. Liquor is a big, sensitive topic, all the way back to the 1900s. I don't mind giving the AGLC some money; otherwise, it would be Al Capone.

Mr. Schneider: Just a follow-up, if I may.

The Chair: Yeah. Go ahead.

Mr. Schneider: Is there a good enough supply of malt?

Mr. de Groot: I malt my own. I sprout my own.

Mr. Schneider: You do your own.

Mr. de Groot: There are four craft malters starting. Hobo malt is out of Irricana. Origin Malting is now out of Strathmore. Red Shed is out of Penhold. I know Aaron is opening one up down by Olds. I see a huge market for malting. The research we've had to do on the wheat and the rye is because most people don't do it, and the big automated guys just hit enter. The U.S. has a lot of demand. I know in Montana – I had a phone call yesterday from Montana, someone saying, "We want more local malt," and I'm, like, "Well, go malt your own."

Sometimes the best ideas are scary because it looks like hard work. That is the thing about malting. You're going to be physical, and how many people – I've lost 140 pounds shovelling this year. Not many 20-year-olds are wanting to lose 140 pounds this year.

It's a big opportunity. Alberta could shine. Rahr does a great job. Canadian Malting does a great job. Then we also export some great grain. There's a lot of room on the malting side.

Actually, that is my biggest cap. My capital-intensive process is in malting, not distilling. Anybody can distill. Not really; like, it takes a bit of practice. Malting has been the hardest part. You're challenging Mother Nature or God, and if you think you're going to outsmart that, she gets moody.

Mr. Beile: Yup. We've been trying to malt ourselves at the distillery, and our first malt went fairly well, I'll say, but the second malt was . . .

3:45

Mr. de Groot: Yeah. And we now have trade secrets that we are – I thought trademarking, patenting because that's what everybody says, but Arlene in District Ventures says: no, this is called a trade secret. So I'm now up there with Kentucky Fried Chicken and Coca-Cola.

Mr. Beile: You don't even talk to me anymore.

Mr. de Groot: No. My wife would divorce me. She almost does all the time.

Mr. Beile: All I got out of you was the Ukrainian bathtub.

The Chair: Mr. Dach.

Mr. Dach: Thank you, Chair. I believe our representative from The Marketing Edge is still with us on the phone. I heard her express a need for local producers in the agrifood business to leverage combined resources, and I was wondering what role was envisioned for government to make this happen.

Ms Hope: Well, it would primarily be the funding because it's something that would require manpower in order to build the business plan. Now, this idea could be done as something that is covered by government and free to participants, or it could be a cost break-even, where people pay so that it covers the operation, or it could be possibly profitable and privately owned. But, say, for someone like myself to initiate it, it's too big. I can't do it on my own. The government, if they saw the need, would use the resources to get the people in place and the resources to build the website concept.

Mr. Dach: All right. Thank you for that.

If I may change course here for one second and speak to Mr. Christianson. I'm trying to nail down a little bit more concretely what number of farms we're actually talking about that might benefit from this significant infrastructure project: 103 kilometres of pipe to a couple of reservoirs, 350 kilometres of creek channel being amended, and 688 kilometres of canals. I'm not sure exactly what dollar value we're talking about. It's pretty big, I would expect, but to benefit how many farms? I'm wondering because you said 8,000 acres initially, and then you said 3,000 farms within the whole special area. I'm a little bit confused as to how many actual farms that might be serving, who might actually benefit from the construction of this significant infrastructure project. The average size of a farm is – I'm not sure exactly – how many acres in that area? I'm guessing it's probably a couple of sections or maybe one and a half sections on average. Divided by 8,000 arable or usable acres, that comes up with a certain number of farms. Do you have a handle on how many actual farms this might benefit?

Mr. Christianson: I'll tell you what. Off the top of my head, I don't, but we could certainly do some analysis on that and come back and look at how many impacted landowners would actually be within that project area. Again, you know, we're not defining this as strictly irrigation, so even though I used 8,000 acres as the example for irrigation, that is just the irrigation component on the project. The potential use for this project is, again, the domestic use, the agricultural use outside of irrigation if you talk about use for feedlots, livestock watering, those kinds of uses. We can do some analysis and figure out who might be the potential impacted landowners based on the proposed design of the project.

In terms of the costs, again, it is a capital-intensive project. I'm not going to deny that. Through kind of the engineering study that we've completed – it was completed in 2014, so using 2014 dollars. I think the total estimated cost of the project was about \$410 million. Again, there's contingency built in within that for construction, I think, at 20 per cent. I think on the engineering contingency there was 15 per cent added in there. So that's kind of where that number originated from.

Mr. Dach: All right. Thank you. We'd appreciate it to see some more detail.

Mr. Christianson: Sure. Yeah. We can get that for you.

The Chair: Mr. Rosendahl.

Mr. Rosendahl: Yes. The question is for Jordon Christianson. I had been involved years ago when we ended up with the water for life strategy, and of course a lot of that strategy existed based on IFNs, which were your in-stream flow needs, and looking at those issues and that kind of thing based on usage and everything else that went along with that. The concern I have, then, is based on the IFNs of the Red Deer River. You look at the amount of water that you're calculating to remove; it's quite a substantial amount. I guess I would like to know what the effect is, then, on the downstream result of pulling that amount of water out of that river.

Mr. Christianson: I think, Mr. Rosendahl, that's something that the EIA is hoping to identify, you know, what the downstream impacts would be. I think the nice thing about this project is that it's really off-site storage. When you have a flow event down the Red Deer River where there is capacity to be lifting water out of that system, that is when you can move water off it and store it off-site. When the level of the river gets down to – you know, you're required to meet those in-stream flow needs. Then the project doesn't have to be operational. You don't have to be pumping at those times either. I think that's one of the nice advantages of this, that it is off-site storage, so you can accommodate those flow events or those kinds of drier events as well when the flow is not there in the river system.

Mr. Rosendahl: So that would be part of the proposal, then? Because that is a huge concern. If the water level is low, then are you still going to withdraw water? I would think that that would be something that you wouldn't be doing.

Mr. Christianson: Again, I think that in the bigger picture here 2.5 cubic metres per second is not a lot of water in terms of the capacity flowing down the Red Deer River. You know, through the EIA, once that's completed, then certainly we might have a better handle on what some potential downstream impacts might be and have a better idea of the operation side of that system: when you'd be pumping, when you'd be lifting water out of the system, and when seasonally you would not be doing that.

Mr. Rosendahl: Okay. Thank you.

The Chair: Any other members wishing to ask any questions?

Seeing none, I want to thank our presenters for joining us this afternoon for this meeting and for responding to our questions. If you wish to provide any additional feedback or information, please forward it through the committee clerk before the end of the month as well. We have some other business to attend to, so you're free to leave. If you want to watch from the gallery, you're more than welcome to as well.

Hon. members, we will move to the next item on the agenda, which is next steps of the review process. Having completed the oral presentation stage of our inquiry, we need to make some decisions on the next steps of the process – or process. Sorry. It's been a long day. I remind everyone again that we are on a tight timeline for this review, as has been reiterated several times. Under standing orders we have six months to complete this inquiry. Subsequently, that means the due date is April 20, 2017. We also need to remember that session will begin a week from today and that the committee will likely have to take a few weeks in March to focus entirely on the consideration of the 2017-2018 main estimates. It is quite likely that we will have only a few weeks left to deliberate and come up with some recommendations for our report.

At this stage of the review process it is customary for a committee to request that research services prepare an issues document that summarizes the issues that have been identified by the stakeholders. Dr. Massolin, do you wish to comment on this as well?

Dr. Massolin: Thank you, Mr. Chair. Yes. I'd just like to say a few things. Obviously, the committee has reached the stage where it has received the information it has requested both in terms of the written and oral submissions. I would submit that you have received a ton of information, a lot of information here, which is wonderful. It was very interesting, as I'm sure you would all agree.

The information also sort of fits within the broad boundaries of that motion that the committee passed to initiate this review, but "broad" is the operative word. I would say at this point that you're on the verge of making a request, I think, of research services to prepare an issues document, which of course is a summary of those issues and proposals and recommendations made by the people making submissions to these committees. I would maybe make a request of the committee to think about perhaps even at this stage some priorities to give to us as your research support staff in preparing that issues document so we can narrow down some of those issues and those recommendations so that the next time the committee meets, given the short time frame within which to finish this review, the committee can focus its energies and its time on those priority items.

There you have it. Thank you.

3:55

The Chair: Okay. Sorry; Mr. Piquette, you had a question?

Mr. Piquette: No. Actually, I was going to respond directly to the request that he's making there. Is this the appropriate time? I mean, it's something that I think we've all been aware of, just what sort of tight timelines we're working with on this committee in order to be able to have a report ready within the time frame that we're allocated. I know that I'm not alone in really wanting to see this committee succeed. I think the work, some of the information we've been getting, has been critical for, I think, our shared goals of increasing value-added and the resultant benefits there.

Today I've been kind of listening fairly carefully and trying to come up with sort of a list of themes that have been coming out of the presentations that have been raised. I think it may be something to help narrow the focus for everybody here. With your leave, Mr. Chair, maybe I could bring that up, and then maybe we could have a bit of discussion on that, whether it, you know, at least provides the framework for the type of research that needs to happen next.

The Chair: Is that the will of the committee, to start narrowing in on some themes here as well?

Mr. Orr.

Mr. Orr: Yeah. I was kind of wondering about the timeline for that. I was going to ask: how soon do you need that sort of stuff? I don't know. I guess, personally, I'd prefer to have a day or two to actually give some concrete thought rather than just sort of ad hoc throw ideas out.

The Chair: Dr. Massolin.

Dr. Massolin: Thank you, Mr. Chair. Well, I think you could do it in kind of a stage process if you have ideas now, but I would suppose you could also, you know, if the committee agrees, do it through e-mail submissions. I would suspect that at the next meeting – what I'm talking about now is just for the preparation of the issues document, to narrow down the focus as much as possible.

Obviously, the next meeting is about deliberations and report writing and recommendations and so forth. Obviously, that's going to happen at the next meeting as well, but in order to have the next meeting be as productive as possible, you may want to do this offline as well in addition to perhaps following up on what you would want to do right now.

The Chair: Okay. So I'm just trying to grasp this correctly. Feel free, anyone within the committee, to interject if you have any comments. As the issues document is being prepared, we submit through the committee clerk specific items that we want to be brought forward in the issues document in the next couple of days so that they can narrow down the research.

Mr. Taylor: I have a bit of a comment on that. Can we have adequate time to look at the written submission that's going to be presented on the *Hansard* before we . . .

The Chair: The follow-up questions and things like that?

Mr. Taylor: Yeah.

The Chair: That's a fair comment. Yeah. The request for submissions was made for the end of the month. That's the 28th, which is the Tuesday. As I'm hearing from my deputy chair, we'll have submissions in to research services by next Thursday, so a week from now. Okay.

Mr. Dach: Just to be clear, what we're doing now, then, is that the committee members will be sharing amongst ourselves the themes that we wish to direct research to narrow their research down to by the 28th?

The Chair: By the 2nd of March.

Mr. Dach: Okay. By the 2nd of March. Basically, I have no objections to sharing our ideas. I think it's important that we do see those ideas back and forth that we wish to use to direct research. I've got no objections to doing that if indeed that's what we have decided to do. Would, then, a motion be in order to direct research services to prepare an issues document?

The Chair: We're just going to draft up this motion because we have to alter it to make sure we provide specific feedback, so just bear with us for about two minutes.

I'd need someone to – sorry. Mr. Piquette.

Mr. Piquette: Oh, no. I thought you guys were still occupied. I was going to say, "Well, I might as well say what I've written down while we were talking just a little bit," but I don't have to do that either. It looks like you stopped talking.

The Chair: Fair enough.

We have a proposed motion. I would need someone to be the mover of it. I can have it read out before someone opts to move it here. Mr. Rosendahl.

Please proceed.

Ms Rempel: Thank you, Mr. Chair. This is just based on the discussion that's happened right here, so hopefully it captures it. It would be moved that the Standing Committee on Alberta's Economic Future direct research services to prepare an issues document for the committee's inquiry into how to grow and diversify the agrifood and agribusiness sectors in the province after receiving input on focus areas and themes from committee members by March 2, 2017.

The Chair: With that, I'll open it up for discussion.

Mr. Piquette: Just so I'm clear, Mr. Chair, that would be something where we would have this discussion over e-mail, or would they go separately to the clerk themselves and then come back to the next meeting? What's the process being envisioned here?

The Chair: They could go separately to the clerk. It could be fed directly to the clerk, or you also have the option to have discussions amongst colleagues here.

Mr. Orr: I suggest that we e-mail them in to the clerk. Then would it be a reasonable thing to just post them on the website so we can see and have an expanded conversation?

The Chair: Yeah. That sounds good. That sounds doable.

Dr. Massolin.

Dr. Massolin: Thank you, Mr. Chair. This is going to sound a little self-interested and self-serving, but if we can get those ideas from Mr. Piquette, you know, right away, that would be good, too. This is a bit of a process for us to prepare this issues document, especially since it's a very broad review. That would be nice, I mean, whether it's now or you can e-mail them. The sooner the better is the spirit of what I'm saying here because it takes a little bit of time to prepare this document.

Thank you.

Mr. Piquette: What would you prefer?

The Chair: Well, if you're comfortable reading them into the record. Granted, you can always add more to it down the line.

Mr. Piquette: Certainly. Okay. Well, these are the themes that I picked up that were coming from the presentations out in the frame of, you know, what we need to further enhance value-added agribusiness processing in Alberta: appropriate access to finance at the medium-sized business level seems to be a gap there; exploring from the studies strategies for moving up the value chain from commodity production to higher value niche products; robust and concerted effort for the promotion of sustainable and responsible Alberta brand names locally and internationally; leveraging our international reputation in order to expand market reach and, of course, including supporting local foods, farmers, producers, and their products in doing so; fostering close co-operation with academia, government, and industry to help smaller producers become more effective in the specialty ingredients market; leveraging carbon reduction strategies and incentives to increase efficiency and sustainability of Alberta agriculture; and finally, aligning provincial standards to best situate producers locally, nationally, and internationally, including organics, small brewers, and distillers.

The Chair: Thank you, Mr. Piquette.

I'm going to bring the conversation back to the discussion on the main motion here as well. Is there anyone else who has any questions or comments in relation to the motion?

4:05

Mr. Carson: Hmm. I'd actually just like to add two more to that if that's okay.

The Chair: We'll finish the vote on the motion.

Mr. Carson: Oh. Sorry.

The Chair: Then we can go back to that as well.

Any other discussions? Seeing none, before we have the vote, I'll have it read into the record again.

Ms Rempel: Thank you, Mr. Chair. Mr. Rosendahl has moved that the Standing Committee on Alberta's Economic Future direct research services to prepare an issues document for the committee's inquiry into how to grow and diversify the agrifood and agribusiness sectors in the province after receiving input on focus areas and themes from committee members by March 2, 2017.

The Chair: Having heard the motion, all those in favour, please say aye. All those opposed, please say no. On the phones?

That motion is carried.

Going back to the discussion at hand, just to provide that extra assistance for research services. I know, Member Carson, you were wanting to talk about some items that you wanted covered in the issues document.

Mr. Carson: Yes. Adding to the list that's already been mentioned, just two more points that we heard from presenters: that successful government supports could be used as a framework for other areas, so just looking at some of the supports that they had mentioned through the presentations; then the second one being that self-

sufficiency and success require KPIs and strategy for water and land use.

The Chair: Okay. Just for the sake of research services and their assistants, is there anything else that we would like to have added to the issues document at this time?

Mr. Schneider: Mr. Chair, I think we'll submit to the clerk if that's fair enough.

The Chair: Yeah. Absolutely. All right.

We'll move on to other business. Is there any other business that anyone would like to discuss?

Seeing none, at this moment we will poll for the next scheduled date unless we run into main estimates for the 2017-2018 budget.

With that being said, I need a motion to adjourn. Moved by MLA Fitzpatrick to adjourn. All those in favour, please say aye. All those opposed, please say no. And on the phones? Excellent. That motion is carried, and the meeting stands adjourned.

[The committee adjourned at 4:08 p.m.]

