



Legislative Assembly of Alberta

The 28th Legislature  
Second Session

Standing Committee  
on  
Public Accounts

Agriculture and Rural Development

Wednesday, March 5, 2014  
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**Legislative Assembly of Alberta  
The 28th Legislature  
Second Session**

**Standing Committee on Public Accounts**

Anderson, Rob, Airdrie (W), Chair  
Dorward, David C., Edmonton-Gold Bar (PC), Deputy Chair  
  
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Amery, Moe, Calgary-East (PC)  
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Donovan, Ian, Little Bow (W)  
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Luan, Jason, Calgary-Hawkwood (PC)  
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Sarich, Janice, Edmonton-Decore (PC)  
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## **Standing Committee on Public Accounts**

### **Participants**

Ministry of Agriculture and Rural Development

Hon. Verlyn Olson, QC, Minister

Anne Halldorson, Senior Financial Officer

Brad Klak, President and Managing Director, Agriculture Financial Services Corporation

Jason Krips, Deputy Minister



8:32 a.m.

Wednesday, March 5, 2014

[Mr. Anderson in the chair]

**The Chair:** Good morning, everyone. I'd like to call this meeting of the Standing Committee on Public Accounts to order. I'm Rob Anderson, the committee chair and MLA for Airdrie. I'd like to welcome everyone here in attendance as well as via teleconference.

I would like to welcome four new committee members, who can introduce themselves in a second. We're always happy to have new friends onboard here. Obviously, welcome to Steve Young, Peter Sandhu, Drew Barnes, and Mike Allen. I think I see everybody.

With that, we'll go around the table and introduce ourselves, starting on my right with the deputy chair. Please indicate if you are sitting on the committee as a substitute.

**Mr. Dorward:** My name is David Dorward. Welcome. I'm the MLA for Edmonton-Gold Bar.

**Mr. Donovan:** I'm Ian Donovan, MLA for the Little Bow riding.

**Mr. Young:** Steve Young, MLA for Edmonton-Riverview.

**Mr. Sandhu:** Good morning. Peter Sandhu, MLA, Edmonton-Manning.

**Mr. Amery:** Good morning. Moe Amery, MLA, Calgary-East.

**Mr. Luan:** Good morning, everybody. Jason Juan, MLA, Calgary-Hawkwood.

**Mr. Bilous:** Good morning. Deron Bilous, MLA, Edmonton-Beverly-Clareview.

**Mr. Allen:** Good morning. Mike Allen, MLA for Fort McMurray-Wood Buffalo. It's good to be back to Public Accounts.

**Mr. Khan:** Stephen Khan, MLA, St. Albert.

**Mr. Klak:** Brad Klak, president, Ag Financial Services Corporation.

**Mr. Olson:** Good morning. Verlyn Olson, Minister of Agriculture and Rural Development.

**Mr. Krips:** Jason Krips, Deputy Minister of Agriculture and Rural Development.

**Ms Halldorson:** Good morning. Anne Halldorson, senior financial officer, Alberta Agriculture.

**Mr. Leonty:** Eric Leonty, Assistant Auditor General.

**Mr. Saher:** Merwan Saher, Auditor General.

**Mrs. Sarich:** Good morning and welcome. Janice Sarich, MLA, Edmonton-Decore.

**Mr. Barnes:** Drew Barnes, MLA, Cypress-Medicine Hat.

**Ms Fenske:** Good morning. Jacque Fenske, MLA, Fort Saskatchewan-Vegreville.

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

**Mr. Tyrell:** Chris Tyrell, committee clerk.

**The Chair:** All right. Before we begin, the microphones are operated by *Hansard* staff. Audio of committee proceedings is streamed live on the Internet and recorded by *Alberta Hansard*. Audio access and meeting transcripts can be obtained through – sorry; we have another introduction on the line.

Go ahead.

**Ms Pastoor:** Thanks. Bridget Pastoor, MLA, Lethbridge-East.

**The Chair:** Excellent. Sorry about that, Bridget.

**Ms Pastoor:** No problem.

**The Chair:** There was a huge void in this room, a huge emptiness, and now I know what it was. I couldn't put my finger on it before.

Audio access and meeting transcripts are obtained via the Leg. Assembly website. If everyone could make sure to speak directly into the mikes and not lean back when you're speaking or answering or questioning, that would be appreciated so *Hansard* can pick it up. Please do your best to keep your cellphones off or on vibrate or silent.

I would like to note two quick things. Tonight we do have a meeting at 6:15 in this room to go over the Auditor General's most recent report. That was a request made by several members and motioned by Mrs. Sarich. We're starting to get into the habit. We think that instead of doing it at a 10 o'clock meeting, we should just pick a time in session and have dinner and do it then on a go-forward. We'll see how it goes tonight, and if we like it, we'll continue that practice.

**Mr. Dorward:** Is that on *Hansard*? So it's an official on-*Hansard* meeting? Maybe clarify that. It is a mandatory meeting. It's not optional.

**The Chair:** Yes. It will be on *Hansard*. That's right.

Also, today is the first day that we've implemented the new status reports that we have asked for coming out of training last year with CCAF. I hope everyone got them. I want to thank the ministry of agriculture for filling them out and letting us understand your outstanding recommendations and how you're dealing with them.

I'd also like to thank especially Minister Olson for being here today. It's not often we get a minister to appear before us, but I guess that when you're as well liked as Minister Olson, you can get away with that here. Anyway, we really do appreciate you being here, Minister.

**Mr. Olson:** I trust that I'm among friends.

**The Chair:** Absolutely.

All right. With that, we do need to approve the agenda. Could we have a mover that the agenda for the March 5, 2014, Standing Committee on Public Accounts meeting be approved as distributed or amended? Mr. Khan. All in favour? Any opposed? Carried.

With regard to minutes from the last meeting do we have a mover that the minutes for the December 4, 2013, Standing Committee on Public Accounts meeting be approved as distributed? Mr. Amery. Those in favour? Any opposed? Carried.

The reports to be reviewed today primarily are the Alberta Agriculture and Rural Development annual report from 2012-13; reports of the AG of Alberta from February, July, and October 2013 as well as any past recommendations they've made with

regard to agriculture; and the 2012-13 annual report for the government of Alberta, consolidated financial statements, and the Measuring Up progress report. Members should all have a copy of the briefing documents prepared by committee research services and the Auditor General. Thanks very much for those.

As I said, joining us today are representatives from Alberta Agriculture and Rural Development, including Minister Olson. They will start with an up to 10-minute presentation, and then we'll ask Mr. Saher, our Auditor General, to make some comments. Then we'll go to questioning.

With that, Minister Olson.

**Mr. Olson:** Good morning, Mr. Chair, and thank you. Good morning, everybody. It's really a pleasure to be here today to talk about our 2012-13 annual report.

I'd like to begin by introducing some of the people who are joining me here today from Agriculture and Rural Development. At the table with me are Jason Krips, my deputy minister; Anne Halldorson, senior financial officer; Gord Cove, who is the president and CEO of Alberta Livestock and Meat Agency, otherwise known as ALMA; Brad Klak, to my left, president and managing director with AFSC; and Darryl Kay, the chief financial officer with AFSC. We also have with us, behind me, Merle Jacobson, chief operating officer with AFSC; Jamie Curran, my ADM for food safety and technology; Jo-Ann Hall, ADM for industry and rural development; Dave Burdek, ADM for policy and environment; Ryan Fernandez, director of financial planning and policy; Stuart Elson, acting director of communications; Julie Crilly, press secretary in my office; Shannon McLaughlin, special adviser in my office; and Nick Harsulla, my chief of staff.

8:40

Our department works hard to be a trusted partner of industry, consumers, and rural residents, and together we're working to build a competitive, sustainable agriculture and food sector and to support the success of rural communities across Alberta. Our focus is on four key outcomes: competitive, self-reliant industry; strong environmental stewardship practices; excellence in farmed animal health and welfare, plant health, and safe food products; and a vibrant, resilient, and sustainable rural Alberta.

Today I want to talk about our progress in achieving these outcomes and what that means for our province, but first a little bit about success and challenges. The economic contribution of agriculture in rural Alberta is significant. Our agriculture and agrifood sector is the largest renewable industry in the province, employing more than 75,000 people. In 2012 our exports of primary and processed agricultural and food products reached a record \$9.2 billion. According to the Conference Board of Canada in a recent report they state that the economic footprint of our rural economy is approximately \$77 billion annually. Those numbers clearly demonstrate why a strong Alberta is essential to our province's future.

During the 2012-13 year a number of market factors contributed to strong returns for many members of the agricultural community. Crop yields were good, commodity prices were high, and beef prices were above average. In fact, we led the way in Canada in total farm cash receipts, with a record \$12 billion. At the same time, this past year was also an historic one for grain producers as the Canadian Wheat Board's monopoly on wheat and barley sales officially ended in August of 2012, ushering in a new era of market freedom and choice. The Alberta Wheat Commission and the Alberta Oat Growers Commission were also formed to advocate on behalf of producers and to fund research and market development.

We also had our share of challenges in 2012-13. The most notable – I think you'd probably all agree – was the temporary shutdown of the XL Foods processing plant in Brooks and the associated meat recall. As the issue unfolded, we worked closely with federal inspectors and industry partners to communicate with the public and producers, helping to maintain consumer confidence. We were pleased that the industry has weathered a tough few months relatively well, and the new owners of the plant remain committed to a strong culture of food safety.

Record hail damage also challenged our sector. There were more than 11,000 claims, which I believe was a record. Those are claims by Alberta producers, which showcases the importance of reliable and effective hail insurance. As well, it also demonstrates the dedication of the staff of AFSC, who worked around the clock to process claims as quickly as possible.

Our pork industry and Canada's pork industry were also challenged by a combination of low hog prices and high input costs. In response provincial and federal governments worked closely with each other and the industry to ensure hog producers fully utilized the programs that were already in place to help during difficult times, programs such as AgriStability, AgriInvest, and the hog price insurance program.

Then we also had the rat infestation in Medicine Hat, and that was dealt with through a strong partnership between government staff, the city of Medicine Hat, and Cypress county.

While our ministry worked to help meet these immediate needs of our stakeholders, we continue to focus on measures aimed at supporting the long-term success of our industry. At the top of that list is enhancing market access and development, and that's a cornerstone of the building Alberta plan. Our government helped facilitate trade missions to priority markets, including the U.S., China, Japan, India, South Korea, Mexico, Russia, Kazakhstan, and the Middle East. We estimate these market development activities generated export sales values of approximately \$80 million, and the opportunities for Alberta to extend its market reach continue to grow.

In January Japan, which is a key Alberta trade partner, announced that it would be extending market access to Canadian beef under 30 months of age. The recently signed trade agreement in principle between Canada and the European Union also spells good news for Alberta's beef and pork producers as well as our bison, processed foods, grain, and oilseed sectors. This is all through improved access to a market with a population of over 500 million people.

More and more trade doors continue to open, and it's up to us to make the most of these opportunities. We know that competition in the world market is fierce, and we must continue to push the envelope and strive to find new and better ways of doing things. That's why one of our ministry's key activities for 2012-13 was to lay the foundation for a new federal-provincial Growing Forward 2 agreement, which came into effect April 1, 2013. While ensuring that producers continue to have access to an effective suite of business risk management programs, GF2 invests heavily in initiatives that support the long-term growth, sustainability, and competitiveness of our agriculture sector and align with our business plan goals.

Over the agreement's five years more than \$400 million will support research and innovation, business and market development, food safety, farm safety, and environmental stewardship, and I would say that that's a doubling of the investment over the previous agreement. These programs are complemented by the ongoing work of our ministry's research facilities, environmental programming, extension services, and the work of organizations such as ALMA, the Alberta Livestock and

Meat Agency, which has invested more than \$144 million since 2009 to enhance innovation and the competitiveness of our livestock industry.

The long-term success of agriculture and rural Alberta also depends on our ability to attract investment dollars to spur growth in our value-added sectors. During the 2012-13 fiscal year our ministry helped facilitate \$350 million in corporate investments for agriculture and agrifood processing companies. We also continue to support business development through services like our business incubator and the food processing development facility in Leduc. The incubator supports businesses as they find their footing in developing new products and ideas, providing companies access to product development facilities and expertise they could not afford to create on their own. It's one of the reasons why over 200 value-added products were developed and successfully introduced to the market with assistance from our ministry last year.

AFSC also continues to be an important catalyst for rural economic development, with a very successful lending program that provides financing targeting agrifood and value-added industry as well as the small-business sector. As noted in our performance measures, AFSC lending leveraged about \$663 million in investment during the past fiscal year, and we estimate that it has contributed to almost \$4 billion in economic activity over the past seven years.

Our efforts to maintain a vibrant rural Alberta also included our ongoing support of important community organizations such as agricultural service boards, agricultural societies, major fairs, and exhibitions. These groups provide valuable services in their communities, organize events like fairs and rodeos, and manage everything from local halls to curling rinks.

In addition, we made a \$5 million investment to enhance access to high-speed Internet through the final mile rural community program. More than 20 communities received grants to help cover the cost of new towers, fibre-optic cable, and wireless equipment to ensure rural Albertans can use the powerful tool to support their quality of life.

Am I at my 10 minutes?

**The Chair:** Yeah.

**Mr. Olson:** Oh, sorry.

**The Chair:** Thank you very much. We have lots of time, I'm sure, to get to some of those other issues you want out as well.

Mr. Saher.

**Mr. Saher:** Thank you, Mr. Chairman. We view the need for improvement in the department's risk management processes as a key outstanding recommendation. Management has indicated that this recommendation has been implemented and is ready for a follow-up audit. We plan to do that follow-up audit in May of this year.

Other outstanding recommendations relate to our 2006 systems audit of food safety. Two recommendations remain outstanding that need to be implemented jointly by Alberta Health Services and the departments of Health and Agriculture and Rural Development. We found that the two departments must integrate their strategies to improve accountability for food safety. As well, AHS and ARD need to consistently apply the province's meat facility standards in their inspections of food establishments.

Thank you.

8:50

**The Chair:** Thank you very much.

With that, what we'll do is that the PC caucus will be given 15 minutes to start, followed by the Wildrose caucus for 15, the Liberals for seven and a half, the NDs for seven and a half, back to the PCs for roughly 15, and then, Mr. Allen, we'll give you three or four minutes to ask your questions as well.

With that, go ahead. Mr. Dorward will chair his caucus's time.

**Mr. Dorward:** Thank you, Mr. Chair. I would draw your attention to the annual report, Mr. Minister and staff, on page 18 and page 19. I have two things to say here, separate issues. I would just also like to say that we're very limited in time. Certainly, if we get to the point where we kind of cut you off politely, it's only because we need to move on to the next question. We also have the opportunity to have you respond to the committee clerk at any time in writing regarding any of the questions that we ask.

On page 18 it talks about additional results and ongoing contributions. As I went through that in the annual report, I noticed a number of times that there are international comments in there or on interrelationships with the United States. It's a theme within the bullets as you look at the additional results, and that's not the only place the international nature of what you folks deal with is in here.

It's a very general question. Can you just comment on whether I'm seeing the real picture here? The international situation is very, very real. I'm assuming that there are dollar expenditures in the financial statements that reflect the fact that we do need to travel and do these kinds of things. I wasn't able to just grab it on the financial statements here and touch and feel that, but I know Albertans want to know what kind of expenditures are spent on travel and why we do it. Could you make a comment on that, Minister? Let's do that one first, and then I'll move on to my quick second one, and then we'll go to Ms Fenske and then Mrs. Sarich.

**Mr. Olson:** Okay. Thanks. As is obvious, I have a highly skilled group of people sitting beside and around me, and I'm very privileged to get to work with such a great group of professionals. To the extent that I'm not able to answer a question, I'm sure they'll be able to chime in. I'd invite them to do that if that's permissible.

**Mr. Dorward:** Of course.

**Mr. Olson:** I guess, just in terms of kind of an overview comment, I would say that Alberta is an exporting jurisdiction, just as Canada is. We export a lot of what we produce. As an example, I think something like 17 per cent of the beef that we produce in Alberta actually is consumed in Alberta. The rest of it is consumed across Canada and elsewhere in the world. It's very important for us to be out there engaging with our potential customers, and the U.S. is our biggest customer. That's a fact, not just for the agriculture industry but for many other industries that Alberta has. It is a fact of life.

If we were not to be out there engaged internationally, we would be doing a disservice to our stakeholders here. They rely on us. We go to many places where it's very important to have the endorsement of government officials to give our industry representatives credibility. Our industry representatives are on the road a lot. We see some of these people everywhere we go. They're working very hard at building markets. As I've said a number of times, the government of Alberta doesn't have any cattle to sell, we don't have any grain to sell, but our job is to be facilitators and to support our industry representatives who are out there looking for markets.

**Mr. Dorward:** Awesome. Thank you.

On page 19, following those bullets, I wanted to talk a bit about the performance measure that you have under the number of value-added products developed and successfully introduced. Performance measures are a very important part of the financial statements. They allow somebody who doesn't want to go through all of the numbers and all of the narrative the opportunity to dive in and see something.

When I think of performance measures, there are several ways that you could categorize them, but I would use the word "study," to study them. I'm not so sure that you are reflecting in the financial statements the results that are shown there under the number of value-added products, being that it went from 75 to 71 to 90 to 157 to 216 in the last actual. I don't see anything there I can really, really study other than the fact that we seem to have found a lot of value-added products. But I don't know how much acreage, for example, of Alberta's crops could have been built up as a result of finding those. I don't know how many employees might have been employed. I don't know what the gross revenues are.

The question, I guess, is: is there a possibility that these performance measures can be beefed up in the sense that we can see them in a better way or that they're more tangible or that they're touchy-feely, or is this the best way to reflect the value added to Alberta from that particular area when it's just a number? I don't know if that's 216 tiny, little projects or if it's 216 great big, huge ones. In fact, the impact of the 90 in 2010-11 on Alberta may have been bigger than the 216.

Can we just discuss performance measures generally, Minister, or have one of your staff comment on that?

**Mr. Olson:** Sure. Maybe I'll just start by saying that the best way of really knowing the impact of a particular initiative, which leads to a performance measure, is, as you know because you've been with me on some, to actually get to the operation and see what they're doing. I think, for example, of the Leduc food processing innovation centre. It's probably one of the best kept secrets in the province. We have this jewel of an organization and a facility that helps people develop new food products, and that would be a lot of these 216. So you can see the number, but actually being there and seeing what they do is much, much more powerful.

I would invite my deputy to comment if he would like to speak to your question in more detail.

**Mr. Krips:** Thank you, Minister. Thank you, Vice-chair. We're actually very proud of the commercialization that our industry does with us and in partnership with our staff. The 216 number that you see is, I think, a really good success.

If you take a look at the targets, we base them on historical performance and adjust for future expectations. Even though our targets were set at 71, we hit 216. You'll see that the target will be adjusted into next year's business plan based on historicals, so you'll see that rise up. We recognize that the length of time it takes for successful launch of a product is anywhere from 18 months to two years. So nothing is set in stone, but it does take that long.

I echo the minister's comments that the business incubator out at Leduc is an absolute world-class gem. We're very proud of it. It does cultivate a number of products coming out the other side. It does graduate a huge number of companies that are a huge success, a couple of which are, in fact, ones graduating out of it this spring.

What it's done is that it's actually taken Canadian-Albertan products, both on the grains and the meat sides, and it's actually

created Canadianized Chinese dumplings and such. It's an individual that originally came from China. He bettered himself within the system in 2006-2007 in our incubator, is graduating this year, and actually will have a footprint in south Edmonton that we're very proud of. He's selling his products into T & T as well as Sobeys. That's just a good example of an individual that actually has had a huge impact utilizing our incubator.

**Mr. Dorward:** Thank you for that, but, please, can we tell that story in here? There's no reason Albertans can't see this story in here so that it's not a secret anymore. Make this not such a mundane document with just a bunch of weird numbers for accountants, but actually have the stories told in a more friendly kind of way. If you look in the corporate sector, the annual reports have gone to that. The financial numbers for those accounts are stuck way in the back in summarized form, and the story is told in a very delightful kind of way. I think we can get to that more in government statements.

I've taken enough time. MLA Fenske.

**Ms Fenske:** Thank you very much. Thanks for being here. I have a couple of questions, and the first one would be from page 12 in the annual report. One of the statistics, of course, includes the age of farm operators, where we have seen a general trend of aging, but if you look on page 32, it talks about the percentage of ministry-supported, agriculture-related communities that focus on leadership development. When you go to page 33, it talks about the young people and the target for young people as well. Are we making a difference in being able to attract young people to agriculture? How do you measure that? That would be my first question.

9:00

**Mr. Olson:** You know, I'll invite my deputy to comment after I have. I would just say that this is an issue for us, obviously, but it's an issue everywhere you go in agriculture, when I talk to my colleagues across the country, when I go to the U.S. and talk to people in the agriculture community down there. This is a world-wide issue, the age of farmers, incenting young farmers to stay involved or get involved.

We do have a multiplicity of programs that do that. For example, we're very supportive of 4-H; we work very closely with 4-H. In fact, our staff provide the administrative support for the 4-H organization. We work closely with various postsecondary institutions. I'm actually engaged in a conversation right now with our Education minister about the curriculum review because he and I both agree that we need to have more agricultural elements embedded in our curriculum.

There are lots of things we're doing, but I'd maybe turn it over to Jason for some specifics.

**Mr. Krips:** Thank you, MLA Fenske. Thank you, Minister. I think one thing that we also need to articulate is the work that the minister has been doing on the Next Generation Advisory Council, which is a council that was struck a couple of years ago to engage with our younger generation of agriculture producers to look at and seek their advice on better ways, additional ways, different tools that we can utilize to decrease the age of our producers and increase the number of producers within the province. The minister has actually received the Next Generation Advisory Council report. He's reviewing it as we speak, but I think there are some real gems to actually decrease the age. The minister is correct that there are a lot of jurisdictions going through this journey of older producers.

I think one thing to remember is that a profitable industry brings in people, and I think we're seeing some profit back in our sectors both at the meat and the grains and oilseeds sectors. I think that having a profitable sector is one of the key reasons why we will probably see some entrance back in. I was talking to an individual who is a board member of the Alberta Livestock and Meat Agency. She was up in the Westlock area a couple of weeks ago, and she said that the number of beef producers that came out to meet with some bankers and look at some investment opportunities was something she hadn't seen in a few years. I think that shows the excitement that's there. I think that the more we can help ensure that there's a vibrant and profitable industry, you'll see some younger generation coming back in.

**Mr. Olson:** Maybe Mr. Klak can also provide some commentary from an AFSC perspective.

**Mr. Klak:** Thank you, Minister. Just from a specific standpoint, AFSC is very involved in trying to deal with intergenerational transfer because these are highly capitalized operations. One of the hard parts of agriculture is that it has grown and they are so capital intensive, so how do you turn it over to the next generation? Just from a numbers standpoint, in 2012 we did 860 loans for \$176 million that had the beginning farm incentive attached to it, which lowers the interest rate by 1 and a half per cent. I think a lot of people in agriculture would agree that for probably 30 years that's been a really important program to get people into agriculture, to assist them.

That said, through results-based budgeting this year, one of the recommendations – I don't think you've seen it yet, but you will – is to really take a look at whether or not that incentive is as valuable as it was and whether there are other areas of risk and support that we can provide for that younger generation to get involved. We're involved in a sort of top-to-bottom review of that program specifically, and we're going to be making some recommendations to the minister shortly.

**Ms Fenske:** Thank you. I had the opportunity to attend the Canadian Young Farmers' Forum. They are very excited and did mention that profitability is certainly something attracting them but that their biggest concern was succession planning. I look at it from the opposite end, but they're looking at it to be able to continue farming.

The Farmers' Advocate is under your department. How do you measure whether or not the Farmers' Advocate is effective?

**Mr. Olson:** Well, the one way that first comes to mind is that I don't hear complaints about him. In fact, I think the Farmers' Advocate has been very active in the last year or so that I've been in the position. He has engaged a number of initiatives. He's been very proactive. This is all anecdotal. If you're looking for numbers and statistics, I think we can probably undertake to provide you with some information on that list if somebody has something right at their fingertips. But in terms of his engagements and that type of thing, I'm sure that they're keeping those kinds of statistics, and we'd be happy to get them to you.

**Ms Fenske:** Yeah. I just wondered. I mean, you have ag societies, you have service boards, and you have the Farmers' Advocate. Sometimes that's just person-to-person contact. How do you judge whether or not that's effective? That's all.

**Mr. Olson:** The thing I've appreciated about the Farmers' Advocate is that he really seems to have his eyes open in terms of what's going on out there. If he identifies an emerging issue,

something that people have a concern about, he seems to engage himself and see if there's anything he can contribute to the discussion. So I think he's doing exactly what he's supposed to be doing, which is to be there for farmers as a resource and an advocate.

**Ms Fenske:** Thank you. I'm sure someone will ask the AgriInvest one, so I won't ask that.

Mr. Deputy Chair, thank you.

**Ms Pastoor:** Mr. Chair, I'm sorry to interrupt. At some point I'd like to ask a question. It can be towards the end of the meeting, whenever.

**Mr. Dorward:** We'll go to Mrs. Sarich first, and then if we have time, Ms Pastoor is up.

**Ms Pastoor:** That would be great. Thanks.

**Mr. Dorward:** Okay. We'll go in the second part to Mrs. Sarich.

**The Chair:** Okay. That was just a little over 16 minutes. To the Wildrose and Mr. Donovan, our ag critic.

**Mr. Donovan:** How much time do I have, Mr. Chairman?

**The Chair:** Fifteen minutes.

**Mr. Donovan:** Woo-hoo.

**The Chair:** Can you talk that long?

**Mr. Donovan:** Yeah. I'll give it a whirl.

First off, I want to thank the minister for coming. It's great to see a minister come out with his portfolio and all the administrative staff to the Public Accounts Committee, and I commend him for doing that. Also, as Official Opposition critic for agriculture I've had nothing but pleasure working with anybody in your department when I do have questions on how things are done: the new deputy minister, Mr. Klak, everybody else involved, Mr. Cove, in the back, with ALMA. I do appreciate that because my job is to be able to ask questions and get the information back. It has been a pleasant experience, so I do commend your department for that.

Just some comments. I'm excited to hear the education side of the classroom. At any of the events I've been going to, that's one of the big things, that we're not getting our story out. So many people don't have a clue where food comes from and about the great products we do produce in this province. I think that one of the key starts is that kids need to know that in school, and I'm excited if Minister Johnson can add that to his Education portfolio. I personally am a little biased as an agricultural producer. I think everybody should know – you know, everybody has been so disconnected from the farm in the last 15 years. So that's some great news to hear.

Earlier Ms Fenske talked about farmers, young farmers. I consider myself a young farmer. I'm edging closer to 40 than anywhere else, but I guess that's considered young still. But I'm going to steal one of Kim McConnell's lines. He's on the ALMA board, and he's one of the straw men. He hit it right on the head – and it stuck with me for quite a while – when he said that it used to be the oldest son that got the farm, then it was the dumbest son that got the farm, and now every kid wants the farm. It shows me how agriculture is a productive thing. We talk about beef prices or even pork and chicken and lots of the different dairy or anything else and grains and how people want to be back in agriculture.

When I graduated from high school, I was the only kid in my class that even wanted to go back to the farm. I think I was in that dumb son part of it.

But, you know, now I go to graduations in Vauxhall, and just about half the class talks about how they're going to come back to live rurally, which also falls under your department, under rural development. I think these are things that we really need to continue pushing in this province, how to keep rural Alberta sustainable and vibrant. I do appreciate your ministry for working on that. I appreciate that.

Now we'll go to some of the questions that are outstanding, I guess, on some of the Auditor General's reports. I'll stick to the list that I was given so Cody and Shad don't get mad at me for all the work they did on that. Referring to page 80 of the ministry's annual report, schedule 5, the department spent \$6.51 million on rural development compared to the authorized budget of \$1.59 million. Could you just explain the overspending on that and what we gained by the extra close to \$4 million spent on that? If you don't have it right now, I'd take a written submission later.

9:10

**Mr. Olson:** Okay. We'll let Anne take that one.

**Ms Halldorson:** I'm sorry. I just didn't hear the question. In regard to the rural development, yes, that had to do with the paying out of the final mile grants in '12-13.

**Mr. Donovan:** That's great.

**Ms Halldorson:** For \$5 million the final mile grants were all paid out.

**Mr. Donovan:** Okay. Perfect. Thank you.

Referring to page 100 of your annual report, under note 4 AFSC reported an increase in the loans receivable balance from \$1.6 billion in 2012 to \$1.7 billion in 2013; commercial loans comprised \$402 million of the portfolio in 2013. The question is: how does AFSC's lending mandate differ from other commercial financial institutes', particularly ATB Financial?

**Mr. Klak:** That's a good question.

**Mr. Donovan:** I didn't write it. I'm just reading it.

**Mr. Klak:** It came up through results based – it really did. It was one of the top questions in results-based budgeting for us as well.

I think the answer for that is that AFSC has historically provided a consistent and has a strong risk appetite for small and medium-sized operations in rural Alberta. So we're all in agriculture in one jurisdiction. ATB: I'm not going to say anything derogatory about my sister organization, but they are a profit-oriented organization, much like any other profit-oriented financial institution.

We tend to see the success. We are not for profit; profit is not important to us. It's the success of our businesses and our clients that's important. If you look at 2008 and 2009, when the financial world sort of fell off the edge of a cliff, a lot of good agriculture clients were delisted because somebody on Bay Street or somewhere else didn't think that they wanted to take on that much risk in their portfolio. We held in there with them. If you look at our allowance for doubtful accounts and our arrears, I would say that it's a pretty good bet. Our farm arrears are under 1 per cent. We're helping those clients grow, and they like doing business with us. They can leave us at any time. We have no prepayment penalties. But our clients don't stay with us because it costs them money to leave; our clients stay with us because they enjoy the

services and the expertise they get from, you know, 55 offices across Alberta.

**Mr. Donovan:** I appreciate that. That's a good answer. When people ask, I can now explain the differences back to them, too.

The Auditor General reported that the departments of Alberta Agriculture and Rural Development and Health work together to improve reporting on food safety in Alberta. Now, this was suggested years ago, probably even back when Minister Groeneveld was around, and then it's been slowly bumped along. My colleague Deron will talk about that. Mr. Bilous had some questions from before about Health.

My question. I know the industry hired George Cuff to do a report on small meat packers and the abattoirs and stuff. Did you use a fair bit of that information when you were making your decisions going forward? I see we're having a plan of having that in place by June 15, 2015, so I'm just hoping that their information was also used in that. If you could, just a brief explanation of how handy it was to have industry work with you on it.

**Mr. Krips:** Thank you, MLA Donovan. I'll take that question. The quick answer to your question about Mr. Cuff's report is: yes, it definitely was used and is being used as we work to address this outstanding recommendation. It is related to an administrative process in reporting, and there is no direct risk to food safety. We are working very closely with our Alberta Health and Health Services colleagues to address the Auditor General's recommendation. We are well under way in developing a food safety work plan, which we expect to have implemented within the next year and a half to two years. We did do this external review through Mr. George Cuff for our meat inspection programs, and based on the information that Mr. Cuff presented in working with industry and ourselves, we are working to address the differences in our inspection protocols.

It's important to note that we are taking a measured approach to meet the needs of this report and the recommendation without compromising food safety, for sure. So we are working to make sure that it's more of an outcomes-based approach in our inspection services.

**Mr. Donovan:** Thank you for that.

One of the concerns I hear from the meat-packing industry, the smaller ones, is that there is a difference. If you were licensed through Alberta Agriculture, you seemed to have more stringent rules than if you were licensed through Alberta Health, and they were giving the exact same product out. It's just a matter of keeping the red tape from being too much for operators.

So I do appreciate the information from Mr. Cuff's report. I believe industry felt that that was where it should be going.

**Mr. Krips:** In fact, if I may, Mr. Donovan, just as a supplement, all of the recommendations that Mr. Cuff actually presented have been accepted, and actions are under way to address these recommendations, including communication training for all inspectors to assist them in dealing with industry personnel and working with industry and Alberta Health Services to address concerns about the differences in the inspection protocols. We take the report very seriously.

**Mr. Donovan:** Perfect. That's great to hear because I know that's what industry was shooting for. I'm glad that, again, your office and your department have taken that initiative.

The Growing Forward program. As an ag producer the question is that with AFSC for crop insurance, for instance, the producer

pays a third, the province pays a third, and the federal government pays a third. There have been rumours going around, I guess, as to whether the feds were going to pull out of that. Is that part of the Growing Forward commitment that the federal government has, that they'll stay partners with us on that?

**Mr. Olson:** Yeah. I heard this rumour somewhere, too. I can't remember where.

**Mr. Donovan:** It could've been me. I like starting them.

**Mr. Olson:** Maybe it was you. It's the only place I've heard it, though. I certainly have not heard it from any federal counterparts, Minister Ritz. You know, we have a five-year agreement with Growing Forward.

There are two pieces to the Growing Forward agreement. One piece is business risk management; the other piece is, well, the research and innovation type of programs. AFSC manages the insurance side of it. We've been very proactive on the national scene arguing that we need to provide our producers with more insurance options, and we're very proud to be involved in the introduction of western livestock price insurance. In January Alberta had the lead on that. AFSC is the lead agency for western Canada. So to the contrary I would say that, if anything, we're looking at, you know, more support from an insurance perspective.

The other piece of it is getting away from ad hoc recovery type of programming. If there's a bad year, if there's some sort of misfortune, government just simply cannot afford to be writing a cheque to make people whole. We are relying on people to mitigate their own risk. So if we're going to ask them to do that, we have to have the insurance programs available for them.

Perhaps Brad would like to supplement.

**Mr. Klak:** Just briefly. AFSC is working with the department, but AFSC really represents and has for over a decade the policy structures at the national FPT side on the officials level and then supports the ministers. I think where you may have been picking it up is that the federal government had talked generally about looking between – as we go in over the next four years from Growing Forward 2 to Growing Forward 3, we need to take a look at risk splitting. But none of the provinces specifically are looking at changing that formula, which is – and I'm not wanting to correct you – 36 per cent federal, 24 per cent provincial, and the producer actually pays 40 per cent of that premium. I think that in all of the round-tables that we had going through Growing Forward to discussions, that was strongly held to be fair and reasonable by the producers and by levels of government.

**Mr. Donovan:** That's great to hear. I might've been having a beer with a colleague when I heard the rumour. You never know where stuff comes from. [interjections] Yeah. Well, everybody is slowly wanting to hang out with me.

The Alberta Livestock and Meat Agency participates in the negotiation of the CETA. I guess I just want to know exactly what part ALMA had in the CETA negotiations. I know it's in the report that they helped on that. I mean, I've learned a lot about ALMA, and I've been happy with the term. Mr. Cove has been very productive and active in teaching me all the different things that are done there. But I just wonder if we could get some clarification so I can share that information with people also.

**Mr. Krips:** Thank you, Mr. Donovan. The ALMA board, actually, is quite an impressive collection of talent. One of the board members is John Weekes, who is actually the former U.S.-

Canada FTA trade negotiator. So I know that through board members like John Weekes we've been utilizing their avenues, their networks to make sure that they influence the decision-makers and negotiators within the federal negotiating team. I know our department has also been really dialed into those negotiations and feeds in. We make sure that we are aligned with industry on that. So there's lots of engagement with industry as we provide the advice to the federal negotiators both from a department standpoint as well as the ALMA board standpoint.

9:20

As well, Mr. Weekes is actually working with the Alberta Cattle Feeders and does some work from that standpoint, so we'd be feeding in from the Alberta Cattle Feeders and others into the federal negotiators. Other ministries, including international relations, have key folks, key staff, experts on staff to help funnel in those negotiating positions from an Alberta standpoint.

So those are the three streams that we certainly utilize. ALMA has certainly been a key part of that through their board membership.

**Mr. Donovan:** Thank you for that. I'll just pass my last time on to Mr. Barnes.

**The Chair:** You have 30 seconds.

**Mr. Barnes:** Okay. Thank you very much. Thank you, all, for being here and thank you, all, for your service to Alberta. A real quick question and a real quick answer on AgriStability. I hear lots of concerns about it in Cypress-Medicine Hat. I was just on a tour in Peace River, where I heard lots of concerns about it and a lot of farmers and ranchers claiming they're pulling out. What's the other side? Is that in effect happening?

**Mr. Klak:** Well, just briefly, when we moved from Growing Forward 2 to Growing Forward 3, the threshold level in order to be in a claim position, without getting too complex with you, went from 85 to 70 per cent. Sorry. From 1 to 2. I'm ahead of myself. We saw a fairly large drop-off in producers, probably going from over 20,000 producers in the program to closer to 14,000 to 15,000 producers in the program. The concern is that at that level is the program effective for them at that 70 per cent claim position? It's more of an emergency program. It was definitely a change in mentality to turn it into more of a disaster assistance than a regular type of hitting it on a regular basis.

Is it effective? I think the biggest thing that's happening right now is the profitability in agriculture, as you've seen the numbers in 2012-13 and, as well, as you'll see them in the future. The impact of that program is getting smaller and smaller as the marketplace works more effectively and we don't – to use federal Minister Ritz's statement: you're not getting your money from the mailbox; you're getting it from the marketplace. But I would say that it's a concern. We raise it in our input advisory committee meetings as well as to whether or not long term that's going to be an effective program for producers.

**The Chair:** Thanks very much.

I guess we'll go to Mr. Bilous for eight or nine minutes. Go ahead.

**Mr. Bilous:** Thank you, Mr. Chair. Thank you, Minister, for being here and all of your staff. I want to talk a little bit about recommendations that were made in the past. The 2006 Auditor General's report made 10 recommendations regarding food safety. Two of them are still outstanding in the second follow-up audit,

released last year in October, and one of these was repeated a third time. One of those recommendations was elaborated on in the 2009 follow-up, recommending the departments “agree on and approve a food safety strategy.” Page 60 of the 2013 report of the Auditor General notes that “this has not moved forward and Alberta still does not have an integrated food safety strategy.” That recommendation remains outstanding and, according to the status report, will not be ready until June of 2015. So to start with, I’m hoping that you can begin by answering: why is this taking so long?

**Mr. Olson:** Well, I’ll start. I think part of the complexity is when you have two different government departments trying to work together and co-ordinate what they’re doing. I think that’s been one of the issues all along. I know both myself and Minister Horne, I believe, have met with the Auditor General. He’s been very generous with his time and commentary, which has been helpful to both Minister Horne and me. I actually spoke to Minister Horne earlier this week, and we were talking about the time frame and whether it was reasonable, this 2015 date. I think we both agree that that’s too long, and we have both instructed our departments that we want to see this dealt with more quickly.

I think it’s a question of harmonizing some regulations and so on. They’ve got regulations; we’ve got regulations. We both have administrations that, you know, are kind of focused on their own regulations. I suppose that sounds a little bit like an excuse, but I think that is part of the explanation.

Maybe I’ll just let my deputy add to that.

**Mr. Bilous:** Sorry to interrupt. I will have some follow-up on this tangent as well, but by all means, please.

**Mr. Krips:** Okay. Thank you, Minister. This does go back to my previous answer on this issue. The minister has actually instructed us to move faster than the June 15 timeline, and we actually did have this conversation as late as this week. He’s put our feet to the fires. We will respond in kind. We are working very closely with our Alberta Health Services and Alberta Health colleagues. Part of the answer is making sure that we do respond to the George Cuff recommendations on the meat standards. All 24 recommendations, we’ve agreed, need to be done. So we’re looking to make sure that we’re of an outcome-based approach, reducing red tape, taking a measured response to make sure these recommendations get completed and are done.

**Mr. Bilous:** Okay. I want to stay in this vein for a little while. In December just last year we had the Department of Health in front of Public Accounts, and I’d like to repeat a question that I asked them and then their response. I asked:

What kinds of information does the Health Minister need for greater production capacity and access in order to develop a strategic plan in conjunction with Alberta Agriculture to demonstrate the effectiveness of the food safety program?

Their response was: “As such, Health and Agriculture and Rural Development are jointly reviewing current reporting practices and developing annual performance indicators that will help inform food safety planning,” which is quite thin, in my view, as far as what is being done and looking at what kinds of information the ministry needs. So I’m wondering if you’d have a different answer if I was to ask: what kinds of information do you need to help facilitate this process?

**Mr. Krips:** In the work that we’ve been doing with our Alberta Health Services colleagues, we’re pivoting less on a strategy and more towards an integrated work plan, so it will be more targeted,

more granular, more on the ground, very much outcome based and, we feel, a lot more operationalized. But that’s something where we can certainly provide some further follow-up information for you in terms of the actual details that we’re working on.

**Mr. Bilous:** Please. I’ll continue in this vein. Minister, I appreciate the fact that you and the Minister of Health recognize that this is taking a long time. I mean, had this been a recommendation made last year, then I think 2015 would be reasonable, but I think some folks in the province are getting a little frustrated considering the first one went back as far as 2006. Now, I appreciate that with the ministers working together, that adds a layer of complexity, but if you could explain or expand upon what steps have been taken since the original recommendation. I’m looking for concrete steps the ministry has taken since the 2006 recommendation, since the 2009 recommendation, and then presently.

**Mr. Krips:** Thank you for your question. We have actually taken a number of steps implementing a number of the recommendations that go back to 2006. I can certainly either read these into the record, or we can supplement with a follow-up written, whatever you prefer.

**Mr. Bilous:** Sure. Written, I think, would be even better.

**Mr. Krips:** Okay.

**Mr. Bilous:** I’m sure I’ve only got about four minutes left. Thank you. I appreciate that.

I mean, if you can speak to the past – and I appreciate again your efforts or your commitment now – just to figure out or to learn what had happened. You know, why wasn’t there such a strong commitment a few years ago when the recommendation was made the second time? Can anybody expand on that?

**Mr. Krips:** Again, maybe what we’ll do is incorporate that into our written response if that’s desirable of the chair and vice-chair.

**Mr. Bilous:** They’re pretty easy going. I think they’ll be okay with that.

**Mr. Olson:** Again it sounds like an excuse, but in terms of off the top of our head neither my deputy nor I was here two years ago to tell you what the conversation was, so I think we need to do a little bit of checking within the department and then get back to you.

9:30

**Mr. Bilous:** I would appreciate that. I mean, I would imagine that there are several of your department staff that have been around for some time and maybe could expand upon that.

**The Chair:** Mr. Saher, did you have something to say on that?

**Mr. Saher:** Yes. I don’t want to take committee time away from the questioning, but the question that’s just been asked, I think, is very important. Lessons learned. You know, the minister said that it is difficult when two departments have to co-operate, plan, and then report results. So I’m pleased to hear that the new initiative is based on joint planning, if I’ve understood it correctly, and with joint planning it will be easier to come together to report jointly. But if that is a sort of learning, I think it would be very helpful in your response to the Public Accounts Committee: why did this take so long? Is it the complexity issue? What has the government

learned from it that would be useful going forward? I think that would be real, added value in your response.

**Mr. Olson:** Thank you.

**Mr. Krips:** If I can, just as a small supplement, I think it's worth noting that this is not a food safety issue. This relates to administrative process and reporting and is, by all means, extremely important, absolutely. But I think it probably behooves us to indicate that this is no direct risk to food safety. It's about streamlining our outcome and making sure it's more of an outcomes-based approach.

**Mr. Bilous:** I think I only have one minute left, so maybe I'll just read through my questions, and I would ask the ministry to respond.

This is about the Slave Lake disaster assistance benefit program. After the Slave Lake wildfire destroyed a large part of the town, Agriculture Financial Services Corporation developed the Slave Lake disaster assistance benefit. The program offered 24-month, interest-free, no-payment loans. In total over \$111 million in loans was given out. There's been very little detail that I've been able to find since the loans have been given out. Three questions for you: what controls were in place to ensure that these loans were prioritized to smaller and more vulnerable producers? Have there been any follow-ups to gauge the success of these loans? Are they being used to rebuild the area? We're still in the no-payment period, likely, for all of these loans, but has the corporation started to see money trickle back in yet? A written response would be greatly appreciated by the committee.

Thank you.

**The Chair:** Thank you very much.

Mr. Allen, we'll give you four minutes or so.

**Mr. Allen:** Great. Thank you, Mr. Chair. Thank you for your presentation today. As Minister Olson will tell you, I haven't been in his office with any significant issues because we don't have any significant level of agriculture in my riding of Fort McMurray-Wood Buffalo.

I do have a question regarding the AgriInsurance and the surpluses that have occurred there. In the last 10 years it's grown from \$90 million to \$1.33 billion. I'd like to know what the secret is so I can take another look at my investment portfolio. Seriously, is there a ceiling there? Is there a planned use for these surpluses, or do they just continue to grow? Are there perhaps plans to reduce premiums for those that are utilizing the program? I guess the last question in there would be: do we have an estimate, you know, if we were to have a huge natural disaster or holocaust of locusts? Is that much required to be sitting in the bank?

**Mr. Klak:** That's a great question. Over the past 12 years – I've been with the corporation for nine, so almost in my time with the corporation, but let's go back 12. Premiums 12 years ago were about \$100 million, that we were collecting – those were tripartite, from the federal government, the province, and producers – and we were underwriting about a billion dollars. If your locusts would have gotten everything, we would have paid out about a billion dollars. This year we're underwriting about 5 and a half billion dollars worth of liabilities, and premiums for this year are likely going to be between \$600 million and \$750 million. There's been some new acreage that's been brought in, probably another 2 million acres, so we're insuring 14 million acres rather than, say, 11 million, 12 million acres 12 years ago. But a lot of it is just the value of the crop.

Our target – as an insurance company we need to have a target surplus – is one and a half times premium. It's been hard to keep up with that as the value of that crop has gone up, but we're pretty much at that level now. Again, with the \$700 million premium take – it's actually going to be greater than the number that you've seen because last year was a fantastic year for us. Again, probably an additional close to \$400 million is going to go against the accumulated surplus.

What has happened is that, yes, it is putting downward pressure on. As you get to those threshold levels, premiums for producers should be coming down. What's been hard is that the offset from what is taking place has been that rise in commodity prices. This year, with expectations that commodity prices are generally going to be down around 25 per cent because there's just so much crop out there, that is going to continue. That will put downward pressure because now we're in a situation which is not good for the producer, but we're still at a fairly strong level in terms of price expectations. We've got a lot of money in the bank to be able to protect the risk, so premiums for producers are coming down, and they should. That's the way insurance works.

**Mr. Allen:** So it's largely related just to the value of capital and the commodity prices.

**Mr. Klak:** Absolutely. Again, in just a bit over a decade, going from a billion dollars worth of underwritten liabilities to 5 and a half billion dollars has just been difficult. We respect that that's been hard for our producers as well. It's been generally good because of profitability, but it's been hard for them to keep up with an ever-increasing premium because they pay the most in the tripartite, at 40 per cent.

**Mr. Allen:** Great. Thank you.

Do I have time for one more question, Mr. Chair?

**The Chair:** Real quick.

**Mr. Allen:** Really quick. If you could comment for me, Minister. You talk about your advocacy for market access and gaining new markets internationally. It's almost like tidewater to us. In my constituency it's largely related to building pipelines. I'm just curious. You mentioned about grain prices, crop prices being exceptionally good, and lately there's been a lot of discussion about having difficulty getting that grain to market. Does your advocacy include transportation? Recently I've even heard allegations that a lot of those challenges are based on the capacity of rail, based on the amount of bitumen that's being shipped. Is there any truth to that? Can we maybe discuss that a little bit?

**Mr. Olson:** Well, I could probably take the rest of the morning talking about that issue. It's dominating our discussion right now because of the huge amount of grain. The yield is huge in western Canada, and we have a situation where the elevators on the prairies are full. Storage everywhere is full on the prairies. I was in Winnipeg last week to meet with Minister Ritz and other provincial counterparts on this issue, and there are something like 55 ships sitting offshore on the west coast waiting to load and all-time lows in terms of the amount of grain in the terminals at the coast. It is a major issue that we're dealing with, and we're certainly doing a lot of advocacy.

**Mr. Allen:** Thank you.

**The Chair:** Thank you very much.

The remaining 15 minutes to the PC caucus.

**Mr. Dorward:** Mrs. Sarich.

**Mrs. Sarich:** Thank you very much. I'd like to also express thanks for your presentation this morning, the interest to provide details to the standing committee. I'd just like to follow up because a number of standing committee members had touched on this particular area. This has to do with, you know, the shared responsibility and accountability with the Department of Health and Alberta Health Services and your particular ministry. I think it's very important that you've been requested to provide some details.

Also, it would be very helpful if you could provide details around the challenges that the department has faced in integrating a crossministerial strategy that would be of value, you know, around food safety because as I think Mr. Klak or somebody said here in your presentation, it isn't an issue of food safety; it's other things. So we need some clarity around that.

Also, I'd like to emphasize the point that there is an expectation that not only through the Public Accounts Committee dynamics but when the Auditor General makes a recommendation, there's a three-year cycle for a response and sometimes that kind of lags a little further. Providing those details of what has happened is very helpful for standing committee members and Public Accounts and for the public, more importantly.

I'd like to go back to the Canada-EU comprehensive economic and trade agreement, known as CETA. I was wondering if I could just first request a written response on the details regarding the market access provisions and how CETA will affect current quotas for meat and livestock, if you could explore that. I'm looking for a written response back on that because I know that it could take a little bit more information or give you an opportunity to provide that. Maybe you could shed some light on how the negotiations are going in any areas that may affect Alberta's agriculture industry. If so, can ALMA provide any information on that? What effects does ALMA anticipate CETA would have on the meat and livestock industry within Alberta?

**9:40**

Then just going back to the Slave Lake disaster assistance benefit, I was wondering: how did AFSC mitigate the risk of losses in relation to the loans that were provided? For example, did any borrowers transfer their loans from AFSC to other financial institutions after the two-year grace period expired? Has AFSC accounted for the loss of revenue caused by granting an interest-free period?

I'll stop there.

**Mr. Olson:** We would be able to answer some of these directly, right now, if you would like. I'll let Mr. Klak deal with your last question.

**Mr. Klak:** It's important. It was asked earlier, and I will provide it in writing. I'm very proud – I've said that before, I think, to previous committees – of what we did on behalf of the government of Alberta, working in Slave Lake. Then the lessons that we learned in Slave Lake, fortunately or unfortunately, we put to use in the flooding in southern Alberta last year.

In terms of the controls or the mitigation of loss we went to the government with a plan, which was that we wanted to be respectful, to help rebuild the community, but we wanted to also provide a little bit of time for the community to get back on its feet. We thought a two-year interest-free period would be an effective way to go. It wasn't a loss to our portfolio. We told the province roughly what we thought we were going to be able to do,

which was \$100 million worth of lending. It worked out to, I think, \$116 million worth of lending. The interest-free component of that was between \$14 million and \$15 million. The province gave us that money, so there isn't a loss attached to it.

To my knowledge – I'm looking at my chief financial officer; last time I checked was about 4 months ago – we had not been in an arrears position with any of those loans at that point in time. It was interest free, but in many cases we structured it so that their first principal payment is just coming due now. We can be very flexible for these customers. Some of them are on one-year payments. For some of them their first payment even without interest wasn't going to happen for two years. The community responded wonderfully. We haven't seen any type of increase in loss.

To your point on transfers: it's always been our expectation that some of these will migrate back to their regular financial institutions. We didn't want to separate that for too long a period of time. We wanted to come in quickly, to be able to help people in a disaster. What we did in southern Alberta was that we worked with the financial institutions, and we put a guarantee in place so that they didn't have to bring their business over to us, disrupting an existing relationship. They could just deal with their own institution. That was the lesson that we learned. It's probably easier and faster to do it with the existing relationship than with a brand new one.

Again, from an accountability standpoint and from a community response standpoint, again, for \$15 million we put \$116 million into place, and that was probably matched at least 50 per cent or greater by the community. So the impact that that money had on the morale and on the community rebuild was probably in that \$300 million-plus range.

**Mrs. Sarich:** Thank you for that.

Maybe just a follow-up. I'm not too sure. Maybe it was attempted to be addressed by other committee members. In this next round of your annual report some of these areas that were maybe not touched upon could be explored and some information provided to the public, you know, around this. I'm not too sure if the Slave Lake disaster was included in last year's report, and maybe there's something of value to share.

How about the other questions on CETA?

**Mr. Olson:** Yeah. You know, the additional allocation that we have in terms of, for example, beef and pork into the European Union is something like 50 times the maximum that we've ever sold to them, so it's a huge opportunity for us. Perhaps Jason would like to . . .

**Mr. Dorward:** Yeah. Could we get that one in writing? I have some more MLAs.

Is that okay, MLA Sarich?

**Mrs. Sarich:** Yes. Absolutely.

**Mr. Dorward:** Could we get that in writing, Minister?

**Mr. Olson:** Yes.

**Mr. Dorward:** Thank you.

We'll go to Ms Pastoor on the line.

**Ms Pastoor:** Thank you. Can you hear me?

**Mr. Olson:** Yes.

**Ms Pastoor:** Okay. Thanks, Minister, for coming. This is sort of where my heart beats, so I'm pleased to hear all of the good things that are coming.

One of the things that I would like to speak about – and it is a dual ministry between international and intergovernmental and agriculture – is, of course, MCOOL. I'll be going to Ottawa in May again, and hopefully, in working with Mr. Dallas's department, we will be able to bring this subject up again. I don't think it's something that we can just let drop. I realize that there's a lot of work being done, but we do seem to be at a standstill. I'm just wondering if there's a message that I could take to Mr. Dallas, and then he would allow me to, you know, really bring it to the fore.

Now, the group that I work with, the Can/Am transborder alliance, certainly aren't policy-makers, but they do speak to the policy-makers. I think that the more people we can have speaking about this issue, the better off we'll all be. If I could just maybe have a few comments on that.

The money that we may be putting towards that – you spoke about the importance, which I totally agree with, of getting out there and talking to people face to face. That's how things happen, not by e-mail, so I'm certainly supportive of anyone that can travel and actually do face-to-face work.

Sorry that that was long, but basically it's about MCOOL.

**Mr. Olson:** Thanks for that question. MCOOL is something that in the last year we have spent a lot of time on, and I personally – my main reason for being in these places has been MCOOL – have been in meetings in Vancouver, Kansas City, Chicago, Washington, Oklahoma City, Saskatoon, and the dominant theme of all of those meetings was MCOOL.

One thing that has been made obvious to me is that for Canadian industry people or politicians to go down to the States and say, "You have policy legislation that's hurting us," that is not going to be enough to get them to change course. However, we have allies in the States who are also very critical of COOL and are being hurt by the current policy, and it has been a great opportunity for us to partner with them, collaborate with them, and that's where this advocacy comes in. I very much agree with you that we have to talk to whomever we can wherever we can about this issue and get more and more people talking about it.

We thought we saw some wobbling in the resolve of the pro-COOL forces leading up to the finalization of the farm bill a month, a month and a half ago. We were very disappointed when they left the amendment out of the bill. That took us back to the next stage, with the World Trade Organization in Geneva a couple of weeks ago. The hearings were held, and now we're waiting for their ruling. We've already won twice at the WTO, and we're expecting that we'll win again, and the advocacy will continue.

The next thing we'll be talking about is real retaliation, and I know that's what Minister Ritz is prepared for. We would much prefer some sort of a legislated fix, but we're left with very few options if we don't get them to do it voluntarily. So it'll be the retaliation.

**Ms Pastoor:** Thank you very much for that.

**Mr. Dorward:** Is that it, Ms Pastoor? We have one more MLA.

**Ms Pastoor:** That's the top of the list for me at this point in time, so yes.

**Mr. Dorward:** Okay. MLA Young.

**Mr. Young:** Thank you. First of all, it's a pleasure to be on this committee.

My question is on page 15, where we have the performance measures summary. I just want to go back to what MLA Dorward talked about in terms of those measures there. Deputy Minister Krips, you mentioned outcome based, and it just seems to me that these numbers don't tell much of a story: 216, 71. It seems to me that more of what we're looking for is the economic impact of those, so I'm wondering if you can comment on that. What we're doing is that we're managing a portfolio of investments and initiatives, and the real challenge is prioritizing those. If we're simply using it as an absolute number – 216 is more than 71 – I don't think that really gets to the economic impact, which is the whole intent there.

9:50

**Mr. Krips:** Thank you, MLA Young. Your point is well taken, that, you know, we need to make sure that the performance measures we have actually show the impact economically of what our department does with our industry partners, something that we'll certainly take under advisement to look at going forward.

**Mr. Young:** Thank you. On the other side of the coin – of course, we want to drive that economic impact up – the other goal is economic stewardship. I'm struck by the target of: not applicable. Why do we have those measures in there? There's been a lot of work done on environmental sustainability indexes, environmental performance indexes, and stuff like that, but it seems to me that there must be a way that we can measure the environmental impact of agriculture on our province.

**Mr. Krips:** Thank you, MLA Young. What I'd like to do is just indicate that this is actually a biennial survey, so it's done every two years. If you take a look back in '11-12, if I'm not mistaken, we've changed what we are measuring because a lot of the practices that we had been driving toward had been actually adopted – they're actually now considered the norm – such as no-tillage practices and such. We've actually removed some of those things from the survey, and we're now more focused on the tools where the improvements are needed to be made.

We're looking at new and emerging practices, and although low adoption rates were expected, the data is going to be really good benchmarking for us. The survey that's going to be coming up for the next year will look at 41 key environmental sustainable agriculture practices with eight focus areas, including manure management, water quality and quantity, wildlife habitat conservation, grazing management, general practices, agriculture waste management, energy and climate change, and soil conservation. We recognize that while it doesn't look like we're actually doing really good work, we've actually pivoted because of the high adoption rate of the environmental practices that we had been driving toward with industry. We wanted to really make sure that the new practices are being properly measured, and this will be a good benchmark going forward for the next survey that is done.

**Mr. Young:** That's great news. For a report like this it seems to me that if we have this high standard and we're benchmarking against ourselves, it doesn't really tell much of a story. Are there other international benchmarks or other provinces that we can say that we're doing better than or in terms of the benchmarking nationally or internationally?

**Mr. Krips:** That's a good question, MLA Young, and that's something we can certainly take under advisement in terms of comparators with other jurisdictions.

**Mr. Young:** Okay. Thank you. Those are all my questions.

**Mr. Dorward:** Just a couple of quick hitters. Our time is almost up, so I'll just read these into the record, and if you could get back to the clerk in writing, please. It is in *Hansard* if you can't follow this quickly.

Page 47, agricultural income supports. We might have touched on that area, that line item, but if you could just make a comment relative to why the budget came out at \$226,000 and the actual is \$112,000. What happened in that? You didn't do as much activity as you had planned there, obviously.

The other one is on page 80, line item 3.3, rural development, which was markedly over the voted estimate of the actual. So just some comments there. What caused that rural development to shoot up?

If we can get those in writing, that would be great.

Thank you, Mr. Chair. Back to you.

**The Chair:** Thank you very much.

I'd like to again thank Minister Olson and his staff and the department staff for being here today and answering questions so clearly.

We are going to move to other business really quickly for just a couple of minutes, and then we'll dismiss.

The annual Canadian Council of Public Accounts conference is scheduled for August 9 to 12 this year in St. John's, Newfoundland. Each year we pass a motion authorizing the chair and deputy chair to attend the conference. The committee clerk will send out an e-mail to all of the committee members at a later date asking who would like to be an alternate should David or myself not be able to attend. Before the end of session we'll have a draw of the names to determine who the official alternates will be. At least, that's how we've done it in the past. But I'd like to open the floor to questions and discussion before we move that.

Are there any questions or discussion? Mrs. Sarich.

**Mrs. Sarich:** Yes. Thank you very much, Mr. Chair. In the last conference that I attended on behalf of the deputy chair of this committee, I had recommended that more delegates be included, and I was wondering if there would be any consideration for one or two additional delegates to travel with the chair and deputy chair for that conference. It is a conference where not only you receive information, but you're engaging, and you are also being trained at the same time. We have a focus of the standing committee to provide additional training, and it's an excellent opportunity, so I'm just wondering if there's any budget consideration for that.

**The Chair:** Well, I'll have to turn that over to our committee clerk. Have you looked into that option with regard to our budget for that sort of thing?

**Mr. Tyrell:** I do forecasting for the committee's activities for the 2014-15 fiscal year. When I did the forecasting, it was prior to this issue being raised and, I think, directly after or very close to when the conference was, so I haven't budgeted for additional members to attend. That is something we can look into. I believe we can ask

for an amendment to be made to the forecasting through Members' Services, I believe, if that is something the committee wants to do.

As of right now I budgeted for the chair and deputy chair, one researcher, and myself because that's what we've done in years past.

**Mrs. Sarich:** Mr. Chair, I'm raising the question because it was my observation that other representatives from across Canada had larger delegations. There were more committee members there. It was an observation. It seemed that our representation was thin.

**Mr. Dorward:** I would support those comments in that this is not a wishy-washy conference. This is an in-service meeting. It's structured that way, and that's the intention, and it's set out that way. The group that organizes it has that mandate in their mind, and they bring in the people to instruct and inform constantly throughout the conference. That was my experience when I went to Nunavut.

**Mrs. Sarich:** It's a working conference.

**Mr. Dorward:** Yeah. I don't know. Any other comments in the room? Should we go to Members' Services and ask for one more position or not?

**The Chair:** Well, I mean, are we looking at moving some money within the budget that's already allocated to us, or what are we talking about here? I don't think we need any more money.

Why don't we defer this conversation until the 6:15 meeting today, and we'll do it after we've met with the Auditor General. I would like some actual information on this and what is possible. If you can get it before 6 o'clock, that would be great, but right now I don't think we have the information we need to make the decision. So we'll do that, and then we'll move this at that time.

I'd like to inform committee members that we have now received written responses from all of the departments and public bodies we met with in 2013. Since my last update on this these groups include on May 8, Energy; May 15, Alberta Health Services; May 29, Ag and Rural Development; June 5, Enterprise; October 30, Aboriginal Relations; November 6, Treasury Board and Finance; November 20, Enterprise and Advanced Education and Medicine Hat College; November 27, Energy; December 4, Alberta Health and Alberta Health Services. All of their responses are available on both the internal and external websites.

Is there any other business anyone would like to bring up today? No? Good.

The date of the next 10 o'clock meeting is Wednesday, March 12, with Alberta Tourism, Parks and Recreation. Of course, we have another meeting tonight from 6:15 to 7:15 with our friends from the Auditor General's office. The agenda for this evening's meeting should now be posted on the internal website.

Dinner will be available in committee room C as of 5:30 p.m. tonight, and we'll be getting started back here in committee room A at 6:15 sharp.

Would a member like to move adjournment? Mr. Donovan would like to move that. Those in favour? Any opposed? Carried.

Thank you very much, everyone.

[The committee adjourned at 10 a.m.]



