

[Chairman: Mr. Kowalski]

[2 p.m.]

MR. CHAIRMAN: Good afternoon, ladies and gentlemen, and welcome to this session of the Standing Committee on the Alberta Heritage Savings Trust Fund Act. This afternoon we have two gentlemen with us, and I'll get to the introduction of them in just a second.

First of all, I welcome back to the land of the living the Member for Spirit River-Fairview. We understand you had a collision with a moose, and the moose won. We're all very happy that you're here in good form physically and mentally and the like. I trust there will be some added incentive to dispense more public money in repairing the car, and that perhaps is as good a make-work project as any. You really didn't have to go that far in getting carried away with it. Welcome back.

This afternoon we have with us the Hon. Leroy Fjordbotten, Minister of Agriculture. Accompanying Mr. Fjordbotten is Mr. Nigel Pengelly, the MLA for Innisfail. Mr. Pengelly of course is the MLA who sits on the Farming for the Future board.

At the outset, Mr. Fjordbotten, can I thank you for the co-operation from your office in scheduling your appearance here this afternoon, and as well thank you very much for the information that was circulated to committee members. All committee members should have a number of documents; namely, a Farming for the Future progress report dated 1983; a pamphlet dated December 1983 called an On-Farm Demonstration Program: Bringing New Technology to the Farm; and another document dated June 1984 called Agricultural Research: Investing in the Future. They were circulated the other day. A number of documents were made available today, including one entitled Irrigation Development in Alberta: the Economic Impact and three communiques from the interprovincial conference of ministers and deputy ministers of Agriculture, dated July 23 and July 24, and July 23 and 25, plus a document that has the word "confidential" at the upper right hand corner, entitled Agricultural Trade Policy: GATT, by Alberta Agriculture.

Mr. Fjordbotten, welcome. If you have any opening comments to make, please proceed.

MR. FJORDBOTTON: Thank you very much, Mr. Chairman. I appreciate the opportunity to appear before the heritage fund committee today. I'm also pleased that Nigel Pengelly is able to appear with me and respond to specific questions you may have with respect to some projects that fall under that program.

As I'm sure committee members will recall, last year I was asked to supply considerable background to acquaint new members with the various programs, and therefore in addition to the normal description of expenditures, we also discussed in considerable depth the history of each one of the programs. Mr. Chairman, I don't believe it's necessary to go over that material again unless there's a request for it. I propose to restrict my opening comments largely to the period of the last 12 months.

There are basically four programs financially supported by the Heritage Savings Trust Fund which report to the Agriculture portfolio. The first is Farming for the Future, which is the largest

provincial financial support program for agricultural research in Canada. The second project is the food development centre located in Leduc. The centre is already partially in use, and I hope it will be in full operation by the fall of 1984. The third is the irrigation rehabilitation and expansion program and specifically involves Agriculture in the upgrading of irrigation canals and ditches and other works that really aren't headworks or major structures, because those fall under the Department of the Environment. The fourth program of course is funds used for farm credit extended through the Alberta Agricultural Development Corporation.

I'd like to note that all these programs, in addition to the assistance they give our primary producers, provide a really significant input to further value-added production in Alberta. As we recently emphasized in our white paper, Proposals for an Industrial and Science Strategy for Albertans, value-added processing and improved marketing are key ingredients to the future economic success of the province, and all these programs are certainly directed toward achieving that goal.

In my opening remarks I'd like to cover each of the four programs over the last 12 months. The first I'd like to cover is the Agricultural Development Corporation, because it plays such a vital role in the long-, intermediate-, and short-term financial assistance that is really needed to meet the unique circumstances Alberta's farming industry is in.

The Agricultural Development Corporation is now in its 12th year of operation and has become one of the province's largest agricultural lenders. As of June 30, 1984, ADC had authorized more than 10,900 direct farm and agribusiness loans, over half of which were issued to beginning farmers. These loan authorizations total more than \$1.1 billion. In addition, more than 92,500 guaranteed loan authorizations have been handled since the corporation's inception in 1972, representing an additional \$1.1 billion. As of June 30, 1984, the Agricultural Development Corporation had 24,394 active and outstanding accounts totalling \$1.1 billion. Over the past decade, the outstanding amount of agricultural credit in Alberta has grown more than fourfold, from just under \$1 billion in 1972 to \$4.2 billion in 1982. Today it's estimated that ADC is involved in about one-third of the long-term credit that's outstanding in Alberta.

In 1983-84 farm lending activity in the province decreased by almost one-fifth. In spite of that, during the fiscal year the Agricultural Development Corporation issued 1,092 beginning farmer loans for a total of \$142 million, and authorized 7,322 farm and agribusiness loans and loan guarantees for a total of \$265.5 million.

I recently announced some changes to the Agricultural Development Corporation programs and policies, Mr. Chairman, and I made those changes to keep pace with the credit needs of producers today in Alberta. Many of those changes were directed at farmers who were saddled with heavy debt loads and who were particularly hard pressed in the current cost/price squeeze that is facing agriculture. In addition, I think there were a number of significant refinements made in ADC policies and programs during the past year. Those include a new, improved payment schedule for interest incentives, relaxation

of off-farm employment restrictions for beginning farmers, and increased emphasis on management skill training and on establishing the viability of an operation before — and I emphasize "before" — the loan is made.

In these difficult times, as in the past, it's ADC's approach to provide assistance to farmers when there's potential for success. For farmers who are in serious financial difficulty, the Agricultural Development Corporation provides advice and in-depth financial analysis in some of the following areas. One area they're very active in is refinancing arrears. They also look at complete financing and postponement of payments, and they're also dealing with other lenders to find solutions to borrowers' problems. In addition to all that, the corporation will often consider amending the security it holds to allow producers to restructure debts and reduce interest expenses. Frequently that involves releasing some security that's being held by the corporation. ADC also pays interest incentives to assist beginning farmers, and \$34,355,700 in incentives was paid or accrued in that way in the fiscal year '83-84.

Further assistance in the area of farm financial management is now considered, and proposed support strategies include a financial and counselling program — and the department and ADC are working on it now — that would look at competent farmers and businessmen as counsellors. In the months ahead, I think serious consideration has to be given to expanding ADC's role in assisting food processors and firms that are engaged in commodity marketing. I think that's also in line with the government white paper, which stresses doing as much value-added processing within Alberta as we can.

I note again from the white paper that new programs need to be considered to further assist Alberta's primary producers in obtaining necessary credit at reasonable rates to maintain and expand their operations. In line with this, government guarantees for vendor financing of land purchases and agribonds are two proposals that we're actively considering. We're looking at possible changes in other areas that would also be helpful.

As well, we're attempting to co-ordinate our actions in agricultural credit with other provinces. You have a communique in front of you from the last federal/provincial ministers' conference, when we agreed that the short- and intermediate-term credit needs are really of immediate importance. To address those concerns, we set up a special interprovincial task force on agricultural credit. We're going to report to a special meeting of agricultural ministers, which will be scheduled sometime in October. We're looking at other types of action, and I hope a number of constructive proposals will be brought forward by that task force.

But in spite of all the best efforts we can make, I must say that not all farmers are going to succeed. I emphasize that the Agricultural Development Corporation is a high-risk lender and thus takes risks no other lenders will accept. As such, the Agricultural Development Corporation realizes that some failures will inevitably occur, but I think our record with ADC is good.

As of July 1, 1984, only 7.8 percent of ADC accounts were more than one year in arrears. At the same time last year, 9.4 percent were in arrears. So we've actually had a reduction in the arrears. The

dollar amount of what's in arrears at the moment is less than 2 percent of the corporation's total outstanding debt. Total legal actions initiated in the year ended March 31 involved 82 of ADC's direct and specific guaranteed borrowers and 46 under AFDL, Alberta farm development loan borrowers. If we look at the number of accounts we have at ADC and look at those numbers, I think they're very, very small. There has been a reduction in the number of legal actions in the first four months of this year. During that period only 41 ADC clients have been involved, compared to 48 in the same period last year.

I conclude my ADC comments by pointing out that agriculture really is the cornerstone of the province, and it's essential we maintain the integrity of that cornerstone by affording farmers access to the credit they need. I think ADC has proven in the past and will continue to prove every day that we are an efficient and effective vehicle in providing credit. I read something the other day that I think really states it clearly, and I agree with it totally. It says that ADC is the best friend a farmer can have. I think that can be accepted by, if not all, nearly everyone.

The other program we have, the second component of heritage trust fund funding, goes to irrigation rehabilitation and expansion. As the committee members will recall, the irrigation rehabilitation and expansion program was originally announced in 1975 and was implemented in 1976. In 1980 both this program and the irrigation headworks and main irrigation system improvement program conducted by Alberta Environment were given new mandates for levels of funding. The headworks program received a 15-year mandate, and the irrigation rehabilitation program was provided with funds for five years, after which time the program itself, its level of funding, and the cost-share formula were to be reviewed. The ultimate objective of both programs is to provide a system capable of supporting 1.5 million acres under irrigation.

As noted in the current annual report of the heritage fund, \$32.9 million was invested in the irrigation rehabilitation and expansion program during the fiscal year 1983-84. Of this amount, \$32.1 million was distributed in the form of grants to the 13 irrigation districts for use in rehabilitating their distribution system. As the committee is aware, the province's share of any project is 86 percent, while the districts provide 14 percent through a levy on their water users.

Over the last five years, irrigation rehabilitation program grants to the districts have been an average of \$23.7 million. Cost-sharing agreements between the Minister of Agriculture and the individual irrigation districts outline the specific terms and conditions for expenditure of those funds. All of those funds are continually monitored by the Irrigation Council.

While the major districts are responsible for their own project engineering, Alberta Agriculture continued to provide engineering for the five smallest districts in 1983-84. The actual operating costs of the projects, both during and after the rehabilitation program, are the total responsibility of the irrigation districts, and therefore there are no operating cost implications for the government of Alberta.

With regard to the \$780,000 spent on support services during the fiscal year '83-84, \$263,000 was

spent on research, in conjunction with operating moneys from Farming for the Future. The significant project areas were the study of canal lining materials best able to stand the rigour of Alberta's soil and climatic conditions. The booklets of pictures that I've handed out show some of the projects and the lining that takes place and some of the canals prior to their lining.

The remaining funds of \$517,000 were spent on an aerial photographic mapping program. This program generates the data needed to develop the topographic information required for future planning.

You might be interested to know that during 1983-84 nearly 12,000 acres were added to the irrigation district assessment roll, giving a total assessed acreage in Alberta of 1.121 million acres, which represents an increase of 187,000 acres, or 20 percent, since the program was implemented in 1976. So I think that's been a significant improvement.

The 1984-85 budget of \$25 million is down about \$8 million from '83-84. To date, grants totalling \$24.8 million have been distributed to the irrigation districts, and the remaining \$200,000 is being used for research and aerial mapping programs. We anticipate that the aerial mapping program will be completed in this fiscal year.

The mandate for the irrigation rehabilitation program will expire on March 31, 1985. As a result, there have been a number of studies undertaken to evaluate both the formula for allocating grants and the allocations, as well as the value of the program to the economy. I support this program. I would suggest that support for the program is also indicated in the recent white paper on the economy. Specifically I quote from the conclusions where it discusses strategies to strengthen our primary agriculture producers; that's on page 65 of the white paper.

Major commitments have been made since 1974 in upgrading and expanding Alberta's irrigation systems and land base. Priority must be placed on additional river basin management and water storage programs which will enhance the present initiatives of irrigating new acres of agricultural lands.

To really enhance the irrigation rehabilitation program, Alberta Agriculture and the irrigation districts, through the Alberta Irrigation Projects Association, undertook studies to establish the benefits of the program and how the benefits are shared. I think that study was extremely well done, and I compliment the Irrigation Projects Association for the job they did. There are copies available, if you don't have them in front of you. I think they did a terrific service by doing that.

The study by the Alberta Irrigation Projects Association estimated that irrigated agriculture contributed 2 percent, or \$940 million, to the Alberta gross domestic product in 1981, provided 3,500 jobs, and contributed \$163 million to provincial revenue. Page 24 of the white paper notes:

The Alberta Water Resources Commission as one of its mandates, is constantly assessing Alberta's water resources in terms of maximizing Alberta jobs.

I think we have the opportunity within our reach, and the study by the Irrigation Projects Association estimated that if the irrigation rehabilitation program were continued for another five years, there would be another 4,700 jobs and an additional \$336 million in economic activity for Alberta, but I think most important, more than 1,800 jobs and \$206 million in new productivity would become a permanent part of the Alberta economy. For those who really haven't the background in irrigation and don't know the impact it has, I think those are astounding numbers. So both that study and the department concluded that the current allocation formula continues to be appropriate.

I'm now reviewing those studies and, in the very near future, I hope to be able to announce a decision on what will happen with that program. But given this year's drought and the fact that many farmers have made a major investment in irrigation equipment and upgrading of their overall productive capability, I think it's imperative that our irrigation systems be made as efficient as possible as quickly as possible. Recently I think history shows us that irrigation in Alberta is not a luxury; it's a necessity. I think we have to recognize that fact.

In the white paper, there's a brief discussion on water resources.

Current policy involves maximizing the potential use of water within the major basin in which it originates . . .

The white paper further states:

Current thinking is that water will become a major resource factor, post-1990.

In fact, Mr. Chairman, I might slightly disagree with the statement. It's a factor today in agriculture. In the year 1984, irrigation farming is proving its own value as a reliable source of stability for the economy, particularly in southern Alberta. I would hate to estimate the potential impact on southern livestock producers if the forage supplies that are available from irrigated lands weren't available this year.

The food processing centre is the next one, Mr. Chairman. I'd like to say that the research facility is committed to the advancement of the food processing industry in the province. It will be the best and most modern facility of its type in Canada. Many economic strategies are proposed in the recent white paper on the economy. Improved marketing is heavily underscored, and in particular there are numerous references to Alberta processing more of its own products at home rather than merely shipping all those raw products away. Achievement of that goal requires not only investors willing to build plants and expand product lines but it's appropriate that technology and other resources be made available to attract investors to come to Alberta and build here.

The Food Processing Development Centre is a move forward in that area, developing, testing, and supplying that appropriate technology. The centre is designed to assist the province's processors, both large and small, in the creation and testing of new food products and processes and in the preparation of sample products for market testing and improving existing processes. I think it's imperative that work be conducted in that area if we are to overcome some of the disadvantages we honestly face in Canada today. If I can again refer to the white

paper, it states:

However difficult the market problem and transportation inequities facing the agricultural processing industry, it is still significant to the province's diversification strategy.

Investments in new facilities or technology for food processing have currently been deferred until there are better returns on investment. This means there is some backlog of technology in food processing; however, new technology is needed to advance the industry. With federal funding being reduced, I think the Alberta government's decision to establish the centre at Leduc is a significant decision toward establishing a long-term food processing industry in Alberta.

Through the processing development centre, pilot-scale equipment and facilities will be made available to simulate full-scale processing of meat, dairy products, oilseeds, and prepared foods. Experienced food scientists will be available to provide expert advice and assistance in every aspect of food production and marketing. The advanced technical support should enable Alberta's food industry to become more competitive in the provincial, national, and international marketplace.

The centre was approved by the Legislature in 1981-82, and construction was to be completed at the Leduc industrial park by September 1983. Construction delays caused the date to be moved to February 1984, and further delays ensued because the prime contractor for the facility went into receivership last February. Alberta Public Works, Supply and Services has appointed a second contractor, and construction deficiencies will certainly be corrected by this fall. The '84-85 budget request to the capital projects division of the Heritage Savings Trust Fund lists the centre's total completion costs of \$8.671 million, the exact same as in the '83-84 budget. The new contractor hasn't added any extra costs by having to make those changes.

Although the centre isn't fully operational yet, Alberta Agriculture staff moved into the building this past February. The new group has already scored a major success in formulating and designing an industrial process for refrigerated salad dressing, and they have active involvement in numerous other projects. It's anticipated that once the pilot-scale equipment becomes serviceable — so the centre is operational, but it's not in full operation and likely won't be until the fall. There have been projects that included consultation and technical assistance in areas of oilseeds, meats, dairy products, honey, native berries, as well as more complex studies with the Alberta Research Council, the Lacombe research centre, and universities. There has been a lot of interest shown by individuals and by the industry in total, and they can hardly wait to get the plant in operation. I expect we'll see a lasting benefit to our province once it's in place.

The last area I'd like to make a couple of short comments on is Farming for the Future. The committee is aware of Farming for the Future and the wide range of programs it supports that are beneficial to agriculture in Alberta. Since 1979, through Farming for the Future, the experience and expertise of more than 200 agricultural scientists from across Canada has been made available to the

farming industry.

Farming for the Future is currently under its second mandate. The first ended last March 31. From the initial announcement in 1977 and its first allocation in 1978-79 to the end of the first mandate, it supported 200 scientists, and more than 100 producers participated in 348 different research and on-farm demonstration projects. During this period of time, \$25 million was committed to further expanding our agricultural research efforts. Benefits derived from the projects have been substantial. They have two new strains of honeybee in Alberta, and there's been comprehensive regional testing of cereal, oilseed, and forage crops across the province. As the white paper notes on page 36, through Farming for the Future

the government has supported upgrading of research facilities across the province and development of new capabilities in food processing, field crop development, and animal and crop pest management.

Quite simply, Mr. Chairman, I don't think many of these developments would have happened if Farming for the Future wasn't in place.

The new mandate for the program is a three-year mandate and started April 1, 1984, with \$5 million in new funding for the fiscal year '84-85. The \$5 million allocation is being used to fund all those projects, the research in on-farm demonstration and others. It also now has to cover its own operating costs. I draw particular attention to a conference scheduled for late October, since it's the first public meeting ever conducted on behalf of Farming for the Future and will bring together producers, media, and some of the top scientific talent in agriculture from across Alberta and Canada. I think holding this conference indicates that there will be a dissemination of material on those research projects. Trying to get the research material from the researcher to the farmer has always been a major part. I think having a conference like that will go a long way to achieving that goal, and the goal is by no means easy. One transfer method is Farming for the Future's on-farm demonstration program in which farmers not only display new technology in actual use but test it. We know what it means to work in a lab. It works well on paper, but it doesn't work in reality; it doesn't work in real life. The on-farm demonstration project is filling that function because the testing takes place there. I have to rate that part of the program as a major success.

As the white paper talks about, there's biotechnology, genetic engineering, and computer software. I think that will play a significant role in agricultural efficiency in the 1980s, to look at our salable export markets. Government policy should be designed to take full advantage of research and development. With all those areas having a heavy commitment in research today, I think we can expect to continue that commitment in the future.

In concluding my brief comments, I note that the program has had a very broad positive impact on the research and farming communities and should, I think, continue in the future. Through the program's research activities, a great volume of valuable scientific information has been accumulated through on-farm demonstrations. I think the link we have with the extension department has been strengthened. I kept Farming for the Future until

last because it clearly identifies and will keep fresh in your minds that the present and the future of Albertans is greatly served by that program.

Mr. Chairman, that's the end of my opening remarks. I'm happy to take any questions that committee members might have.

MR. CHAIRMAN: Thank you very much, Mr. Fjordbotten. We have a rather lengthy list.

MR. HYLAND: Mr. Chairman, my question to the minister relates to page 65 of the white paper — not the same quote he used on that page but that relating to an Alberta agriculture credit bank or agribond concept. As he is well aware, we passed a resolution of the Assembly — I think it was last spring — urging the government to explore innovative methods of agricultural financing, which included agribonds as well as other methods of farming such as they use in the States. Has the minister done that, and what stage are we at with the look into agribonds and these other methods?

MR. FJORDBOTTEN: Mr. Chairman, I've said for some time that in the whole area of agricultural credit we have to look at new and innovative ways of making credit available. It's not necessarily that the government should come out with some new programs. There might be some way we can help the private sector work in those particular areas. One of the areas raised at the ministers' conference a year ago was the agribond concept, and that is a new and innovative way of financing agriculture. It was fully supported at that time by all the ministers in Canada, including the federal minister. As a follow up, each minister was supposed to go back to his provincial treasurer and start working on it. Since that time, it has developed into something that looks like it will be a reality as a federal program. It would take some tax advantages to allow an investor to put money in the agribond concept, and that type of proposal can best be facilitated by the federal government.

The Alberta credit bank is a new name for what are called production credit associations, which the Alberta Cattle Commission has done so much work on. It is something like agribond, but there are some differences to it. The work has been finished now between the government and the Cattle Commission, and they have the proposal together. It's on my desk; it's within the department. I believe it is up to us to try to take the next step on the way. Having it identified in the white paper, hopefully we'll have a lot of comments coming from people who will make presentations to the committee hearings this next week. We'll certainly look at all those proposals. I'm very high on going forward with something like this, because we need more long-term patient money for agriculture. I think we're very close in those two areas.

MR. HYLAND: Thank you, Mr. Chairman. Does the minister then see the other comment somewhere in the white paper that relates to exploring the possibilities of provincial income tax playing a major role, especially in production credit, where we then can give income tax breaks on money reinvested or we can get into the capital gains market, where they receive a majority of their funding in the States. One farmer can hold a first or second mortgage on

the person that's buying out his land, and he may want \$100,000, for example, left over after he's sold. To achieve that \$100,000 now, he has to sell for \$180,000 to pay off \$80,000 in taxes, and the new farmer or businessman taking over is burdened with the extra costs. Does he see a possible proposal of an income tax system helping that situation?

MR. FJORDBOTTEN: Mr. Chairman, I think agriculture generally will benefit greatly by taking over our own personal income tax system in the province, but to say it's a major component on whether the agriculture credit bank could go forward or not — I don't think it would be major. In fact the Cattle Commission in their studies suggest the proposal they have been working on will work without a tax credit. It certainly would be helpful but not a major component on whether it would go forward or not. I don't think we can target in on one specific area, saying it's tax credit, the credit bank, or agribond. Another area we're looking at is the vendor financing proposal, where at present the landowner that's selling his land doesn't carry that part of that mortgage because he doesn't have any guarantee on it. We're looking at another approach that may provide vendor financing, which would release another pool of capital in the province. So yes, the tax system will be a direct benefit, but I don't think it necessarily needs to be a major component.

MR. HYLAND: My final question is relating to the handout on Farming for the Future that was given out last week. I notice that in the on-farm demonstration projects listed for the Lethbridge region, there is only one related to problems with saline soil. That's the one for the amount of \$4,300, with Mr. Norris at Warner using alfalfa to see if it will work effectively and control it. The part that I'm wondering is: with the problem to the extent it is in the Warner area — and there's another area further north; I may be mistaken but I thought it was in the Vulcan vicinity somewhere — why wouldn't there be more money spent, other than that one \$4,300 program, on saline seep, because of the size of the program?

MR. FJORDBOTTEN: There's no doubt that it is a serious problem, Mr. Chairman. The whole problem is that soil salinity is not only a problem in southern Alberta; it's a problem everywhere. It's recognized now by the federal government as a problem, and hopefully they will have some funding that will follow also. With respect to projects under Farming for the Future, we can only deal with the projects we get. The proposals that come in are reviewed by the program committees, and the funding is allocated on the basis that you have producers who sit in judgment of what should or should not be done. All I can suggest to you is that the only projects that were approved were basically the ones the committees felt were worth funding at this time. In the future, I expect there'll be considerably more of them looking at other ways to handle the problem. This year, with the drought situation, it's for sure that salinity hasn't been as big a problem, but it's something that is an ongoing problem and takes a lot of our land out of production. It's something we have to work on.

I compliment the association in southern Alberta, which has done a lot of work, and we are co-

operating. I now have a signed agreement with Montana on joint sharing of research, to give producers from both sides of the border a chance to tour and review new processes and techniques so that we can work together on trying to meet a problem that affects not only us here in Alberta but certainly Montana. In fact I think it's a worldwide problem. From the travelling I've done, I've found that salinity is a very serious concern in all countries. Hopefully we'll get more proposals for projects that we can fund.

MR. GOGO: Mr. Minister, I can well appreciate that the keynote with agriculture today is economic matters such as interest rates, production costs, input costs, carrying costs, et cetera. But with regard to the heritage fund, I want to pose a couple of questions related first of all to irrigation development in Alberta, submitted by the Irrigation Projects Association. You commented that you strongly supported the study and the report. Looking at the statistics produced by the group, that 12 percent of the receipts of the gross domestic product coming from southern Alberta is directly related to agriculture, it seems to me that we're so prone to trying to expand irrigation and produce more. The first question I have is: is it at all a concern to you that it seems we can't sell what we produce now? Would you endorse some funds going into spending time developing markets? Perhaps the most important part of that is transportation, getting the product to market.

So in a nutshell, Minister, I endorse in principle the idea that with half the world being hungry, one would think you have a constant market. Yet it seems that on the one hand we can't sell what we produce — and maybe the reason we can't sell it is that we're out-dickered in world markets — and the other thing is getting it to market. Do you have any comments with regard to perhaps doing some work on (a) studying marketing and (b) the system of transportation to markets?

MR. FJORDBOTTEN: It's certainly a problem, particularly for the province of Alberta. We're a landlocked province; we don't have a seaport at Banff. We have to transport everything we produce, and we produce far more than we consume. I felt strongly before, and very much more strongly since I came into this portfolio, that you can't have anything out of balance with something else. For example, irrigation is one component that basically provides a secure crop, because the water is there. We certainly have the heat units, we're able to utilize the water properly, and we can certainly produce new products that we aren't producing now. Specialty crops are a good example. You can't let your guard down on the whole area of research, maybe put too much money into irrigation and relax on the research. The way we're going to stay ahead is — today we are known everywhere in the world for having first-class products. How did we get those first-class products? By research into new varieties and new ways of doing things, plus the most ingenious people growing them. Together with that has to come not only the extension services we provide but international marketing. It's very evident today that everybody is out working on markets where the country has money, particularly in the Pacific Rim

nations. They're in there because it's cash and the market potential is great. For example, there are more people in Tokyo and within commuting distance than there are in all of Canada. You look at the population centres over there and the opportunities we have. International marketing is key, but every other country is there also. So having very aggressive efforts in international marketing is a key.

When I was in the Pacific Rim it was told to me a number of times by a number of different leaders — governors and vice-governors in the different provinces, as well as leaders within the country — that Alberta is the most aggressive marketer they've seen. They're in there trying not just to make a quick sale but to develop a market. We'd rather do it right, have the product accepted, and be in there for the longer term. With that comes transportation, getting that product to market. We are landlocked, and that's why we're involved in the hopper cars, and also with Prince Rupert and a number of other areas that we have to continue to work in. So it all has to mesh like two gears meshing together, not one being out of balance with the other.

MR. GOGO: The reason I raise that, Minister, is that you made the announcement just two weeks ago with regard to producers of cattle. We all know that the consumption of beef has dropped below 100 pounds a year. People aren't eating it, and some people I know out there are saying, why are you doing what you're doing when nature should take its course and the producing herds should be reduced?

On page 11 of the report, under irrigation, reference is made to the amount spent on research on more suitable canal linings. First of all, I want to ask the minister: to his knowledge, is there anywhere in the world where they have such extensive irrigation north of the 49th parallel? It seems to me that the uniqueness of the frost element is — one cannot compare with Israel and Arizona because the climate is uniquely different. I for one haven't appreciated that. Without taking undue time of the committee, Chairman, could the minister tell us what progress has been made with regard to the \$300,000 spent on research on canal linings? Are they fiberglass? Are they something other than concrete? I don't want to hold up the committee, but I would find that very interesting. If it will be prolonged, I would be satisfied with some type of written report from the minister.

MR. FJORDBOTTEN: Mr. Chairman, I can maybe answer it very quickly. Yes, it is recognized that we have severe climatic conditions to deal with, and canal linings have been one of the areas that not only Farming for the Future but the farmers themselves have been working on and trying to find something that works well. As you travel southern Alberta, you'll find that some are concrete, but the trouble with concrete is that it cracks. Asphalt is also used. They use different weights of plastic to line canals. There are a number of different areas. A continuous fiberglass lining is laid in place. But to my knowledge, at this point there isn't one best way as far as being cost-efficient that's been looked at. Each one has to be looked at in the uniqueness of the soil conditions where it's placed, and a number of other factors. But as far as there being one that is better than the others, the best one I've seen is

pipeline. It costs you a lot more to put in a pipeline, but you don't have to worry about evaporation and a number of other things. But of course pipelining is very expensive. So there is not one perfect way that's been identified that I'm aware of at the moment.

MR. THOMPSON: Mr. Chairman, I'd like to make a couple of comments and ask the minister a couple of questions regarding irrigation. I'm glad to see my urban companion from the south realizes how much irrigation does for our area. Also, for those people who don't understand irrigation, like the minister I would like to ask the members of the committee to go through this economic impact document. It will lay out exactly why the ratio is 86 to 14. I'm glad to hear that the department is looking with favour on continuing that, because basically I think those figures are fairly close. I'd like to ask the minister how much of the money that is put out on rehabilitation of irrigation works — and incidentally we were very fortunate this year that this program was in place in the past because our canal system, our transmission system, has been carrying water all summer long that it couldn't have carried without the rehabilitation that was done in prior years. So whether it was luck or good management, it was just very fortunate that that rehabilitation was carried on.

My question is: what is the ratio between rehabilitation of the actual canals and how much money is put into increasing the off-stream storage factor in the systems?

MR. FJORDBOTTEN: Mr. Chairman, I have some difficulty answering the question because some of it falls under the purview of Agriculture and the other falls under Environment. The off-stream storage as well as the major headworks programs fall under Environment. But if I go back, from the 1980 announcement until now, I think the number has been \$152 million spent on rehabilitation and \$156 million by Environment on major headworks programs, and that includes off-stream work that's been done to date. Of course the cost for dams and also for off-stream is going to be significantly more in the future than it has been since 1980 because of the developments that have taken place, so I don't know how to draw the ratio.

MR. THOMPSON: Then basically, Mr. Minister, when it comes down to it, we have a kind of balance between the two factors. One is rehabilitation of the transmission lines and the other is increasing the off-stream storage factor.

I'd like to ask another question on the accelerated grant program to the irrigation districts. Could the minister give us some kind of assessment of where it's at? Just give us a picture of what has happened in that program. For instance, have most of the districts accelerated their program, or have most of them pretty well not done that? I think some districts at least are in some difficulty in this.

MR. FJORDBOTTEN: Mr. Chairman, they all basically accelerated their programs, recognizing the different costs of the projects they wanted to undertake. If it exceeded their costs, their dollars for one year, they could go in and use the dollars

from the next year, and that gave them that flexibility. There are two things with respect to this program. I've been told — and I don't know if it's accurate — that if you took all the canals in southern Alberta and put them end to end, they would stretch right across this country. So you can't rehabilitate all of that in one year or five years. Also, there has to be a plan on what kind of upgrading can take place and how it can proceed. I think the best ones to make the decision on the speed at which they want to progress are the irrigation districts themselves. When I'm able to announce a new program, I will hopefully be able to have that same flexibility in it to allow that to take place.

MR. THOMPSON: Thank you, Mr. Chairman.

MR. R. SPEAKER: Mr. Chairman, I want to say to the minister that we appreciate very much the detail given in the various areas. I as a committee member think that was well done and was certainly appreciated. I know the farmers of southern Alberta are very interested in the new formula you will arrive at in terms of cost sharing between the government and the water users. I was wondering if the minister could comment on that any further. One of your predecessors was looking at a formula of 75/25. I don't want to work you into a corner where you make a public announcement as to what the formula is. But are there any other considerations outside of, say, the 86/14 or 85/15? Is the consideration what the formula will be, or is the consideration at this time whether or not funds will be allocated? Or is it a combination of both of those considerations?

MR. FJORDBOTTEN: Mr. Chairman, maybe I will take it in three parts. The first part is whether or not there will be a program. I believe there has to be a program, and I am working to that end. The second part is: what would the dollar allocation be and how long a term would it be for? In those considerations I have been thinking about what the economic future of the province is, what the economy is going to do, not locking us into something we can't fulfill and also recognizing that planning has to be done by irrigation districts. So I'm looking at not only the term of the project but the dollars that would be allocated on a yearly basis.

The third component is the 86/14, and that had to be reviewed in the 1980 announcement before there was any renewal of the program. Of course there have been a lot of recommendations come in. I think one of the best reports was done by the Irrigation Projects Association, in which they identified some 40 communities that rely on their domestic water supply and went down and showed the relationship and the benefit to not only irrigation but all of southern Alberta.

There have been other parts of the formula looked at. I can't say where I am in it, but I will tell you one thing I'm certainly looking at and watching closely is that when we're in tough economic times — and we took the position during the Crow debate — you also have to recognize the producer's ability to pay. So part of the formula has to be not only what the figures show on what the benefits are but a recognition of the producers that are using that water and their ability to pay more.

MR. R. SPEAKER: Mr. Chairman, a supplementary on the first part of the answer, in terms of where the decision lies at the present time. Does the minister have to make a presentation to the budget or priorities committee of cabinet? Has it reached that stage yet, or is it still in departmental discussion? Where are we in terms of the decision-making?

MR. FJORDBOTTEN: I don't like hedging questions, but I guess the best answer I can give is that I am close to a decision. I have made many of the steps already; I have a few more to go through. I hope to be able to announce it by October at the latest.

MR. NOTLEY: Mr. Minister, I would like to deal with the question of agricultural credit for a moment and first of all ask you: given the almost billion dollars we have invested in the Agricultural Development Corporation, when you meet with your colleagues from other provinces, what is the role you see for provincial agencies, such as the ADC, on one hand versus federal farm credit on the other?

MR. FJORDBOTTEN: First of all, I'm disappointed in the role the Farm Credit Corporation and the federal government have played in the whole area of agricultural financing, not just in the Farm Credit Corporation itself but in coming out and assisting with new and innovative approaches. I believe that one of the reasons ADC now has that much money out in loans is that they've picked up where there's been a lot of slack because of the neglect of the federal government and the Farm Credit Corporation, in not only the amount of dollars they've allocated but the interest rates they're using.

The relationship I see — I think there should be far more leadership and far more national credit available, rather than each province having to come out with their own program, which creates interprovincial competition rather than having one uniform program across this country.

MR. NOTLEY: I tend to agree with some of your sentiments. In terms of dealing with ADC, let me just present some of the observations of quite a large group of farmers that met in the Peace River country a few weeks ago. Now that inflation has slowed down dramatically, I think there's a perception that interest rates have not come down as much as they should, that if you look at the inflation rates and interest rates of the late '60s and early '70s and look at the inflation and interest rates we have today, there's a gap. Do you feel there is a role for the provinces in perhaps pushing for a change in the Bank Act to bring back fixed-rate interest that would relate to the inflation rate? There may be an argument of an interest rate that is one or two points above the inflation rate, but when you get to the point where we are now looking at 12 or 13 percent interest rates at a time of 4.5 or 5 percent inflation, what we're doing is rewarding people who own as opposed to people who work.

MR. FJORDBOTTEN: Mr. Chairman, that's an interesting observation. If I could add to the comment, tied together with that is: we're price takers not price makers. We're told what we get paid for our things, and we're told what we have to pay for what we buy. Interest rates are a very key area,

considering the debt load people carry today. The indication I have is that some three-quarters or two-thirds of the farmers in the province carry some debt. There are some that have no debt. But trying to look at any approach — I think what you're mentioning maybe has some merit.

MR. NOTLEY: Mr. Chairman, my final question. The reason I raise that is not to get into a philosophical discussion with the minister. We'll have lots of opportunity to do that, I suppose, in the House. Recommendation 13 that we made last year was on interest rate shielding:

That the Standing Committee endorse the use of monies from the Alberta Heritage Savings Trust Fund for interest rate shielding programs.

Of course that raises the question of the future of interest shielding for farm loans. But it also raises the larger question, Mr. Minister, that you and all ministers have to answer if you're going to act on Recommendation 13. If we have interest rate shielding on the basis of interest rates that are unreasonably high, then we are going to be subsidizing not the people who need it but the banks.

MR. FJORDBOTTEN: I appreciate your comment very much. Of course interest shielding is one area that has been brought to my attention a number of times. I accept your arguments. I think there's merit. The area we have to look at, though — we can't isolate agriculture from the others. If you're interest shielding for agriculture, you're also in it for small business and a number of other areas. We have to look at the total agricultural debt in the province, and the best estimate we have is some \$4.2 billion to \$4.8 billion. We don't know for sure how much is made to private individuals, as far as money that's loaned. That's a lot of debt. If you carry shielding on that, what do you do for homeowners and others? So it covers a broader range than just agriculture, but it's one I'm looking at.

MR. ZIP: Mr. Chairman, food processing on the prairies is one area where the western provinces have seen massive shifts in activity. Compared to 30 years ago, we have fewer flour mills, fewer packing plants, and so forth. This of course is being offset to a degree by the appearance of new types of largely smaller scale plants that cater to changing public tastes for food. What is the impact of all this on total food processing employment in Alberta? Is there more or less employment in food processing today, over a period of 30 years ago?

MR. FJORDBOTTEN: I don't have the numbers, Mr. Chairman, to confirm what the member has just stated. However, they say one in four jobs is some way related to agriculture, whether it's in direct production or in the processing sector. One of the key areas that I think we have done a lot in but that we have to do far more in is in processing more of those products here rather than shipping them outside the country in the raw form. Of course we have to recognize that we're competing with nations in the Pacific Rim that have very cheap labour and are able to do a number of things that we couldn't do the same way here. As far as the number of people who are directly involved in processing, I would say it's more,

but there are fewer farmers now than there were 30 years ago.

MR. ZIP: A subsequent question. How closely is the new Food Processing Development Centre going to work with existing food processors to create jobs in Alberta urban centres?

MR. FJORBOTTEN: Mr. Chairman, I think it'll work very closely with them. We're looking particularly at the small- and medium-sized companies who need access to the equipment that's available in the centre to try to develop new packaging methods and a number of things that they wouldn't be able to do because they don't have the lab in which they could run a pilot-scale project. It will also help the larger companies. Many of them have very sophisticated laboratories but will use our facilities because we will have some of the equipment they don't have. So as a whole, I think it will have a tremendous impact on the future of agricultural processing and the job creation that goes with it.

MR. ZIP: Thank you.

MR. MARTIN: Just to bounce around in three different areas with my three questions, Mr. Minister, first of all the Alberta Agricultural Development Corporation. I got the impression from listening to the minister that farm foreclosures, at least from the Alberta Agricultural Development Corporation, were down slightly. I believe you said 82, and that was down. I guess the sort of broader question when we go out into farm areas — I know when I'm home I hear, and I'm sure the minister does, a fair number of complaints that people are just on the edge now and that there's a danger many more smaller farmers could go out. The minister mentioned that there are fewer farmers than 30 years ago. My question is: are there more recent figures about the number of farm families, say, in the last three or four, since we've hit the recession? I know that's beyond — it's part of the development corporation; it has to do with others. At this point, are there any rough figures the minister has to indicate what is happening in rural Alberta?

MR. FJORBOTTEN: I have the number of actual farmers, the best estimate we have as of today, Mr. Chairman, but I don't have numbers that go back over 10 or 30 years.

MR. MARTIN: [Inaudible] the last two or three years, basically since the recession. What has been happening?

MR. FJORBOTTEN: I don't have them, Mr. Chairman, but I don't think the difference is much, if there is any at all.

MR. MARTIN: Okay. The second question I want to go into is the communicate you handed us. On the answer to the question about farming from Agriculture Canada, I got the impression from the minister that in his perception they're not doing enough, at least in terms of farm credit. It seems that one of the complaints in the communicate is that they're doing too much in some other areas. I guess

all communicates are meant to be deliberately vague, but there is some complaint about duplication of services and that we're into provincial jurisdiction. Could the minister be a little more specific about what they meant there?

MR. FJORBOTTEN: Yes. As with all communicates, when you have a broad ranging country like we have with different needs in each region — that isn't as much a concern here. It is more of a concern in the Atlantic provinces, in the maritimes, where they have a lot of federal participation in the research component, for example and, according to the Atlantic ministers, there are a lot of cross-purposes in their region in particular. That part of the communicate was specifically designed and written to reflect the maritime ministers' concerns, not so much from anything west of the maritimes.

MR. MARTIN: My third question, Mr. Chairman, has to do with irrigation. I believe the minister said there were another 12,000 acres in the last year to bring the total to 1.21 million acres. Am I correct? The minister talked about the value of the program, and Mr. Gogo was talking about the differences in terms of the climate and soil and all the rest of it. My question is: is there a rough idea by the minister or his department about how many acres irrigation could play a part in, in terms of his department? In other words, are we looking at the possibility of another 500,000 acres, or just how much more would be accessible to irrigation?

MR. FJORBOTTEN: Mr. Chairman, I think the number, and it's a round number, is about 1.5 million acres that likely could be put under irrigation. It could go higher. One of the areas that we are working on now within the department is identifying lands that are suitable for irrigation. There have been some changes made by the irrigation districts and council themselves on how they allow water rights, and that has to do with the quality of the land that's being irrigated to make sure the value of the water that's going on the land is worth while. Also, now that the South Saskatchewan River basin study has been released, Henry Kroeger and the Water Resources Commission will be holding hearings across the region to look at areas where the allocation of water should be and, because it's a valuable commodity, trying to identify the best use for that water. We don't have all the answers yet. We have some work to do on future expansion and how it should proceed. The Department of Agriculture, the Water Resources Commission, and the Department of the Environment, as well as the Irrigation Projects Association and the irrigation districts, are all working together to try to identify the true figure that can be expanded to. We know it's more, likely a minimum of 1.5 million.

MR. COOK: Mr. Chairman, I'd like to compliment the minister on the decision last year to extend the Farming for the Future program for a further three years. I have one concern, though, and it is that the time provided to research projects is quite short. It is a three-year period, and it doesn't permit a longer process, for example, in biotechnology and genetic engineering. Focussing on that, could the minister suggest to the committee mechanisms that would

provide for a longer term research and development program, perhaps in Farming for the Future or outside, that would allow us to take on those five- to ten-year programs requiring that kind of commitment?

Secondly, I wonder if the minister could give us an idea of whether or not there are any targeted areas where we can make some big gains within the conventional kinds of research; for example, the development of a legume crop for Alberta farmers equivalent to the soybean in the United States? I'm told by some researchers that the field pea is a potential, that it would fix nitrogen and provide a cash crop. Or the development of winter wheat would dramatically boost the productivity of Alberta cereal production. Is that a priority? Are there major projects within conventional research that the minister would like to see taken on by the Farming for the Future program and, secondly, what kind of a vehicle is there for the longer term need in biotechnology and genetic engineering?

MR. FJORDBOTTEN: Mr. Chairman, I would really have difficulty supporting the first part of the question about extending the amount of funding that's available for longer term projects, because Farming for the Future works on projects that have short-term benefits and try to increase the net incomes of producers right across the province. There have been areas — one example I could use is the varietal testing program on forage varieties. It was a program that developed into a long-term project, so it was taken out of Farming for the Future and put into the department. It was ongoing research. It was one component where you did one thing and it opened up another door and another door and another door, and you kept on going. It was one area that had to be developed into long-term funding and was moved into the department so we wouldn't be utilizing funds that could have an immediate benefit, as Farming for the Future was designed for. I don't think we should move Farming for the Future into the longer term projects.

As far as where the target areas are, we have nine programs covering nine specific areas. If you asked each one of the chairmen, each one would have one area they thought was the most important to the future of this province. I could give you examples. The irrigation committee feels the proper utilization of water, the research done on canals, and how we could move water are important. They would target that as being very important. The cereal committee would say it's very, very important that we expand our canola research because we supply 95 percent of Japan's canola; it's a very important developing market; we have to come up with higher yielding varieties. They might target that. The ruminants or livestock producer would say, we have to come up with a new vaccine; that would have a great benefit. So there are areas, but they are in each program committee area. As far as having one specific one, no.

MR. COOK: Mr. Chairman, may I ask a supplementary question? Dealing with the question of genetic engineering and biotechnology, if Farming for the Future is not the vehicle for that kind of activity and the white paper targets that as a major priority, what kind of vehicle would you consider? I

know that some people in the research community in the province have suggested an agricultural and sciences engineering foundation akin to the medical research foundation, with a similar size of endowment. Would that be the kind of vehicle the minister would consider?

MR. FJORDBOTTEN: Personally I would consider anything, even involved in Farming for the Future, in those areas. Hopefully from the discussions and input that will come in on the white paper, we'll have some better ideas on approaches that should be used, but I certainly wouldn't close the door on Farming for the Future for those areas. It's just that if they're long term, I would hate to see them take away money, even more so than it is, from improving a northern bee or a winter wheat variety that could be grown in northern Alberta. There are a number of other areas where I think we have to be careful that we don't take away from something that's long term over something that can have an immediate benefit to the net incomes of our producers.

MR. R. MOORE: Mr. Chairman, the minister refers to the white paper from time to time here, and I note that there are many areas in the agricultural sector that the white paper addresses. We've talked on quite a few today, but there are a couple we haven't. I'd like to hear the minister's opinion on them and just what direction we will take in those areas. One of them is in biotechnology. I notice in that same white paper we have drawn attention to the fact that we have a backlog of available food processing technology waiting for the economy to turn. It's right there, ready to go. How does this relate to biotechnology? What proposals do you see coming up in that area?

MR. FJORDBOTTEN: Mr. Chairman, I can't be specific about actual proposals in that area. As far as the backlog of technology, that shouldn't preclude us at all from moving forward with our research, because one of the ways we're going to be able to stay ahead of everyone else is to keep increasing the dollars we expend and the results we get from research. That question may be best asked of the chairman of the Research Council if he is appearing before the committee at some time.

MR. R. MOORE: I have another one related to the white paper. It refers in here to expansion of the agricultural land base. Could you give us any idea of just what direction we may or could move in that?

MR. FJORDBOTTEN: The whole area of expanding our land base — there have been lots of figures thrown around by everybody on how much expansion can actually take place. I think many of those numbers were thrown around without much consideration being given to the erosion problems we would have if we increased our land base, particularly in some of our wooded areas. The one area we have an emphasis on is our land and water resources. I'm looking forward to the report from the Environment Council hearings that were held across the province and the direction they suggest we move after their hearings and assessing the total situation on what that expansion can actually be. Until that report is filed with this Legislature, I have some difficulty

responding, because there have been a lot of numbers thrown around, none of which I think are accurate to this date.

MR. R. MOORE: Could I have a third question here, Mr. Chairman? Related to loaning practices of ADC, Mr. Minister, we certainly have a good program for beginning farmers, but it's the established farmers who now have a lot of problems. Is any thought being given to expanding or changing some of the loaning practices for established farmers?

MR. FJORDBOTTEN: Yes, there is, but I don't think we should kid ourselves. We don't have one pill that solves everybody's problems. In some cases they're carrying too much debt for what they're able to service. They may have to dispose of some of their assets, even at a reduced price. Those are just the facts of life that they're going to have to face. They just plain don't have enough income to service the debt they're carrying.

We did make some changes to our ADC programs recently which allowed trade account consolidation and a number of other moves to try to be of assistance to them. At the time they were announced it certainly wasn't considered to be a cure-all but a help to them, recognizing that it's not so much a problem as a challenge we face. In 1979 and 1980 when prices were going up, everybody said it was never going to end. It did end, and now when prices are going down, they say it's never going to end. It will end, and the challenge we face is trying to help our producers through this adjustment period, trying to do all we can to meet the challenge, working with them. They'll have some things to do; we'll have some things to do. But as far as coming out with one pill, one solution for everybody's problems, I don't think we have that.

MRS. CRIPPS: Mr. Chairman, just to follow up on Mr. Moore's question on equity, what position is ADC taking on the lowering of equity value when the borrower may now actually have more money borrowed than his equity? Are you going to ride it out, or are you writing down the equity and forcing him to liquidate?

MR. FJORDBOTTEN: Mr. Chairman, ADC has never loaned money so much on the security that was taken but on the repayment ability that's there. The loan was written at a certain rate, that individual made a deal, and he took the risk. If we start writing down, what do you write it down to? Let me throw out a philosophical approach to you. If you decide you're going to write it down, what number are you going to write it down to? I don't want to get into that problem. Each individual has to make his own decisions on the approach he wants to take. We're here to help them in any way we possibly can. I think one of the areas that has been identified and that we have to do far more work in is the counselling area. That's one of the proposals I hope to have put together relatively quickly, that will help these individuals who are in that situation to have some expert advice, not only from experts — an expert is just better informed — but from someone who is a successful farmer and maybe has been through those problems and can help. So we don't have one magic solution but have to continue to work with them.

MRS. CRIPPS: I do support the research because I think it's an investment in the future, and certainly I know that in many cases the evidence that there has been progress is years down the road. Do you have any kind of information which would show there have been major developments because of Alberta Heritage Savings Trust Fund Farming for the Future investments?

MR. FJORDBOTTEN: Mr. Chairman, I certainly do. It's one of the areas that has had more excitement in some of the new areas it has come up with. For example, the development of this new bee strain has been very exciting and has really done a lot for our bee industry. There have been other areas — in canola, and you can go on and on. One of the beautiful things about Farming for the Future is that when the project is put in it has a time frame on it — it might be three years — and then there has to be a report. There have been all kinds of good things happening.

One part that I find more exciting than all the others is the on-farm demonstration project, where you get the farmers involved. Basically everything we work with today, whether it be a combine or anything, was designed by some farmer out in some field somewhere, who tries to get an on-farm demonstration. There have been individuals who didn't even want any money. All they wanted was to be able to put up a Farming for the Future on-farm demonstration sign, and they were prepared to do everything themselves. I think some of the greatest innovations we've arrived at have come not only through just straight research but from the farmers who were involved in those demonstration projects.

MRS. CRIPPS: My husband remodelled a six-wheel rake into a V rake; maybe I'll get a sign. [interjections] It works.

MR. CHAIRMAN: Mr. Hyland, to be followed by Mr. Nelson.

MRS. CRIPPS: Just a minute, I have a question.

I notice that some people have a number of projects. This year one person has five projects simultaneously and another couple have four. They add up to quite a sum, and it looks like they've had the same projects over a number of years. I guess I have a two-sided question, since this is my third. First, is any record kept of how much we enhance the capabilities of the universities by this kind of programming? They say they get so much funding from government, but in actual fact I've got all kinds of programs in this book that are outside and above that funding. Secondly, it seems to me that four or five programs under this would be stretching somebody pretty thin, considering that I assume they're full-time employees of the university besides.

MR. FJORDBOTTEN: In answer to that, Mr. Chairman, in Farming for the Future we try to do as much of the research in Alberta as possible. We have no hesitancy about going outside the province — for example, to use the Western College of Veterinary Medicine in Saskatchewan or the University of Saskatchewan — if that is where the best research can be done for what we want to achieve. The individuals that have more than one project also have

graduate students working with them. They put in a project and they're basically shown as the one that is heading the research; they may not necessarily be. They're responsible for the project and are overseeing it on a daily or minute-by-minute basis. However, they have graduate students and others they're working with.

So when each program committee assesses the proposals that come forward, they try to pick not only the best proposals but the best people who are able to do what they say they're going to do. In some cases there's been good experience with certain researchers who are able to do things, and it's basically looking at it in that way. Yes, there can be a doubling up in some areas, but we've found no problem with researchers being able to fulfill what they said they were going to do.

MRS. CRIPPS: What about the second part of the question, the extended capabilities of the universities because of the additional research funding?

MR. FJORDBOTTEN: I guess the only answer I can give is that some of them have said they wouldn't be able to keep the research component going in their university if they had not had Farming for the Future projects going on there. When the federal government pulled back somewhat on their research activities, we didn't want to rush in and fill the gap and carry on where they had left off. However, at Agriculture Canada research stations as well as the universities, a number of researchers have stayed in Alberta and made great finds in different areas of research because of Farming for the Future being here. So it has helped universities in that way.

MR. CHAIRMAN: Thank you very much, Mrs. Cripps. You were a bit frisky today. Mr. Hyland, to be followed by Mr. Nelson.

MR. HYLAND: Mr. Chairman, the Member for Drayton Valley asked part of my question in her last two shots at it. Perhaps she should have her husband patent that rake so that he can afford to keep on farming and make some money from somebody else.

My question also relates to the grants. On page 44 of the Farming for the Future report I note that there's about \$3 million spent on the universities, in Alberta as well as others, and that the total given to other than universities is \$234,000 more than that given to universities. So the private sector is receiving just slightly more than the universities for the various projects they're carrying out.

Then we get down to the Canadian Department of Agriculture and the Alberta Department of Agriculture, that are getting more than what is being paid out to private industry: \$3,279,000. What it leads me to think, when I look over on the other page and see \$141,493 for Farming for the Future — how much of this almost \$6.5 million going through the universities and the departments of agriculture, the \$3,200,000-plus going to the industry, and then just the \$141,000 on the farm demonstrations... This is probably a good question for the member on the board. Does the board think we're actually getting our money's worth in research that's usable per se, research that the farmer can use? Or is it research for research sake, to keep a portion of the researchers busy at the University of Alberta, University of

Saskatchewan, or whatever? Are we getting research for that \$6 million-plus, plus the other amounts? Are we getting research the farmer can actually use? I know we can fund projects that are brought before you on Farming for the Future. But does the board think that we're actually getting research that is usable on the farm, or is it research for research sake?

MR. PENGELLY: Mr. Chairman, all I can suggest is that the Member for Cypress take a tour of the university and the farm at Ellerslie and go down to Lacombe. I don't know exactly — I haven't seen the projects at the other universities. But there are some very exciting things going on there. To mention a few, there is a lot of research into the different varieties of barley for the different regions of Alberta, and they are having some exciting success in those. There is some very exciting research being done at the Ellerslie farm on the nutrition of animals. Mr. Chairman, at the present time you may not see the results on some of those, but I am sure that in a year or two you will. The expression "state of the art" is often used. I think it's state-of-the-art research in some of those.

MR. HYLAND: I guess that leads to the second question then. A lot of this research has been done by master's degrees and PhDs. Is there a system of getting that down into language the farmer can understand and, not only that, getting it out to the farms? I suppose that's partly Farming for the Future, partly Department of Agriculture, through the district agriculturalist. Is there something in place where we can get the knowledge we may gain from this out into the field, where it can be used, in a manner that's understandable, that's written in a language the average farmer can pick up and read and put to use in his field?

MR. PENGELLY: Mr. Chairman, I understand that that's part of the agenda for the conference this fall. Is it not, Mr. Minister?

MR. FJORDBOTTEN: It's not only part of the conference for this fall, in addition to that — there has always been the problem of research being done just for research sake and ending up in a book on a shelf that nobody got any use of. It is still a problem, even with Farming for the Future, trying to make it clear to the farming community what research has been done and what findings have been made. We have inserts in the Country Guide that list all the projects that are under way, and hopefully farmers will read them and find out what is of interest to them. You can lead a dog to water, but you can't make him drink.

The problem we have with trying to get the research out is, how do we do it? How do we make that available to our producers? That's where the on-farm demonstration has worked out so well, because when they are involved in a project on their own farm, they are also looking up and reading the research information on other projects. It has helped a lot with the distribution of that research material, but I really don't think we've scratched the surface. If there is one problem that I think we have to try to do something to alleviate, it's to come up with some way we can communicate that research and get it out

by that farmer's easy-chair.

MR. HYLAND: I guess the one to come before the final question is: if we can get it to that stage, we've also got to get it in a language he can understand and not necessarily in the language of the person who developed it.

The last comment relates to Farming for the Future on-site demonstrations. If people are interested in some research that's going on, should they be contacting the researcher and attempting to set up on-farm demonstrations, instead of just talking about it? Would it be an idea for them to contact them and together draw up a plan for on-farm demonstrations?

MR. FJORDBOTTEN: Right now the contact for them is through their district agriculturalist, and what you're suggesting is through the researchers themselves. I think it has a lot of merit to bring the two together. Maybe one way to make the final research data available in a way that we can understand is to come out with a negative approach to a certain degree and say that we'll deduct 50 cents for every "whereas" and a dollar for every "therefore". Then maybe they would be in language that everyone could understand a little better. But as far as trying to get that research out, that might be one other approach that could be utilized.

There may be a group of farmers in the area that have an interest and some tour could be arranged so they could see some of the ongoing research that's taking place. I don't think, for example, that very many people are aware that at the Lethbridge Research Station they are doing a lot of work on nitrogen fixation, where it cuts down on the amount of fertilizer an individual would have to buy if you inoculate and have nitrogen fixation. If they toured that and had a firsthand look at it, I think it might change their attitude in a number of ways. So I think your idea has a lot of merit.

MR. NELSON: Mr. Chairman, I guess I would basically like to follow up one question in relation to the research and the dollars the Member for Cypress was talking about. I am just curious as to why we put so much money into universities outside Alberta; for example, the University of Saskatchewan, \$729,000. Could that not be better spent within Alberta employing Albertans. Again, on the same topic and the same question, are these governments also reversing that trend by spending money in Alberta to assist in those areas?

MR. FJORDBOTTEN: The answer to the last part of your question is, no, I don't think they are. They are to some degree but not nearly as much as what I think they probably should. For example, one of the reasons for spending more money in Saskatchewan is that the Western College of Veterinary Medicine is there. There are certain projects that need to be done, and that's the best place to do it, that's where the expertise is. We as a province also have money in that facility, in helping them to build that facility originally. We also have the POS plant — protein, oil, and starch plant — in Saskatchewan, where some research has been done in the past. Province of Alberta money went into that plant when it was built, because it was supposed to be a western Canadian

facility.

As far as using the University of Saskatchewan, if we identify a problem that we have here that we have to try to rectify, they look at the best place that research could give us the most accurate and quickest results, and in some cases that's in Saskatchewan. So it's for two reasons: not only are some of the people there but some of the facilities where it could best be done are there.

MR. NELSON: That leads to my next question. Last year in our committee's wrap-up, recommendations, et cetera, the goals of the fund, at least in a philosophical sense, were to continue to have savings and investment objectives as its dominant goals rather than spending. In the second part, just reading part of it:

the Alberta Heritage Savings Trust Fund [be] available to assist Albertans in participating in strengthening and diversifying the province's two renewable base industries — agriculture and forestry.

My question is: based on that, is Alberta Agriculture considering any proposals in conjunction with the Economic Development people to utilize the Heritage Savings Trust Fund to offer incentives for industry to develop in Alberta, to manufacture the many products grown here rather than having them manufactured elsewhere; in essence to develop jobs and diversify the economic climate in Alberta by tax incentives or in some way, shape, or form, and that we're not just spending the money but using it to develop additional industries within the province.

MR. FJORDBOTTEN: I can't say specifically in the heritage fund because that's something that uses a different approach in trying to find ways to improve the economy of the province. As far as tax incentives are concerned, we're certainly looking at that, not only in Agriculture and Economic Development but all departments in the government, trying to look at ways tax incentives could be used to stimulate the activity you're suggesting. As far as utilizing the Heritage Savings Trust Fund to do that, I can't answer. I don't think that is one area that is being looked at.

MR. NELSON: One further question to the minister, Mr. Chairman. Do you not feel that the Heritage Savings Trust Fund could be utilized in a manner to offer incentives for the private sector to develop manufacturing industries to assist in diversifying the agricultural industry, as we're dealing with agriculture today? Would you consider the opportunity now, as we're dealing with this issue with this committee, as prime to get on with utilizing some of this fund in this manner rather than in some other fashion that may be a little cloudy in my mind right now as far as some of the other activities are concerned?

MR. FJORDBOTTEN: Mr. Chairman, I might say that the fund is being utilized to that extent at the moment. For example, the money that runs the Agricultural Development Corporation comes from the Heritage Savings Trust Fund. So the dollars in the trust fund are working to try to stimulate secondary processing and a number of other areas in

the province. The fund is already doing those things, not directly but indirectly.

MR. NELSON: What about in a direct sense. Let's talk about the direct sense, if you want to get into the nitty-gritty.

MR. FJORDBOTTEN: I have lots of things I don't have an opinion about and that's one. But that particular area is one that I'm sure your committee will make a recommendation on, that we can look at, if that's the direction you feel the fund should go.

MR. CHAIRMAN: Are there additional questions from committee members?

MR. ZIP: Mr. Chairman, I'd like to ask the minister a question on specialty farming. It seems to me that if you look at the range of activity that takes place in this area, from people who have gone into market gardening and want to go into it with new ideas, mushroom raising . . . I know one lady north of Red Deer has quite a pet raising operation that's very successful. Other people are talking about game farming. This is an area that continues to intrigue me as one that offers considerable agricultural opportunity. There appear to be some very talented people working in this area, but in my conversations with them a great many of them are stymied by financial constraints on their ability to carry out their ideas. Is there some way we could help these people, and thereby sort of expand our agricultural base that way?

MR. FJORDBOTTEN: Mr. Chairman, they already have the opportunity through research facilities, through the Agricultural Development Corporation, and a number of other avenues that might be helpful to them.

One of the areas I have been concerned about for some time is the whole area of inventions. Whether you invent a better mousetrap or invent a better way of doing something on the farm, there is really no place here where they can go and get that assistance. That is one area that I think there is some opportunity, where maybe we could be involved. A lot who come up with new approaches to doing things now go to the United States. I think that is one area that we should maybe be looking at.

MR. ZIP: Thank you.

MR. THOMPSON: Mr. Chairman, I'd like to get back on this Farming for the Future concept too. I have a feeling that this program has been almost totally captured by the PhDs in Agriculture Canada and the University of Alberta, et cetera. I notice that you have the list on page 46, and private industry gets 2.8 percent of the funding awarded. From my point of view at least, Mr. Minister, these other people are finding out a lot of things, maybe a lot of facts, but where does the applied research come in here? This is what really bothers me. We basically say that the universities and research stations are set up to do research, which is true, and basically Agriculture Canada should be doing this on their own. All we're doing with this program is augmenting their budget. But certainly we should be getting . . . I'm a great believer in research and development, but let's get

something into applied research and development instead of this theoretical kind of thing that we've got here. We just keep going over and around and around. I think it's an area that the universities have found to increase their own dang budgets, for whatever reason. It's a little gold mine for them. I don't know who is in charge of this thing, but I honestly believe we ought to make a real effort in the future to get into some applied research, where all these facts and figures are brought out, where it can be used in a way in agriculture itself. That isn't a question; that's a statement, Mr. Minister.

MR. FJORDBOTTEN: Mr. Chairman, if I could respond to the statement and also ask a question. The statement would be that when we advertise for research proposals, that's well advertised and we get them from all over. The program committees are chaired by actual producers in those areas that make decisions on the best place where that research could be done and what projects should be accepted and what ones should be rejected. You've made an excellent comment. I agree with what you've said, but I would appreciate, Mr. Chairman, some ideas and thoughts on how it could be changed and improved because that's what it's there for. It should change with the times. Just because it was started a certain way and has worked well doesn't mean it can't be improved on. I welcome input to make those improvements.

MR. THOMPSON: Mr. Chairman, when the recommendations come out from the committee in the fall, if I can get my colleagues to accept it, I think I'll make a couple of recommendations in this area.

MR. HYLAND: Mr. Chairman, my question is related to the 31 percent that Agriculture Canada receives from Farming for the Future. It leads me into part of the comment that you made, I think it was in answering one of the questions earlier: is the federal government backing out of their commitment to research and doing other things in other parts of Canada? Is there any way, with this amount of money that we're putting in, that we can stop the back-stepping federal research seems to be doing? We could be well ahead of anywhere else in the world if they had kept their amount in and not reprogrammed their positions to cover their asses on some decisions they made in eastern Canada. We could be far ahead of the rest of the world with the total commitment toward research if we had the two together instead of the back-stepping of the federal one.

MR. FJORDBOTTEN: I've been very disturbed, Mr. Chairman, about the federal reduction in research facilities in western Canada. It was raised last year when I was before the Heritage Savings Trust Fund. At that time the federal minister was going to withdraw 12 research positions from western Canada. I followed that up. He agreed to reinstate them, and I have a letter dated July 17, from the now Minister of Agriculture, still saying that the 14 positions for support in western Canada have been approved and that he's looking forward to getting them filled. So we're still a year away from getting them all filled, from a year ago. What we don't want

to be doing is funding the Agriculture Canada research stations so it allows the federal government to withdraw funds.

When I was in Prince Edward Island — and there are another couple of ministers that have been there lately — there are road signs that say, this road a joint venture between Prince Edward Island and the federal government. We don't see a sign like that in Alberta. What we need to have here is — we're not asking them to joint venture roads with us. All we want is to make sure they don't withdraw the research positions that are so important for western Canada at this time when our producers need every benefit they can get. We want to be sure that what we do in Farming for the Future doesn't just allow them to back out of their research with us funding it at their locations. The research that is presently being done, and has been done at the Agriculture Canada research stations, was done there because that was the best place to do what we wanted to achieve. It wouldn't have been done any other way.

MR. CHAIRMAN: Any additional questions forthcoming from committee members? If not, Mr. Minister, it's my turn.

In your opening remarks you alluded on a number of occasions to the province's white paper. I want to draw your attention to one point in the white paper on page 65. There's a statement there that basically says the Alberta Agricultural Development Corporation has replaced the Farm Credit Corporation as the major lender in the province of Alberta. Then there's the statement that says:

However, new programs need to be considered to further assist Alberta's primary producers in obtaining necessary credit at reasonable rates to maintain and expand their operations.

There really are some fairly hefty, heavy words in that statement. It says "new programs need to be considered". The question I want to solicit your views on relates to the phraseology "at reasonable rates". What is the target the Minister of Agriculture sees interest rates being moved to so that they would be considered reasonable?

MR. FJORDBOTTEN: As you well stated, Mr. Chairman, "reasonable" is a relative term not an absolute. Reasonable to one might not be reasonable to someone else. I don't think anything would bring reasonableness into credit in this province quicker than a little competition for that credit. I don't think giving more credit to somebody who is already going under is necessarily going to save them. What we need is more long-term patient money at a reasonable rate of interest that isn't floating around, is more stable, and is at a rate that reflects the ability of the producers to pay. I don't think that's going to happen. I don't think you and I will know what that reasonable rate is until we have a little competition, and I see that by new and innovative approaches to offering credit.

MR. CHAIRMAN: As a follow-up to that then, basically the statement says that the Agricultural Development Corporation should be initiating new programming. Where would the competition within the Agricultural Development Corporation come from?

MR. FJORDBOTTEN: The Agricultural Development Corporation was established to assist producers. It provides them the opportunity to farm, not a guarantee that they'll be successful. Of course, the programs we now have in ADC always need to be modified and looked at it. There's an ongoing review of them at all times, and it has been increased since last March when we recognized that further changes were going to be necessary. In the interim period, until we have new innovative approaches in credit that can be done by the private sector — and that's what they're asking for; the cattlemen and others have said they would like to see new credit initiatives that weren't actually run by government. Until those are in place, the only game we have in town is the Agricultural Development Corporation. With 14 and 15 percent interest rates at the Farm Credit Corporation, I don't see them fulfilling much of a role either. So in the interim, it looks like the ADC will have to play that leadership role.

MR. CHAIRMAN: The last question really relates to that same section in the white paper dealing with an Alberta agricultural credit bank. Do I take it then that in the mind of the minister an Alberta agriculture credit bank would really be a private bank? If not, how would it be different from the current funding that's available through the Alberta Agricultural Development Corporation?

MR. FJORDBOTTEN: One of the areas of concern now, Mr. Chairman, is that when an individual sells a piece of land, he takes the money and puts it in an RRSP or does something else with it. He would have the opportunity to invest that money in that credit bank, which would create a pool of capital that then could be loaned out to farmers at rates of interest that are probably lower. Maybe a tax advantage for them doing that would make it favourable. So I see that initiative by the private sector, assisted by government but not necessarily run by government — run by producers themselves — as being one excellent approach to trying to solve some of the credit needs, realizing that there's not one solution to the problem. It's going to take a number of different innovative approaches.

MR. CHAIRMAN: Thank you very much, Mr. Fjordbotten, for the frank response to questions, and thank you for the information that was provided to committee members in the overview as well — to Mr. Pengelly. If all goes well, we'll see both of you gentlemen here one year hence. Good luck.

Committee members, the last time we had a meeting I indicated there may very well be a need to readjust the appearance of one particular minister before the committee. I indicated at that time that we were looking at rescheduling the Hon. Hugh Planche, Minister of Economic Development, from the morning of Wednesday, September 5, 1984, to the afternoon of Thursday, August 30, 1984, and that's now come to pass. So Mr. Planche will be here next Thursday afternoon. I would imagine if you were freed up on the morning of Wednesday, September 5, that would probably be conducive to everybody's schedule, considering that I'm sure everybody would want to perhaps stay up just a bit past 10 o'clock or something the eve before. So I thank you very much.

We'll reconvene again tomorrow, Wednesday,

August 22, with the Hon. Bill Diachuk. Please don't forget that on Thursday morning we'll be meeting at 10 o'clock with the Hon. Dave Russell.

[The meeting adjourned at 3:55 p.m.]