

Standing Committee on Alberta Heritage Savings Trust Fund Act

Monday, August 23, 1982

Chairman: Dr. Reid

3:05 p.m.

MR. CHAIRMAN: We have the Minister of Agriculture here, who has several programs funded by the Heritage Savings Trust Fund. If the minister has any initial statement to make, I'd ask that he go ahead with it, then we can go to questions and answers from the members of the committee. Mr. Minister.

MR. SCHMIDT: Thank you very much, Mr. Chairman and members of the committee. The Department of Agriculture is responsible for four basic programs funded under the Heritage Savings Trust Fund, the first being irrigation, the upgrading of irrigation canals and ditches and provision of a service to producers in that particular way. The second area of responsibility falls in a capital project at the present time. It is the building the food processing lab located in the town of Leduc. The third is for research in the Farming for the Future program, as it pertains to agriculture throughout the province. The last funds through the Heritage Savings Trust Fund are used in the ongoing daily operation and provision of funding through the Ag. Development Corporation.

With your permission, Mr. Chairman, I would like to touch lightly on the first and if there are any questions, do it in that particular manner, if that would suit the committee. I would just like to touch on a few of the highlights of the irrigation program as it pertains to the Heritage Savings Trust Fund and bring members up to date on the five-year program Agriculture shared with the Department of the Environment and the announcement of the water management program which covered a 15-year program for southern Alberta. At that time, Agriculture joined with Environment on a five-year upgrading program. As I mentioned, the upgrading was primarily for irrigation districts to upgrade the deliverance of water and, in a smaller way, some minor areas of on-stream/off-stream storage. Of course the major storage and canal systems fall under the jurisdiction of the water management program under the Department of the Environment.

Recognizing that the original water management program was announced for a 15-year period, the reason for a five-year program was that Agriculture's role in the upgrading process mainly involved \$100 million for the first five years. Recognizing that technology changes in irrigation have been so dramatic over a short period, it was felt that perhaps the close of each five-year program would give us the opportunity to sit down with the irrigation districts to discuss and redefine the sharing program, which was on an 86:14 for the first five years, and review it for the second five years; also to review the need and commitments of the various irrigation districts, recognizing the overall program each was trying to achieve on the five-year program with the ultimate 15-year close.

At the present time, we're at the close of year three since the announcement of the five-year program. The basic responsibility of an irrigation district was first of all to have a study done of their individual districts and set up a five-year program of expenditures and achievements in capital works over that period of five years. Mr. Chairman, I would just like to report to you and to the members that it is now apparent that for all the irrigation districts in southern Alberta that five-year program will come to a successful

completion at the end of the fourth year. Some will have completed their total program in the short period at the close of three years. What it really means is that they have expended their funds according to their basic five-year plan and at an earlier date will have achieved what they had established to achieve as part of the overall irrigation plan, as irrigation districts individually and collectively.

On the original submission, at the close of the first five years Agriculture's responsibility during the fourth year would be to meet with the irrigation districts and discuss the sharing program and any special direction or changes the irrigation districts wished to make, looking back at the experiences gained on the first five years. Recognizing that we are now a year to a year and a half earlier than had been anticipated, I met with some of the irrigation districts and indicated that if they achieved their five-year program at an earlier date, we as a government and certainly the Department of Agriculture would be willing to sit down with the districts in the Irrigation Council to look at the second phase -- in other words, the second five-year program -- and if it were feasible, start implementing the second five-year program earlier.

Mr. Chairman, I would like to say that to date we're pleased with the success of the irrigation districts and the orderly manner in which they've achieved the programs they set out to. We're also pleased with the type and initiative in some of the newer areas of review in providing services to those who require water for the production of crops. I mention that because a certain amount of research and some actual work has been done in the movement of water using underground pipeline. The resultant review, both financially and physically, as to whether it was feasible and capable of achieving some longer term programs down the road have been recognized.

I think you will see some changes in the second and third years of the program which perhaps weren't anticipated as actual projects when the program was started. There's a certain amount of research recognizing problems that exist in both the water management of salinity and to make absolutely sure that water utilization reaches closer to the desired percentage rather than loss through poorly equipped ditches and evaporation. Perhaps those are some of the reasons we've been looking at underground pipeline and better usage of water. I'm pleased to say that in the other area of responsibility, Farming for the Future, which is also funded through the Alberta Heritage Savings Trust Fund, the irrigation districts have had the opportunity to start some of their research work through the other aspect.

Mr. Chairman, with that I would be pleased to answer any questions the members have on irrigation.

MR. FJORDBOTEN: Mr. Chairman, I thank the minister for a very comprehensive overview of what's happening in irrigation upgrading in southern Alberta. It's vital that that program continue. I would say that is shown in the interest and enthusiasm with which it was received. Instead of five years it will be completed in four. Then we have to look at the ongoing part of it.

You did mention underground pipelining. One of the concerns always is how you move water: what do you line ditches with or whether you go to underground pipelining. Have any concerns been raised with the minister particularly with respect to underground pipelining, realizing that they use concrete pipe or different kinds of pipe underground? If you're running pipe underground or through a pipeline and you have a problem with that pipe, the water's shut off. With a ditch, if you have a leak you leave it until the season is over. If you run an extensive system of pipelining and there's a problem in that pipe -- has any concern been raised with the minister on that? It's a very expensive process.

MR. SCHMIDT: Mr. Chairman, not unlike any new system one is evaluating, there are pros and cons, advantages and disadvantages. The disadvantages the member mentioned are offset first of all by almost 100 per cent water utilization. In other words, the loss is practically nil. Secondly, from a land-use point of view, once pipelining is in the ground, it gives the opportunity of total use. In many instances, municipalities look upon pipelining as an advantage over some open ditches, recognizing the cost involved for crossings of rights of way.

I guess the type of pipe has a bearing on some of the questions asked. An extrusion of polythene pipe of a large diameter is available that can be made on site. Hopefully down the road, the economics will be closer to what is affordable. I guess one has to look at a balance. As an individual, I certainly wouldn't want to pass judgment other than to pass to you comments made by those irrigation districts that have looked at pipelining compared to open ditch. In general, the advantages and disadvantages are about on an even keel. From an economic point of view, the initial capital outlay is higher at the start. But for the longer term, it certainly works out better financially than some of the upgraded ditches one is involved in.

It boils down to an individual choice. In the future, I think you will see a combination of many things. I don't think pipelining will take over the total irrigation system, but there are certainly some feeders out on the ends that may be better served that way. It would even benefit to pay the added costs on the short term to get the longer term benefits.

Some ongoing research is continuing in that particular aspect, Mr. Chairman. I would be pleased to provide whatever information is available to the members, if they so wish.

MR. ISLEY: Mr. Chairman, my question is not on irrigation. Is now the time to bring it up?

MR. CHAIRMAN: I presume the Member for Macleod was finished for the moment.

MR. ISLEY: It's northern Alberta's counterpart to irrigation.

Mr. Minister, last year this committee discussed and put forward a recommendation for a major commitment of capital project funds to agriculture in northern Alberta, particularly relating to land clearing and development. Has your department done any assessment of programs that could convey the intent of that recommendation?

MR. SCHMIDT: Mr. Chairman, I assume the hon. member is talking about the water management program that was discussed here a year ago; in other words, the balance on the other side whereby the northern part of the province has too much water and a comparable program working in reverse to irrigation should be looked at to bring new land, and indeed other land already under production, and to salvage a greater amount of it by going into a water management program. Is that the program the hon. member wishes to discuss?

MR. ISLEY: No -- I suppose partially. But I believe the recommendation from this committee was that we look at a capital project funded through the Heritage Savings Trust Fund to bring new land into agricultural production in northern Alberta, recognizing that the greatest obstacle is the clearing of brush from that land, and that we look at some sort of cost-sharing arrangement with farmers to enhance the development of that land.

MR. SCHMIDT: Mr. Chairman, to the extent the hon. member is discussing, I believe the majority of the land and land clearing deals in the area of Crown.

Of course the program dealing with Crown land would fall directly to my colleague the minister responsible.

We did look at and have in hand a program of pasture improvement -- perhaps on a much smaller scale -- which deals with land clearing at the present time. That is handled through the Ag. Development Corporation and would meet some of the requirements for land clearing. It also has the capability of dealing in a much broader aspect. Anything to do with upgrading or bringing into production to a greater extent land that is privately owned falls under this program of enhancement through the Ag. Development Corporation. It would include liming, land clearing, some system of ditching, if necessary. Basically I suppose it could deal with and be extended to some form of water management but lends itself more to land clearing and upgrading the soil itself. That is available and came into being about the last four months.

The other program of water management: we have worked a program which would be acceptable to all areas of the province that suffer from too much water at particular times, and some collections of potable water on cultivated land. We have worked with Environment to come up with a program. We're at the evaluation stage now and can only guess that the future may bring another program that would perhaps give greater flexibility to some of the areas that suffer from too much water.

MR. ISLEY: Mr. Chairman, through you to the minister. Neither program you've described is funded through the Heritage Savings Trust Fund, is it?

MR. SCHMIDT: The Heritage Savings Trust Fund provides all the funds to the Ag. Development Corporation, so I would say yes, in a way they do fund the programs because they are directly involved, although some of the subsidies are budgeted for.

MR. ISLEY: I'm aware of that. I suppose I should have asked the question a little more specifically. Neither program you've described -- the clearing program under ADC or the drainage program -- would be viewed as part of the capital projects division of the Alberta Heritage Savings Trust Fund?

MR. SCHMIDT: It was the intent that a comparable program of water management should follow the same type of funding as the irrigation program. If that were the case, it would fall directly under that purview.

MR. ISLEY: Thank you.

MR. CHAIRMAN: Any further questions for the minister from the committee members?

Looks like that's the end for this year, Mr. Minister.

MR. SCHMIDT: If not, Mr. Chairman, I'd like to step on to the next area of responsibility under the Heritage Savings Trust Fund and report to you that the food processing lab, which is a capital expenditure, went to tender early this spring. It's about \$4.5 million for the original tender. It's based in Leduc. It's a food processing lab, one of a kind, in fact the only one in Canada that will be owned by a government. The department will be making the facility available to all those in the processing industry for upgrading their basic product.

I'm pleased to say that because we've been able to go to tender at this particular time, next year should see part of that food processing lab available to some of the food processors in the province. I'm looking forward with keen interest to what this food processing lab can achieve for the ag. sector and for the upgrading of our basic raw material, the products we raise.

MR. CHAIRMAN: Any questions on that subject?

The Chairman, being a non-farmer, has a question that has to do with the marketing possibilities in view of the current negotiations on the Crow rate. In the event that those work out satisfactorily, is the laboratory going to have a significant effect upon the ability to process agricultural products here, providing that the freight rates cease to work against us, as they do at the moment?

MR. SCHMIDT: Mr. Chairman, you're absolutely right. One problem that has existed in this province is that we have always been producers of the raw material and done exceptionally well. The province is second to none in its ability to produce. It's been unfortunate that the system, mainly transportation, has worked against the opportunity for us to process our basic products here. As you mentioned, if the Gilson report successfully changes it, it would give processors who have been in the business of upgrading basic raw materials here the opportunity for a much better edge on the market. Perhaps it's timely that a food processing lab be available to them as time pulls together, whereby they will then be able to become more competitive with processed products in other provinces and other countries. So the answer would have to be yes, we're very pleased with both ways: the opportunity for processors to upgrade here in the province and, secondly, that upgraded product will have an opportunity to be competitive.

MRS. FYFE: Mr. Chairman, would the minister just expand on how the program will approve various firms that will become involved in the centre? Would they do so by application, or what process would they become involved in? Have there been any studies to date to indicate how much demand there will be for the lab? Is there a possibility we'll have to turn firms away and set priorities? Has any work been done in this area?

MR. SCHMIDT: Mr. Chairman, I'm no expert on the technical aspect, other than it's my understanding that the lab itself -- first of all, its size and the multiplicity of areas it will be capable of doing work in -- would indicate that there's going to be keen interest, but in some cases they may have to wait their turn. I think there would be more of applied. You would use the lab itself and, as soon as you had achieved what you were after, you would go and be replaced. I say "you" as an individual. Basically it will be available to firms, farm commodity groups that process their own basic products. It would appear that there is no place at the present time.

We'll say that you are a producer and have processed potato chips in a particular form, have been selling them in cellophane, waxed bags, and have been dealing with a particular market. Geographically, it may be the Pacific northwest. Out of the blue, your firm may be approached by a prospective buyer who may live in a part of the world that is extremely warm. Packaging then becomes the key to the product you have. Maybe the process has to be changed, because of course rancid products such as that would kill the industry. As an individual, you may not have the opportunity to go to a commercial lab, if one exists, to find some of the answers you need. Secondly, some of that expertise may not be available to you. The food processing lab hopes to provide both, not that it will be a storehouse of total knowledge, but information that is available at the present time will be available to you as a processor. You will be entering that food processing lab with an objective in mind that you would like to achieve. The use of the facility and the people who are there, plus those people you wish to bring, should find you the answer for the same product, but in a new way for a new market. That's really what it's all about.

We feel the greatest need and use will perhaps be by the red meat industry because it's one of our larger exporters, one of the largest processing areas that requires some immediate attention. So yes, with a staff of about seven to eight qualified people and opportunity for you to bring qualified people in on a short-term basis for your project, it will have many capabilities.

MRS. FYFE: Thank you. A further supplementary. Is a fee charged for the service?

MR. SCHMIDT: We haven't established the financial end of it. The philosophy was that it should be on a fee-for-service basis, but just a nominal fee to make absolutely sure that the facility could keep going and pay its way; not a charge that would be prohibitive, because we're really trying to enhance the processing industry and not hinder it. So it would be on a nominal fee-for-service basis, but it hasn't been established.

MRS. FYFE: I assume this facility will be responsible to a board of directors?

MR. SCHMIDT: For the present time it will operate directly under the Department of Agriculture and the particular department that deals directly with marketing and processing of foods. If it gets to the stage where a board would have to be set up to administer it, we could do that in the future.

MRS. FYFE: Two more questions related to the evaluation of the project itself and the dollars invested from the trust fund. I assume the department would do an evaluation to ensure that these funds are well spent and, through input into various industries, do assist in diversifying our economy. Have criteria been laid out for an evaluation process?

MR. SCHMIDT: It's already been established, first of all, that marketing in the limited area of processing which is done now has grown considerably over the last two or three years. Processing, of course, has followed almost immediately because of need. It would be quite simple to keep track of our export market; it could be tied most directly to whatever advantages were accrued from the use of the processing lab. So I think it could reflect in a dollars and cents figure at the end of each year, recognizing an increase in export.

MRS. FYFE: I think it would be extremely helpful to this committee in future years to actually show in definitive terms the dollars spent in the benefit to the Alberta economy. Many of the projects approved in capital projects, such as park development, don't have a direct dollars and cents realization. I think this could be a very definitive type of evaluation and, if your department would consider providing that information, it would be extremely helpful to this committee.

I'd just like to conclude with one last question. What is the target date for opening the centre?

MR. SCHMIDT: It's our understanding that we'll be able to use part of the lab in 1983, but it will be fully operational in 1984.

MRS. FYFE: Thank you very much, Mr. Chairman.

MR. CHAIRMAN: Are there any further questions about the food processing part of the minister's responsibilities?

MR. SCHMIDT: If not, Mr. Chairman, with your permission I'd like to go on to the third area of responsibility under the Heritage Savings Trust Fund: research as it pertains to Agriculture and to the fund itself.

Some time ago a number of research programs in agriculture in the province were shared provincially, some were shared federally, and some jointly. But 1979 and 1980 were the first years of Farming for the Future and, through the Heritage Savings Trust Fund, a \$10 million fund was established that gave Agriculture the opportunity to go into research in its own true name. It started off in 1979-80 with an expenditure of \$2 million and, of course, has grown since in applications. After a fast start, it was soon recognized that \$10 million was not sufficient. A further \$15 million was added, so we now call Farming for the Future a \$25 million program.

I would just like to say to you, Mr. Chairman, and to members of the committee that we're more than pleased with what Farming for the Future has achieved. Producers, producer groups, and individuals interested in areas of research have pulled together a terrific collection of research. One would normally think the results from research are long term. We are enjoying the benefits from some of that research started as early as '79 and '80, and some after that which has come to a successful conclusion. Perhaps 1982-83 saw one of the larger years, with an expenditure of some \$6 million. I would like to say that even though we started in '79-80 and found we had almost outgrown the program in year two and expanded it, we have grown so rapidly that we're now looking at phase three. In other words, there are sufficient funds in the \$25 million research program to take care of one more year of accepting new areas of research and new programs and still meet the ongoing financial commitment for those that are in years two, three, four, or close to completion.

One thing I would like to mention with regard to Farming for the Future and its success is that it has been so successful that this year for the first time we have gone to applied research, taking the information gained from true research and providing on-the-farm demonstration programs of that applied research. This is our first year. I'm very pleased to say we have 29 projects throughout this province expending just under \$80,000. It's not the amount or the number, other than it shows the number of interested farmers or farm groups. In the 29 various areas throughout the province now working on programs in demonstration plots on farms in specific areas showing what has been achieved, it's learning by doing and seeing. We feel that program is going to be key. It's been well received. It's certainly been looked at by other areas throughout North America as a key way of presenting research information which is difficult to get out to those who need it most. This is the surest and easiest way.

One other aspect which has entered into success this year and is key to research is providing those people who have both the knowledge and time to make it a vocation to see that research is carried out. We've set up a graduate student research program, and this year provide funds to those going to Alberta universities or the western veterinary college in Saskatoon for the opportunity to work in Farming for the Future programs. This year we have 18 such graduate students working throughout the province with Farming for the Future. It not only enhances the program itself; it helps the individual gain not only experience but some financial opportunity to go further in the field. It's our hope that, with that opportunity, some of them will return as full-time researchers and perhaps provide the nucleus for all those areas of research which are going to be required for Farming for the Future in the future.

We're very pleased with the number of people, the interest. At this time I would just like to pay tribute to the volunteers who make up the committee that receives the submissions, goes over them, makes the selections, and carries on the day-to-day operation of Farming for the Future. It's been

highly successful. The people who sit down and go through the applications are knowledgeable. To my knowledge no one has been turned away because the project was too small, in some cases too large. I think everyone who has made an application has had a hearing, both sympathetic and from a practical point of view. Most of them end up as a project. Some will run beyond a full year to two or three years. Most of them are in that particular bracket and achieve results much longer than what you and I thought research was all about. So I'm very pleased we have the opportunity through the Heritage Savings Trust Fund to provide agriculture producers, not only in this province, the opportunity for that research.

Mr. Chairman, last year the ongoing research in this province was recognized by the state of Alaska. We now have a shared working agreement with the state of Alaska for the exchange of research material between the province and that state. It was quite interesting for them to come and see what we have achieved. When you think of research, you think of long term. If you look back a very short time, we just celebrated our 75th anniversary, so we're youngsters in the total game. I was quite pleased that we have something to share with people as young as we are, but have the availability of knowledge that goes a long way back. I take my hat off to those people involved with research in the province. They've done an excellent job. We have 145 projects going on at the present time.

MR. CHAIRMAN: That's impressive. The Member for Macleod.

MR. FJORDBOTTEN: Thank you, Mr. Chairman. One of my first questions was how many projects are ongoing. Everyone certainly agrees that everything we enjoy today is because of research, whether it was done by a farmer on his own farm or whatever. Research has contributed to the way of life we have today. I think the on-farm demonstration project is one of the best news items we've ever seen. To get research out to the actual farms is something. One of the concerns I have is that a lot of research collects dust on shelves because it just doesn't get out to the people who are aware that it's there. What does Farming for the Future and your department do, Mr. Minister, to try to get this material, the results of research, out to the producers?

MR. SCHMIDT: First of all, it's the responsibility of those people who have an accepted project to document the program from start to finish, and that the end results be provided and become the property of Farming for the Future or, in other words, the province. We then catalog that information. As I say, so many people are watching it, because in an annual report we make available every area being considered and all the programs out there. We have many people waiting almost day by day who follow the research to find out what the end result was. If you wanted to catch the broad spectrum, I'd just pick up the on-farm demonstrations. I'll read you the first five: zero tillage, wheat and barley trials, blackbird control, pre-immunization of feeder cattle, and snow entrapment. Those are five, and they're about as far apart, each one to its own, being tried as part of the on-farm demonstration program in the province. Out of the 29, there's pretty broad coverage.

MR. FJORDBOTTEN: I have a supplementary on the research that's actually done. Research is ongoing. As a researcher, a project can continue for 10, 15, or 20 years, if you wanted to extend a project that much. Is there a time limit? When an application comes in, I realize they have to put down whether it's a three-year or a five-year project, but I would suppose they have the habit of going over that. Is Farming for the Future firm on allowing anyone to go over what they've actually been budgeted for, as far as time and funds?

MR. SCHMIDT: Mr. Chairman, I might add that the hon. member probably has the answer, as he is a member on Farming for the Future research. Basically we're very fortunate, in that the individual who makes application for research establishes with some degree of flexibility the years he or she feels are required to achieve the end result. Because the dollars and cents involved are crucial, recognizing not just the approval, if they were to run without any check, it would be almost impossible to keep track of them because an ongoing financial commitment goes beyond the one-year limit for programs that go that far. They, of course, create the amount of funds available for new programs each year. So yes, we watch it closely. But I think there is that degree of flexibility. At no time, to my knowledge, have we cut off research that was about to achieve the end goal because of either lack of funds or the extension.

MR. FJORDBOTTEN: Thank you. I have just one further question. That's with respect to the new committee on irrigation that was added. Does that particular committee work closely with the irrigation councils? Can you expand a little bit on the make-up of that committee, Mr. Minister?

MR. SCHMIDT: Mr. Chairman, after the first year in the irrigation program of water management, concerns came forward that had been around for some time. Problems that arose for discussion at the start of year two, in doing the total review and trying to set up the five-year program for each one of them, were soil salinity, the misuse of water, areas of research as to the best use of material and equipment for upgrading, areas where one should be assessing and evaluating water utilization for the longer term, and how best to achieve it. At that time we felt that there are areas where we can have applied research and ongoing research at the same time, and we added an irrigation committee to Farming for the Future.

The responsibility of the committee, of course, was to work with the irrigation districts and the Irrigation Council which, in some cases, would collectively be looking at a research project that would be funded under the normal upgrading but the evaluation would be done by the Heritage Savings Trust Fund Farming for the Future at the same time that it was an ongoing capital commitment. For the first time we had the opportunity to evaluate some of the new systems. In other words, for the first time we now have the inner structure of some of the larger canals totally paved to carry water. The water loss is a lot less; the efficiency in the movement of water is much better. But at the same time we have an upgrading system whereby we use plastic film on a pre-fixed base and then cover it with granular material, and some districts chose to go that route. Both were acceptable practices, but what really was required at that time was an evaluation, because really we were doing research; it was something different from what had been done in the past. So in recognition we set up a new committee in the irrigation section under Farming for the Future and added it to those that already existed in cereals, livestock, and forage, and it has been a winner in both ways.

MR. D. ANDERSON: Mr. Chairman, I echo the comments from the Member for Macleod with respect to the applied research that has now been entered into. I think too often we do fund research projects and, as the member has suggested, they collect dust without being applied to circumstances in all areas.

Could the minister enlighten an urban member as to a couple of the more successful research projects he indicated earlier, which have already begun to pay dividends in the short period of time the project has been operating? Are there a couple of projects you can specifically identify that have helped Albertans, that wouldn't be there without this particular program?

MR. SCHMIDT: Mr. Chairman, one we'd certainly like to use comes to mind and, of course, is the key. I'm not going to say that it may not have happened had Farming for the Future not come into being, but I would have to say that if it were successful it would have been much later. We can only assume that Farming for the Future played a key role and was number one. Farming for the Future joined and continued with livestock research being carried out at the University of Saskatchewan at that particular time, of which, in regard to organized livestock groups, we as a department had always been a part. Farming for the Future joined them and, at the close of the second year, brought on stream for the first time a vaccine that takes care of calf scours, or a form of diarrhea, which is a disease of newborn calves. It takes a terrific toll in calf losses throughout all North America and other parts of the world. It's highly infectious and goes through a herd.

Through funds that were provided and work that continued from there, a new calf scour vaccine was discovered and is now on the market. It is injected into the mother as she's carrying the calf and practically eliminates the scours when the young calf is born. That program itself is key and, of course, goes far beyond the province of Alberta. Right now it's available in vaccine form throughout the world, certainly in Canada. Other countries that are large producers of livestock are keenly interested because it's one thing that has always been a cost factor to production, regardless of where you are. That's just one of them, and there are others.

The other one that would come to mind is that beekeepers in the province, and perhaps elsewhere too, bring in bees from California and operate for one year. Then they're snuffed out at the end of the year, and each year you're always buying new bees. Through the areas of research you now find most producers in the province wintering their bees here. Some of the advantages, of course, are the economics, but the key that goes much further than that is that you are now keeping a strain of bee that is basically free from disease and certainly orientated to your own climate, to that basic geographic location, because you've had them there -- they're yours. So we've come a long way in a very short time in that particular aspect, and that was done through Farming for the Future.

I could pass on a number of others, but those two are key. Some, of course, are ongoing, have upgraded, and have achieved some successes but are going beyond. Then there's the work with some of the grasses and legumes that takes longer, in which it's impossible to achieve any success in a very short period of time. It's going to take four years for some of them, five for others.

MR. D. ANDERSON: Thank you.

MR. CHAIRMAN: Mr. Minister, is there any provision in relation to the Farming for the Future program similar to that of the medical research foundation? There we very specifically avoided having an annual report on the projects to the Legislature or this committee because we didn't want to get into the publish or perish type of research. That was what we were trying to get away from. Is there any provision for Farming for the Future to report back to the Legislature on what has been achieved, the types of projects, and the results, say on a three- or five-year basis? I don't remember one, but I wonder if the minister knew of any provision for a report back on the results of the investment.

MR. SCHMIDT: I'm not too sure of the provisions as to when we report, other than the physical report today to the committee. The Department of Agriculture, being responsible for Farming for the Future, issues a progress report each year on the total operation of Farming for the Future. We bring out quarterly bulletins that update the general public on what is being

achieved, what's going on, and try to report all the current matters to the point that -- I guess the key is not to whom you report the successful findings and those that are not successful in the area of research. The end result is made available to those people who are really concerned; in other words, the producers throughout the province. We try to do that as often as possible, at least once a year as a progress report in the Legislature and once a year as a report to this committee, sir.

MR. CHAIRMAN: I was delighted to hear about the involvement of the 29 sort of on-site projects that indicate that the information is getting out to the people who need it. I just wondered about the reporting back to the Legislature.

MR. SCHMIDT: Yes, this is the first year. We'll be very pleased to -- and no doubt will -- give some indication of success of the applied research in the progress report, because we feel it's perhaps one of our best ways of communicating with the producer. That will be part of the progress report and will be available to all members of the Legislature.

MR. CHAIRMAN: Okay. Thank you, Mr. Minister. Any more questions to the minister about the Farming for the Future program?

Item No. 4.

MR. SCHMIDT: Mr. Chairman, the last one is the Agricultural Development Corporation. All members are aware that the funding that keeps the Ag. Development Corporation going is provided through the Heritage Savings Trust Fund. Moneys that the Crown corporation borrows are direct from that fund. The subsidized interest rates available to various segments of producers through that Crown corporation are budgeted for through the Department of Agriculture for all the rebates made available to the various programs they handle and to the subsidized interest rates available to beginning farmers and to those producers who qualify to ADC, which is basically a lender of last resort.

Just a fast update for the members to give some indication as to the type of business that's ongoing to the Ag. Development Corporation. It deals in two broad areas: first of all, loans to individual producers. Those loans can be either direct money, which will be at a subsidized rate, or farm development loans through a lender of your choice and guaranteed by ADC at a prime rate.

The other area that is now coming into more prominence than it has in the past is agribusiness. I say more prominence inasmuch as, to start with, agribusiness was usually handled through the Alberta Opportunity Company, which was a Crown corporation that came into being first. All businesses that qualified ended up applying through the Alberta Opportunity Company. A few, where there was no mistake they were agriculturally oriented, ended up at the Ag. Development Corporation door for application. Some time ago we had the opportunity to sit down with the Alberta Opportunity Company and the Agricultural Development Corporation, and ironed out those groups of companies that fell into the agribusiness section and those that fell into the small business section. Since that time, Mr. Chairman, we have been handling more agribusiness loans than we had in the past, and there's certainly an interest out there in the varied numbers of businesses that deal directly with agricultural producers.

The total number of applications handled by the Ag. Development Corporation is just over 11,000. To date we have handled 47 Part A loans. Those are subsidized to lenders of last resort, as are Part B. There were 50 of those. Since the inception of ACD we have handled 316 beginning farmer loans, for a total of 3,419 beginning farmer loans. Since the update of the beginning

farmer program took it out of the lender of last resort, I would like to qualify that although the total since inception was 3,419, over 2,000 of those have been issued in the last two years since the program was changed.

Then there are a number of specific guaranteed loans which are not direct money. There were over 1,652 of those applications. We have about half a billion dollars invested or in the hands of producers for further production on behalf of the province.

I would like to touch on the beginning farmer program, because I think it's certainly an enviable position for the province. I say that because as you go from one area to another, whether it be a state in the United States or a province in Canada, if you look at it from a production point of view, the key number really is not only the amount you produce on the number of acres available but those who produce it. If you want to check the future, you have to take the average age of farmers in a particular community. There are a number of reasons why that age will continue to grow: some because of choice; not enough people are interested in going back to the farm as a way of life. Secondly, the economics may be such that it prohibits many of them from going back to the farm. Thirdly, it may be economics in land prices. Fourthly, I guess those who are farming are not ready to give up yet. If you look at the average age of the producers in your community as 60, we'll say, then you have an area for concern. Because if those at 60 decided to quit next year, you would find yourself in a rather difficult position from a productive point of view.

We in the province were fortunate. The average age of our producers was somewhat less. Since the new beginning farmer program was instituted, we dropped that by 10 years. So the average age of a farmer in the province of Alberta is somewhere around 46 years. Basically that means we have a nucleus of young producers. We have those at the high end, age-wise, in production. They're there by choice, and they know that from an economic point of view, within reason, the day they decide to leave or retire, the opportunity exists for another young individual to step into their shoes.

The average loan to a beginning farmer at the present time is somewhere around \$163,000. That is the package. The package is usually a parcel of land, a half section, buildings on it, and in some cases the youngster starts off with lock, stock, and barrel. He takes everything there from machinery to livestock and starts in at that end of it. Some beginning farmers start in the dairy industry where flexibility in the program has allowed them to start up with equipment and livestock and carry on the dairying operation from a purchased parcel or from a leased parcel.

I mentioned the average amount of \$163,000 to \$164,000 because the maximum loan is \$200,000. A degree of flexibility exists, and it's reviewed on a quarterly basis. If we find we're not meeting the needs, those limits have to be lifted. At the last quarterly meeting, we took a look at the asset limit. It started off at \$200,000. It's now \$250,000, because we found it wasn't quite meeting all the applications. That ongoing evaluation will continue. If they have to be changed, they will be.

It's interesting to note that the applications for beginning farmers are about equal across the province between various geographic areas. They're about equal in the southern part of the province for irrigation as for dry land. The split is about even for livestock and straight grain. No one area really deviates dramatically from what already exists within the community. I think it's a pretty good cross section. Of course in some areas farms are larger than they would be in other parts of the province, and of course the limits then have to be looked at. Some degree of flexibility may have to show up in the future. At the present time, we feel we're meeting those commitments and are always willing to bend.

In the last review done, the beginning farmer has a 6 per cent earned rebate. His base rate is 12 per cent on his loan. He gets a 6 per cent earned rebate for the first five years. On review, after a year's operation -- you have to operate a year, of course, before you have a chance to evaluate the refund and the rebate -- we found that in some cases very minor things were stopping the rebate. That really wasn't the intent, so in the very near future you will see that the earned rebate will be 6 per cent rather than waiting for the year to get that earned rebate. In other words, some of them had to pay the full treatment and borrow the money for that 6 per cent and wait for its return. We're now going to be making the 6 per cent more definite and certainly more flexible.

We feel that it's key to review the programs and the limits on a quarterly basis. In the last review, of course, some changes were made to some of the application forms, recognizing the time frame involved. We hope the changes will reflect a better service in a shorter time to the applicants out there.

In general, Mr. Chairman and members of the committee, although it's difficult, I'm sure the success the Ag. Development Corporation makes depends on whose eyes one is looking through. I'm sure one who has applied and is turned down because he didn't qualify has one view. For the other who has applied and been accepted and is well on his way in the production field, there is another view. Recognizing that some years ago this government recognized there was a void for producers where no funds were available in any way, the last resort aspect was the key and, hence, the Ag. Development Corporation came into being to provide funds for those who found themselves in that particular position. Other than the beginning farmer approach, that hasn't changed. We feel that flexibility has entered into it, of course. As interest rates have fluctuated and land prices have gone up and down, conditions have changed. Maybe the man or woman who wasn't eligible for last resort three years ago was eligible last year, because it's all based on repayment ability. In general, we feel we have met the needs of many people out there producing who wouldn't have had that opportunity.

I suggest to you that we can look back on a beginning farmer program that's second to none. With an average age around the 46 mark, it would appear from a production point of view that this province is in reasonably good shape.

MR. ISLEY: Mr. Chairman, first of all, I'd like to compliment the minister on the initiatives he's taken with the beginner farmer program and also the more recent adjustments he's described today. Representing northeastern Alberta, I think that program has been received well and is working well. It's a program this government can take great pride in. Mr. Minister, even your statements indicate that the real success of that beginner farmer program started a little over two years ago when you took it out of the area of being a lender of last resort. Is any consideration being given to taking our other programs out of the lender of last resort area?

MR. SCHMIDT: Mr. Chairman, that's not the first time that question has been asked, nor the first time consideration has been given. One would have to recognize the amount of farm credit that exists in the province of Alberta. If the Ag. Development Corporation, as the beginning farmer program, were not a lender of last resort, and if you recognize that the interest rates are subsidized and, of course, the lowest in the field, if the door were to be thrown wide open, we would be the sole lender. I think the experience we have gained opening the beginning farmer program to all -- in other words, the Ag. Development Corporation is really the only lender to beginning farmers because of subsidized interest rates. That's a key, and it was by design that that came about. But you have to remember that the backlog of applications, the number of hours, and the people involved just to handle the beginning farmer

aspect became rather difficult. It's only lately that we've caught up on the backlog. I would suggest to you that it would be an impossibility financially. One would have to look at what would be expected of all the commercial outlets if we were the only lender. I think we'd wake up one morning and the ADC would be the only financial institution about. So the answer to you is no. We feel that the beginning farmer program is accepted on that basis and no problem whatsoever. The last resort aspect meets that criterion which producers were finding difficult, because there really was no area for them to borrow. We filled that void. I would have to say that that would be the direction one should continue.

There are other areas of flexibility. Two incentive programs come quickly to mind. The program we were discussing just a little while ago in regard to land clearing, liming, that type of thing, gives individuals the opportunity to borrow where they wish, but the incentive is \$70 per \$1,000 towards payment of interest. That is one way of meeting some of the criteria and some of the areas where you have to direct funding in a specific way -- this way happens to be land clearing, and the other happens to be liming.

We used to have another one in the dairy incentive program where, as a province, we're totally self-sufficient; in other words, producing up to the total quota system. That incentive program, of course, has been discontinued, but it proved its worth at the time we were trying to build production up to 100 per cent of our quota, or close to it, recognizing that a new dairy agreement was to be signed. We were low on quota at the time, and had we continued we would perhaps have been cut back to our productive level.

So there are many areas where, through incentive programs, the Ag. Development Corporation can help in the shorter term, but for the longer term I think it will stay as a lender of last resort, with the exception of the beginning farmer side.

MR. ISLEY: Thank you, Mr. Chairman. Thank you, Mr. Minister.

MR. CHAIRMAN: Thank you very much, Mr. Minister. It's been a very interesting and informative afternoon, certainly for me. I am not a farmer and I don't have many in the constituency.

If there are no further questions, we'll take a 5 minute adjournment and get the Associate Minister of Public Lands and Wildlife to come. I think we can probably finish with his appearance this afternoon.

MR. SCHMIDT: Thank you, Mr. Chairman and members of the committee.

The meeting recessed at 3:20 p.m.