

[Chairman: Mr. Oldring]

[10:02 a.m.]

MR. CHAIRMAN: Good morning, everyone. We'll call the meeting to order if we can, please. I want to begin by extending season's greetings to everyone. I trust that you've all had a good rest and a good break and that you're anxious to get back to work and delve into the Alberta Heritage Savings Trust Fund.

I want to welcome two ministers this morning: the Hon. Peter Elzinga, Minister of Agriculture, and the Hon. Shirley Cripps, Associate Minister of Agriculture. We're pleased to have you and your departmental people with us this morning. I trust that you'll introduce the guests here with you in just a few moments.

It's been customary to begin by extending an opportunity to the ministers to open with some opening remarks and comments. I'm not sure which of the ministers would like to go first, but perhaps we can hear from the hon. Minister of Agriculture for a few moments and follow that up with comments from the hon. associate minister. The information that we're dealing with this morning is primarily found on page 9 of the report. On that note, Mr. Minister, I'll turn the meeting over to you.

MR. ELZINGA: Thank you very much, Mr. Chairman and members of the Heritage Savings Trust Fund standing committee. Let me indicate to you, as I did last year, my delight at being here to receive your input as to what we are doing with our funding from the heritage fund, plus to share with you some of the positive results that we feel have occurred with the funding aspect.

As you have indicated, Mr. Chairman, I'd be honoured to introduce four individuals that are with me today and to indicate prior to their introduction that I will call on them for technical advice and support as we go through the question-and-answer period. Plus, I leave the members of the committee with the assurance that in the event that we don't have a specific response to a question that might be forthcoming today, we will, as we have done in the past, communicate it to you at a later date.

The four individuals with me today, Mr. Chairman: immediately to my left is Gerhard Hartman, who is the manager of the Irrigation Secretariat; immediately beside him is Yilma Teklemariam, who is our research co-ordinator within the department; immediately beside him is Brian Colgan, who is the new director of the irrigation and resource management division; and also with us is Bard Haddrell, my executive assistant. With those introductions, Mr. Chairman, we look forward, both Shirley and I, to discussing areas under our responsibility. Shirley, as you indicated, will be dealing with the Alberta Agricultural Development Corporation, and we will be responding as it relates to Farming for the Future and the irrigation rehabilitation and expansion program.

I should share with you that we're doing our level best, through funding from the heritage fund plus the funding from the General Revenue Fund, to sustain our agricultural producers during this difficult period of time because we realize that agriculture is one of the foundations of our economy. To underscore that, we can point to Farming for the Future, which has yielded a number of concrete results in research for the agricultural sector.

Mr. Chairman, we left with the table a listing of a number of those projects so that individual members can refer directly to that handout, and we're more than happy to get into a detailed discussion in the event that there are any questions on Farming

for the Future. Let me indicate that I was delighted that we had the opportunity on behalf of the government to announce a continuation of this very worthwhile project under our government, to extend it for a new five-year mandate last year. As a good many of you are aware, it's broken into two components whereby we have actual research and also the on-farm demonstration program, which is designed to speed the transfer of the technologies that are developed in our research facilities to practical on-farm demonstrations.

As a number of you are aware too, during the past session we passed legislation enabling us to establish the Agricultural Research Institute, which is going to supplement in a very practical and excellent way the work that is being done by Farming for the Future, and we look forward to them working very closely together to further develop projects for our agricultural sector.

Briefly, as it relates to the irrigation rehabilitation and expansion program -- as you folks are aware, this program was initiated in 1969 and has been funded through the heritage fund since 1976. There has been some \$237 million expended to date under this program. We are in the fourth year of our five-year mandate, and we have just completed a comprehensive evaluation as to the effectiveness of the irrigation rehabilitation and expansion program, which was conducted by Coopers & Lybrand Consulting Group. We're just in the process of receiving feedback from the 13 individual irrigation districts plus the Irrigation Council, of which Gerhardt is the manager, and we look forward to their input so that we can respond on a fuller basis after receiving their input.

It's important to underscore too, when we discuss irrigation, as was so aptly done by the hon. Member for Little Bow when we had the emergency debate, the labour income that is generated, the economic impact that it does have for southern Alberta, because when we look at the specific dollars that have been generated, either directly or indirectly, for Alberta and southern Alberta, it's just so beneficial as it relates to the economic impact. As all of you are aware -- and I stand to be corrected on these figures -- I believe it's 4 percent of our land area that produces approximately 20 percent of our agricultural product. I throw those figures out simply to underscore the importance of us involving ourselves with irrigation and the irrigation districts in southern Alberta.

Mr. Chairman, there's lots more that I could add, but what I will do is defer to the hon. associate minister for her comments as they relate to ADC so that we can get into the questions and concerns that hon. members might have.

MR. CHAIRMAN: Thank you, Mr. Minister. Hon. associate minister.

MRS. CRIPPS: Thank you, Mr. Chairman. It's my pleasure to be here today with my colleague the minister, Peter Elzinga, and to wish all members a happy new year.

I was asked over coffee outside to make special comment on the importance of agriculture in Calgary-Buffalo and Calgary-Mountain View and, I might want to add, Edmonton-Kingsway. I can tell the hon. members that if you eat, you're involved, so I can assure you that Calgary-Buffalo, Calgary-Mountain View, and Edmonton-Kingsway are vitally involved in agriculture. Before I start my comments, on a more serious note I have to tell you that we supply an excellent quality, and it's there in great quantities and varieties and packages, and I'm sure you appreciate that.

ADC, of course, is involved in the financing of agricultural

operations throughout the province and over the years has been a major force in serving agricultural needs, particularly of beginning farmers, where access to long-term funding at reasonable interest rates is extremely important. A smaller area of ADC but an equally important aspect of ADC's work is in the area of guaranteed funding. These loans are made by lenders other than ADC, and ADC guarantees repayment, thereby meeting special credit needs for short-, intermediate-, and long-term funding, and this area of funding has increased in importance over the last few years.

ADC's lending activity over the past year, combined with its work since 1972, brings the total loan portfolio to \$1.14 billion on active accounts. Direct lending accounts are just over \$1 million of this total. I might say that ADC also has a specific program geared to agribusiness. The largest single area of lending for ADC continues to be the beginning farmer program, which is part of the direct lending program. In the year ended March 31, 1987, ADC authorized 597 beginning farmer loans totaling \$61.1 million. The last few years we've allowed farmers to receive their loan in three stages over a six-year period called the staged option. This has been extremely beneficial and certainly makes eminent good sense in that making a \$200,000 loan at the outset of borrowing certainly may not be in the best interests of the farmer, either in the decisions he makes on how to spend that money or in his ability to repay it. So the staged option has been a vital improvement in assuring that the loans are borrowed and lent with the maximum of efficiency and consideration being given to repayment and use.

Of course, one of the major concerns that the ADC Review Committee found out there is that we have an excessive debt in agriculture. I guess I've said over and over since becoming Associate Minister of Agriculture, and long before, that the problem may not be the debt, but the problem certainly is the low income of the agricultural sector in general. Some of those debts would not have been problems if prices of cattle in late '79 and the early '80s had stayed up and if grain prices had stayed up in the last couple of years. But the troubles are still apparent in agriculture in western Canada, so we do have some legal actions taking place, either through quitclaims or foreclosures. In 1986-87, 282 borrowers with direct and specific guaranteed loans were involved in these actions. There were 76 foreclosures, 20 bankruptcies, and 205 quitclaims. Not all of these were only ADC. Many of them involved more than one lending institution, and ADC was a part of the action. While the turnaround has not yet occurred in the industry, certainly ADC tries to take a compassionate approach, and all of those actions are on accounts that have been unable to make payment for a period of time, although we are finding that some people have decided that they would be better off making a decision to quitclaim earlier rather than staying in and accumulating more debt. In some cases it's far more beneficial for someone to make that decision earlier rather than later. So if someone comes forth with a proposal to ADC and it's reasonable and it's clear that repayment ability is not there, then if at all possible they do co-operate.

I think, Mr. Chairman, I would stop on those notes and . . . I'm sorry. I forgot at the opening to introduce Doug Porter, who's the manager of ADC and who's here with me today, and Robin Wortman, in the second row, who is my executive assistant.

MR. CHAIRMAN: Good. Thank you for those opening comments. We appreciate the information that you shared with us.

We'll begin with recognizing the Member for Little Bow.

MR. R. SPEAKER: Mr. Chairman, season's greetings to all of our guests this morning.

My question isn't on the subjects that were listed by the ministers, but it's under the Prince Rupert grain terminal. I relate the question to the Minister of Agriculture because in the Legislature through our questioning I questioned with regards to the negotiations that are currently going on. My question, though, relates to, I believe, a responsibility of the minister, and that's in terms of the management of the Prince Rupert grain terminal. Through the heritage fund and also out of general revenue we have put a number of dollars into that very fine venture on the coast. I was wondering if the minister could comment on how much authority we have as a province in terms of managing that grain terminal and also how much authority we have in terms of the negotiations that are currently going on. Did we lose all of our authority at the point of providing funding or have we retained some?

MR. ELZINGA: Mr. Chairman, I'm more than happy to respond, and I will do so. But after responding, I will look to you for guidance, sir, as to the appropriateness of a question relating to something other than the votes that are presently before us. But I will respond and then ask you for a ruling as to whether this is for a general question period or if we are going to deal directly with the three votes that are before us.

Let me respond by indicating to the hon. Member for Little Bow that this falls directly under the jurisdiction of the minister of economic development. We have substantial loan guarantees in the Prince Rupert terminal. We also have a designate on the board of directors of Prince Rupert terminal. As it relates directly to the strike, as I indicated before the House adjourned for the winter recess, we sent a telex to the federal ministers responsible indicating to them the urgency as it relates to keeping that port facility open in view of the fact that it does consume approximately 30 percent of our grain from this province during the winter months. I have also indicated and endorsed completely the recommendations that have come forward from the various farm organizations that the federal government now step in and indicate that they are either going to adjudicate in some way or accept the recommendations of the mediators that have come forward recently, plus some time ago made a recommendation as it relates to staffing at the port itself.

MR. CHAIRMAN: I thank the minister for his generosity in responding to that question.

Supplementary then, Member for Little Bow.

MR. R. SPEAKER: Okay. I think I asked two in the first, so I'll ask one more. Would the minister then be in favour of some type of agricultural input from Alberta in terms of the farm population or the western farmer on that board so that in terms of negotiations we do have input as agricultural producers, which we feel we do not have at the present time? I relate that to the heritage fund contribution we've made plus the general revenue contribution we've made to that port.

MR. ELZINGA: I very much appreciate and recognize the question from the hon. member. I would ask him if he would -- and I recognize that I'm imposing on him somewhat in doing so -- give me some type of detailed proposition that I could examine, rather than just shooting from the hip in responding to

him, so that I could give him a detailed response which is worthy of his question. If he'd be kind enough to do that, I shall follow it up and give sincere examination to his proposal.

MR. R. SPEAKER: I'm prepared to do that, Mr. Chairman.

MR. CHAIRMAN: Perhaps the member might want to consider bringing that back in the form of a recommendation for the committee to deal with.

Member for Lethbridge-West, followed by the Member for Athabasca-Lac La Biche.

MR. GOGO: Thank you, Mr. Chairman. To the Minister of Agriculture. This deals primarily with irrigation in southern Alberta and the government's commitment to continue irrigating land in the south. I continue to hear, Mr. Minister, of land being lost because of the so-called inefficiencies of irrigation; for example, to salinity along the canals and the feeder system. Could you advise the committee under your vote here, Mr. Minister, the status of that in terms of what's being done to eliminate the salinity; for example, lining canals or whatever's going on there?

MR. ELZINGA: Well, as it relates to specific soil conditions, I can share with you that there are some projects funded under the funding that we are discussing. To date they have indicated that as a result of these projects that are taking place -- if I can offer you an example, applying specific amounts of water to certain types of soil will drive the salts downward rather than raising them to the surface. We are involved with a number of projects that we are funding through this allocation of dollars that we are referred to in this vote.

MR. GOGO: A supplementary, Mr. Chairman. There are, as I understand it, 13 irrigation districts in southern Alberta. A question to the minister: are any of these irrigation districts carrying out pilot projects with regard to soil testing, or is that done strictly by the department?

MR. ELZINGA: What I shall do, with your consent, Mr. Chairman, is ask Gerhardt if he would respond in a specific way to that question.

MR. HARTMAN: The department and the farmers are involved in specific on-farm efforts to reclaim lands that had been formerly salinized, where the source of the salinity has now been removed by the rehabilitation program. That's generally how it works. The cost-shared funded program with the districts has in many cases now removed the source of the water which caused the salinity.

The farmers and the department are carrying out pilot projects and in fact some projects that are beyond that, that are actual on-farm recovery or reclamation programs that are now bringing that land back into production again. We've had various examples where land that three or four years ago grew nothing, this past season grew 50 or 70 bushels of barley and next year will be up to 80 or 90 or more: things of that nature.

MR. GOGO: Final supplementary, Mr. Chairman. This concerns the lining of the canals. Mr. Hyland probably has more knowledge than most on this subject. I know that in California, for example, where they don't have frost, they're able to line canals a certain way, and I understand Israel, which is sort of a

miracle with irrigation, has a certain system of lining their canals. What are we doing with regard to the lining of canals? Do we have any projects under way regarding either concrete or other forms? Mr. Chairman, I'd feel more comfortable if I could have the assurance that with the irrigation capital in southern Alberta we are attaining or attempting to attain a standard as good as anywhere in the world with regard to lining canals to prevent soil erosion.

MR. HARTMAN: Mr. Chairman, Alberta conditions are certainly different from Israel or southern California and so on, and we are still developing methods of lining canals and controlling seepage by other methods also, with things like interceptor tile drains and merely by relocating canals into deeper, finer, or less permeable material. We have a technique of lining canals with concrete that now does stand up to our severe frost action. We use polyethylene membranes buried in the earth to stop the seepage. We use porous tile drains located on the outside toe of the slope of the bank to intercept the water and prevent it from encroaching onto the farmers' fields and so on. We have reasonably proven methods that we are using now as opposed to 20 or 30 years ago, when some of them were being tried as far as our technology is concerned. So we're quite confident today that we are using good, long-term methods to control seepage in the districts.

MR. CHAIRMAN: Thank you.

Member for Athabasca-Lac La Biche, followed by the Member for Ponoka-Rimbey.

MR. PIQUETTE: Thank you, Mr. Chairman. I also would like to pass on my new year's greetings to the members and to the Associate Minister of Agriculture and the Minister of Agriculture as well. I guess shortly after the New Year trying to get back into this whole question period situation is quite a change after having had a lot of good cheer in the last few weeks.

One of the statements I was reading in the message from the Associate Minister of Agriculture in her '86-87 annual report -- you came out saying there's "an air of optimism due to the new opportunities created in a changing market." Then she more or less deflated that by indicating the real horrors out there in the farming community, especially in the grain farming sector, and now the pork producers are facing very low prices as well.

Now, no doubt ADC, upon reviewing that for a number of hours yesterday, is in a financial crisis. I mean, we have to admit that. If we look at some of the figures and if we take aside the fact that -- when we look at the figures, the operating losses over the last three years have been astounding. I'll give you some of the figures. For example, in 1986 ADC incurred an operating loss of \$153,460,000 and a net loss of \$51,777,000 after a contribution of \$101,683,000 from the province of Alberta, I guess through the sale of debentures. In 1985 the operating loss for ADC was \$106,765,000 and a net loss of \$26 million after a cash injection of \$80,047,000 by the province of Alberta.

Without government support the losses from 1985 to '87 for ADC would amount to an astounding \$374,444,000. That is without taking into account that the province of Alberta also gives free of charge accommodation to the various facilities rented by ADC. So if we even calculated the real operating loss of ADC, it would amount, I believe, to a lot more than \$374,444,000 in the last three years. We see also that since 1976 ADC has operated at a loss. So the accumulated losses for

ADC: I would like the minister to dwell on that a little bit. I think the investment that we have made from general revenues as well as the Alberta heritage trust fund has been much more than what a lot of people in the public are aware of.

We're continuing this situation from March 31, '87. You know, we look at the last report, the result: 12.1 percent of ADC direct loans were over a year in arrears as of March 31, '87, an increase of over 2 percent from the previous year. Experts in the farming communities indicate -- and this comes from your own report, by the way -- that over 1,600 farmers in '85-86 were forced to exit from farming in those two years and over 800 in the '87 year. So we're looking at most likely upwards of 2,400 to 3,000 farmers being forced to exit from farming in the province of Alberta, and that includes bankruptcies, quitclaims, receiverships, et cetera. This is from your own report. So very definitely ADC is in a financial crisis, as is the agricultural industry in a financial crisis.

Will the minister responsible for ADC provide updated information from March 31, '87, for the past six months relating to ADC's true operating losses during that period of time and also the number of farmers who are presently behind in payments, et cetera? And could she indicate how she's planning to make ADC a more financially viable lending corporation, in view of the recommendation advanced by her own task force?

MRS. CRIPPS: I think you got nine questions.

All right. The first question was on the optimism. There's no question in my mind that the people in agriculture are looking at other crops and alternate crops and agribusiness as an opportunity to diversify. There is real optimism in the agribusiness sector, and as the agribusiness sector diversifies and provides new opportunities, there are new opportunities for farmers because there are new opportunities for their sales. Certainly the cattle sector is more optimistic than I've seen it in a number of years. We've been involved in the cattle operation for 29 years, and frankly I think that in talking to cattlemen, they are probably more optimistic than they have been since we were involved in 1959, partially because of the commitment of this government to the Crow offset program, which has absolutely given a signal that the Alberta government is committed to ensuring that we take the natural advantages that we have and make the best possible use of them, and partly due to the new investment that we've got in this province in the meat packing industry. So that's a significant change from the whole atmosphere that was out there four or five years ago, when we couldn't get a meat packing plant to even talk about investing in Alberta, let alone making a commitment to do it.

With regard to the operation losses, ADC has always had operation losses because the government of the province of Alberta has given a commitment that they would provide funding at a lower than normal level of interest for the average borrowing from the Heritage Savings Trust Fund: 11.7 percent over the last number of years. So at the outset, to lower the interest rate to 9 percent, there's a 2.7 percent investment there by the province of Alberta. Then to lower it to 6 percent is another 3 percent investment. So there's a significant investment which would appear as a loss in the province of Alberta in lowering the interest rate, first, to 9 percent on all direct loans and then to 6 percent on the beginning farmer loans.

As far as the farmers exiting agriculture, the statistics from the Department of Agriculture show that more farmers have actually gone into agriculture in the last year than have exited, and there is always -- if you're referring to the report, the report says

that there is a normal amount of people that exit and enter agriculture every year, and there always has been for as long as I've been involved.

MR. PIQUETTE: Usually they retire; they don't quit.

MRS. CRIPPS: Not necessarily. There are lots of people who get into agriculture and find out that it's a damn lot of hard work. It's seven days a week, you work when the weather is good, and you don't get a vacation. It's not their cup of tea.

As far as the arrear accounts go, at March 31 there were 1,150 total arrears over one year. At November 30 there were 1,103. So actually the arrears over one year are declining rather than increasing. Actually, on the new loans in ADC, last year there were more exits. There were 245 exits and 238 new loans in the beginning farmer program, so that is actually 7 more exits than entrances. But overall our statistics from the Department of Agriculture show that more people are coming into agriculture than exiting.

I think I got the basis of your questions.

MR. ELZINGA: Mr. Chairman, if I could supplement that just a wee bit so that it will allow both Shirley and myself to be of greater assistance to the hon. Member for Athabasca-Lac La Biche. I'm just a bit puzzled. Maybe he could share with us what angle he's approaching when he suggested that we make ADC more financially sound. It sounds as if he's being critical of the amount of dollars that we have invested in the agricultural community. If he is critical of that, I'd appreciate his advice and guidance. We feel the money is well invested in the agricultural community, and if he is contrary minded, I sure would appreciate his insight and his advice as it relates to ADC also.

MR. PIQUETTE: Well, Mr. Minister . . .

MR. CHAIRMAN: Order please. I'd be happy to recognize the Member for Athabasca-Lac La Biche in just one moment. I think that again the Chair has shown a great deal of flexibility. Your opening question went just about as long as the minister's opening remarks. The Member for Little Bow was kind enough to include two questions in his first comments and follow it up not with two supplementaries but one. I would remind the member that there are currently 12 other members on the list of members that wish to ask questions this morning. I would ask you to limit it to one more supplementary as opposed to two and please be as concise as you can.

MR. PIQUETTE: Okay. I guess my questions are not very concise this morning. I apologize for that.

One of the things, you know, that even their own report indicates is that really what the financial institution did in the '70s and '80s was loan money not on the productive value of land but on the farm assets as real estate prices. I guess that's one of the aspects we have to correct if we're going to make the ADC viable in the future.

One supplementary would be to do with the future direction of ADC. I mean, we're still awaiting that report, of course, Mrs. Minister. One of the interesting things I was reading here recently was -- in view of the recommendation of the ADC report which indicates that ADC should concentrate its efforts in the area of financial restructuring rather than direct lending and that the objective of financial restructuring should be to place farmers in an improved equity position, will the minister support the

implementation of equity financing as proposed by the Saskatchewan government, which involves a transfer of government land and capital into a corporation which would then raise additional funds through share offerings to the public?

MRS. CRIPPS: To answer the last part of your question directly and specifically, yes, we'll look at any method of financing agriculture, because quite frankly what the report recommends is that farmers should have options to finance agricultural operations. So certainly we will look at any proposal which is put forth with regard to the financing of agricultural operations. In fact, the Wheat Pool just had a number of hearings -- I think four, to be exact -- throughout the province and made some recommendations to us. They discussed equity financing, vendor financing, debt set aside, and I think there were a couple of other options, and have sent us those recommendations. So we will take a look at all opportunities that there are for financing agriculture.

You're quite right: farm assets were overvalued; they were not based on productivity. One of the things farmers keep telling me is that land prices are finally reaching a place where someone can invest with a reasonable expectation of making a living and paying off the debt.

We're certainly working on the stressed accounts in ADC. In fact, our emphasis right now is on the stressed accounts. There's a number of things we're doing. One of the new things we're doing on stressed accounts is looking at the opportunities for proportional quitclaiming, because some of the debts are simply so high that there's no possibility of being able to pay the total debt. But if they were able to proportionally quitclaim, they could maybe remain in the community, which would certainly be better for the community. We're also looking at the assumption of loans by someone else, which is a new thrust that ADC has not allowed before, as being an opportunity to maybe keep the loan in the family or the operation as a family operation. But certainly somebody else isn't going to put money in it if they can't acquire some of the title. So we're looking at that as an opportunity.

We're also looking at maybe reverting farm sales of public lands back to farm leases. I believe public lands are doing it now on some of their accounts which are not involved with ADC loans, and we're looking at complementing that as an additional way of being able to work through the stressed accounts. But you can be assured that we're placing emphasis on working with the stressed accounts. It's not always in the best interests of the borrower to stay in the farming operation, but if it is and if there's a viable workout planned, if he can show that the cash flow will meet the ongoing operational expenses and debt expenses of the operation, we'll make every effort to ensure that they are able to do so.

MR. CHAIRMAN: The Member for Ponoka-Rimbey, followed by the Member for Edmonton-Kingsway, followed by Lloydminster, Cypress-Redcliff, Lacombe, Calgary-Buffalo, Pincher Creek-Crowsnest, Stony Plain, Calgary-McCall, Calgary-Mountain View, and Lethbridge-West.

MR. JONSON: Yes, Mr. Chairman. I'd also like to ask a question with respect to the review of the Alberta Agricultural Development Corporation, the report known as Options and Opportunities. I note, Mr. Chairman, that we've sort of delved into some of the specific recommendations in that report, and it's my understanding that the report is still under review. I wonder if

the Associate Minister of Agriculture would care to, first of all, comment on the degree of response that there has been to that report. What sort of interest has it engendered across the province?

MRS. CRIPPS: Actually, the report engendered a lot of interest, particularly by agricultural organizations. Most of the responses that I got were very favourable to the report and to the direction, particularly in recognizing that one of the main problems in agriculture is an overemphasis -- or too much debt. I got a number of letters privately on the report but basically not a lot of response, mostly in conversations in passing and particularly from the farm organizations, who are quite supportive.

MR. JONSON: A supplementary question, Mr. Chairman. Does the minister feel that at this point in time sufficient time has been given to all the major stakeholders and so on to respond to this report?

MRS. CRIPPS: Yes, Mr. Chairman. I do believe that the responses have been adequate, and I'm hoping to get the decisions on the report and the implementation of those decisions behind me this spring. I feel that in all fairness to the agricultural community the decisions must be finalized and public before the planting season.

MR. JONSON: A final supplementary, Mr. Chairman. One of the recommendations or sections of recommendations in the report that has produced quite a bit of interest is that dealing with the future of the agency itself. To the associate minister: when would she anticipate some decision being made on the future role of the actual agriculture corporation as an entity?

MRS. CRIPPS: I would hope to have that decision public before March 1.

MR. CHAIRMAN: The Member for Edmonton-Kingsway, followed by the Member for Lloydminster.

MR. McEACHERN: Thank you, Mr. Chairman. Last year I asked the associate minister if any heritage trust fund money had been used for the farm credit stability program, and the answer came back that at that stage, no. That was in November of last year, and yet by March 31, \$1 billion had been borrowed out of the heritage trust fund. In fact, at December it was \$1.5 billion and then it went down to \$1 billion by March 31. The Treasurer indicated that that money was used for a combination of the farm credit stability program and the small business term assistance plan; how much into which I'm not quite sure. The Auditor General and I talked about those numbers last November, just before Christmas.

That number by September 30 is up to \$1.6 billion in the borrowing from the heritage trust fund, and a major portion of that, I would assume, is used in the farm credit stability program. So that means that the government, I believe, has a couple of billion, if not more -- maybe \$2.5 billion, counting the \$1 billion through ADC -- in the farm loan programs. Does the minister know just how much of that \$1.6 billion as of September 30 is in the farm credit stability program as opposed to the small business term assistance plan?

MRS. CRIPPS: Mr. Chairman, I believe that question is one that should be directed to the Provincial Treasurer, and frankly,

no, I don't know how much is the farm credit stability program.

MR. McEACHERN: Well, maybe the Minister of Agriculture does then, because actually it also overlaps with Agriculture, you know, if you look at this program. Sorry if I...

MRS. CRIPPS: But no, I don't know.

MR. ELZINGA: Maybe I can supplement that also and add to what the associate minister indicated. It is combined, as our department does the actual administration. The Provincial Treasurer does the actual rollover of the funds. The associate minister was correct when she indicated to you that there wasn't heritage trust fund money in it, in that what we do is borrow and in turn put that money on deposit in the institutions that in turn have given out the loans to either the small business development bond or the farm credit stability program.

I should share with the hon. member that we've met with a great deal of success, whereby there are over 14,000 farmers across the province that have participated in this program. Somewhere in excess of \$1.5 billion, \$1.6 billion has been borrowed out. Close to 80 percent of that has gone for refinancing purposes, helping those farmers who did have financial concerns, and close to 80 percent of it has gone out for a 20-year period. We're gratified by the results of those figures. It appears as if there will be sufficient funding until the expiry date of the program, which was three years after our announcement.

MR. McEACHERN: If I understood you right, you were saying that pretty well all the money then has gone into the farm credit stability program as opposed to the small business term assistance Act, if I heard your numbers right. Last year the question of how many of the loans were rolled over or were just a rewrite of loans -- the figure came back at 90 percent. I hear you now saying 80 percent, so perhaps that's dropped in the meantime.

Given that in the farm credit stability program the banks that do the administering have been demanding -- and perhaps I can give an example rather than saying what they're generally doing. A farmer that I know of wanted to borrow \$100,000 to buy a couple of quarters of land. He had about a half a million dollar operation. He had also about a \$100,000 loan already through other institutions. He was told by the bank that he went to that if he wanted to borrow \$100,000 from them under the farm credit stability program, he would have to consolidate all his loans with that bank and he would have to put up his whole farm as collateral. Now, that would be \$500,000 put up for a \$200,000 loan. He thought about it for a while and decided not to do it. Now, if that's the general policy of the banks in making these loans and if we've put \$1.5 billion into helping banks make those loans, and the money according to the Treasurer and the Auditor General comes straight through pretty well, I sort of argued that you couldn't say that the money that was borrowed from the heritage trust fund into the general revenue account went to any particular program because general revenue's money is used for lots of things, including education and social services. The Auditor assured me that in fact it could be funneled straight through.

So we're putting up a heck of a pile of that money. Of the \$2 billion farm credit stability program, it looks like we've put up \$1.5 billion of it, or nearly, according to the numbers we've talked to to date. So where does that leave the farmer? Are we in a way helping financial institutions, because of the high failure rate in the farms and in many of these programs, to actually

take over farms? Are we really helping farmers a lot, or are we helping banks and financial institutions take over farms?

MR. ELZINGA: Well, maybe, Mr. Chairman, I can respond by doing my level best to assist the hon. Member for Edmonton-Kingsway, because he's obviously confused and I want to correct that confusion so that it's not on the record. He indicated that at some time it was stated that 90 percent of the funding had gone for refinancing purposes. That was never stated by either myself...

MR. McEACHERN: Last year in the...

MR. ELZINGA: No, we consistently indicated 80 percent, and those figures have been fairly consistent. Secondly, I should share...

MR. McEACHERN: It shows it right here. It says 90 percent. What are you talking about?

MR. ELZINGA: I'm sorry?

MR. McEACHERN: It's right in here.

MR. ELZINGA: Well, please point it out to us because it's not in there.

MR. McEACHERN: Page 1 of your annual statement of the Department of Agriculture: category A, refinancing -- this is the farm credit stability program -- same lender, \$825 million; other creditors, \$186 million; and new category, only \$124 million. And the percents are given: 72.7 percent, 16.4 percent, and 10.9 percent. Now, 10.9 percent means it's 89 percent. Now, it doesn't really matter; sort of 90 percent/80 percent is not a big deal, but I'm not wrong.

MR. ELZINGA: No. Well, I'm indicating -- and I will review those figures with the hon. member to show him the error of his ways, which we're always happy to do. I should indicate to my dear friend, too, that there is some confusion too, because he's relating figures that the Provincial Treasurer has indicated as to what has been called on. And as I indicated to him, the Provincial Treasurer does the actual rollover of funds for both the small business program and the farm credit stability program. That doesn't necessarily mean that since we have had an uptake or an approval of \$1.5 billion to \$1.6 billion for the farm credit stability program, he has been called on to put those in actual deposits yet until all the documents have been finalized, and then the banks in turn call upon us to put that on deposit. Because there was slightly in excess, I believe -- and I stand to be corrected, because it's not under our jurisdiction but under the hon. minister of economic development -- of approximately \$1.1 billion gone out under the small business program. I think after it had been closed we found that to date there was slightly less than \$1 billion that had actually been called upon through that program. But I will refer that to the minister of economic development.

Again, I guess it's semantics, and the hon. member is correct as it relates to where the money does come from. We use the heritage trust fund as a guarantee. I imagine we could flow it through. I understand that there is somewhere in excess of \$2 billion worth of fluid assets in that fund presently, but again the hon. member is correct as it relates to the rollover and the trans-

fer of that funding.

MR. PIQUETTE: How about the last question?

MR. CHAIRMAN: A final supplementary.

MR. McEACHERN: Yeah. Also, last year the Minister of Agriculture suggested that the government was going to have to get out of ad hoc agricultural programs and get some long-term programs in place. I guess what I'm concerned about is that the small and medium-sized farmers are being squeezed under the present economic circumstances, due largely of course to the subsidy trade war between the United States and the European Common Market. But out of some 114,000 small to medium farmers which we had 15 years ago, we've now got 86,000 left, so that's a drop of about a quarter. So the pressure is really on the little farmer, and I agree with you that we've got to stop relying on ad hoc programs and support the family farm in a major sort of way. I don't for the life of me see how free trade is going to do that; it's going to put more pressure on the small and medium farmers. We're going to have less flexibility to use subsidy programs.

So the government's policy and the federal government policies as well seem to me to be moving in the opposite direction: a combination of ad hoc programs and no long-term commitment to the small farmer. The pressures are really on the small farmers, and the advantages will go to or the slack will be picked up by the major big farmers, big corporations, and we will end up with corporate farms rather than small family farms if we continue in the present direction. I'd like some comment from either or both ministers, really.

MR. ELZINGA: Maybe I could respond to the hon. member. The hon. Member for Athabasca-Lac La Biche indicated that I had neglected to answer the last part of your previous question. If I did, sir, if you'd repeat it, we're more than happy to respond.

MR. McEACHERN: It was just that in some ways, by financing most of the money in the farm credit stability program, if the banks foreclose in the way which has happened in many cases, are we not in some sense helping some financial institutions to take over family farms and in fact adding to the problem of the small farmer compared to what will end up in the hands of big farmers in the long run?

MR. ELZINGA: I'm glad the hon. member repeated that, and I apologize for not responding, because that is an area that's very dear to my heart. We set down some very specific regulations as it related to this program, because as the hon. member is aware, we phased in our guarantees as to the amount of guarantee that the province will offer, and it increases consecutively over a number of years. That's why we have strict criteria that the banks themselves have to follow. In the event that he has individual farmers, as we have done in the past for the hon. Member for Athabasca-Lac La Biche too, if they do encounter problems, we are more than happy to contact the banks on their behalf to make sure that those strict criteria are followed to the benefit of those within the agricultural community.

As it relates to his supplementary question dealing with ad hoc programs and free trade, the associate minister, myself, and more importantly, the Premier, have indicated our threefold approach to the agricultural sector within this province, acknowl-

edging that it is an economic pillar of our province, whereby we're going to do our level best to reduce the input costs, we're going to establish a safety net, plus we're placing added emphasis on market and research development. To do away with some of the ad hoc programs, what we have done is -- and we've met with considerable success this year in two specific areas, one as it relates to sugar beets: we have a tripartite stabilization program. For dry edible beans we also have a tripartite stabilization program. We are working presently with the federal government on a honey program so that we can have a stabilization program for honey producers also.

In addition to that, under the leadership of the associate minister we've just completed -- I shouldn't say "just"; it has been completed some time ago -- an excellent report on hail and crop insurance. Those areas that were strictly under provincial jurisdiction the associate minister has implemented, and she is having discussions with the federal government with the hopes of establishing a more responsive crop insurance and discussions as it relates to a revenue insurance, whether it be under the western grain stabilization or another type of insurance, so that we do have that safety net in place for our agricultural community. And it's a goal of this government to do our level best to establish that so that our farming population does have some certainty.

On trade, I recognize that we have a strong philosophical difference as it relates to this issue. I've always felt that one had an obligation to reflect as best they could the constituency they represent. I must share with you, hon. members, that I think if they went home to their constituencies, they would find their constituencies reflect somewhat of a different viewpoint on this issue. I just had a letter from the mayor of Lac La Biche indicating his community's strong support for the free trade issue, and I indicated to him my regret that his member wasn't reflecting that in the Legislature. If one looks at what we produce as to what we consume, with beef we only consume 23 percent of what we produce; we've got to export the rest outside our province. With barley it's 50 percent, with pork we have to export 60 percent of our production, and with wheat it's 80 percent. If the hon. Member for Edmonton-Kingsway is suggesting to our farming population that we decrease it by 50 percent, it's a suggestion that I'm sorry I cannot endorse.

MRS. CRIPPS: Mr. Chairman, maybe I can supplement, because the last question was with return to the small and intermediate farmers. Our statistics show, and it's in table 201 of the Options and Opportunities report, that the small and intermediate farmers are not the ones that are carrying the substantial amount of debt. In fact, there are 3,200 farmers who are carrying almost 40 percent of the debt in the province of Alberta, so 40 percent of that debt is held by a very few people. So it is not necessarily the small and intermediate farmers, who are the family farm operations that you are talking about, who are in more jeopardy than the larger ones. There's no question that some of the family farms are under serious financial difficulties, but I would say that I think our programs are helping the small and intermediate farms pretty effectively, particularly the ones that the minister just outlined.

MR. CHAIRMAN: Member for Lloydminster followed by the Member for Cypress-Redcliff.

MR. CHERRY: Thank you, Mr. Chairman. I guess I want to zero in on the irrigation, and I guess my first question is: what

are the ongoing costs to the government in relation to the operation of the canals after rehabilitation is in place?

MR. ELZINGA: There is no cost.

MR. CHERRY: No cost associated to the government whatsoever?

MR. ELZINGA: I'll let Gerhardt elaborate on that, but I believe it's up to the individual districts. They assume some of those costs, but we'll . . .

MR. HARTMAN: Mr. Chairman, there are no costs to the provincial government for operation and maintenance of the canals that they have under their jurisdiction.

MR. CHERRY: In the upgrading of the canal costs, who pays the right-of-way costs? Part two of my question would be: what is the cost per acre to the farmer after that has taken place?

MR. HARTMAN: Clarify me if I misunderstand your question, but the irrigation rehabilitation and expansion program, when for projects built under the program, will pay for or help fund right-of-way costs that are necessary for the relocation of canals or laterals and things of this nature. The farmer himself in a lot of cases gives up the land free, and there is no money changing hands for that right-of-way because he benefits from the program directly and his neighbours benefit along with him. The farmer himself, once a rehabilitation is finished, is probably going to make changes to his irrigation system on his own farm. He may go out and reinvest or change his irrigation system; he may expand it or merely spend the money on updating it because now he has a new irrigation delivery system that he can depend on better, and he can add more acres and so on. So he himself spends up to as much as \$500 or \$600 an acre on new acres added and \$200 or \$300 an acre on just changes alone. Am I close to your question?

MR. CHERRY: Yes. The other question I have is: when you look at the commodity grown on irrigated land, is that in direct competition to the dryland farmer? Because we see a world glut today in grains. Is there a competition there? I'm looking at spring wheat in relation to what we would grow on the dryland. Is there more of a speciality crop in the irrigated areas?

MR. ELZINGA: We'll let Gerhardt start, and I'll supplement.

MR. HARTMAN: Mr. Chairman, in the established irrigation districts we have about 1.2 million acres of land under irrigation. Of that amount there is less than 1 percent of it used to grow hard red spring wheat. It's a very small number, less than 1 percent. It's a figure down in a few hundreds of acres -- I'm sorry that I don't have the details here, but we could get those -- so I don't see the irrigation farmer competing with the dryland farmer in growing hard red spring wheat.

The wheat that the irrigated farmer grows is soft white spring wheat. Many times you don't see that clarified when your conversation is about growing grain. About 40 to 45 percent of the land under irrigation is growing some type of this soft white spring wheat. This is more like a utility wheat. It's used in totally different products than breadmaking. It's usually for cakes and pastas and things like this.

We have had various conversations about the competition in

the barley industry. I'm confident that barley is imported from the dryland areas of western Canada into the irrigated areas for the feeding industry. I have personal knowledge of many trucks coming into the feedlots that exist down there.

We grow a fair bit of alfalfa on our irrigated land. That may or may not be deemed to be in conflict, but we also basically use most of it up down there in the feedlots and the dairies also.

MR. ELZINGA: Well, Gerhardt, you've done such a superb job, I've got nothing to supplement.

MR. CHAIRMAN: Any further supplementaries?

MR. CHERRY: I just have one more question if I may, turning to the hopper cars. When they were put into service, there were a thousand of them. Have we still got that many cars operating today? The second part of my question would be: what would your turnaround period be when you take a loaded car out, when it goes out? Could you expand on that at all?

MR. ELZINGA: I'm happy to get the detailed information for the hon. Member for Lloydminster. As he is aware, it is under the portfolio of the economic development minister, and I'll endeavour to get that information from him and relay it on to the hon. members.

MR. CHAIRMAN: Member for Cypress-Redcliff, followed by the Member for Lacombe.

MR. HYLAND: Thank you, Mr. Chairman. My first questions are related to Farming for the Future. I wonder: out of the Farming for the Future projects this year -- and it's in line with the questions asked last year -- how many of those are joint, have a researcher involved as well as an on-farm demonstration, to see that all the research we're doing is not just in books and put on a shelf but it's research we can use, maybe such as some of the stuff that goes on at the swine lab now?

MR. ELZINGA: What I'll do, again with your consent, Mr. Chairman, is refer the technical aspects to the individual we have from the department. I'll ask Yilma if he'll respond.

DR. TEKLEMARIAM: Thank you, Mr. Minister, and thank you, Mr. Chairman. We have two sets of projects under Farming for the Future. The first group is strictly research projects that are headed and conducted by scientists at the various research stations. Another set of projects is called on-farm demonstrations, and that part of the work is conducted on individual farms.

On the research aspect it's mostly the scientists and the technicians that are involved, but we do have field sites where some of the fieldwork is conducted, and that involves farmers who are co-operating in the research project. But to a large extent, of the 86 research projects that are conducted at the research stations, they're largely headed and conducted by scientists. They're mostly theoretical, mostly involving lab work, and the technology that emerges out of those is still mostly on paper.

Once we have something valuable to try for the farmer, then it goes to the on-farm demonstration program. Now, we have different committees that evaluate these projects, and one of the things they look at, whether it is a research project or the on-farm demonstration project, is its benefit to agriculture. On these committees the majority of the members are farmers. We

do have scientists and we do have people from industry, from the food-processing industry and so on. Applicability on the farm is a major criteria, whether it's a researcher or an on-farm demonstration project. When the time comes for that project to move out to the farm, we then combine the producer, our field staff, the extension person, specialists, and scientists to work together jointly. All our on-farm demonstration projects have at least a specialist and a district agriculturist, and when a situation calls for, they have a scientist as well.

But as far as the research projects are concerned, perhaps about 10 percent of the 86 projects would have some farmer involvement as far as the actual day-to-day work is concerned. We roughly have over a hundred projects going at the same time out in the field in a co-operative situation with farmers.

MR. CHAIRMAN: Supplementary?

MR. HYLAND: Thank you. The supplementary question is: after a tour of some of the facilities at the university and discussion with some of those involved, there was a feeling that certain projects got priority; i.e., certain favourite projects. It may be beef one year, it may be pork one year, and chickens get left out or this kind of thing. I understand some of the scientists we have now at the university, some of the researchers and teachers, had applied for projects; maybe they were feeling bad because they weren't funded, and there were thoughts, you know, of: is this happening? My concern would be that if it is, how do we change it and how do we see that it's fair?

Initially Farming for the Future on-farm demonstrations were a small percentage of the whole budget. Now, I know that's changing, or had for a number of years changed dramatically, to up to about a quarter or a third of the budget. Is it now slipping back into being a way of funding research, i.e., in universities and the federal stations? Are they backing out of research? How does the new committee, the research institute, fit into this whole thing?

MR. ELZINGA: Mr. Chairman, could I respond to the hon. member and indicate to him that as he is aware, for the Farming for the Future itself we have a council of 15 members, of which our deputy is the chairman. Mr. Jack Ady, the hon. Member for Cardston, is the designate from the Legislative Assembly. Plus we have producer representatives, as Dr. Teklemariam has indicated, on this body. In addition, we had the . . . I'm glad he touched upon the Agricultural Research Institute, because when we brought forward that legislation, we had indicated that it was our desire to have it as a co-ordinating body whereby we could examine -- because there had been those concerns expressed, and we found it is not to the degree that we had found the expressions to be -- an overlap of research activities between the governments, the private sector, and the universities, and they will involve themselves in the co-ordination of these research activities and work very closely with Farming for the Future.

If I could just bootleg in something that was distributed to all members, because it is so important, and Dr. Teklemariam also touched on it: during the last nine years we've allocated a total of some \$45 million to research through Farming for the Future, with 460 research projects and 425 on-the-farm demonstrations. I just stress those figures so the hon. member is aware that we are involved with on-farm demonstrations and in seeing they flow through of the actual research that is conducted to our agricultural community.

We've had more than 300 scientists and 400 producers in-

involved in projects to date. This year alone the research program is supporting some 86 projects at a cost of some \$3.81 million. Again, if I can just underscore what the doctor indicated, as of November 16, 104 on-farm demonstration projects had been awarded since April 1, 1987, and the support awarded to these projects is somewhere in the vicinity of close to \$400,000.

MR. HYLAND: My third supplementary is on irrigation. It's related to the 86/14 rehab formula, where the districts are paying 14 percent of the reconstruction costs and the heritage trust fund is paying 86 percent. This is a formula that was started back in, I think, 1967 or thereabouts. Are there any recent updates where it either ensures that that's the right formula or would suggest any changes on the percentages of that formula?

MR. ELZINGA: Well, as the hon. member is aware, if there are to be any suggested changes or if there are to be any changes, it will be individuals like himself who make those recommendations. It will be this committee and the Members of the Legislative Assembly that we will go to for advice and counsel.

If I could just indicate to him, too, that as he is aware, under this vote -- I don't have the exact vote here; I believe it's some \$25 million, which is a decrease of \$30 million from the previous year. I want to leave the hon. member with the assurance that I'm going to do everything within my power to make sure there is no further decrease in this amount. Once we have something definite to report, either through the budgetary process or prior to that, we will make hon. members aware, but I'm going to do everything within my power to make sure that that commitment of \$25 million is consistent again in the next budget year.

MR. CHAIRMAN: Member for Lacombe, followed by the Member for Calgary-Buffalo.

MR. R. MOORE: Thanks, Mr. Chairman. Well, back on the Farming for the Future program. I have a major concern when we get into research that the results of the research never get applied down at the people's level, or the farm level in this case. We touched on that, and the explanation was that there were on-farm demonstrations and so on. But I'd like to look at the beginning, at the selection process of projects for Farming for the Future. Could the minister or any of his officials give us an idea of how many of these project ideas or applications are initiated by farmers and how many by academics? Are a lot of these coming right from farmers, and then we've taken it up and worked through on their ideas? Or is this a lot of academics coming out with their ideas, and of course we're funding the bill?

MR. ELZINGA: Well, let me share with the hon. member, and then I'll ask the doctor to supplement it if he would, that occasionally we do have concerns expressed by colleagues and by those in the private sector that they are not receiving their share of the funding. We are more than happy to take up those concerns and inquire as to the legitimacy of those concerns. But as I indicated, we do have a body that is very fair, in my assessment, as to the allocation of funding.

I can give you specific examples, if the hon. member wishes, as to the flow through of the benefits. I'm sorry I can't give you the indication as to whether it was spurred by scientists or by producers; I know there's been a fairly good input from both sectors. But if you look at our canola research or our develop-

ment of a northern Alberta bee -- and we can give you example after example -- also improved wheat and barley varieties that are more suited to our climatic conditions in Alberta; a new safflower and soybean variety for Alberta conditions; again, as it relates to irrigation, our involvement with methods to control and reduce soil salinity: there's just a vast of projects we have been involved in that has a significant economic impact on our farming population as it relates to the specifics. If the doctor would like to supplement it, I know we'd appreciate those figures.

DR. TEKLEMARIAM: Thank you, Mr. Minister, and thank you, Mr. Chairman. When we look at the research projects, they are submitted by the research scientists. They are the ones that originally come up with the idea, and they submit an application. But it's based on some farm problem and some concern on the farm, and the result has to eventually benefit the farmer. So that's the criteria our committees use.

When we come to the on-farm demonstrations, each one of those 425 projects that Mr. Elzinga mentioned is generated or came from the farmers themselves, who have either seen the results -- we have a research report where we try to summarize the results of some of the studies that have come out of our research programs, and this is distributed to farmers. If they see an idea or a new technology that they think would benefit them in their community, they submit an application to a regional committee. We have six regional committees, again made up of farmers and department people, who will accept these proposals from the farmers. The farmers have the assistance of the district agriculturalist or the specialist when they put together the application. That is submitted to the local committee, and the ones that are approved would be funded. The money flows directly through the farmer; it does not even go to our department people or scientists. The farmer is the central figure on how those projects are organized and run, with the technical assistance of our staff and scientists where the case may be.

MR. R. MOORE: Supplementary, Mr. Chairman, if I may. Because all these projects in Farming for the Future benefit the farming sector, not only Alberta but the farming sector right across Canada, and we're funding these programs, are the feds participating? Are they assisting financially? We're doing it and using heritage trust fund money for it, and they're getting benefit as equal as the Alberta citizens. There is a moral obligation, but have they actually come up with the dollars to participate and help us in these programs?

MR. ELZINGA: Mr. Chairman, in responding to the hon. Member for Lacombe -- and he's as familiar with it as I am -- I'll refer back a couple of years when the province did have some difficulties with the federal government as it related to research projects within the province of Alberta and specific research stations. At that time to express our displeasure we withdrew some of our own funding. We do now have an agreement in place whereby there will not be any retraction of funding from the federal government -- and it's fairly substantial funding. We do have an agreement whereby they will not withdraw any of their funding commitment without prior and proper notice to ourselves so we can have proper consultation as it relates to that funding.

If I can share with the hon. member, it was just recently that we went into an agreement at the Vegreville research centre with the federal government under the direction of Don

Mazankowski, the Deputy Prime Minister, who suggested that we have a cost-shared program at the Vegreville federal station. We've contributed \$2 million to a \$6 million project as it relates to soil work in that area, and hopefully we can expand it to a greater area throughout all of the province. There was also a recent commitment when the Prime Minister made his statement announcing a further payment of the special grains program and a number of agricultural initiatives of an additional \$100 million to develop some biotechnical research facility in western Canada that we are following up with in discussions with the federal government.

MR. R. MOORE: Another supplementary. It relates to federal support on the application of the results. Are they taking these results and distributing them so that all the farming communities benefit from them?

MR. ELZINGA: As it relates specifically under Farming for the Future, I'll ask the doctor to respond as to how we get those results out. I should share with the hon. member -- and I'll ask the doctor to get into more detail -- that in the event we are involved in some of the funding, the rights in a good many cases do stay with us, so that if there are benefits, we can also benefit by that. But I'll ask the doctor to be a little more explicit.

MR. R. MOORE: Just before he answers, what I'm getting at is if we develop a new grain, like improved wheat, canola, or barley [inaudible] in the Alberta conditions, I notice it's registered under federal legislation. Do they take that to their benefit, or do we get any benefit back financially? When you develop a new variety or new breed, do we sell that or does the federal government sell it? Or do we just give that out to any of the seed growers and they benefit by it?

MR. ELZINGA: Well, I'll let the doctor respond to the technical nature, and then I'll come back and supplement it.

DR. TEKLEMARIAM: Thank you. When we transfer technology which we call hard technology, as opposed to soft technology, the distribution of information follows certain commercial channels. If it comes to new varieties like canola or wheat or barley, there is a registration process. There is a seed distribution mechanism called SeCan which takes the new varieties which come out of the research stations, multiplies that, and makes it available to seed growers within the province. Our agreement with the federal government, which our minister and the federal minister signed: we are entitled to the benefits of any new developments in proportion to our contribution. Each of these projects that are done at the federal stations are essentially joint projects. We provide the money for supplies and services for the operating portion. We don't pay the scientists; the scientist is paid money to spend time on this project by the federal government.

If I may also bring up the earlier question of whether this money has really benefited us most, more than perhaps other provinces, I would say definitely yes. As a result of this funding the federal government has been in a way encouraged to put some of their best scientists in this province. We did not have a canola breeder, for example, in Beaverlodge before the Farming for the Future program got started. The federal government created a canola breeding position at Beaverlodge as a result of our funding, and we have had the opportunity to have one of the best scientists, canola breeders, work in this province.

Gerhardt referred to the soft white wheat in the Lethbridge area, the irrigated area. We're working on developing a high-yielding, highly suitable soft spring wheat variety for southern Alberta, and we started funding the project because it's so valuable for our farmers down there and to make the irrigation system very productive. The federal government created a research scientist position to handle that on a full-time basis, and I can cite a number of other examples that have come to Alberta in the form of benefits arising from this program.

So I believe I've answered your question as to how the benefits are divided. The benefits are divided between the province and the federal government in proportion to our contribution to the cost of the project.

MR. CHAIRMAN: The Member for Calgary-Buffalo.

MR. CHUMIR: Thank you very much, Mr. Chairman. As the representative of that hotbed of agricultural activity, I would like to ask a question which links some concerns I have with respect to the free trade agreement and our heritage fund programs.

Last year we had a brief discussion on free trade, which at that time was being negotiated, and Mr. Mehr of the minister's department stated that free trade may or may not impact the programs of the government of Alberta. We now have an agreement, and the concept of the level playing field puts assistance programs to agriculture in an even more intense spotlight. The heritage trust fund, as we know, provides assistance to agriculture in a number of ways, and I would particularly note the subsidized interest rates through the Agricultural Development Corporation, research projects, and irrigation assistance.

We have, of course, in the province a number of other support programs outside the heritage fund, such as fuel subsidy programs, crop insurance. Many of these kinds of programs are specifically referred to as support programs in schedule 1 to the agricultural section in the free trade agreement, being section 7. For example, I'm sure the minister is aware that the farm credit programs are referred to -- subsidy programs -- at page 116, research expenditure of certain kinds are referred to at Subsidies at page 115, and even Crop Insurance at page 112. Now, the definition in that schedule 1 is of course for purposes of article 5, which deals with domestic wheat pricing, but it's still important as a sign of the thinking of the negotiators of the agreement as to what constitutes subsidies, and it's vitally important that we in Alberta, and particularly with respect to Alberta agriculture, are aware of the implications of the agreement for these particular programs.

Unfortunately, to date we have no in-depth information from the government. We're merely told that the agreement is good, and I, along with many other Albertans, don't believe that this is good enough and that we need detailed information. The provincial government had a representative at the table. It's heard the discussion with respect to these programs; it's heard the United States' concerns. I'd like to know about some of those. I would note that we as a party, the Alberta Liberal Party, have not yet taken a position on the free trade agreement, notwithstanding suggestions by -- I think the Premier a number of times liked to suggest that we have joined the New Democratic Party in opposing it. In fact, we think there are some good points, but we have many concerns and questions, and we would like to have those aired at public hearings and through receipt of some of the studies. So I wonder with that background whether the minister can tell us what potential impact the free trade agreement may have on the programs of the government of Al-

berta, through the heritage trust fund and otherwise, in regard to such matters as interest rates, research, irrigation assistance. In particular, I'd like to know whether it's absolutely clear that there is no impact, whether there's uncertainty in some areas, and just a general assessment of where we're going.

MR. ELZINGA: Thank you very much, Mr. Chairman. I'm more than happy to offer that assessment to the hon. member. I appreciate his comments as to the position of his party on this issue, because I read some comments contrary to what he indicated that were expressed by the hon. Member for Edmonton-Meadowlark just recently in the *Edmonton Journal*, whereby his statements didn't quite flow as what the hon. Member for Calgary-Buffalo indicated.

But as the member indicated -- and I want to share with him that it is the hope of all farmers within our province that we have a level playing field, and that is why we have implemented a number of our programs to assure that our farmers are not discriminated against when the European Economic Community or the U.S. does come forward with their own rich subsidy programs. We're doing our level best, as best we can, acknowledging that we have a much smaller population, to offset the harm being caused by subsidy levels in other countries.

It has been endorsed by our federal government and by ourselves that in the event these other countries remove their false subsidies, we will examine the removal of our own subsidies, because our farmers just want to have an assurance of a fair marketplace whereby they do have an assurance for their actual commodities. That's not taking place now, so we've implemented substantial programs to offset that harm, and we're going to continue with those programs until that level playing field does exist. So in other words, I'm saying to the hon. member that we're going to continue with our programs as long as the U.S. continues with their programs. There have been recent studies to show that their subsidy levels -- if one wishes to use that word. I don't believe we are subsidizing our agricultural sector. We're offsetting harm that is being caused by external forces to make sure we have a viable farming population when there is a turn in the economic climate.

It's interesting to note, too, that the majority of our programs, if not all, are market neutral, whereby they do not create distortions in the actual marketplace. There's also an endorsement, which was just recently confirmed by the Premier of Nova Scotia, whereby there are provisions for us to implement regional development. In the event that we consider agriculture to be something we wish to develop on a regional basis here, we still will have that flexibility.

Just as a third point, since the member brought it up as it relates to domestic wheat pricing, the federal government has left us with the assurance that with the removal of that, when it is phased out, hundreds of millions of dollars are still going to flow through to the benefit of our wheat producers in Canada.

MR. CHUMIR: I'm not quite sure. The nuance I got from the minister's comments was that, yes, these are subsidy forms of programs which could be considered to contravene the agreement in spirit but that everybody else, including the United States, has a similar type of assistance and that we will maintain our programs until they correspondingly comply with the spirit of free trade. Now, is the minister's intent to say that, yes, these are subsidy programs which would contravene the spirit of the free trade agreement?

MR. ELZINGA: No, that's not my intent, because I indicated to the hon. member, if he would listen very carefully, that we do not view these programs as subsidy programs. We view them as offsets, and they're part of our threefold approach to the agricultural community, whereby we want to create a safety net and we wish to reduce input costs. Our Crow offset is a fine example of that. We've implemented this program to offset what we consider a discriminatory federal program. It's an offset, just as our other programs are offsets, to what we consider our discriminatory practices in other countries.

MR. CHUMIR: What studies does the minister have with respect to this issue of what are and are not permissible assistance programs and with respect to the overall impact of the free trade agreement on Alberta agriculture, and will he make these available to members of this committee?

MR. ELZINGA: Well, I can share with the hon. member that just recently WASDA, which is the western agricultural states and provinces, conducted an investigation themselves that showed there was as high if not higher agricultural support in the U.S. when they compared some of our programs. When a study was conducted by the federal government -- a study I have not seen yet myself but which we've requested -- as it relates to individual provinces and their support for their agricultural community, it showed that Alberta was more forthcoming with their support than any other province in Canada. This is a tradition we're proud of and we're going to continue.

MR. CHAIRMAN: Pincher Creek-Crowsnest.

MR. BRADLEY: Thank you, Mr. Chairman. I want to ask some questions about the irrigation rehabilitation and expansion program, particularly in light of the fact that there's a cap on the amount of funds in the Heritage Savings Trust Fund and in the capital projects division we're moving up towards the 20 percent. My concern is that in the future with regard to a number of programs we have funded through the capital projects division, we may have to make choices as a government and a Legislature as to where we allocate funds.

I want to ask with regard to the irrigation rehabilitation and expansion program -- it was originally announced, I think, and started about 1976. There was a further commitment in 1980 to a five-year program and then a subsequent five-year commitment from '85 to '90. So it was envisioned as a 15-year program. Can the minister indicate where we are at in terms of the rehabilitation of the districts? What percentage of that project has been completed, looking at the 15 years that was originally announced in 1980 to complete it?

MR. ELZINGA: I'm going to ask Mr. Hartman to supplement this also, but I can share with the hon. member -- and he's gone through the procedure very, very well as it relates to our funding commitments -- that the total irrigated acreage within Alberta's irrigation districts has expanded at an average rate of about 20,000 acres per year. If that rate of increase is maintained, the province will have approximately 1.3 million acres under irrigation within the irrigation districts by 1995. As he is aware, too, as it relates to the specific funding, we leave those decisions to the Irrigation Council itself.

Mr. Gerhardt Hartman is the manager of the Irrigation Secretariat, so we'll ask him to respond in a more detailed way.

MR. HARTMAN: Mr. Chairman, the percent of completion of the work that is ongoing under the program over all 13 districts could be averaged out somewhere in the order of 35 to 40 percent. That is not a good, challengeable figure, but it's the best estimate we have. In studying each of the 13 districts, that figure varies from about 18 or 20 percent all the way up to 50 percent, depending on which district you're actually in. But the overall average could be stated in terms of 35 to 40 percent done. That was one part of your question. Was there another?

MR. BRADLEY: I wanted to get some indication of that, because looking to 1995 or looking at the funds we have available, I think originally we'd allocated \$30 million a year under this five-year commitment from '85 to 1990, and I believe we're now funding it at \$25 million. Obviously, we may have to extend the period of this program if we want to have the canals within the districts rehabilitated entirely as envisioned in the original program. We may have to expand this time period beyond 1995 to get that work completed, so I wanted to have an idea as to where we are at in January 1988 in terms of completion. You're suggesting some 35 to 40 percent.

Getting back to what the Member for Lethbridge-West inquired about with regard to salinity, because I think a very important part of the rehabilitation program was to reduce salinity, have we seen a reduction in salinity in the irrigation areas? How does it compare with regard to irrigated salinity problems versus dryland salinity? What's the sort of percentage relationship in the province? Is there more salinity in irrigated areas versus dryland areas? And in terms of increase of salinity, are we seeing more increase in salinity in the dryland areas versus the irrigation areas, or is it decreasing in the irrigation areas?

MR. HARTMAN: If I may, Mr. Chairman -- and I'll ask Mr. Colgan to help me if he has any information on this -- salinity in the irrigation areas is being brought under control now. The rate of advance or increase of salinity has been pulled back, and in areas where rehabilitation has occurred, it is on the decrease because of the rehabilitation program. Dryland salinity in the province of Alberta is a serious problem, albeit not at as high a percentage of the acres of land as it is in the irrigated area. We've had various studies over the last 25 years about salinity across the province. In the irrigated areas we've had numbers all the way from 5 to 30 percent of the land under irrigation being affected by salinity. The definition becomes a problem as what "affected" means, but as far as any amount significantly affected by salinity in irrigated areas, it's more like 15 percent. And that has been brought in check. There is still perhaps increasing in some areas, but it is under reduction in others. The dryland salinity is something I'm not totally cognizant with. Brian, can you help us at all on that?

MR. COLGAN: Mr. Chairman, with regard to the salinity situation, I think our overall feeling is that we're in control in the irrigated areas, that we have the technology in place, and that with the funding that's been provided by the Heritage Savings Trust Fund and the rehabilitation that's been done within the districts as well as the projects Alberta Environment is funding on the headworks, the expansion of salinity within the irrigated area is in control, in hand. There's new technology available, the farmers are being more sophisticated in how they apply water to the land, and we don't have the concern there that we have in the dryland areas. Clearly the dryland area is the much larger acreage. It's much more difficult to deal with. The

source of the water is much more difficult to identify. Within the province it's the dryland salinity that we still have much more concern about. So we're quite excited about the recent announcement of the federal government that there may be more federal funding available for soil conservation, and we expect that a lot of that would be provided to the control of dryland salinity.

MR. BRADLEY: Thank you for that answer. From what you've said, I take it that the rehabilitation program has been successful in terms of the salinity problem. It has been one of the focuses of that, but it's something we should continue our efforts on in the future in terms of our priorities.

One of the other aspects of the rehabilitation program was to increase the efficiency of use of water. Would you be able to supply an answer as to the effect of this program in terms of increased efficiency of use of water within the districts? Has it had an effect? Have we seen an increase in use of efficiency as a result of this program?

MR. HARTMAN: Mr. Chairman, yes, we are seeing a definite increase in efficiency in this program. We can cite examples where previously 10 and 15 years ago water would not be under good control by the distribution system, or even by the farmers, as a result of how the distribution system worked. Today, because we have a rehabilitated system with water volume monitoring points along it and with good control gates and mechanisms in place, the water is now controllable and the amount wasted out of the tail end has been greatly reduced. We have examples where we are now reusing water that is drained from low areas and irrigated districts and so on. It's reused downstream by other farmers in the system. That increases the overall efficiency. The amount of water being returned to the river systems from irrigation districts is being reduced gradually every year. We've got good examples of that too. So we're confident in the success of the program from the efficiency standpoint. It's coming along well in that regard, and hopefully in another 10 or 15 years, with new technology by the farmers and the irrigation districts, that will no longer be an issue whatsoever for anybody to tackle.

MR. BRADLEY: This is just a supplementary. Could the department perhaps provide us with the exact percentage they've been able to calculate as to what the increased efficiency is? You may not be able to supply it today but supply it to us later.

MR. HARTMAN: Mr. Chairman, we can probably supply best estimates and figures according to certain definitions we would attach to it. The problem with using these things has always been that the definition of what the number means is easy to mix up with somebody else's definition, and it really gets twisted around. But yes, we can supply numbers as long as the definition goes with it.

MR. CHAIRMAN: The Member for Calgary-Mountain View, followed by the members for Lethbridge-West, Little Bow, Athabasca-Lac La Biche, Edmonton-Kingsway, and Calgary-Buffalo.

MR. HAWKESWORTH: Thanks, Mr. Chairman. Just before my questions, I wonder if Mr. Hartman would also supply the estimates in terms of the acres, what's been grown. In an earlier answer you gave, I think, a partial explanation of all the differ-

ent crops: hard spring, white spring wheat, and alfalfa. I was wondering if he could also supply some estimates of what are the other crops that are also . . .

MR. HARTMAN: Certainly, Mr. Chairman. We have a whole listing of crops that are grown in the irrigation districts and the amounts of each according to actual figures. They're better than estimates.

MR. HAWKESWORTH: Okay. Thank you, Mr. Chairman. I guess I'd like to follow up on some previous questions to the Minister of Agriculture regarding these various impacts of the free trade deal on the Agriculture department and as it affects some of the votes here regarding food processing and so on.

First of all, I guess to the minister. He said it's the position of the provincial government that some of these programs are offset programs, not subsidy programs. Would he confirm that there is no definition of "subsidy" yet under the free trade deal -- in fact, five years have been set aside for negotiations to determine what in fact is a subsidy and what isn't a subsidy as it affects the deal -- and therefore his position is only a position and is not reflected at all in the free trade deal that's been signed, that we've got five years to determine what is in fact a subsidy in some of these programs the provincial government has and the federal government has and the talk from the federal minister about replacing the two-price system with another means of support to wheat growers may in fact be considered an unfair subsidy once the negotiations are over within the next five years?

MR. ELZINGA: Mr. Chairman, I'm more than happy to respond and re-emphasize what I indicated to the chap from Calgary-Buffalo. The chap from Sherwood Park will do his level best to respond. I must say I can't see the coalition between the votes we're discussing and the free trade issue right now, and maybe the hon. member could help me by explaining what vote he relates his questions to.

MR. HAWKESWORTH: I was just saying, Mr. Chairman, that the minister in a previous answer said he felt these various programs -- he had gotten into this in answers to previous questions -- were offset programs, and I'd just like him to confirm that within this deal there is no definition of what is a subsidy, that all that's in the deal is a five-year negotiating period in which to determine between the two sides what is considered a subsidy and what is not.

MR. ELZINGA: Mr. Chairman, I'm more than happy to do so, acknowledging my obliging nature. But I'm just hopeful that the hon. Member for Calgary-Mountain View would also be obliging and indicate to me which vote he's relating it to.

MR. HAWKESWORTH: Well, the Food Processing Development Centre, I guess, is where we could start, because the money has been provided to that program. I think the minister would acknowledge that it was as a result of the position of the food processing industry to the federal government that in order to lower their costs under this free trade deal, elimination of the two-price system for wheat has been accepted and domestic wheat pricing has been changed in order to respond to those kinds of concerns. So in terms of the food processing industry in the future, that resulted in the change to the domestic wheat pricing system. Now, as a result of the elimination of that, there

has been a proposal that that be replaced with another form or another program, another subsidy to the wheat producers to offset that change. So my question to the minister is: will he acknowledge that in terms of a subsidy to wheat growers, whether it be to replace this two-price system or whether it be the Crow offset or any of these other programs, we do not yet know whether they will be considered an unfair subsidy under the free agreement because we don't have a definition of what is a subsidy under that free trade agreement?

MR. NELSON: A point of order, Mr. Chairman.

MR. CHAIRMAN: The Chair has shown a great deal of discretion in allowing the discussion this morning on free trade. It was originally introduced, I believe, by the Member for Athabasca-Lac La Biche, and it took the skills of a lawyer to follow it up from Calgary-Buffalo. Perhaps a very short response on this, and maybe with the last five minutes we can get back to some of the things under the Heritage Savings Trust Fund on page 9.

Point of order, Member for Calgary-McCall.

MR. NELSON: Well, Mr. Chairman, I don't even think the minister should respond to the question, quite frankly, because it is out of the perusal of the six items that are based on the area he is responsible for with the Heritage Savings Trust Fund. Quite frankly, I think we'd better get back to those areas we're actually dealing with in this fund and not deal with subsidies and free trade and what have you. It's not relevant.

MR. CHAIRMAN: Member for Calgary-Buffalo.

MR. CHUMIR: I don't want to take up all of the last five minutes in debating this thing, but I couldn't see anything that's any more relevant. We are here providing assistance programs to agriculture through the Heritage Savings Trust Fund, and these programs are put directly in issue by the free trade agreement. If we're going to be spending our money on these programs and conceptualizing future programs, surely we have to understand the impact of the free trade agreement on them. I can't understand...

MR. CHAIRMAN: Again, if we can, please. There's only four minutes left.

MR. ELZINGA: I'm more than happy, as I've indicated to the hon. Member for Calgary-Mountain View, to be obliging, as I have been to all others, and I'm more than happy to continue to be so. I was curious as to what he was basing his question on, because I wanted to see the legitimacy of his follow-through questions. There is no legitimacy, because the food processing sector is not included in this vote. If the hon. member is under the impression that it is, he's mistaken, as he is mistaken with his premise dealing with the free trade issue also. Because as the hon. member is aware, there is specific mention in the free trade agreement, and it deals specifically with the western grain transportation assistance, whereby there is an agreement to remove that on commodities that are shipped through the west ports for flow through to the U.S. We're not conceding anything.

I appreciate the philosophical belief of the hon. member opposite, whereby they're willing to concede everything and throw up their hands and say we can't do anything. Well, we don't

believe in that philosophy; we believe we can compete. We've got a number of programs in place. Those programs are going to be maintained, because we believe they are offsets and not subsidies like the hon. members from both the Liberal and New Democratic parties are attempting to say. We believe they're offsets and not subsidies, and we're going to continue with our strong support for the agricultural sector as we have done in the past.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I take that as a clarification from the minister that indeed the definition of "subsidy" is not included in this trade deal. As he said, he repeated his position and opinion, but it's certainly not one that can be found within the trade deal itself. But I'd like to ask -- I presume that the food processing industry is all part of the efforts to diversify this economy in Alberta and that that is a concern to the Minister of Agriculture. The future of the food processing industry is one that I think a lot of Albertans, particularly in the rural areas, are looking to as a way of increasing the value of the crops they produce.

I'd like to ask if the minister is able to answer the question: is it this government's policy to lower the input costs of the food processing industry through the elimination of supply management? That is, if the food processing industry can demonstrate that supply management is increasing their costs and putting them at a competitive disadvantage under this trade deal with their American counterparts, is it the policy or would it be the position of this government to lower those costs to the food processing industry through the elimination of supply management?

MR. ELZINGA: Mr. Chairman, I've got three responses for the concerns and questions the hon. member has raised, and let me start with supply management. Unlike the premise the hon. member has suggested, we support those farming groups that support a supply managed sector. I gather, from what the hon. member is saying, that he does not. I wish he would make that public, because that's what the New Democratic Party consistently does. They believe that if they repeat a lie often enough, people will believe it. But the Alberta population's a lot smarter than the hon. member gives them credit for.

I want to underscore what I indicated earlier so there is no confusion or misunderstanding. I repeat it for the third time, since the hon. member did the same thing: we view our programs as offset programs, not subsidy programs. I'll underscore that once more, with the hope that it does flow through to the hon. Member for Calgary-Mountain View: it's an offset program, not a subsidy program. We do support and there are provisions under the trade agreement for the further extension of supply managed sectors in the event that those individuals who are involved in specific sectors in our agricultural community wish to have them established. It's something that we supported. It's something that is included in this agreement. Contrary to what the hon. member is saying, we protected the rights of our supply managed sectors within this agreement, and we're going to continue to protect them, even though the hon. Member for Calgary-Mountain View does not wish to do so.

MR. McEACHERN: Who said he didn't?

MR. CHAIRMAN: Order please.

In light of the hour, I want to take this opportunity to thank the ministers for appearing this morning. The Chair again, I

feel, showed a great deal of latitude in terms of the questions and answers, but we appreciate the opportunity for some healthy input and some healthy discussion.

MR. McEACHERN: Mr. Chairman, is it possible that we could ask these ministers to come back again for another session later on, in some of the later January sessions that are not booked?

MR. CHAIRMAN: I'll certainly look at that if it's appropriate, yes.

MR. NELSON: Mr. Chairman, on that question, I would agree with it only to the extent that we deal with the issues relevant to the Heritage Savings Trust Fund and not go all over the free trade market, which is not relevant to what we're dealing with in here. Otherwise, as far as I'm concerned, the ministers have been very, very amiable in answering those kinds of questions, and if that's what we're here to do, I would suggest they not be requested to come back.

MR. CHAIRMAN: Thank you again, Madam and Mr. Minister.

MR. ELZINGA: Mr. Chairman, may I close by indicating my deepest thanks to the committee members for an excellent two-hour session and to wish everyone a very happy and prosperous new year.

MR. CHAIRMAN: Thank you.

A motion to adjourn by the Member for Cypress-Redcliff.

MR. McEACHERN: Could we proceed with a couple of committee things before we go?

MR. CHAIRMAN: Pardon me?

MR. McEACHERN: A couple of committee things before we go maybe? You know, I mean they can go but I've got a . . .

MR. CHAIRMAN: Can we deal with it this afternoon?

MR. McEACHERN: Yeah. It would just take two minutes. Two different ones.

MR. CHAIRMAN: Very quickly.

MR. McEACHERN: Well, one of them: the 27th is not possible for us to have a voting day for the committee. Did you get my message on that?

MR. CHAIRMAN: I did. I think perhaps it'll be helpful, because there will be some discussion around that to deal with that this afternoon, if we can.

MR. McEACHERN: We'll take some time this afternoon, then? Okay.

MR. CHAIRMAN: Agreed.
Thank you again.

[The committee adjourned at 12:01 p.m.]

