

8:34 a.m.

[Mr. White in the chair]

THE CHAIRMAN: Ladies and gentleman, I'll call the meeting to order. With us today we have the Hon. Ed Stelmach, Minister of Agriculture, Food and Rural Development. Mr. Minister, if you'd be so kind as to introduce your guests.

MR. STELMACH: Certainly. We have with us a number of people. Some of you are probably thinking: gee, he must have brought everybody out of the O'Donoghue Building. But keep in mind that this minister is responsible for 41 different acts and numerous agencies and boards and commissions, so we have representatives from each. It provides an opportunity also for our members to meet firsthand and put some faces to the MLAs that serve not only on Public Accounts but are elected in this province of Alberta.

I'd like to start this morning by introducing my deputy, Doug Radke. Sitting next to him is Mike Mylod. Mike is our executive director of finance administration. We have Brian Manning, the president of AFSC, and next to him is Dave Schurman, vice-president of finance and administration. Right behind me, from AFSC, is Bill Stegmaier, Dean Lien from Farmers' Advocate, and Les Miller, chair of the Alberta Surface Rights Board. Seated back there is Mr. Jim Heron, the chairman of the Alberta Dairy Control Board. Next to him is Mr. Ray Bassett, ADM. Over here we have Les Lyster, ADM; Barry Mehr, ADM; and Dr. Yilma Teklemariam from AARI, which is the Alberta Agricultural Research Institute. I think I've got pretty well everyone. And up in the – we have Arlan Johnson from AFSC. Good morning, Arlan.

THE CHAIRMAN: We should have a round of applause for that.

MR. STELMACH: I'm sorry. I said AFSC. He's from our department, not from the agency.

THE CHAIRMAN: Very well.

Mr. Auditor General, if you might, your people, please.

MR. VALENTINE: Good morning, Mr. Chairman. With me in the Assembly are on my left, Jim Hug, Assistant Auditor General, and on my right, Lawrence Taylor, principal in charge of the audit of the ministry. In the gallery this morning are Pamela Tom, a field auditor in charge of the department of agriculture audit, and David Birkby, a principal in the office.

Thank you.

THE CHAIRMAN: Mr. Minister, if you have an opening statement.

MR. STELMACH: Thank you, Mr. Chairman, and thank you for giving us the opportunity to review this morning the ministry of agriculture's annual report and business plan for the year 1997-98 as well as the comments of the Auditor General.

I do want to say that it feels like I just left here a few minutes ago. Given the fact that some of us had to suffer through some debate yesterday till midnight, I might not answer all the questions with the same clarity as I originally intended to, but I ask that when asking questions you refer to the specific document and the page number so we can find it during the preamble. This is the first time the annual report of the ministry is being used as the primary public accounts document. Therefore, your questions could be far reaching, and in case I may not be able to answer all the questions, I can assure you that we will get back to the committee with answers at a later date.

This was the first year when actions were linked to outcomes or

key results with realistic and measurable targets. This business planning approach was communicated at each level of the ministry structure from the executive level down to divisional and branch levels. In fact, as part of our employees' annual evaluation process each person was required to lay out a work plan for the coming year that could be tied into the branch and division business plans which link to the ministry business plans. One of the side benefits of this planning process is that individual employees see more clearly how they fit into the big picture. Alberta Agriculture's strategic direction continues to be based on the shared industry/government vision developed during the public consultation process of 1992-1993 and updated from time to time through ongoing consultations with our industry. This vision states that Alberta's agriculture and food industry will be profitable, globally competitive, environmentally sustainable, and will value its people.

I'd like to now touch on some of the results achieved by the ministry in 1997-98. Many of you probably have gone through the report and are familiar with our goals, but pretty quickly, goal 1 was "improved access to domestic and world market opportunities." We worked with industry and the federal government to achieve some significant results in trade negotiations and investigations leading to an improved trading environment for sugar and products containing sugar, potatoes and potato products, cattle and beef and helped Alberta chicken producers develop an on-farm quality assurance program for chicken production. The Alberta/Chinese five-year beef technical agreement was signed in December of 1997. We also produced the Premier's award-winning study focused on assessing Australian competition for the Japanese beef market. This work led to the formation of the competitive intelligence unit within the department.

Goal 2 was "improved industry service, quality and cost competitiveness." We became the first government organization in Canada to begin a knowledge management initiative which will enhance the collective ability of all staff to provide timely and valuable information to clients. A major independent survey in 1997 of more than 1,200 farmers, agribusinesses, value-added firms, and agricultural organizations indicated that the ministry's regional advisory services – that's our extension service – made a major contribution to improve cost competitiveness. The 4-H program provided training for 2,800 volunteers and 8,500 youth in the province. AFSC helped more than 600 beginning farmers finance their operations through long-term loans.

Goal 3 was "increased amount of value added to industry commodities, products and services." The introduction of the new value-added technology transfer program and creation of the value-added engineering centre will enhance the transfer of new technology and products to food processors. AARI introduced a new value-added technology transfer program for the purpose of funding projects that help speed up the transfer of new technology or products from research facilities to agrifood processors. The Food Processing Development Centre worked with 90 companies, 170 new products, and conducted 65 consumer evaluations. AFSC commercial worked collaboratively with lenders and investors to provide \$47 million in new financing, assisting 37 value-added processing companies, with more than 85 percent of the new funds coming from sources other than AFSC, meaning that AFSC is more like a broker, a facilitator.

Goal 4: "increased diversity of industry commodities, products and services." Responsibility for aquaculture was transferred from Alberta Environmental Protection in April 1997. By 2000 it's expected that the industry in Alberta recreation, food, and biological control will have grown to about \$10 million. Diversification initiatives formed the focus of 20 of 114 Farming for the Future on-farm demonstrations funded by AARI. The Low-THC Hemp

Symposium held in Red Deer and Edmonton attracted 570 participants and focused on the pros and cons of industrial hemp production. The AFSC implemented a more flexible, higher value crop insurance program, insuring 39 different Alberta crops.

Goal 5 was "increased responsibility of industry to manage risk," and that's important. An independent evaluation of AFSC's beginning farmer program was completed and showed the AFSC met its program goals. We also introduced new-look crop insurance. More than 3,600 Alberta farmers benefited from the farm income disaster program, receiving a total of about \$58 million for the 1996 tax year. In response to special needs of northern Alberta farmers, AFSC revised its disaster assistance loan program, allowing farmers to obtain loans at a lower rate of 7 percent for up to 10 years with deferral of payments for the first two years.

Goal 6: "improved stewardship of natural resources for agricultural, industrial and public benefit." Issues such as food safety, air and water quality, and responsible intensive livestock development were on the front burner. Growing public awareness of environmental issues coincided with ministry initiatives such as the new Alberta environmentally sustainable agricultural program. The environmentally sustainable agriculture committee and the new multidisciplinary livestock expansion development team helped the ministry respond to industry and public issues. AARI funded 21 different resource conservation and stewardship projects which demonstrated sound farming and resource conservation practices.

8:44

Goal 7: "improved management of Ministry resources." A customer satisfaction survey of AFSC products and services showed an increase in meeting or exceeding customer expectations for reliability by more than 13 percent from '94 to '97. The Alberta growth summit confirmed that government has to take a hard look at its future human resources needs. We also conduct yearly work climate surveys – many of you perhaps have seen copies of that; it's called Staffspeak – to get feedback and act on these results. This annual survey provides hard performance numbers to allow the ministry to assess its performance with staff.

Alberta Agriculture fully supported the growth summit process in the fall of 1997. Our deputy, Doug Radke, was the government sector delegate, and staff provided input, information, and support to agriculture and rural development sector delegates. The AFSC board of directors was also well represented by Lynn Dechant, Eugene Dextrase, Aaron Falkenberg, and Bernie Kotelko in the growth summit process.

In the follow-up, ministry staff reviewed all 277 recommendations. It wasn't surprising to discover that the AFRD was already involved in 106 of the recommendations in a very meaningful way. We're proud of Alberta Agriculture's overall direction for the '97-98 fiscal year. While revenues were down, expenses were down even more so to the point that our revenues were \$104.4 million more than our expenses. During the fiscal year, management decided to discontinue the use of the AFRD revolving fund effective the 31st of March '98. Operations previously carried on within the fund are now part of department operations, with assets, liabilities, and retained earnings of the fund transferred to the department on March 31, 1998.

I'd like to just make a few more observations on the AFSC. In 1997-98 substantial progress was made in attaining all of the five business goals of the corporation, and significant enhancements were made to AFSC's core products and services in response to the changing needs of farmers. AFSC recorded a surplus of more than \$98 million in '97-98, and contributions from Alberta to AFSC were reduced by \$143 million in '96-97 to \$140 million in '97-98.

That, Mr. Chairman, brings my opening remarks to a close, and I'd certainly be happy to respond to questions from committee members.

THE CHAIRMAN: Thank you, Mr. Minister. Prior to that, I jumped into things after a doughnut without doing some of the necessities. Might we have an approval of the agenda as presented? Is it agreed? Carried.

Approval of the minutes of April 28. Might we have a motion? Is it agreed? It's carried.

We have one other motion a member here wishes to put forward.

MR. LOUGHEED: Yes, I'd like to move that the Public Accounts Committee approve the attendance of the chairman, deputy chairman, and committee assistant at the Canadian Council of Public Accounts Committees conference in Quebec City, August 21-24, 1999.

THE CHAIRMAN: Any discussion on the matter? None. Is it agreed?

HON. MEMBERS: Agreed.

MR. MELCHIN: I missed it. Who's to attend?

MS OLSEN: Not us.

MR. HLADY: The chair, vice-chair, and . . .

MR. STEVENS: Other people.

THE CHAIRMAN: None of those lowly . . .

MR. HLADY: Mr. Chairman, has that been approved over the last number of years?

THE CHAIRMAN: Actually, there never was a vote taken prior to this year.

MR. HLADY: And what has the attendance record been for the last number of years in regards to that?

THE CHAIRMAN: Well, let's see. In this past year, '98, we had three participants, the same as in the motion. In '97 the conference was here, and we had five participants because it was here. In the two years before that, the committee did not participate at all in the national conferences. Actually, I think Muriel did pay her own way one time, but it wasn't with the sanction of the committee. Anyway, she was chairman. [interjection] Yeah, the budget had been approved by Members' Services before.

MR. HLADY: It has been approved already from Members' Services for this year?

THE CHAIRMAN: Yes.

MR. HLADY: Okay. Thank you.

THE CHAIRMAN: On the motion, is it agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: It's carried.

Now to the business at hand. I have Ms Blakeman followed by Mr. Stevens.

MS BLAKEMAN: Well, welcome to the minister and the gentlemen accompanying him, the Auditor General and his staff, and the additional staff joining us in the gallery.

MS OLSEN: No women.

MS BLAKEMAN: No women. I guess there are no women in agriculture. Just a little dig there. Just a little dig first thing in the morning.

I'm most interested and impressed with the achievements in this department. As a city girl I'm finding the work that's being done very interesting. This is not the little old-fashioned, homesteading agriculture that we all believe exists in Alberta. This is fast moving into high-tech land and great productivity, and my congratulations to the minister and the staff for having gone in that direction.

However, I notice that one of your key goals was environmental sustainability. On page 33, where we're talking about the Alberta land productivity index, under the note it says:

Although soil degradation is still a concern on some lands, most producers use sound management practices that continue to ensure long-term sustainability of agriculture in Alberta.

Now, I'm wondering what recommendations the department developed in this fiscal year – working, one presumes, with the farmers and the ranchers – to increase this Alberta land productivity index to work towards your target of .973 by 2001. I'm questioning the usefulness of this index, because we can have crop production increases while depleting the soil or getting a buildup of pesticides, one presumes. So what were the recommendations that were developed around this Alberta land productivity index?

MR. STELMACH: That's a good question, understanding that we have to maintain the integrity of our soil if we're going to maintain the same level of production to meet the demands of a growing population around the world.

But before I attempt to answer that question, although this isn't part of the '97 business, I'd just like to respond to the comment about lack of women on this side of the Assembly. I'd like to assure everyone here that we do have many women in positions of responsibility within the department and also in AFSC. We just went through a major restructuring in the department that will and has promoted a number of women to even higher levels of responsibility, and the reason we're doing that is that nothing moves in agriculture unless there's a sale created. All of this stuff is meaningless unless the producer creates a sale, because without a sale there wouldn't be any agriculture. I mean, who would be able to survive and produce the food? Our most important consumers are of course women, and as a result we have to pay very close attention to that.

Now, with respect to the productivity index, generally speaking the report says that there has been improvement in how we protect the integrity of our soils, although there is considerable room for improvement. The reason I say that is that even though through AESA, the Alberta environmentally sustainable agriculture committee, which has a number of programs and recognition of those that are into zero till and perhaps reduce tillage – that's about 5 million a year, and I can't break down in my mind as to how much goes directly into soil conservation. But they play a valuable role in soil conservation.

8:54

We also have responsibilities vested in the agriculture service boards, which are partners in this area, and funding goes to agriculture service boards in the province of Alberta. Part of their responsibility is that their agricultural fieldman is also an officer under the Alberta Soil Conservation Act, so if there is any erosion that's taken place in a municipality because of poor farming practices, that officer is empowered to bring the force of the Soil Conservation Act upon that particular producer. ASBs, agriculture service boards, also have a number of different programs that promote soil conservation, and also they recognize leaders in the community that protect the soil.

The other is that many of the agriculture service boards and AESA, the Alberta environmentally sustainable agriculture committee, have fostered the growth of clubs, so to speak. I know of one in my own backyard, which is the Stanislaw soil conservation society. It's a nonprofit society. It's like a little club of producers that do whatever they can to learn more about soil conservation, protecting the integrity. Also, because they do things differently, other producers in the area will see, and if that technology works, they then will incorporate it in their farm management practices. But unless you can virtually demonstrate it for other producers, it's pretty difficult to get that technology transferred to individuals.

The Alberta Agriculture Research Institute also does a number of on-farm projects related to soil conservation. In the area of soil conservation, one of the practices that really hurt the productivity of the land and created unnecessary erosion was summer fallow. You know, in allowing your land to summer fallow over the year, sometime during the summer you might have a fast downpour of rain that will erode the soil off the hills and have erosion by wind during winter if there isn't any snow cover, et cetera. But summer fallow acres are down considerably in this province. I would say that in comparison to our neighbouring two provinces, we are either at the mark or even improved.

You also have to keep in mind that there are no government grants to foster, to facilitate the transfer of this technology in the equipment. Many times when the farmer parks the traditional seed drill and buys equipment to allow him to either seed minimum till or direct till, that equipment is worth hundreds of thousands of dollars. So it's quite an investment for that particular producer in new equipment and new technology, and we've seen a tremendous movement to reduced tillage or zero till in this province, and as a result the old equipment they're trading really doesn't have much value. So hats off to all our producers in the province.

As far as the technical measurements, I'd ask my deputy to maybe give more information on that because I'm certainly not a soil scientist. Doug, would you want to talk about the technical?

MR. RADKE: The choice of what kind of measure to use as a performance measure depends quite often on the availability of data and how expensive it is to get data to do that measurement. Obviously the most accurate measurement of land productivity or soil productivity would be to do a regular survey of every acre in the province. Given that we have 23 million acres under cultivation and the difficulty in doing these kinds of measurements on a regular basis, it's simply prohibitive to do an annual assessment of soil productivity. So quite often we wind up choosing a proxy to represent that which we can't actually measure. A land productivity index in this case is one of those proxies. It's not a perfect measurement, but over time it does reflect increasing soil productivity.

THE CHAIRMAN: Before we go to the supplemental, we've had one question, Mr. Minister. If you could bring the answers down just a touch so we can get some members in here. I don't think they need an explanation in quite that depth, although thank you very much for the tour through soil conservation. It was most interesting for me anyway.

Thank you.

MS BLAKEMAN: Indeed, that was a most enthusiastic stab at answering my question.

Has any work been done on determining or developing a better index to work here? What are the other provinces doing? Has anybody found something that's working better that you could be switching to? Obviously this indicator is not a thorough indicator, especially when we look at the sustainability of it.

MR. STELMACH: There are 157 million acres in the province of Alberta. Less than a third of that, about 30 percent, is farmland, which is about 52 million. About half of that, roughly, is pasture, so we're talking about roughly 25 million acres of cultivated land. Because of the size of the geographic area and difficulty in obtaining that – in obtaining this data, of course you have to have more people, more resources to chase around rural Alberta and take significant tests. I can tell you as a farmer, and one that has a tremendous appreciation for soil, that my reading in flying across this province from one area to another tells me just by sight that many farmers have incorporated new management practices. But as to measurements in other provinces, Doug, do you have any information on that?

MR. RADKE: Most provinces measure summer fallow acres and attempt to use that as an indication of improving soil conservation practices. Indeed, until a year or two ago our measure was summer fallow acres as well. We didn't think that was an adequate enough measure, because acres of summer fallow in any one year can be affected by a whole host of issues: drought, the fact that summer fallow is traditionally done more often in different parts of the province than it is in other parts of the province, and so on. We didn't feel that was an adequate measure, so we went to a proxy, which brings in a whole host of other issues. We recognize that measurement is not perfect, and we continue to look for ways to improve it. One of the ongoing difficulties is that a change in soil productivity doesn't happen overnight; it may take years to see some substantial increase. So you need to pick a measurement that reflects both time and practice.

THE CHAIRMAN: Thank you.

Mr. Stevens, please.

MR. STEVENS: Thank you, Mr. Chairman. Good morning, Mr. Minister, to you and your staff. I've noticed since coming here that this job and this place creates a bit of stress on my immune system. As a result, I've taken to the use of echinacea, and typically the echinacea that I buy seems to come from Europe, particularly Germany or Switzerland, I believe.

9:04

So it was with some interest that when I was reading your annual report, in particular at page 40, I saw that in fact there was an echinacea workshop held at Brooks during this particular year in question, and there were some 500,000 transplants being requested. I was wondering, Mr. Minister, if you could comment on this particular program more fully and in particular whether there is some commercialization associated with it?

MR. STELMACH: An excellent question. In fact, this is where agriculture is moving today, more into nutraceutical and pharmaceutical products, and one of course is echinacea. If I remember correctly, it takes about three years for echinacea to reach its maximum productivity, and what they're attempting to do at Brooks is to shorten the three years down so that farmers can see a return much sooner on their product. This project has been rather successful at Brooks, and we are maintaining the resources to continue.

Yilma, do you have anything more on echinacea?

DR. TEKLEMARIAM: Yes, Mr. Minister, I do, if you don't mind. The part of echinacea that's useful is called the bioactive ingredient, and it has to be extracted out of more than a dozen species of echinacea. There are certain types that have the right type of bioingredient, and the work we're supporting involves the tissue culture work where a pure line that has one of the highest bioactive

ingredients is actually propagated and grown and produced. There is actually a company here in Edmonton that is doing a lot of the commercialization work. They have a pill on the market. Actually, the Edmonton Oilers are using part of their pill for enhancing the immune system, suppressing any flu attack and so on. So we're connected right from growing the plant, looking at the highly active ingredient, processing that, and commercializing the product.

MR. STEVENS: Thank you very much.

There's another question I have on the same page dealing with increased diversity of industry commodities, and that relates to the grass carp dugout research project. I was wondering if you could comment, Mr. Minister, on the commercialization of that particular project.

MR. STELMACH: Certainly. The grass carp research is important for a couple of reasons. One of course is that we've always had a problem with vegetation growth in our irrigation canals, and rather than using chemicals to control vegetation growth, we can now do it biologically. This is an initiative between the Eastern irrigation district and Lethbridge Community College, which one of our colleagues here, Dr. Ken Nicol, is quite familiar with. The group sells what's called triploid grass carp, meaning that they can't reproduce. The first year of triploid grass carp sales was 1998, and there were over 5,000 fish that were stocked in 200 dugouts at 25 golf courses.

If this summer you get a chance to drop into Goose Hummock by Morinville, you can see the grass carp in the ponds there. If you really want to see them at work, just walk over into the rough, where I spend a lot of time, and pull some grass and throw it into the water, and you'll see them just swirl up and consume the grass.

I think it's a worthwhile project, although the sales were a little less than expected. There were some production delays and difficulties associated with marketing and distribution, but overall I think we see tremendous potential here.

The farmers that have wintered grass carp in their dugouts are extremely happy. It reduces, of course, vegetation but also allows them to grow rainbow trout in the same dugout, because the two are quite friendly. The grass carp, of course, is not a carnivore. It doesn't eat other fish. So they serve a very good purpose, keeping the dugout clean, allowing the trout to grow much larger for fishing.

THE CHAIRMAN: All right. Ms Olsen, please, followed by Mr. Hlady.

MS OLSEN: Thank you, and welcome to the minister and his staff and the Auditor General again. I probably spend as much time in the rough at Goose Hummock and more in the water. [interjection] That's right. I'm not doing much for the little projects on out there.

My questions are in relation to the FIDP, and I will just turn your attention to pages 59 and 60. The Auditor General pointed out that further work is required by the Ministry of Agriculture, Food and Rural Development to determine targets to evaluation criteria that can be used to determine and report on the effects of the FIDP, and the Auditor General also recommends that the Department of Agriculture, Food and Rural Development further develop measurable targets that can be used to assess the achievement of the FIDP. I note that those particular comments were made in '96-97 and again in '97-98, so I'm wondering what the department has done to further develop those measurable targets that can be used to assess the achievement of the FIDP.

MR. STELMACH: Okay. You are on page 59, 60 of the . . .

MS OLSEN: Oh, sorry. The Auditor General's report. Sorry about that.

MR. STELMACH: Okay. No problem. The Auditor General recommended that the department of agriculture further develop measurable targets. We responded to the Auditor, and this is how we responded. The review of the FIDP evaluation emphasized the use of quantitative targets. However, since it's the first evaluation of FIDP, quantitative targets are somewhat arbitrary. There is no previous evaluation of the same or similar program for which benchmarks may be adopted. As a consequence, qualitative terms are used in stating targets in some cases. We agree that the targets should be relevant and understandable, and in fact the FIDP steering committee is working on clarifying the targets. The amount approved is 25 percent less than the amount claimed. This is an area, as I say, that is difficult to measure, but we've had a fair amount of discussion between the Auditor General's office and, of course, our department and the AFSC.

I'll ask both Doug and Brian to comment on it, please. Brian.

MR. MANNING: Thanks, Mr. Minister. As the minister mentioned, the farm income disaster program for the year that we're looking at is still relatively new, and there was nothing around that's similar that we could maybe take our benchmarks from. I hope the Auditor General would agree with my observation. With the steering committee that the minister talked about, which has professional staff from both the department and the corporation, we've been working with the Auditor General's office on clarifying our criteria here to measure, to establish benchmarks for the program so that we can improve the program over time, particularly now that this House has made this program a permanent safety net feature for the province.

Because it is a new program at the time that we're reviewing here this morning, it's an evolutionary process where we're hopefully collaborating to come up with easily identifiable measures so that we can improve the program and measure from a performance measure how well it's done over a particular fiscal year.

So with that, Mr. Minister, I'll turn to Doug for other comments here. It's a process that's ongoing, and I think we've made substantial progress over the last few years.

9:14

MR. RADKE: That's a good answer, Mr. Chairman. I would only add that a more complete evaluation of FIDP has now been done. It shows that the program stacks up very well against its intended objectives and has been delivered efficiently, and we're quite proud of both the design of the program and the administration of the program.

MS OLSEN: My follow-up question would be: can the minister indicate whether an evaluation of the achievements of FIDP included an impact of the unanticipated claims on program expenditures in order to analyze the actual claims experience under the program compared to the forecast?

MR. STELMACH: Yes.

MS BLAKEMAN: Oh, that's short.

MS OLSEN: That's all right.

MR. STELMACH: Do you want us to tell you how we've done that?

MS OLSEN: That would be great, yes, and how.

MR. SCHURMAN: What we're really measuring in the program and in the statistics that we're keeping – we're keeping statistics by area in the province, and we're also keeping statistics by specific commodities that are predominant on each producer's individual farms. What we're trying to do there is compare the FIDP claims to where the problems are in the particular area that we happen to be dealing with.

In the first year of the program the area up in the northeast part of Alberta was the area that seemed to be hardest hit by income problems in that particular year, and FIDP's response was predominantly in that area, over 50 percent of the claims in that area for that particular year. In 1996 and 1997 a lot of problems were in northern Alberta, and again FIDP's response seemed to be in that area. So the area specifically – it seems to be working.

In this particular year, in 1998, there were a lot of problems in hogs, and of about 900 claims we've had so far this year, a lot of them are large hog operations or small hog operations that have been applying, and that seems to be predominantly what's coming in in the early part of this year.

So we're addressing both commodity specific issues and area specific issues in our program, and it seems to be meeting those targets.

THE CHAIRMAN: Thank you.

Mr. Hlady, please.

MR. HLADY: Thank you, Mr. Chairman. My sentiments – I'd like to follow along the same line as Calgary-Glenmore in regards to echinacea. I have an affected immune system right now, and I hope the product from the Brooks area will be more effective than the European echinacea in the future.

I'm working from the annual report of the Agriculture Financial Services Corporation, '97-98, on page 7 under your goals 1 and 3, just looking at them both at the same time, where you're talking about \$20 billion of value-added sales and then in goal 3 \$10 billion of farm cash receipts, understanding really what you're trying to achieve there, where you're coming from. You're looking at 2005. Are we on target for that sort of thing and achieving those goals?

MR. STELMACH: I believe that we're on target. We're moving in the right direction certainly. Every year brings us more value-added occurring in the province, although we do have significant roadblocks to more value-added, and that's really tied up in marketing. Many believe the kind of trading enterprises that we have in this province reduce our ability to increase value-added, and as well we're still on the primary production side fighting a subsidy battle some in the United States but mostly in Europe, which is decreasing our commodity prices significantly. We're seeing subsidies anywhere from \$50 to \$100 a tonne on various cereal grains, about \$140 a metric tonne on alfalfa, from Italy down to Japan, which is killing us in that market. So there are of course some threats, some issues that we have to deal with, but overall we're on track.

I think, Mr. Chairman, the addition of the two french fry processing facilities in southern Alberta are greatly going to enhance the value-added. I will say that by the time those production facilities are built and producing, their production will be sold out. They're already looking at expansion. Included in that is, of course, Canada Bread, the bakery in Calgary. Originally they thought it would be for export to the Pacific Northwest. All of those products are now going into Japan. The Japanese have now a fondness for bagels, so that's excellent. But that brings us to a problem, and that is that the year before we were short of some basic ingredients for the baking industry. We had to go outside this country to access those ingredients, and one of them was butter on a national scale. So we do have

some challenges there, but we'll see a tremendous growth in the next couple of years on the value-added side.

MR. HLADY: Thank you, Mr. Minister.

My supplementary. Just comparing what your goals are in 1 and 3 and then looking on pages 10 and 11 – a lot of the programs are in regards to supporting things such as hail insurance, farm disaster programs, and wildlife damage. How are you maintaining the focus of getting the increase in growth compared to how much time with the department and so forth in regards to maintaining what you have as your programs right now?

MR. STELMACH: Agriculture Financial Services Corporation has the lowest administration costs in Canada, and in fact compared to many of the American states that have similar programs, I'd put the performance of this corporation before any of those.

Waterfowl and wildlife damage. We're into an era now in the province where people appreciate seeing more trees and more wildlife. You know, we do have more trees and more wildlife now than we ever had before. Because of fire-fighting capabilities we're able to stop grass fires, forest fires much more readily than ever in our history, and as a result we see a tremendous increase in wildlife and waterfowl as well.

Then it raises this big question: is it the sole responsibility of the producer to maintain and increase wildlife and waterfowl at their own expense, or should it be a shared responsibility with the taxpayer? We know that wildlife eat. They eat huge sums of grain. We saw our wildlife compensation reach unprecedented levels in I believe it was '96-97 to well over \$12 million. I think we pay out maybe about \$2 million. It increased significantly that year. It's only because farmers were not able to take off their crops early that fall. It was a late fall, a lot of grain laid over the winter, and a good portion of it was consumed by wildlife.

9:24

Obviously, I'm a little passionate when it comes to talking about that topic, but that's one big question that we have to answer and answer soon. The other is we're talking about waterfowl, but on the wildlife side, on the ungulate, we see tremendous loss to individual producers in stacked hay and some of the forage crops. It's an issue that I do believe the average Alberta taxpayer will agree to support, you know, the compensation paid out, if they want to enjoy the increased wildlife. Just ask insurance companies. I mean, we're all paying for it because there are more deer hits now than ever before. At least when you hit a deer, you survive, but when you hit a moose . . .

To give you an example, we have over 800 moose in the Vegreville area. Eight hundred. And somebody's going to tell me that that's a natural habitat? There were never any moose there before, I can tell you that. My dad went to school in the early 1900s, and they were lucky to see one deer a year, and now you see them every morning when you're driving to the city.

I hope that answers your question.

MR. HLADY: Thank you.

THE CHAIRMAN: Thank you.

Ms Blakeman, followed by Mr. Loughheed.

MS BLAKEMAN: Right. Page 16 in your annual report. I'm interested in the Livestock Identification Services. There was Bill 41, which in fact came into effect just after this fiscal year, but I have two questions. The first is: what steps were taken during this year to delegate the administration of the brand inspection of the cattle industry through this Livestock Identification Services? What

did you do in this year? What took you there?

MR. STELMACH: When you say this year, in 1997?

MS BLAKEMAN: Sorry. Yeah, this year means the year we're examining.

MR. STELMACH: Okay. First of all, the livestock industry. Although we had privatization of brand inspection in our business plans to begin in 1998-99, the industry came forward and said: you know, we see tremendous opportunity to move the privatization a year ahead; we'd like to tackle it now; the timing is right plus the industry is moving in that direction of trace back, and we must start on it. So what we did is we had preliminary negotiations with a group of livestock commodity group representatives, including the horse industry, and we began negotiations in working towards the establishment of a corporation and also the legislation that was necessary to be amended in the House. So we now have the legislation and we now have an agreement in place.

MS BLAKEMAN: Okay. What plans, as part of the steps that you were taking, were made to transfer the amount of money, the pool of money, that had been collected from the onetime brand registration? What happened in the '97-98 fiscal year to plan to transfer that money, or who did it get transferred to? What was the discussion and the steps that were taken around that?

MR. STELMACH: The money that was collected for the permanent brand – prior to this, a rancher, a cattle producer had to register the brand every three years and put up 50 bucks, I think, or whatever it was. When we had to do some major restructuring in the department on reduced costs – and this department certainly paid its fair share towards the 20 percent overall target in 1994 – we were able to reduce the number of positions that were there simply to maintain the brand registry and at the same time for \$220 offer a capital asset to the rancher. They paid a onetime payment of 200 bucks, and then it was theirs. It was no longer the government's. The money that was paid went into general revenue. It could have ended up in a heart transplant; it could have ended up in a road someplace. It could have ended up anywhere in the expenses and disbursements of the government.

MS BLAKEMAN: So there was never a plan to transfer that money to the new organization?

MR. STELMACH: No.

MS BLAKEMAN: They started with zip.

MR. STELMACH: There were two issues at the table. I want to clarify this, Mr. Chairman, because there's a little bit of difference of opinion. There were two issues at the table in sort of the final throes of negotiation. One of them was that the livestock industry said: we're not going to accept any union. Okay? No union organization in brand inspection. Of course, our brand inspectors were under AUPE. The other was that some of this money be transferred to the new organization, and we negotiated that. Okay? We can transfer the staff to the new corporation, to the new employer, unorganized, under the terms of the collective agreement, which would mean that we would pay a substantial severance. On the condition that the corporation was ready to accept these people the next morning, they would have an employer. So we paid out \$1.3 million in severance.

On the other hand, this money that came to the government from

permanent brand sales went into general revenue, and that's the way it was supposed to stay. However, there was one group at that table, which is the Western Stock Growers, that said: well, we don't agree with that. They walked away from the table and left four other groups to negotiate. The other members had no issue with this. They understood that to go to trace back, the technology that's necessary – and that's what the consumer is demanding – there will be an investment necessary in the future in research. They were prepared to move forward, but the WSGA stepped away. In order to bring them back to the table, the four livestock representatives said: well, maybe if we can just exchange positions, we'll be happy to come to the table. So that's what we did. We exchanged positions, basically just letters, and they came back to the table and are there, although they did raise the issue that the money should have gone to this particular . . .

What we're saying is that the liability of that corporation is still vested in the government. Under the Westminster model all liability rests with the highest elected office. So if something happens to the corporation, the maintenance of that permanent brand registry is still the responsibility of this government. If they want to access funds for research and trace back, it means putting up a good business plan and bringing it forward. If that business plan is good, I see no reason why they won't access those dollars that are necessary for moving this research further from the beef industry development fund. Further, if we move some dollars into the beef industry development fund, we then have an opportunity to match those dollars from the federal government and build even a larger fund for the industry development fund.

So undoubtedly the process that we've undertaken is the right one, and I'm very, very optimistic that we'll see significant research done in trace back and that we will have something to sell other producers in other jurisdictions around the world, because the consumer is going to want to know where that animal came from. When they are eating that steak on the table, they want to know who raised it, which feedlot it came from, and who the feedlot bought that animal from. That's how quickly agriculture is changing.

THE CHAIRMAN: Mr. Minister, the answers are yours, of course, but we the questioners must restrict our questions to the year in question. If you go into policy, of course the chair can't restrict you, but it's not necessary. There are other avenues for the government and the opposition to ask you questions of this nature. Although thank you very kindly for the full and complete explanation.

Yes, moving right along, Mr. Lougheed.

9:34

MR. LOUGHEED: Good morning. I notice on page 37 of your annual report that there's some discussion about the department's involvement in the 4-H program. Certainly in the area I represent, in the farming community, the acreage community there are a great many people, both adults and kids, involved in the 4-H program, and they regard it very highly. Could you confirm or let us know what kind of dollar value your department commits to 4-H?

MR. STELMACH: Before we talk about the dollars expended in this area, 4-H is a very, very important program, the reason being that in the area of public speaking – and I know you're a teacher by profession – there are few opportunities for our youth to practise public speaking skills. They say that there are three major instances when people are afraid and worry. One is death or cancer, one is height, and the third is speaking in public. So this definitely goes a long way in helping our youth to create those leadership qualities.

The other thing I noticed in the years I spent personally with 4-H: the youth that have graduated, so to speak, from the 4-H program have become very successful. A very high percentage go to

postsecondary institutions, I think because of the confidence they've gained. Secondly, many of those that finish high school, finish postsecondary do return to some agricultural pursuit. So it's one of those programs where we talked earlier about the need to increase the human resources in agriculture. I think that's one area we have to pay particular attention to, because we are without a doubt getting the job done there.

With respect to the dollars committed, between the headquarters component and the five regions, the department commits about \$1 million to 4-H each year from general revenue funds. It shows about \$713,000 from the actual department and about \$300,000 from regional budgets in the province.

MR. LOUGHEED: Are there perchance any linkages with other departments or with private industry to help as well with 4-H?

MR. STELMACH: The 4-H program has been very successful in attracting several other funding sources. We do have a significant private-sector contribution. They offer not only money but a lot of sort of in-kind contributions.

The other significant component of the 4-H program is the adult volunteers, the leaders of the clubs. They donate tremendous time, services, and their own personal expertise. I mean, even this weekend with the annual roadside cleanup campaign we saw many 4-H youth and leaders out there cleaning up our highways. That's just an example of one small benefit. We're told that the contribution of the expertise and the time and experience – the value is about \$7 million, which is a tremendous volunteer contribution to the province.

I say that the 4-H program is a very important one. It's a major component of the agriculture industry succession plan, and we must look to that program in the future and see if we can get more youth involved. It wouldn't hurt, quite frankly, to expand the program further. Although you can't do it in livestock, say, in the city of Edmonton, you could certainly involve students in photography, computers, mechanics, where they would also have the benefit of participating in some other 4-H programs like public speaking and in fact some of the travel they do to other provinces and other parts of North America.

THE CHAIRMAN: Ms Olsen, followed by Mr. Ducharme, please.

MS OLSEN: Thank you, Mr. Chairman. I would like to draw the minister's attention to page 35 of the annual report. Under the food safety and quality subtitle the report states:

In partnership with the Alberta Pork Producers' Development Corporation and major processors, designed an on-farm Quality Assurance program for pork production.

My question would be: how does the on-farm quality assurance program for pork production work?

MR. STELMACH: What happens is that pork producers pretty well sign a contract with a processor. That contract prescribes a certain protocol the producers must follow in raising their animals, their hogs, and that is tied around the kind of feed, drugs that are administered to ensure that it reduces any contamination. Most of those that sign on to the on-farm quality assurance have what they call high-health herds, which are closed herds. Most of the breeding is done AI, very few hogs coming from other sources into that operation, and because they're closed herds and the sows come from a very sterile environment, that means very few if any drugs are required. In fact many of the high-health herds don't use any drugs whatsoever. This ensures that the processor, because they process and then offer that product for sale, is assured that the meat they're selling won't be contaminated, especially with antibiotic residue.

MS OLSEN: I guess my follow-up question to that would be: what's the cost of the program, and are there estimated financial benefits? I don't know if you can say whether or not there's a money value, an actual dollar value associated with that.

MR. STELMACH: I don't know if I can give you a dollar value. All I know is that it maintains the integrity of our food quality that we export out of the province of Alberta. In terms of our costs it's part of the ongoing operations of the department; it's working through one of our goals. So if we were take out a component of it, I don't know what those particular dollars would be. I know it's a pittance compared to – well, in the markets we're accessing right now, especially Japan, in pork, they pay particular attention to good, clean, high-quality food. I think that is so important. Actually our imports to Japan increased by about \$50 million during the period we heard about, you know, the recession they're going through.

When I talked about processors and the relationship to producers, when producers sign a contract, let's say, with Fletcher's in Red Deer, they will receive a premium by the processor to maintain this very strict protocol. So there is a reward to the producer, and Fletcher's is signing more and more producers on to high-health herd and quality assurance.

MS OLSEN: Are those tagged when they come out for commercial sale as a quality assured product?

9:44

MR. STELMACH: No. Well, I don't think so. We're not at the technology yet where the individual pork cutlet is identified in some way.

THE CHAIRMAN: Thank you.

Mr. Ducharme.

MR. DUCHARME: Thank you, Mr. Chairman. Good morning, everyone. I understand from page 36 of the annual report that funding research and demonstration projects is one of the functions of the Alberta Agricultural Research Institute. Would the minister please explain to us why funding research outside his ministry is important?

MR. STELMACH: Research is one of our most important goals. When you look at what's happened in the province in terms of the kinds of markets – we export to different countries – we wouldn't be able to do it without research. One area, of course, is packaging. Albertans own the patent on the modified atmospheric packaging, which allows us to move prepared food from Alberta to countries like Japan, extend its shelf life. I mean, the opportunity for further trade and value added just enhances tremendously. We do see that there's about a 78 to 1 value in research; for every dollar spent in research, we see \$78 in the economy as a result of that. So I think we've got to maintain research.

We've got to keep partnering with the private sector. We have a number of programs in the area like the matching grants program. You know, some industry comes forward with an idea; we'll participate in the research and share that cost up to 50 percent. But this is one area where we're going to be challenged, because we also need the human resources. We have one PhD food scientist in the province; Nestle's Quick has 700. I'm not saying we need 700. One or two more attracted to this province would certainly help, because as we talked earlier about nutraceutical and pharmaceutical growth in agriculture, we also need the expertise and we have to attract those people to the province of Alberta.

MR. DUCHARME: My supplementary question relates to the \$11,

120,000 research expenditure in 1998. My question deals specifically with poultry production research. Mr. Minister, my colleagues and I have always wondered if the research institute has solved the following scientific question, and if so, could the minister share the results with us? Which came first: the chicken or the egg?

MR. STELMACH: Yilma, can you . . .

THE CHAIRMAN: The department has worked so hard that they now have the chips with the eggs.

DR. TEKLEMARIAM: Mr. Chairman, I just want to say that there are certain things that even our top scientists cannot solve. These are beyond science.

THE CHAIRMAN: Ms Blakeman, followed by Mr. Melchin, please.

MS BLAKEMAN: Great. Thank you. On page 18 of your report you're talking about 190 internal management measures being selected and put into place. I'm wondering if the department has included the DAOs or whether these internal management measures are applied to the DAOs or if there's a separate key performance indicator for them.

MR. STELMACH: I'll pass the question over to Doug. But when we're talking about our staff in AAFRD, I'm proud to say that we do maintain very high staff morale. This is one department where people have tremendous appreciation for agriculture and goals that we're achieving, and I'm very proud to represent them in this position as minister. This is one area that is constantly evolving and changing because of the huge technological growth, and as a result it's requiring a constant shift in focus.

Doug, would you like to cover the internal management?

MR. RADKE: Yeah. The internal management measures are a collection of internal management measures from both the department and each of the agencies. The department sectors headed up by ADMs will have a set of internal management measures that link to the broad measures for the ministry, and as well, so will agencies like AFSC, the Dairy Control Board, and so on. Each have their own internal management measures which eventually, as we get the system working properly, will also be used to do the annual report. In fact, the annual report we're now working on for this year will reflect in large part the results of many of these internal management measures that we have developed over the last few years.

So the 190 includes internal measures from the agencies. We don't have any DAOs in the classic sense of a delegated administrative organization, but we do have probably the largest collection of agencies of any ministry, but they're all participating in the same process.

MS BLAKEMAN: This is clarification. That's including, for example, the agency we were speaking of in the previous question. You guys have so many initials. The livestock branding organization?

MR. STELMACH: Livestock identification.

MS BLAKEMAN: Thank you. I'm assuming that's included with that. So my question is: are these DAOs that aren't DAOs subject to FOIP? If not, why not?

MR. RADKE: I don't know the answer to the FOIP question. I'll have to get back to you on that one. In terms of organizations like

LIS and AVAC, Alberta Value Added Corporation, who are not part of the ministry – they're not-for-profit corporations outside the mandate of the ministry. We don't include their performance measures in our set of measures. They do have their own performance targets and performance measures which they report on to the minister, but they're not part of our 190.

MR. STELMACH: Mr. Chairman, in terms of LIS, the producers are the ones who are going to monitor the performance of their organization. It's their organization. They pay a buck for brand inspection. Every time the same animal goes through any feedlot or auction mart, they collect a dollar on that, and the producers are going to demand a return on that investment. So that's sort of the self-monitoring of that particular organization, the Livestock Identification Services Corporation.

THE CHAIRMAN: Thank you.

Mr. Melchin, please.

MR. MELCHIN: Thank you, Mr. Chairman. I've been very impressed with the department of agriculture. I didn't know the expanse and all the mysteries of life they're solving, chicken-and-egg issues, and I'm certainly impressed that I can come here for medical advice. I'm pleased to hear about the good health of my distinguished colleague for Calgary-Glenmore and what you're doing to ensure that his immune system is high and running well and performing at its peak at Public Accounts. So I'm just overwhelmed by the expanse of this department. [interjections] Oh, is this a question? It's leading; it's getting the flavor, the feel for it, you know.

I'd like to address my questions today starting with your annual report, pages 42 and 43, when you get into increased responsibility of industry to manage risk and this whole topic of risk management. There are a number of programs certainly that are offered, crop insurance, FIDP, and we could go on with a number of others and the loans that are available to the industry. I guess as I read through, you talk about risk management and things such as "New Look" crop insurance in 1997 provided more coverage flexibility and lower premiums," and then I see that there are discussions as to number of payouts, number of people assisted. In FIDP you have really no co-payment participation on behalf of the farmers. How is it that this is actually risk management? Tell me what the risk management from the side of the department is or the government's responsibility for risk management and what's being done to manage the government's risk.

9:54

MR. STELMACH: A good question, because we expended about \$180 million in the last three years through this program. The people of this province have a tremendous investment in many of the agriculture programs in the province, and this is one area, agriculture, where the producers have no control over their prices but at the same time are fighting huge subsidies offered by other countries. As well, part of this province, rural Alberta, is under tremendous pressure as a result of not only the subsidy policies but also other pressures put on in terms of the environment and food safety issues, et cetera. So we often ask ourselves the question: are these programs important, and should the taxpayer contribute?

I've always said that food is most important. We can talk about anything else in our lives, roads and health and education, but if we don't eat every day, all of that is immaterial. I mean, we wouldn't be here if we didn't have a good, dedicated, safe food supply for us.

With respect to FIDP, it is a disaster program, and the first 30 percent is picked up by the producer. So whatever their previous three-year margin was, the producer doesn't see any benefit from

this program unless they lose at least 30 percent, and if they lose 30 percent, they get zero. If they lose 50 percent off the margin, then the taxpayer will top it up from 50 to 70 but not to 100 percent, not to the previous three-year margin. So I think it's a program that's adding stability to rural Alberta and covering those areas where the individual producer has no influence at all, whether it's the weather or increased subsidization by other countries.

A hundred and eighty million. If you took that out over the last three years, just took it out completely, what would be the loss to the province? Say, \$60 million a year. I don't know. Think about it. Would you see a greater loss of \$60 million in rural Alberta? Would you have to go to other funds to maintain that industry to significant commodity price drops?

I think the taxpayer is telling us that it's a tremendous investment. They're going to get a good, steady supply of food, and they're going to maintain rural Alberta. Because people will have to drift into the cities. If there's no employment out in rural Alberta, no farmers, they have to live someplace, and they'll be drifting to urban centres. What, then, is the cost? So I think in terms of risk management, producers do whatever they can not to lose the first 30 percent, and we as taxpayers come in once they lose that 30 percent to top it up to the 70 percent.

MR. MELCHIN: I appreciate that we'll have programs we'll choose that we want to support, but it still gets into the risk management side of what it is that we expect is the scope of the risk we'll assume or want to assume. Maybe I'll just focus on a specific one. You said in one of the bullets: "AFSC negotiated a private reinsurance arrangement starting in 1998 to cover crop losses under multiple perils." It goes on talking about this reducing "government exposure." Tell me a little bit about how that reduces government exposure?

MR. STELMACH: Under the private reinsurance?

MR. MELCHIN: Yes.

MR. STELMACH: Okay. Well, AFSC, the Agricultural Financial Services Corporation, did something quite unique in the area of crop insurance in that they have gone to a private reinsurance company to underwrite their reinsurance. That has significantly reduced the risk to the taxpayer. About 42 companies underwrote this particular reinsurance, which is reducing the cost to the government. It's about \$50 million over three years, and it will cover the risk of about \$100 million. Also, this is the largest reinsurance offering in the agricultural field in the world. Like, nobody's done this before. I think that even though we're still maintaining the coverage for the producers, we're reducing the risk to the taxpayer.

THE CHAIRMAN: Thank you, ladies and gentlemen, for your attentiveness. I think the deputy had some answers that he wished to deliver to the committee regarding FOIP. Could you do so through the secretary to make sure it disseminates properly.

Any further business to conduct? I see none.

Next week we have the Hon. Stan Woloshyn, Minister of Public Works, Supply and Services.

A motion for adjournment? Mr. Hlady. Is it agreed? Carried. We stand adjourned.

[The committee adjourned at 10:01 a.m.]

