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The 29th Legislature
Second Session

Standing Committee
on
Alberta's Economic Future

Agrifood and Agribusiness
Stakeholder Presentations

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**Legislative Assembly of Alberta
The 29th Legislature
Second Session**

Standing Committee on Alberta's Economic Future

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Standing Committee on Alberta's Economic Future

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8:31 a.m. Wednesday, February 22, 2017

[Mr. Sucha in the chair]

The Chair: Good morning, everyone. I would like to call this meeting to order. I'd like to welcome members, staff, guests to this meeting of the Standing Committee on Alberta's Economic Future. I'd first like to acknowledge that we are on the traditional land of Treaty 6.

My name is Graham Sucha. I'm the MLA for Calgary-Shaw and the chair of the committee. I'd ask that members and those joining the committee at the table introduce themselves for the record, and then we will hear from those on the phone. I will start to my right.

Mr. van Dijken: Good morning. Glenn van Dijken, MLA for Barrhead-Morinville-Westlock.

Mr. Orr: Ron Orr, MLA, Lacombe-Ponoka.

Mr. Schneider: Dave Schneider, MLA, Little Bow.

Mr. Carson: Jon Carson, MLA for Edmonton-Meadowlark.

Ms McKittrick: Annie McKittrick, MLA for Sherwood Park, substituting for MLA Fitzpatrick.

Mrs. Schreiner: Good morning. Kim Schreiner, MLA for Red Deer-North.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Mr. Horne: Good morning. Trevor Horne, MLA for Spruce Grove-St. Albert.

Ms McPherson: Good morning. Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

Mr. Koenig: Good morning. I'm Trafton Koenig with the Parliamentary Counsel office.

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

Ms Rempel: Good morning. Jody Rempel, committee clerk.

The Chair: Those on the phone.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Malkinson: Brian Malkinson, MLA for Calgary-Currie, substituting for Michael Connolly.

Mr. Piquette: Colin Piquette, MLA for Athabasca-Sturgeon-Redwater. Good morning.

Mr. Taylor: Wes Taylor, MLA, Battle River-Wainwright.

The Chair: Excellent.

Before we turn to the business at hand, a few operational items. The microphone consoles are operated by the *Hansard* staff, so there's no need to touch them. Please ensure all cellphones are on silent mode. Audio of committee proceedings is streamed live on the Internet and recorded by *Alberta Hansard*. Audio access and meeting transcripts are obtained via the Alberta Legislative Assembly website.

We will move to the next item on the agenda, approval of the agenda. Would a member like to move approval of today's meeting agenda? Moved by Mr. Orr that the February 22, 2017, meeting of

the Standing Committee on Alberta's Economic Future be adopted as circulated. All those in favour, please say aye. All those opposed, please say no. On the phones? That motion is carried.

We'll move to the next item on the agenda, adoption of meeting minutes. A set of draft minutes from the February 1, 2017, meeting were distributed for consideration. Are there any errors or omissions anyone would like to note?

Mr. Orr: The last pages are misnumbered. Not a big deal, but it goes from 26 to 27 to 26.

The Chair: We will note that and make the according amendments.

Any other amendments anyone would like to bring forward? Seeing none, could I have someone move the motion to adopt the meeting minutes as amended? Moved by Member McPherson that the minutes for the February 1, 2017, meeting of the Standing Committee on Alberta's Economic Future be approved as amended. All those in favour, please say aye. All those opposed, please say no. On the phones? That's carried.

Excellent. We will move on to the next item on the agenda, item 4, inquiry into growing Alberta's agrifood and agribusiness sector. We'll be moving to the first panel, panel A, for our business today. As we begin with our first panel of the day, I would like to remind everyone that those participating today have been invited to make a five-minute presentation as part of the inquiry into growing Alberta's agrifood and agribusiness sector. After all the panel members have made their presentations, I will open the floor to questions from committee members.

At this point I will welcome our panel guests to join us at the table if they haven't already, and I will ask that when you begin your presentation, you introduce yourself. I will start with Edmonton Economic Development.

Edmonton Economic Development Corporation

Mr. Ferguson: Good morning, and thank you for the opportunity to share our perspective on how to stimulate growth in the agrifood and agribusiness sectors of the Alberta economy. My name is Brad Ferguson. I'm the president and CEO of Edmonton Economic Development.

EEDC is the economic promotion agency for the city of Edmonton, responsible for attracting seven things: foreign investment, export partnerships, tourism, conferences and conventions, major events, talent or students, and direct flights. Our purpose is to ensure Edmonton outperforms every other major market in North America no matter if the price of oil is \$140 or \$40, which we've actually done over the last five years. We have five priority areas for growth: health or life sciences, advanced manufacturing, the digital ICT sector, tourism, and agrifood sector in terms of the value-added agrifood. So we're delighted to provide comment on today's topic.

Alberta is 16 times larger than the Netherlands in terms of area. Alberta is also 202 times larger than the Netherlands in terms of arable land. Yet the Netherlands exports nine times the dollar volume as Alberta does in agricultural products. Is there room for growth? Absolutely. Should agrifood be a priority? Unconditionally. Will we need to ruffle some feathers? Irrefutably. That's what's needed to be excellent.

As the original economic engine of the province agriculture has a rich legacy in Alberta. The Edmonton region has long been a key distribution centre for crops and livestock produced in North America and northern Alberta. The Edmonton region has grown to now house over 7,600 businesses working in the agriculture and food sectors, which is 13 per cent of the total agricultural businesses in Alberta and more than any other census area in the province.

Within our city limits we have the benefit of not only the department of agriculture and forestry at the University of Alberta; we have a number of industry-based research institutes: Agri-Food Discovery Place, the Leduc Food Processing Development Centre, and numerous highly successful agrifood companies like Siwin Foods, The Little Potato Company, Kinikinik, and Heritage Frozen Foods, which makes brands like Cheemo perogies, which all your kids eat.

Despite the global economic downturn Alberta's agriculture industry is performing quite well. International exports in 2015 set a new record, passing the \$10 billion mark. Value-added exports increased 12 and a half per cent. But we haven't even scratched the surface of our potential. Of the \$10 billion in international exports, primary commodities accounted for 53 per cent while value-added products were only 47 per cent, and almost three-quarters of exports were shipped to only five markets, with the United States being 40 per cent of the \$10 billion. So we have much more room to grow.

With a low Canadian dollar and a provincial economy desperately in need of an economic boost and the federal government carving a runway into Japan, China, and India, we believe now is the opportune time for the Alberta government to make strategic investments in the agrifood and agribusiness sector.

I said that we need to ruffle some feathers because taking an incremental approach will not get us there. With this in mind, I propose five changes for your consideration to our current model, all within government control. The first: we should consolidate agricultural research into our universities as opposed to research being done by the department of agriculture. The current model makes no sense as research requires interdisciplinary collaboration and being buried in the ministry has no requirement for commercialization, which leaves us missing out on opportunities.

The second: entrepreneurship and commercialization, specifically the Leduc food processing centre, should not reside in the department either; rather, it should be part of a local entrepreneurial ecosystem, close to entrepreneurs, mentors, capital, programs, and other start-up facilities. I know we often refer to technical expertise and occasional successes that come out of this facility, but when you look back on its 30-year history, it has underperformed by a function of eight times to what the potential is when compared to other facilities like TEC Edmonton, Startup Edmonton, the Advanced Technology Centre, and other local entrepreneurial ecosystem facilities.

8:40

The third is government procurement. It has the ability to stimulate tremendous growth of our agrifood community through purchasing at Alberta Health Services, our postsecondary institutes, and our K to 12 system if we think about it smartly. By stating food and nutritional requirements and scaling our manufacturing capacity, we can not only provide students and patients with much better food products, but we can also stimulate a whole new generation of entrepreneurs in the process. What a scale-up opportunity available locally as companies start to build up their manufacturing capabilities and production capacity to serve markets like China and India in the future.

The fourth is to attract more talent to this sector and to reduce barriers of entering this sector. We should be investing in precapitalized infrastructure, open access certified commercial kitchen space in our two major cities, which reduces the cost to entrepreneurs and chefs looking to experiment with food products that not only work in restaurants but also could be mass produced for export. Chef Brad Smoliak did this with his bacon jam, which started as a small product and was allowed to scale and grow. It allows us to put a series of growth companies and products from

Alberta into buying shows and distribution channels on the international scale, which builds the Alberta brand and interest in this place as a progressive culinary destination for tourism and entrepreneurs.

Lastly, we should be looking at AIMCo to make strategic investments in this industry. Alberta has the best durum wheat in the world, which is used to make pasta in Italy. We export the raw resource and allow value-added manufacturing to occur elsewhere for us and then import it back to Alberta. What if we acquired an Italian pasta maker or pasta manufacturer and had them set up shop in Alberta such that they export Italian pasta from here instead of there and then provided them with the growth capital to expand into other food products for export? I think entrepreneurs like Teresa Spinelli from the Italian market could assist in this kind of strategy if we engaged the business and entrepreneurial community in the strategy development process.

At the end of the day we are all likely to agree that this is a critical industry for the Edmonton region and for all of Alberta. Your local economic development agencies and local entrepreneur communities are chock full of ideas of how to incent greater effort and risk to this sector. Today I offer some initial ideas for your consideration, but know that there are many more if you would like us to engage on your behalf with the business and entrepreneur community, who are always willing to help if asked.

Thank you very much.

The Chair: Thank you, Mr. Ferguson.

We will now move on to Ms Gavin from Mackenzie county.

Mackenzie County

Ms Gavin: Good morning. My supervisor, Byron Peters, the director of planning and development, and I would like to thank you for this opportunity. My name is Hayley Gavin. I'm a planner at Mackenzie county. I've distributed a handout – you should have electronic access to it – and we've got five key points that I'm going to speak to.

At present we believe Alberta's agrisectors limit the ability for all Albertans to equally share in capitalizing upon their assets. In Alberta the consolidation of centralized agriprocessing, manufacturing, and purchasing allows for the strategically located producers to effectively compete in the global marketplace. Product oversupply in any given year can flow to the market, increasing international purchasing power and reducing producer profits. Although global market freedom can work in favour of those strategically located, who, given the right conditions, are able to harvest early and transport product to processing facilities with rail services that feed directly into the marketplace, this centralized efficiency model fails to accommodate northern and remote producers with the least flexibility in their harvesting window, no access to agriprocessing and manufacturing facilities, and access to a single limited rail service. Decentralizing Alberta's agribusiness equates to new investment and opportunity at the product source.

In southern Alberta producers have the option of targeting grain elevators and terminals, which are served by both major rail services. In northern Alberta producers are limited to hauling their products to a regional hub served by one major rail service. When product oversupply occurs and rail services are limited, regional grain elevators are known to refuse product delivery, leaving producers to haul product further south, increasing their carbon footprints and costs and reducing profits. In northern Alberta this is a real threat.

We believe that growing rural agribusiness is crucial for Alberta to move toward strengthening and diversifying our economy. A key

component for this to be successful will see rail lines that serve the northern part of the province becoming more reliable. Rail services need to enable timely transportation of products to market, an element which only becomes more crucial the higher the value of the product. A healthy northern rail service would also benefit the viability of Alberta's most northern agricultural practices, enabling this sector to become less vulnerable to any reduced oil and gas and forestry activity and also enabling farmers to free up annual cash flow and capital.

Organic farmers of Mackenzie county are known to grow grains with higher weight and protein levels and oilseeds with higher omega content. Essentially, our local producers have the ability to provide and sell superior rural products. However Alberta's centralized agribusiness system limits the capacity in which our local producers can capitalize upon them. Feasible access to agriprocessing and manufacturing is vital to enable the producers of the Mackenzie region to build local resiliency to international purchasing power, establish local food production and security, and contribute to provincial agribusiness and economic diversity.

The government of Alberta has the ability to develop policy, share expertise and knowledge, provide funding, and instill mechanisms to encourage rural investment in development to evoke real change and reduce rural vulnerability to public policy, global markets, and other economic sectors. Northern and remote agricultural regions have local and willing investors who would like to see grain-buying power shift from select global players over to local producers. However, therein lies another key issue. Today local producers are better connected than ever to global product shortages, grain pricing, and purchaser profits. Despite these connections, we believe the sector's social network to be flawed. We see a system that has the capacity and capability to offer value-added knowledge, expertise, and advice, which provides facilities for producers to learn but is just as centralized as Alberta's agriprocessing, manufacturing, and purchasing system.

Northern and remote producers have the willingness to enhance local agribusiness, but they lack the knowledge and expertise to realize this. Many producers do not trust that government-led initiatives are developed with the northern and remote producer in mind. To overcome this, improved access to provincial assets such as the investment attraction branch for all producers is vital. An integrated system where they can secure expert advice on how to best capitalize upon their assets, support, and encouragement when looking to diversify and expand current operations: expanding the capacity of rural research farms to local agribusiness development is one way of achieving this.

Tangible support from the government of Alberta will be a key driver in rebuilding trust and communication between northern and remote producers and the provincial government. Further to producing an integrated social network, northern producers also require quality time with provincial employees who are knowledgeable in value-added agrisectors. Their presence should aim to enhance current producer practices and business networks by identifying product processing options, funding, and investment opportunities while also facilitating appropriate introductions to impartial purchasing communities.

During a time when Alberta's rural economies are becoming increasingly threatened and restricted by wider provincial policy and environmental initiatives, rural economic diversification has never been more important. We believe a shift from the centralization of Alberta's agriprocessing, manufacturing, purchasing, education, knowledge, expertise, advice, and support to a system where investment opportunity and support can be found at the rural product source is required.

With the ability to process superior products locally, perhaps our farmers could shift towards operating in niche markets, transporting value-added products, encouraging locally based closed-loop systems, perhaps even empowering local branding and ownership. This would increase local food production and security and investment opportunities and reduce the risks associated with single-market reliance. In an effort to bridge the gap between local producers and the government of Alberta, we encourage the province to utilize the municipalities as tools to develop relationships with local producers and expand rural research farms to provide agribusiness development in a bid to further strengthen the social network and Alberta's diversified economy.

Thank you.

8:50

The Chair: Excellent. Thank you very much, Ms Gavin.

We'll now move on to Mr. Lewington from the city of Lethbridge.

City of Lethbridge

Mr. Lewington: Good morning. Trevor Lewington, chief executive officer of Economic Development Lethbridge. Thank you, Mr. Chairman, for the opportunity to be here and to speak to you and through you to members of the committee today. I'd like to start today with a few quick facts that underscore the importance of continued growth in agrifood and agribusiness, particularly to Lethbridge's economy, and the benefits we've derived from that diversification in our economy thanks in large part to the very sectors we're here today to talk about.

Recent census data released by Statistics Canada indicates that Lethbridge was the fifth fastest growing metropolitan area in the country with a growth of 10.8 per cent between 2011 and 2016. The Lethbridge-Medicine Hat region at the same time has had the lowest unemployment rate in the province, and Lethbridge's, at 5.9 per cent, was the lowest municipal urban centre rate across the entire province. A recent report in the *Western Investor* notes – their words, not mine – that Lethbridge will have Alberta's leading economy in 2017. This builds on last year's comments from the Conference Board of Canada that indicated that Lethbridge will likely outpace GDP growth in the rest of the province.

Now, we're not blessed with oil and gas assets in Lethbridge like the vast majority of our friends in the rest of the province, so we've had an urgent need for diversification in our economy for a long time. Agriculture and agrifood activity accounts for a full one-fifth, or 20 per cent, of our GDP, and that represents over 1,200 related businesses in the sector. These are great facts. They indicate some positive progress, but global competition continues to intensify and, combined with changes in technology, trends in global supply chains, and industry consolidation, means we have to do better.

With that, I'd like to offer you all today three recommendations for consideration as the policy-makers and decision-makers that are providing leadership for Albertans as we blaze a path forward. The first recommendation is to recognize that agrifood and agribusiness are increasingly operating in a globally competitive market. Policies, support programs, even regulations that are directed towards the sector must enable our business community to operate effectively on a global basis. Just as Alberta's agribusiness sector cannot operate in isolation, Alberta's government cannot regulate in isolation.

A recent announcement by Cavendish Farms regarding their investment in a new frozen potato processing plant in Lethbridge was certainly welcome news. At over \$350 million this investment represents the single largest private investment in Lethbridge's

history and has a number of broader benefits for the region and many spinoffs that we expect. We have seen many other significant investments announced over the last couple of years for facility expansions and modernizations in Lethbridge. We have over 20 large major food processors within the city boundary itself. However, just like the Cavendish plant, the battle to have these investments made in our city was not an easy one, and it was fought with many jurisdictions across western Canada and the Pacific Northwest. In my opinion, your role as policy-makers is to formulate strategy, design regulations, and develop industry support programs that position Alberta to be more competitive than our neighbours and other relevant jurisdictions around the world.

Now, to be clear, I'm not suggesting that businesses shouldn't pay their fair share. I am not suggesting that we join the race to the bottom with all kinds of inducements and tax incentives that don't add value to the taxpayer. But North Dakota, as an example, has made a concerted effort and has made agrifood one of their strategic priorities in their economy. The entire apparatus of the state is moving towards how they can support agrifood and agribusiness. That's something we have to be aware of.

The team at Alberta Agriculture has successfully deployed a wide range of programs that support the agrifood sector, in particular the first two iterations of Growing Forward. I would certainly look at how we can leverage the successes of those programs and tweak them to optimize further investment opportunities. I'd also like to personally commend the investment attraction team at Alberta Agriculture and Forestry, who have been immensely collaborative and have been a strong partner for us.

The second recommendation is to consider that investment attraction and the expansion of existing agribusiness essentially comes down to two factors. Our role collectively, together, is to create a sustainable operating environment that allows investors and businesses, first, to maximize their returns and, second, to minimize risk. That's how business works. As you know, agriculture-based development contains inherent risks that are largely beyond our control, the weather and the state of certain commodity markets chief among them. Your role, then, as policy-makers and policy leaders is to ensure that new legislation and regulation stabilize the operating environment and help to add the predictability that investors crave. Government policy can dramatically alter pricing and long-term availability of mission inputs like electricity, skilled labour, and transportation.

The third recommendation is to prioritize – and I'll put this in quotation marks – infrastructure that enables and aligns with economic development priorities. Public goods like efficient transportation networks are crucial to ensure access to markets, and this includes a broad range of modes like road, rail, and air. One successful example of what I will call a nontraditional or enabling infrastructure that government policy can enable is the Cor Van Raay agribusiness program jointly developed by the University of Lethbridge and Lethbridge College. By matching a private donation of over \$5 million, the government of Alberta is helping both of those institutions to set a new path and to provide the knowledge and the skills that industry is actually demanding. Students have the opportunity to work with both institutions, and many of the faculty are crossappointed to both schools. That's something that we can learn from.

The Leduc Food Processing Development Centre has been mentioned. There are, of course, a number of success stories that have come out of that facility. There are, however, a number of challenges. As my colleague already pointed out, it typically underforms other incubators, not unlike our teconnect centre for innovation and entrepreneurship in Lethbridge. At the same time, if you think about the costs for a Lethbridge-based or a southern

Alberta entrepreneur to attend Leduc and travel back and forth and book space in an often out-of-capacity facility, it's very challenging. The location is cost prohibitive, and we need to look at other options.

To summarize very briefly, the standing committee's recommendations to the Assembly and to the government should first look at Alberta developing strategies and targeted programs to remain competitive in the attraction of new investment as well as the expansion of existing agrifood and agribusiness in a global context.

Second, Alberta can carefully review any planned regulatory or policy changes to minimize disruption to the stability and predictability of the operating environment for business in general.

Third, investigate enabling infrastructure to make sure that it's prioritized not only with your own capital planning but also economic development priorities.

Canada is only one of six countries worldwide that have the combination of natural capital, financial capital, and human capital to significantly increase food production for export. This significant increase in global population and demands for safe food and improved nutrition put Alberta in a very unique position. It is likely true that we can continue to be providers of bulk agricultural products, and we might even be able to compete globally with emerging markets for the production of these products, but if we have aspirations to drive more economic value from our primary production, we need to bring focus to value-adding activities in the economy. This will require long-term thinking. It will require new levels of collaboration between levels of government, industry, associations, and growers.

I look forward to answering your questions, and I appreciate your time.

The Chair: Excellent. Thank you very much.

I'll make a note for those committee members who are here and especially those who are on the phone that the representative from Calgary Economic Development is delayed, so if it's the will of the committee, we'll allow him or her to present to the committee if they arrive relatively shortly.

Other than that, I'm going to open up the floor for questions to the presenters. As a note as well, if you have any representatives in the gallery who can answer questions on your behalf, there is a microphone set up for them as well.

Actually, never mind. I apologize for the delay. We have our colleague from Calgary Economic Development joining us here.

Calgary Economic Development

Dr. Chalack: Good morning, everyone. I do represent Calgary Economic Development, the subcommittee on agrifood and agribusiness. Jointly we have a committee of about 10 individuals.

The Chair: My apologies. First, can you introduce yourself for the record as well?

Dr. Chalack: Certainly. My name is Dr. David Chalack. I'm an international marketing director for Alta Genetics, and I chair the subcommittee on agrifood and agribusiness for Calgary Economic Development.

We have jointly, with input from all the members, a broad group of representatives, many from private business, who have put together our written submission. How many people have read that? Okay. It just depends how much detail we want to get into. The format is that everybody makes a five-minute presentation, and then there is a debate or Q and A?

The Chair: Yeah.

Dr. Chalack: Okay. Thank you. Let me know when the five minutes are up.

We looked at this as a great opportunity to influence policy and the opportunities to grow the business. Opportunities that we have identified are value-added food and meat processing, beverage manufacturing, agritechnologies, crop science and animal genetics – that's where my specialty is – and agrifinancing and business.

9:00

Support for investment in processing assets and value-add agriculture will enhance sector diversity and protect against market fluctuations. Investment in technological innovation as well as attracting capital and companies to the province within the space will lead to increased productivity and enhance the quality and quantity of value-add food produced in the province. We look for areas of improvement, and I think that's where this group – are we all MLAs here? Is that who the main group is? Okay. Great. I'll itemize these, and we can have further discussion in the panel.

Business environment to support investment and growth. We have to attract capital and investment, and jurisdictions other than Alberta are very aggressive in doing that: the province of Manitoba, the province of Saskatchewan. And there have been recent announcements where lentil production and processing – a \$400 million plant going into Manitoba, et cetera. Regulatory duplication and delay are routinely cited as barriers to investment. Industry also seeks more clarity and transparency from the province on the development of policies that impact the sector. To be concise, we need a low-cost and competitive environment, and the discussion around the carbon tax certainly comes up in that area.

Lack of a public champion. Our committee is concerned that public leadership does not explicitly support and promote the agribusiness industry. This is further reflected by the lack of communication between the agriculture industry and government. This aside, this opportunity certainly is a great opportunity, though. Having an effective communication process between the two that is utilized regularly will allow each to understand the opportunities and issues.

Access to capital. Statistics Canada reports that 87.7 per cent of new jobs created from 2005 to 2015 were generated by small business – to ensure that successful diversification, start-ups, and early growth companies need access to capital. Just by way of, you know, the economic analysis of where money goes, there was a recent announcement – I saw the headline in the *Western Producer* – where \$60 million was allocated to biofuels. And in the ag sector there are a lot of questions of: is there a better place for that money to be utilized for the long-term benefit of taxpayers in Alberta?

Access to labour. You would think that with the recent downturn that wouldn't be a problem, and I suppose if you're not involved in agriculture or agriculture food processing, you would say: well, there are lots of people out there looking for a job. But I can tell you that the processing plants, particularly meat processing, where Alberta has a huge footprint, really do suffer. We struggle to find workers; at the same time, increasingly skilled workers need to address technology and innovation. One thing that we very much see as an opportunity is the collaboration with the educational groups, and I see that the universities and others are going to be presenting today.

Access to water. Alberta has a sufficient water resource, but the quantity and availability for enterprises to access water is restricted. Updating water policy to ensure that rural Alberta has sustainable access to this key resource in order to facilitate new food processing is important. The Harmony Beef plant, that is set to open on February 27 in Balzac, which will ultimately employ about 300, is

a classic example of the hassles over water and the delays of over two years.

We do have some solutions. Our committee proposes the following initiatives for the government of Alberta. Develop a business climate that can compete globally to attract investment. Government programming should provide financial and business support and reduce or streamline red tape for industry players, from entrepreneurs to large corporations. Consideration of how regulatory frameworks, lowering or increasing of taxes, future energy costs – and the cost of electricity, I can tell you, is very much on the minds of all manufacturers these days – messaging, and further government support will affect the sector and is paramount for building a business-enabling and sustainable environment.

Two, recognize that agriculture has an important role to play in responding to climate change. Ensure that the sector is at the table and has input into policy decisions and access to funding for other forms of innovation and design.

Three, actively support engagement of the public and private sector to put Alberta on the global stage with key agricultural issues. Collaboration between industry, government, and academia will reduce the silos and increase support for the sector. We need a champion for the ag sector. Tell the story of the productivity, sustainability, and quality of the agriculture production model in Alberta. We are the envy of the world. Establish a baseline of the most important key performance indicators that both the government of Alberta and industry can reflect on that shows how our province is diversifying its economy and will ensure fact-based discussion and reference points for future efforts.

Finally, I would say the need for the public to be able to understand and embrace science as we move with incredible discoveries that must be allowed to fulfill their role in food production, food processing, and feeding the world.

Thank you.

The Chair: Thank you, Dr. Chalack.

Really quickly we'll take this opportunity just to introduce ourselves to the table here as well. I'm Graham Sucha. I'm the committee chair and the MLA for Calgary-Shaw. I'll move to my right.

Mr. van Dijken: Glenn van Dijken, MLA for Barrhead-Morinville-Westlock.

Mr. Taylor: Wes Taylor, Battle River-Wainwright MLA.

Mr. Orr: Ron Orr, MLA, Lacombe-Ponoka.

Mr. Schneider: Dave Schneider, Little Bow.

Mr. Carson: Jon Carson, MLA for Edmonton-Meadowlark.

Ms McKitrick: Annie McKitrick, MLA for Sherwood Park. I'm substituting for MLA Fitzpatrick.

Mrs. Schreiner: Kim Schreiner, MLA for Red Deer-North.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Mr. Horne: Trevor Horne, MLA for Spruce Grove-St. Albert.

Ms McPherson: Good morning. Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

The Chair: And on the phones, Mr. Malkinson.

Mr. Malkinson: Yup. Brian Malkinson, MLA for Calgary-Currie.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Piquette: Well, good morning. I'm Colin Piquette, MLA, Athabasca-Sturgeon-Redwater.

The Chair: Excellent. I'll open it up for questions from committee members. Right now I have a small list started. Mr. van Dijken.

Mr. van Dijken: Thank you, Chair. Very interesting submissions. I am part of the ag industry and very interested in what's been presented here today. I've got many questions, but I'm going to key in on one area and how public policy can enhance what we're currently doing with agriculture in the province, recognizing global competitiveness. A couple of the presenters have highlighted that. Then I'm going to ask each of you to maybe express your opinions on how we can better – we are in a system of carbon taxation, carbon levies. I see that in a couple of the presentations from the Calgary economic committee:

The sector should also be recognized for carbon offsets which will give the sector further ability to contribute to the province's climate change targets ... [and] to measure and monetize the capture of carbon dioxide and reduce greenhouse gas emissions.

Is there a way to encourage further development within the agricultural sector, agribusiness sector, that we could utilize some of this funding to develop agribusiness?

9:10

Dr. Chalack: Well, that's exactly the point that I made on the biofuels initiative. I don't want to get into a debate on, you know, how much carbon can be reduced, but there is a report that says that it's about \$1,100 U.S. if you're using wheat to sequester one tonne of carbon. At the same time, you're taking the resource of land and water and all other activities that could be used to produce food that we could process here, add value, employ people, and I'm not sure how effective biofuels are in reducing the carbon footprint. I mean, I don't know everything about the climate, but I do know that when you look at cost-benefit analyses, at least what I've researched and looked at, we need infrastructure in food processing more than we need stimulating the production of biofuels. We have cheap, available fuel here, albeit most of it is carbon, but there are initiatives for other sustainables. I think we can use a lot more hydro. We could get into the whole discussion about farmers and their view of wind energy. That's a problem because of the way that it impacts land.

With respect to offsets and sequestration I think that recognizing the value of the grasslands – and it's good that our Alberta agriculture is now merged with forestry because they're both complementary in the sequestration of carbon, but, you know, as far as agriculture is concerned, carbon is not a toxic substance. I mean, CO₂ certainly stimulates plant growth, the production of food, but in the no-till programs where we're not using all the excess fuel and those sorts of things, we have become so much more competitive and efficient in producing food per unit of energy that to the bigger part of the sector we see efficiency as being a way to preserve and help the carbon footprint.

Mr. Ferguson: Generally I'm not a fan of tax and rebate programs, but if you wanted to do a tax and incentive program around kind of a collection and then distribution, I'd focus in on the urban centres. You've got an opportunity to look at programs around rooftop greenhouses or vertical farming in terms of just incenting a type of behaviour that does have generally less footprint overall on a per square footage point of view that actually assists in the building of capacity in the urban centres. Also, it builds case studies and changes the Alberta brand over time in terms of just recognized case

studies out there in terms of what you can do from an innovation aspect on vertical farming.

Mr. Malkinson: Mr. Chair, can I get in on the speakers list, please?

The Chair: Yep.

Ms Gavin: For our farmers efficiency is a big issue. You know, with all the holding costs they have to transport their product to consolidated hubs, they're forever increasing their carbon footprint. The carbon tax talks about those who make a conscious effort to reduce their footprint will get rebated, so the people who are hit the most by the carbon tax will be rebated, but we don't believe that that allows for our producers to do that because it's impossible, almost, for them to keep their carbon footprint small. You know, we are focusing on rural local resiliency. That's why we're talking about creating local processing and feeding into the global market, but on a local basis we can do northern food security as well. We have more of an option rather than just the one, but reducing our footprint for our farmers is difficult.

The Chair: Mr. Lewington.

Mr. Lewington: Yeah. In a previous life I oversaw manufacturing operations for a large agrifood business, and it always, at the end of the day, comes down to cost. The incentive needs to be around: how do I make myself more efficient, how do I reduce my operating overheads, and how do I compete with either sister facilities within the network that I operate or with, you know, my competitors? From a public policy perspective I think you can incent certain behaviors, but I think those incentives need to be clearly linked to a strategy. There needs to be a clear purpose.

Within the context of agrifood if we identify that these are the four key things as Albertans we want to grow and these are the four subsectors we're going to focus on, again those incentives, those infrastructure demands, all those priorities I've identified need to be linked so that actually all of those public policies move us in the same direction against those strategies rather than kind of a shotgun approach, where we're fixing this over here and we're fixing that over there. It all needs to be linked, in my mind, and that's where the government as elected representatives provide that leadership and help set that framework.

The Chair: Member McPherson, you had a question?

Ms McPherson: I have a few. Just one at a time?

The Chair: Let's do one and then if you have a supplemental, and then we'll move to the next person on the speakers list.

Ms McPherson: Well, first of all, thank you all for joining us here today, especially those of you that had to travel. I know many of us can appreciate how challenging that can be, so thank you.

Well, I'll start with a pretty general question for everybody, then. It's wonderful to see municipalities here. Are there any best practices or insights that you would like to share that might be useful for other jurisdictions?

Mr. Lewington: I mentioned in my remarks that we've had a very strong partnership with the investment attraction branch of Alberta Agriculture. They've been very strong partners of ours, so I think that one is key, to be linked to all the other government partners. We've had investment inquiries, as an example, come through Canada's embassies in other countries. A recent one came through the Canadian embassy in Paris. I view it as my role to be linked to those people to make sure that they know we exist and what we can

facilitate. The role for other municipalities, I think, is to know who your partners are and make sure you build those relationships. It's not about waiting at the other end of the phone line for an inquiry to come through.

The second piece is to really connect with your business community. We're very fortunate in that we have a very strong – as I said, there are about 20 specific large-based agriprocessors in our community, and they all are very vocal about letting you know what they need. It's important for us to understand and make sure we're responsive to that because it's hard to know how to represent industry and how to talk to industry and service their needs without understanding what their day-to-day issues are.

Ms McPherson: Thank you.

Ms Gavin: We have a very good relationship with most of our local farmers. The good thing about that is that they come to the municipality always asking questions about how they can enhance this and how we can help them. You know, in the planning department we're forever doing the research to find out how we can help them, what funding grants are available, X, Y, and Z. So we feel, I guess, as I spoke to in the presentation, that the social network and the support needs to be strengthened. It needs to be filtered down.

I'm not suggesting that the government should burden, if you like, for want of a better term, the municipalities with distributing that information, but I feel like we could all be better connected, so if producers do come to us and say, "How can you help us with this?" we know who to direct them to. At present we're phoning half a dozen government departments. We get passed around on the phone, and then, you know, "Oh, we'll come back to you," and sometimes nobody ever does. That's a big issue for us.

Mr. Ferguson: It depends on what part of the value chain. I mean, when you look at best practices anywhere or within agriculture, certainly, if you're in a kind of protected market – there are certain ones. I'd use Montreal as an example. That is a relatively protected market as it supports mostly Quebec-based farmers, but it's got a very efficient delivery system and production system for the downtown, the urban cores. You look at the Netherlands in terms of how they've use the early part of the value chain from the research to the commercialization aspect. There's a university there. I don't have the right pronunciation. You probably know, Dr. Chalack.

9:20

Dr. Chalack: Wageningen. Yeah.

Mr. Ferguson: We'll get back to you on that one. I apologize for putting you on the spot, but I can't pronounce it either. But, in terms of what you could do with the Leduc food processing centre, we were in the Netherlands about a year ago, and the gentlemen there said: "It's funny that the idea for this came from the Leduc food processing facility 30 years ago. I can only imagine what it is today." And we kind of sat there and went, "Wow," you know, because it hasn't grown that footprint in the commercial aspects and the research. With that kind of thinking we can learn a tremendous amount from other jurisdictions.

The Chair: Dr. Chalack.

Dr. Chalack: Yeah. I'm glad you brought up the Leduc food research. I was chair of ALMA, the Alberta Livestock and Meat Agency, and funded a number of initiatives. To be best in practice, I mean, you need an ecosystem. You know, the primary producers

are not looking for money from government. That's pretty clear to me, and we're part of that. We export to 80 countries. The people that I deal with and interact with in Calgary Economic Development, we're looking at how can we get the ecosystem to bring all the various, you know, academics to large corporations to smaller start-ups to interact with each other, learn from each other, and foster the momentum to do great things.

I think that when it comes to food processing, it's such a big investment over such a long term that it's not about grants from government. I've said: where's ATB? I met with Dave Mowat. You know, ATB should be providing or somebody needs to provide higher risk, longer term capital. Yes, there will be failures. You know, we've got to allow people to fail. You learn when you fail, too. But somebody has to pick up that opportunity to lend at a reasonable rate for a longer term without the caveats of the big five. I think the government can play a role there. It's not charity and it's not unreasonable financing, I think.

The Chair: Ms McPherson, your supplemental.

Ms McPherson: Thank you. Thank you for that. I just wanted to follow up with your statement about ATB because there is legislation that was recently introduced regarding the Alberta investor tax credit. Do you see there being opportunity for that to be beneficial to the kinds of investments that you're talking about?

Dr. Chalack: It certainly is beneficial, but it's not the answer. I think there has to be a stronger and more significant place for the access to capital for start-ups or entities that don't have the revenue stream in place yet.

Ms McPherson: Right. Okay. Thank you.

The Chair: I'll allow other panel members to answer if you have any comments.

Mr. Ferguson: My only other comment is that, first of all, I compliment Minister Bilous for putting it forward. I thought that it's a very good initiative in the right direction as long as you're not venture backed already, which has a little bit of a loophole that prevents it from happening. As long we get that kind of solved and then we move it into the agrifood sector, I think it's nothing but a benefit. So, please, full encouragement there.

Ms Gavin: The same. I agree.

Mr. Lewington: The same.

The Chair: All right. MLA Orr.

Mr. Orr: Yeah. Thank you for your presentations: very fascinating, very well thought through, good content. I'm just going to focus on one area with maybe a couple of issues regarding it, but I think I heard three if not four of you talk about the need for capital. There are billions and billions if not trillions of dollars out there looking for a home. There are sovereign wealth funds. There are family offices literally daily looking for a place to invest capital, and they can't find what they're looking for. So to say that there's no capital: I'm challenged by it. On top of that, Alberta is one of the highest wealth jurisdictions in North America, has been, anyway. There is money around. It's the question of: will people commit it? So my question to you, I guess, starts out with: why is it that people are not now committing capital? This desperate, urgent need to create something that will allow capital to come here: what keeps it away?

The second part of my question is probably more challenging to you. I'm a little bit surprised to hear some of you wanting to use

both AIMCo and ATB as a backstop for the government or as a back door for the government to provide money to industry. Every time in Alberta's history that we have had the government starting to make investments in industries – and you just need to go back to the 1980s. There's a whole list of them, and every single one of them did nothing but cost the taxpayers millions and millions of dollars.

I'm disturbed, quite frankly, to hear a couple of you wanting to use those sources of funds, AIMCo in particular because AIMCo is supposed to, by mandate, receive the best return on investment possible. AIMCo is the pension funds and other funds for people. Are we asking people now to backstop probably losing businesses? All venture capital is a very high-risk business. If you get 1 out of 99, you're usually lucky. Are we asking pensioners now to backstop these businesses with their pension funds?

Dr. Chalack: Maybe I'll start because I'm late to the table. I didn't suggest AIMCo.

Mr. Orr: I know you didn't.

Dr. Chalack: Maybe somebody else did.

I will say that I read an interesting piece in the paper on the way up about how the governance of AIMCo has been tampered with and each MLA . . .

Mr. Orr: Exactly my point.

Dr. Chalack: . . . needs to take a look at that new provision because I believe AIMCo needs to be at arm's length, very much at arm's length, so we'll start with that.

Mr. Orr: Totally to the point.

Dr. Chalack: With respect to the capital I'm on the board of an early start-up diagnostic using genomics, and I can tell you, Mr. Orr, or Ronald, that we've been two years trying to secure funding to move us to the next stage. You know, you paint the picture, you show the projections, but investors, really, as you say, don't want to lose, right? I'm not suggesting that government should lose, but I am suggesting: where is the process that government takes to identify the risk, benefit?

I'd put biofuels out there, okay? We can say that, yes, we need to reduce our carbon footprint, but what is the best approach? It's not just about environment. There's an economic perspective, there's a social perspective, and then there's the climate. It can't all be slanted to climate. Yes, we have to consider it, but could you take that \$60 million – like, I really don't know how many jobs that's going to create or what impact that's going to have on carbon. I don't, and I don't know how we're measuring that. You tell me.

But I do know that there are companies like Sunterra, which is not just a fly-by-night. I think they've got stores up here in Edmonton. They want to generate more business for primary producers by having processing. Now, access to capital for them is a limiting factor. The big banks, for whatever reason – and I'm not on the board of Sunterra, but I know that if you had Ray Price sitting here, a business-friendly environment and access to capital: he'll say it every time.

I'm not suggesting that AIMCo spend its money here, but when I talked to Dave Mowat – in the first or second budget, whatever happened, the government gave ATB I think a billion dollars or something. I thought that was to be, you know, so that people could get greater access to lending. He told me: no; that was to shore up our balance sheet. You know, I don't know the answers, but there is a feeling that there's a gap there.

9:30

The Chair: I'll remind all committee members and panel presenters that all questions and comments should be directed through the chair as well. I'll allow other panel members to answer the question if they so choose.

Mr. Ferguson: In terms of access to capital let's not confuse the different stages of capital. We have early seed capital in terms of early-stage risk capital, which we are short in in Alberta. There are your banking systems and your export strategies, which we are also deficient in, and then what I call more strategic investments, which is what I was referring to as AIMCo. AIMCo was not a venture capital play; it was a strategic investment play. Their objective is to make money off that, but if they have priority areas, one of which is the growth to 7 to 9 billion people by 2050, then the food and agrifood businesses should be an area of diversified portfolio which they might want to look at a little bit more intensely and which they already are.

In terms of seed capital, that's where we are deficient in the province. The sovereign wealth funds, although we have trillions of dollars available, won't put anything less than \$50 million to \$100 million out there. One of the things we could do in this province is set up a fund that attracts capital from different jurisdictions but allows us to tranche it out in smaller parcels which have a seed and a maturing aspect to it. That allows for patient growth capital for our start-up companies, and it still allows for accessing those sovereign wealth funds, which we have lots of good relationships with, but it allows us to tranche it out in sizes that allow entrepreneurs to, number one, still keep their companies, grow their companies with patient capital, where the VCs don't have hooks in them and claw back ownership over time.

I won't comment on ATB because the tiering up of tier 1 capital was actually a billion dollars, so I'll leave it at that. Thank you.

Ms Gavin: I'm under no illusion that investment and investors and capital are out there. The trouble that we have for northern and remote producers is getting their hands on those investors and that capital. It comes back full circle again to the social network and the support system. While it's still centralized, their agribusiness, why would investors invest in northern and remote Alberta? Why would they come to Mackenzie county when they know that transportation costs are high? Do they know that we have a superior raw product? I don't know. Do they? Maybe they do, maybe they don't, but that's where we have to, we believe, utilize the research farms because they have the data. They're doing this work all the time.

For our producers to get to the investment attraction branch, for example, the commute is, you know, 800 kilometres or whatever. When their growing season finishes, they're out in the bush in forestry and oil and gas, so trying to get down to Edmonton to seek investment, to find capital, is difficult at best. We have to instill some mechanism somewhere to attract the investment to the raw product source: "We have a superior raw product. Come and invest there. Help us add value." Until that happens, you know, they're not going to be able to capitalize on that at all and get their hands on this capital, these trillions of dollars that are out there.

The Chair: Mr. Lewington.

Mr. Lewington: Yeah. I'd agree in general that there are all kinds of capital out there in the world and that, in particular, governments should avoid picking specific winners and losers. That's generally not a great policy. Government, as you know, is to create the right environment. The question that was asked was around: why are we having difficulty attracting that capital? Again, I would say that it's

more about creating the right environment that's conducive to investment, that supports, again, minimizing risk and maximizing returns.

As one of my colleagues pointed out here, there is a range, there is a continuum of different types of funding that's required; you know, loans and structures to enable exports and guarantee accounts payable, like EDC on a federal level, or whether it's start-up capital for that seed funding for the new early-stage economy. I think we have to be careful. All funding is not created equal, and capital comes in many different forms. There's a right time and a right place in the development of a company, whether it's starting out or whether it's mature, in terms of where that funding belongs, so I think we have to look at the whole continuum.

Alberta's challenge and I think one of the things that this committee can take a look at is Alberta's brand on the world investment stage. I use the word "brand" very loosely, obviously. An example of that is that we attended last year the global agritech investment summit in San Francisco, and there were two Albertans, including one of my staff members, in the room. So the global agritech investment summit, and there's no GOA presence, and there's no Alberta corporation presence. That begs the question: why? Again, if agritech and growing agribusiness are important to us, if agrifood is a priority, then we need to be looking at – and maybe that's not the right event – those kinds of summits, those kinds of events where we connect investors from the global stage with businesses, with municipalities, and bring all of those things together. That, for me, is where the government should be focused.

The Chair: Dr. Chalack.

Dr. Chalack: Yeah. That's right. That smaller area, you know, \$2 million to \$5 million, \$2 million to \$10 million, the big guys, and then you get dilution and you lose your company, and all those things: that was covered nicely.

I think that Alberta could represent western Canada as an ecosystem. I mean, we have a unique climate, and we have unique assets – western Canada truly does – and I would like to see this government foster the interest or the opportunity to have the ecosystem for a centre of excellence like Wageningen in Holland. But Holland is a whole different thing. There's a centre of excellence at Purdue University, for example, or in Davis, California. But we have what you could call a whiteboard – right? – with nothing on it, something that we can build here that's truly unique, a mass of acres and land and water and with very sparse population.

In Calgary and Edmonton we have hubs of distribution. We've got great airports. We've got a lot of the infrastructure already, but we've got to bolt on the innovation pieces and the investment pieces that will facilitate or be a catalyst for entrepreneurs to have the confidence that (a) they're going to have a low-cost environment and that (b) they're not going to be taxed to death, so that when they want to attract the best and the brightest minds to manage and run these things, you know, they're not running to the States – the dollar difference is different right now, but personal taxes are important – and then the costs of energy, electricity, et cetera. I think Alberta can be the lead for western Canada, and we need to seize that opportunity before others do.

Mr. Orr: Just a follow-up. Calgary has a fairly decent financial sector, mostly oil and gas oriented. Is there a way to branch that out or leverage that into private equity for agriculture in a meaningful kind of way? I know it doesn't exist yet.

Dr. Chalack: That's true; it does not. At Calgary Economic Development, Mr. Orr, we are looking at that and trying to figure

out how we take that expertise. I mean, our latest initiative and push is the new federal infrastructure bank, which we hope could be headquartered in Calgary because of that financial capacity that's been very fruitful in being innovative in the start-up sector in oil and gas and those sorts of things.

I think that agriculture is not sexy, you know, and that's part of the problem. I think that people don't take a good, hard look at it, and the returns aren't as significant, probably, in the long term as some of the other sectors.

Mr. Orr: That's part of the challenge right there.

Dr. Chalack: Yeah.

The Chair: We'll go to a couple of members on the phone. Mr. Gotfried.

Mr. Gotfried: Thank you, Mr. Chair. I just wanted to reiterate some of what I've heard today, some of the key things that we're fighting here as a business-friendly environment – of course, agriculture is no different than other sectors – and also what some may see as a decimation of the Alberta advantage, which really dilutes the global value and recognition of our agricultural assets and hence the attractiveness as a destination for capital.

I have, you know, personal concerns over the carbon tax in an industry that's heavily focused on energy-intensive production and transportation to global markets and over taxation of all sorts, including what some might call corporate farms and ranches, which, in fact, in many cases are just well-managed, family-owned operations. I have concerns over government taxation, regulations, labour, and other impacting policy. As my first question I'd be interested in: how are some of these regulations affecting in a very, you know, direct manner our competitiveness? The term "competitiveness" has come up on numerous occasions from all of our presenters here. Our ability to compete locally but also, more importantly, as a net exporter and our ability to compete internationally could be severely impacted by various regulations, including environmental regulations as well. I'd just like some input from our presenters here on the layering and the challenges we have with respect to a business-friendly environment in the Alberta agricultural sector.

9:40

Mr. Lewington: I talked a little bit earlier about how, you know, Alberta cannot regulate in isolation. I think the key is, as you mentioned, the layering effect. With each one of these policies, whether it's the carbon tax or the minimum wage or WCB changes, in isolation none of these things are significant. Yes, there are always pros and cons, there are always advantages and disadvantages, but when you put all of these things on top of each other and you ask businesses to adapt within a very short time frame to multiple changes across a broad range of regulations, that's where the challenges come in.

You know, again, I think we have to take a look at the global context. There are a number of different research reports out there, there are a number of different studies, but you can see how Alberta's major municipalities have been degraded over the years in terms of their ranking in some of these cost reports. Again, if I'm an investor – and I'm using the KPMG competitive cost alternatives report as an example – Lethbridge has slipped from 18th spot to 23rd spot over the last four years. Those are real numbers, those are real costs, and it's a real, dynamic, live ranking system. At the end of the day, if I'm an investor, I'm looking at the costs of doing business in that jurisdiction based on a multitude of factors.

Again, I think the challenge for us is not that any one policy is good or bad – I would hesitate to get into that debate here today – but it's, again, what the collected impact is when you look at all those things combined and the timing. Again, Alberta doesn't exist in a vacuum. You have to look at the global economy. You have to look at what's happening south of the border. Obviously, there have been some fun and interesting things happening lately that give us pause for thought. All of those things provide context, and we have to look at the big picture as we move forward with those policy initiatives.

Ms Gavin: I guess that in terms of environmental regulation that we have, our producers strive to be more efficient, and to comply with multiple policies is a big struggle up there. We're looking into, you know, funding and stuff that we can get for our producers who do protect environmental assets on their land to offset those costs on their operations, but we're finding that those areas are a bit limited at best at the moment. We're looking into how best we can find funding for them to, for example, restore carbon sinks, because we have a lot of peatlands up in our region. If we can try and find some good offsets for them where they can enter into long contracts that will be beneficial, then that's something that we're looking at.

Mr. Ferguson: Competitiveness is relative to your neighbour and neighbouring jurisdictions, not just within Canada but also the United States, and when others change their policies, your relative competitiveness changes in real time, and that's what's going on right now. You know, we've got a lot of risk in the United States right now of finding ourselves very uncompetitive very quickly on certain aspects of our economy, and I assume that'll continue. What you have is an erosion of return on invested capital, and if a company owner or an organization can't get a return on invested capital, that capital will either not be directed, or it'll go elsewhere. It's a pretty simple concept. That's a real-time move. It'll continue to move, and money knows no heritage. It doesn't know geography. It'll move to the place where it can get the biggest return.

If you can't get return, it forces us to think about strategic relationships, where people are investing here for strategic needs in terms of feeding themselves, whether it be China, India, Japan, Korea, places like that. Your strategy changes based on our ability to compete on an equal basis. Right now we're starting to slip in the rankings on our equality basis, so it forces us as, you know, economic development agencies to think about attraction of capital for other reasons.

Dr. Chalack: For some reason I think the focus that we – I'll say collectively "we," and that's the population, because it's the population that elects, you know, our representatives. We have taken our eye off the ball. I don't want to use the word "hijacked," but I'm going to use it. Climate and climate change, that whole discussion, have hijacked the discussion so that every department that I go to or every initiative first and foremost is overlaid with concerns about climate. Climate is part of the puzzle. But the idea that, you know, government regulations or initiatives should penalize low-cost, readily available energy, which is a significant input cost on manufacturing, doesn't seem to make a lot of sense, so there has to be some tempering of that.

The energy industry in Alberta now is ranked, I think, 44th. It dropped from fourth to 44th over two years. Tell me why that is? It's because of policy, regulation. It's the cumulative effect of all of these various decisions. So, yeah, we're facing a critical time if we're going to attract the type of investment and entrepreneurs to this province.

The Chair: Excellent.

We have about half an hour left, and I have about five members on the list, so I will just encourage members to be pretty brief with their questions.

Mr. Gotfried, you had a supplemental if I'm correct.

Mr. Gotfried: Yes. Thank you, Mr. Chair. I guess there are some ironies here. We're talking about investment climate, and I'm hearing other aspects of climate. I'd just like to ask the presenters here. I do have another question, if we have time later, on some export-related items, but I'd like to ask the presenters here: do you feel that the agricultural sector within themselves as a broad sector are good stewards of our environment?

Dr. Chalack: I'm a farmer. Who else is a farmer in this room? There you go.

Our land passes from generation to generation, and nobody appreciates clean water, lack of pollution, the ability to raise your family more. I believe that agriculture certainly is a very good steward. That's not to say that there isn't room for improvement, you know, with the pollution of streams and the opportunities we have to make our nitrogen situation better and the application of fertilizers. But through innovation and smart agriculture or smart farming it's really moving in a significant and impressive way to harness and maximize the response from inputs without impacting the environment, and that's where the free market rules. Somebody else referred to the fact that the efficiencies that we're gaining do certainly help the environment.

Mr. Ferguson: A loaded question. I'll pass on this one. And I'm not a farmer.

Ms Gavin: I'm certainly not a farmer either. I can't speak for the whole province, but I believe that they can be. Being largely organic farmers up in our region, you know, they practise no-till and limit chemicals and pesticides and everything, so I believe they can be.

But to reiterate what we're speaking about, the efficiency model can somewhat limit that. With investment coming from purchasers who want to maximize their profits, it's based on efficiencies, you know, so they're still burning the land every year. How sustainable that is in the long term I guess we'll find out. It's a difficult one. They can be given the tools. So perhaps if the agribusiness does allow for local investment in production, then possibly we can improve on the current stewardship levels.

Mr. Lewington: Also not a farmer, but having had the privilege of working with many growers over the years, feeding my three plants at the time, and having spent many, many days in a field looking at various crops, I certainly can speak to it a little bit. Most of our growers were second or third generation, very long-term thinkers in terms of stewardship for future generations and their families but also their communities.

9:50

What I would, I guess, point you to is some of the innovations that are seen in Alberta's agriculture sector, in particular some of the great work that's happening with the use of drones and satellite technology and variable-rate irrigation and things like that. There are many sort of best practices, and I would argue globally leading-edge kinds of developments, that are happening in our agriculture sector that we can promote and we can champion as examples of good stewardship.

The other example I spoke to in my remarks was the joint program, the Cor Van Raay agribusiness program at the college and the university in Lethbridge, as being driven by industry, being initiated and seeded by industry. There's a great example of

industry not only funding this program but demanding this program to kind of pave the path for the future.

So there are many examples of best practices. I'm sure if we troll the headlines and dig through the files, we can also find some terrible things that have happened in the agriculture sector. But I think, to the original question, yeah, in general we have some great people out there doing some great work.

The Chair: MLA Malkinson, you had a question?

Mr. Malkinson: Yes. Thank you so much. Mine is sort of a bit of a two-parter here, so I'll ask them both at once if that's acceptable to you, Chair.

The Chair: Go ahead.

Mr. Malkinson: The first part of my question is directed to the representative from the city of Lethbridge. You mentioned in your presentation that, you know, you had had some success in becoming a hub for agrifood processing, and I was wondering if you could share what you learned that might be relevant to other municipalities from your experience.

Sort of as a follow-up to that to all members, many of you articulated that there's an opportunity for the province to champion agribusiness here in Alberta. I was hoping, you know, as sort of the second part of this question, that you could expand on what role you see the province playing in championing the agribusiness sector.

The Chair: Go ahead.

Mr. Lewington: In terms of some of our successes, a couple of things that industry have indicated to us are, I guess, the foresight of previous administrations within the city investing in serviced industrial land. Often these companies will come to town – you know, they've probably narrowed down their list from several hundred jurisdictions to maybe the top three or four, and when they're at the point of being ready to make a decision, they want to make that decision, like, yesterday, right? They're not looking to go into a new community and partner with a community and over the next six to 18 months develop a site. They'd like to be able to turn that key tomorrow.

To the city's credit, previous administrations have always invested in infrastructure and in particular serviced heavy-industrial land that is so zoned, that's so placed, that industry can basically show up and land, but also in things like water and waste-water treatment. The agrifood sector is heavily reliant, typically, in most processes on treated water, and in many municipalities across the province there's a lack of capacity there. So if we're going to be very serious about attracting these kinds of investments, particularly on the larger scale, there needs to be a very thoughtful and strategic approach to how we invest in the infrastructure that will support those industries.

It's not something that most people like to hear about, but it is a bit of a build-it-and-they-will-come approach. There is some, you know, argument that the public good, the infrastructure investments that governments make often have much longer payback periods. The ROI is not always immediate. But I can tell you with some degree of certainty that several of the investments that we have today in Lethbridge would not be possible without those investments and that forethought from 10, 15, even 20 years ago. So it's really important to think about the long-term game and the strategic nature of how infrastructure supports those businesses.

Then, again – I spoke to it a little bit earlier, I think – the collaboration and the partnerships. There have been a number of cases where an investment comes through my team which is not

suitable for the city itself. So although it pains me to do so, it's also incumbent upon me to work with neighbouring jurisdictions and hand those investments around where they make sense, right? There are some investments that just don't make any sense in an urban municipality. If it's not collaboration with provincial or federal departments, it's also collaboration on a regional level.

We're fortunate to have many great partners, not only with the regional economic development alliances around us but also with the neighbouring jurisdictions, and we have to work through that because, again, it's about providing the solution. Distribution systems are an example. Road infrastructure and rail infrastructure: that relates to all of the infrastructure around you and how you get to those markets, whether they be north, south, east, or west.

The Chair: Others to comment on the supplemental? Ms Gavin.

Ms Gavin: Yes. We believe that a system that acknowledges the value of the rural product source is vital to championing agribusiness provincially and looking for boots on the ground, I guess. That doesn't necessarily have to be physical presence if, you know, funding won't allow but potentially, again, utilizing the research farms, potentially having employees situated at northern and remote farms that can provide support and advice, who understand the local challenges and the potential in these regions in looking to facilitate relationships with global in-reach investors and capital.

Mr. Ferguson: We have a big province. We have urban and rural, and you need both. You need a strategy for both. It's not one strategy across everything but very different issues, very different opportunities.

We've been lucky in Edmonton. We have 7,300 businesses in the agrifood and food service area. It's about 13 per cent of all the businesses in Alberta. We've got a critical mass, and that's because of the density. It's around open access to kitchens, short-run manufacturing facilities, some of that precapitalized infrastructure that allows an entrepreneur to go and play with a piece of equipment, pretty free. That's a very effective use of government funds. The key is: how do we get that part of the entrepreneurial ecosystem?

Right now the only two industries that are not part of the entrepreneurial ecosystem are health care and agriculture, and both are run by the departments. So how do we get that down into the local environment? That's where there's mentorship, capital, facilities, programs, and other entrepreneurs to learn from, and that's where innovation happens.

The one thing that I'd love to see out of government, though, is open procurement, so Alberta Health Services, K to 12 schools, and universities and colleges. How do we start letting small-run manufacturing opportunities for entrepreneurs test products in those areas, if they're safe? What a wonderful opportunity to scale small businesses here, to allow them to grow up and start building larger manufacturing facilities.

The Chair: Dr. Chalack.

Dr. Chalack: Okay. I think that as the Lethbridge case has been identified, we at Calgary Economic Development are very much looking at the infrastructure piece, the fact that agricultural designated lands for processing and refining are important. The interaction most important to us is with the municipality of Rocky View, which is north, where there are all kinds of warehousing and activity starting.

You know, you talk about governments and foresight. It always amazes me when I fly into the Edmonton airport. I know one of the

fellas that's been farming that land for many, many years. I think that land base was put together in 1950, for God's sake, and now you see the build-out of the airport and all the businesses that are coming around there. That's quite fantastic. So long-term vision and not expecting immediate payback on behalf of governments is very important.

I do want to just caution. I don't want people leaving the room thinking that we're only producing food for local consumption and that it all needs to be organic. I chaired the advisory board for the Canadian Food Inspection Agency, and I can tell you that the food we eat, whether it's organic or not, is safe. Not everybody can afford to go to the local market and buy, you know, the organic tomatoes at \$3 a piece.

The Chair: Excellent.
MLA Schneider.

Mr. Schneider: Thank you very much. Well, I've really enjoyed your presentations. You've answered several of my questions, basically regarding economic development. Do you see, I guess, any opportunities for the Alberta ag sector with regard to the comprehensive economic and trade agreement, Canada-EU?

Dr. Chalack: It's very important – very, very important – especially now that the trans-Pacific partnership has evaporated in front of us, because TPP was going to be absolutely so important for the beef and the swine sectors, specifically, of course, opening the European market. This Harmony Beef, for example, one of their niches is going to be the European marketplace. There are lots of import restrictions there with respect to nonhormone, so we will have to refocus. I believe the industry will respond, but yes, thank God that CETA is on the table.

10:00

The province and the department can be a catalyst in promoting the negotiation of a bilateral agreement with Japan. In the TPP we didn't necessarily need all those other countries. We certainly need Japan. Food security for Japan is critically important, and they love what they see in Alberta and Canada because they want safe food. That's very important to them. In my business I actually – Japan is one of my territories. Japan is a big opportunity for Alberta producers, especially in pork and beef.

Mr. Ferguson: I concur. Absolutely critical in terms of the trade relationships, and what a wonderful opportunity to re-establish ourselves as a footprint in North America, you know, certainly into European markets right now as opportunities below the border might be a little bit different over the months to come.

Also, though, recognizing what the federal government is doing in terms of moving forward with bilateral trade relationships with India, Japan, and China, those are going to be the three primary markets west of here that we also need to take advantage of. I think the critical thing, though, is that companies don't know how to take advantage of them. You know, we have a lot of companies that are aware that these relationships exist. In fact, federally we've created more free trade agreements than ever before in Canada's history, yet very few companies really understand with foresight as to: how do we start preparing, and what do we need to do to take advantage of new markets? That's still a government program or a government support aspect that I think is just underdeveloped in this province.

You might have different . . .

Dr. Chalack: I've got a perspective. You know, government-led missions have been going on – I remember going to Europe with

Barry Mehr. Now, I don't know how long Barry Mehr was involved in agriculture here.

This is where the entrepreneurs that run the businesses can mentor or somehow have an association, you know, that helps them understand how to get into these markets because government cannot. Government does not. That's just not their role, nor do they have the experience or the expertise. I'm not being critical. It is important. You've got to have those relationships, and at a high level you've got to have that ability to do the trade. But when it comes down to doing the business, I think that's the role of mentorship programs and sharing knowledge.

A fellow by the name of Ted Bilyea, who sat on our ALMA board, opened up the market for Maple Leaf Foods into Japan. Ted is an amazing guy. If you could take Ted – and he's running a business in China now, and he just shakes his head at how we spin our wheels. There are key people, and they don't have to be from Alberta. Ted is out of Toronto. I'd love to have the opportunity to harness a group of people that could mentor, you know, how we've grown our business, where we export to 80 countries, what Maple Leaf has done. You know, you look at the lentil industry. You look at all sorts of things. Now, it takes a certain critical mass. It's not the little start-up that can do it, but you can get associations. I mean, who's done a better job than the canola group, for example?

There's huge opportunity. Of course, government through the trade agreements allows the door to open, but I think it truly is entrepreneurs and private businessmen that can help each other get through the door.

The Chair: Excellent.
Ms Gavin.

Ms Gavin: I agree. I'd like to pass.

Mr. Lewington: I'll just add that as with all trade agreements there are always winners and losers. I believe that CETA will overall provide a net benefit to Canada, but I think that, you know, government plays a role in helping build capacity for the people that will be negatively impacted and helping them come up with strategies to mitigate or improve or become more efficient as well as take advantage of some of those new opportunities that arise.

The other, you know, aspect of CETA that is, I think, too often overlooked is not just the movement of goods and services but the movement of labour. There is a provision that allows the export of people and talent in particular areas of expertise. I think of southern Alberta in particular. We are world experts in irrigation and irrigation technology and irrigation science. What's the play there? Not only to export the technology but our expertise and have engineers under that provision for free movement of people in this agreement. That's perhaps bigger than just goods and services.

The other danger or the watch out, I guess, is that Europe might be the shiny object this year or perhaps for the next couple of years as that agreement rolls out. We also have to be mindful of the other markets where we have strategic partnerships and where we have to make investments. For example, right now our mayor is leading a delegation to both China and Japan, where we're continuing to build on existing sister city relationships. We have an upcoming one very soon here with Yuma, Arizona, which has also done some great things with irrigation science, irrigation technology that I think Lethbridge can learn from.

I wholeheartedly agree that CETA has many, many benefits, but let's also keep in mind all the other things that are happening that we need to be mindful of and to leverage those.

The Chair: Do you have a follow-up?

Mr. Schneider: I might, just a different topic altogether. Have any of you ever referenced agribusiness to the Alberta international offices or to the Canadian trade commissioners to help expand exports? If so, what were the results of those discussions? Sorry. Thank you. Through the chair, of course.

The Chair: Mr. Lewington.

Mr. Lewington: Sure. We have had very good partnerships, actually, with the Trade Commissioner Service in particular. We've had individual meetings with trade commissioners in Denver, for example, and in Phoenix supporting different initiatives.

We've also had a great deal of support through diplomatic channels. As an example, I was on a volunteer mission in Jamaica just a couple of weeks ago. I know; rough life. Global Affairs Canada has a program called CARILED, where they support Caribbean countries with economic development. We met with the high commissioner in Jamaica. In particular, I've just discovered some things like, as an example, Canada is actually Jamaica's third-largest export market. We are their second-largest source of foreign direct investment. Although the intent was more to support and build capacity in that country through a federal government program, just an example of the interest that – you know, the high commissioner was, like: "Okay. Well, how can I support Lethbridge? What does Alberta need? Where do we have . . ." He was all about, "How do we create more partnerships?" and wants some follow-up conversation.

All of my interactions with the various elements of that chain have been very positive. As always, I think that there's an opportunity to expand our reach and build upon that and make sure that Alberta is at the top of the list because there are things outside of Ontario, of course, and we just need to remind people of that on a regular basis.

In terms of the trade offices, as an example, as part of our trade mission to China we have bilingual materials that are in Mandarin as well as English that profile southern Alberta and actually profile about 30 different southern Alberta businesses that are seeking investment. All of Alberta's trade offices in China have agreed to carry those materials, and we've had some conference calls to educate their staff on opportunities and make sure there's that link as well. Again, I have very positive things to say about the infrastructure and the support that we've received.

Ms Gavin: I'm unfortunately unable to answer this question, but I can certainly follow up in writing at a later date.

Mr. Ferguson: We use them all the time. In the last two weeks we've been in Amsterdam and Helsinki. Both had really good experiences with the Canadian Trade Commissioner Service that way in terms of growing food in northern environments and some of the relationships for those that are above 45 degrees north. I thought: really good relationships and experience there. Nothing bad to say.

In terms of Alberta's foreign offices, I just think that they're underfunded and with a mindset that needs to operate on a grand scale, which is that if we're going to be in a market, we need to be able to entertain, we need to be able to have a presence, we need to be able to, you know, show Alberta well. We tend to do it on a shoestring budget. I'm rarely one to actually encourage more budget expenditures; however, this is one where – you know, when your goodbye gift is a little bag of beef jerky, it's a little embarrassing when you walk out. That's actually how we've presented our province sometimes. This is something that I think we need to take seriously. When we are in a market and we are needing to make a presence, that is one area that we can't go to the

third tier of cheapness. We need to be there in a significant way, and I'd encourage you to think about that.

The Chair: Dr. Chalack.

10:10

Dr. Chalack: Yes. Thank you. Good question. They are important. They provide a role, but I think it's about, you know, deciding what not to do as well as what to do. I think that we're chasing opportunities all over.

I mean, we know that you can pick almost one of 40 cities in China, and no matter what product you were doing, you couldn't provide that city with all that they needed. There's just such incredible demand. I think too many Canadians and Albertans sit here and think: here's this vast market; let's get in there. Well, I say: maybe pick a city and really work it. With these foreign offices, especially with China, maybe we need more. We could stand two or three more really, and that takes investment, but then you really need to focus and decide not to do some things. There will be winners and losers in that, too, unfortunately, but you can't be all things to all people either. Tough decisions.

The Chair: Being cognizant of the time here, I will go to McKittrick and then Taylor and then allow additional members to read their questions into the record for future follow-up just so we can stay on track with the agenda here as well.

Ms McKittrick.

Ms McKittrick: Yeah. Thank you very much, Mr. Chair. First of all, I wanted to really thank the city of Lethbridge for the extensive work that you've done around the area, including the agribusiness. A number of MLAs had the pleasure of visiting Lethbridge and the county of Taber and so on and really seeing the investment in the agribusiness and the way that farmers are really minimizing their use of water and electricity and so on. I really, really wanted to thank you for the work that the city of Lethbridge is doing.

I had a question for Ms Gavin that I think relates to an interest that I have and ask it of Mr. Ferguson and Dr. Chalack, too. I understand from your presentation that in Mackenzie county most of the farming is done by small-scale farmers mostly involved in growing organic or specialty crops. I had a question around your access to market and especially access to the urban area. Then I was interested in the growing trend around the urban areas to begin more urban farming. I think, Mr. Ferguson, you referred to vertical farming and all this kind of stuff. I'm interested in: how can we improve the distribution system to make it easy for your farmers to access small cities or bigger cities and for urban farmers to work with rural farmers or others to maximize their ability to market within the urban areas?

Ms Gavin: Yeah. I guess that comes down to some of our bigger issues. It's the communication and networking disconnect, we believe. We believe there are, you know, opportunities out there, there are investors out there, there's capital, there are relationships that can be made, but they're just nonexistent at the moment for our producers. I mean, as a municipality with our resources we try to do the best that we can. It's certainly something that we're really focusing on now over the coming year. We can learn so much from some of the things I've heard today that are coming out of Lethbridge that I'm really excited to follow up on.

So, yeah. I mean, it's a higher level issue. The rail network is very limited. The consolidation, the regional hubs for the grain terminals, is a big issue because if there's limited rail service and you show up with your haul, you get pushed further down the line, so you have to, you know, continue. It is a big problem, and it's

something we need to look more into. I guess, when I provided my presentation, it was highlighting some of the big issues that we have, and we're certainly looking for information and to learn more about how we can build relationships and overcome some of these issues.

The Chair: I'll allow other panel members to comment if they wish.

Mr. Ferguson: What we try to do with certainly the network system is to make sure we have foreign access. It's around export. It's not necessarily around domestic consumption. It is, but that's not our primary focus; for example, you know, securing the Air China cargo flight direct from Edmonton, through Dallas, Edmonton, to Shanghai. Air China cargo has more distribution into China than any other airline. We're the only flight coming out of North America for that that can move cargo. You know, that is an example of something that the city of Edmonton has been very strong in terms of support, and then that provides that distribution channel.

In terms of local, just on the vertical farming side, that's primarily around a smaller footprint and more energy efficiency for local production and distribution. We've got the Edmonton Research Park at 23rd Avenue and 99 Street there with some available land. We would love to do a small-scale pilot around vertical farming or rooftop greenhouses. We've got a number of opportunities around that. Again, it's just a pilot project. It's case study worthy. You can scale it, but really, you know, if this is where different types of programs and projects want us to focus, that's where we tend to do it.

Mr. Lewington: You know, the one example that comes to mind in southern Alberta in particular is rail. We tend to have among the lowest rail freight rates in terms of cost, but we only have one incumbent provider in the region. So service perhaps is the challenge. From a policy perspective, again, recognizing our access to markets globally, the government of Alberta needs to work with its counterparts not only nationally but also internationally to ensure that access and understand and map infrastructure, how it relates to accessing that system. As an example, there's an intermodal terminal in Shelby, Montana, that's more or less equidistant from Lethbridge as Calgary would be.

Again, if the incumbent providers aren't going to provide us with the access that we require, are there alternatives that today would be hampered by federal regulations in terms of who can cross borders and things like that? Are there viable alternatives, and are there providers willing to provide that service? We need to entertain what those policies might look like, again, in the spirit of what is the best option for producers and for access to those markets.

The Chair: Dr. Chalack.

Dr. Chalack: Yeah. Really nothing additional to add other than that, you know, everything comes down to scale and practicality when it comes to sourcing markets, whether they're the larger urban markets. In terms of the niche products, there's seasonality. Then you've got the retail sector that wants a steady supply at low cost. It's a big challenge.

The Chair: Mr. Taylor.

Mr. Taylor: Yeah. Thank you, Mr. Chair. Ms Gavin, I was going to initially ask a question, but I want to stay with the theme of being competitive here in Alberta. With the input costs that are included and ways to be able to keep ourselves able to make money in the

industry, would you see the benefit of the government including cultivated and native grassland and grazing land as a carbon credit? Would offering carbon-offset credits for cultivated and native grasslands help farmers and ranchers gain capital they need to help their operations?

Ms Gavin: I guess that provincially, yes. I'm not a hundred per cent certain that it would benefit the producers of our region. We don't have much livestock for reasons that they can't capitalize upon distributing them and such. I mean, I would prefer to follow up with you on that question at a later date because I feel like I'm unable to answer it right now.

Mr. Taylor: Are there others that have an opinion on that?

The Chair: Dr. Chalack.

Dr. Chalack: We've certainly looked at that, and we actually met with ministers Bilous, Carlier, and McCuaig-Boyd, CED did, asking for the climate change group to have deeper and further discussions in that area. One of the problems when you look at the carbon cycle, of course, is that you can sequester carbon, but then at the next phase you're releasing carbon. So it's also hard to quantify, but certainly there should be. We've often said that if the energy industry took some of the money that they spend on their environmental initiatives and invested in offsets through agricultural land, especially the grassland areas that help in so many other ways with species variability and sustainability, with water filtration and lack of erosion – I think that supporting grasslands is very, very important for this province.

10:20

Mr. Ferguson: I'll just agree with Dr. Chalack.

The Chair: Okay. Any other comments?

Do you have a follow-up, Mr. Taylor?

Mr. Taylor: Well, you obviously want value-added products to come into this province, and that's commendable, but I've been talking to a lot of people that you would consider are already producing value-added products, but they're looking at leaving the province because of the carbon tax. What would you do to make sure that Alberta is investor friendly?

The Chair: Dr. Chalack.

Dr. Chalack: Yeah. Let's talk about the carbon tax. What's concerning is going to be, you know, the federal initiative. I hear Elizabeth May saying that this carbon tax does not make a difference at the level that it's at with respect to changing the environment or this perceived catastrophe that's going to happen with increased carbon concentrations in the atmosphere. I wish that there was a more thorough debate around the risk-benefit analysis because, quite frankly, everybody talks about the risks, but I don't hear many politicians talking about the benefits. If you assume that there is climate change, then actually Canada can benefit quite significantly from that. That assumption is fraught with lots of discussion. I think that the Legislature actually could be a venue for a fulsome discussion around risk benefit rather than everyone screaming – well, I made a generality – and saying that the sky is falling, that we're going to have catastrophes, and that every weather event that happens is climate change related. Rather, get down to earth, really have a good discussion with all sides having a voice, and then look at policy because the arbitrary overlaying of these policies is worrisome.

Mr. Ferguson: The good news is that a number of our industries are geographically designated, so you can't just pick up and move. There's an element of being close to resources. That's the good news.

Mr. Taylor: I could argue some of those.

Mr. Ferguson: That's the good news. You know, the tough news, though, again, is: how do you make a return on invested capital? If you can't make a return on invested capital, there are no jobs, and there are no government revenues. It goes to zero. Eventually, we'll have a thorough discussion on competitiveness, we'll have a thorough discussion on a future kind of economic strategy going forward for the province, and that will play a key role in terms of: how do we not just play in small, start-up types of industries? How do we have a massive, significant competitive advantage in this province again and ability to compete on a world stage, ability to attract investment?

If we just pick off the carbon tax and argue about it, you know, I think we're going to go blue in the face, and we're going to lose a lot of cycles, to tell you the truth. We need a more comprehensive look at how we're going to compete over the next 20 years. That's a 20-year industrial strategy that allows for clean energy and energy transition in all those things. It's a 20-year strategy, not a 20-month strategy.

Ms Gavin: A lot of the environmental organizations that protect the environment in Canada are U.S. funded. The investment comes internationally. If we had value-added agribusiness, it would enhance local resiliency. It would help to build it. I mean, you talk about food security up in the north, where if there's a shortage on bread or, you know, such a product, we feel it first because it has to come from down south up to us. If we were able to produce value-added products, we could sustain our communities more, building northern food security. I guess to be investor friendly, though, would be helping the environment as well, reducing carbon footprints.

Mr. Lewington: I'd echo some of Mr. Ferguson's comments in that it's not about the carbon tax specifically. It's not about WCB legislation specifically. It's, again, about the overall impact of all of those things combined. At the end of the day, money knows no borders, so if investors cannot achieve a suitable return here in Alberta, they will and they are going elsewhere. At the end of the day, we have to compete. We have to look at what other jurisdictions are doing.

Again, if I speak to my previous life in a North American supply chain across a network of 42 plants, that company managed volume based on lowest landed cost. That's freight; that's everything in. I was routinely fighting not with my competitors but with my sister plants in the same family because as soon as currency moved or as soon as cost in one market shifted, the company was able to manage its supply chain and move production and move volume and move jobs to wherever its lowest landed cost was. That's ultimately for agri-food where we need to get back to.

Again, if investors in these companies cannot produce at the lowest landed cost, they will not survive, and they will go where they can. Collectively we have to look at: what's the big picture? What's the long-term strategy to fix that? It's not about one or two taxes or this levy or that levy. Again, those are all interesting in isolation, but what's the combined picture?

Alberta is losing ground. We are seeing investments go elsewhere, and we have to wake up to that. We have to be conscious of that, and we have to have a comprehensive strategy, a long-term

strategy. What are we going to do about it? Again, we can't be all things to all people, but we know that we have some trade agreements we can take advantage of. We have some clear resources and some clear strengths that we can take advantage of. So let's focus on those things and have a very detailed dialogue with the people that are making those investment decisions. That's the other piece.

You know, I don't know who is on the rest of your agenda, but I hope it's not all people like me because I'm the wrong person to talk to. I'm the guy selling the investment opportunity; I'm not the person making it, right? Those are the types of people that you also want to have that same level of detailed discussion with and ask those same questions – why did you pick this jurisdiction over another? – because therein lies the answer of what government needs to do.

The Chair: I do reassure you that it's not people just like you.

Mr. Lewington: Then you'll be okay.

The Chair: Yeah.

I'll allow members who are on the list to read in any questions that they had for the record. Mr. Orr, did you want to read them in?

Mr. Orr: Yeah, sure. I guess, just as a follow-up to what we've just heard, I'm wondering if at some point we can have comments on: when do the regulation-driven issues that have been identified become a tipping point of collapse? I mean, it's not just one. It's the carbon tax, electricity, wages, transportation, municipal tax, and bureaucratic barriers. All of these things are actually driving business out. Are we at the tipping point yet, where we're going to see a massive loss of agribusiness in Alberta, or how far away is that tipping point? That would be my first question.

Then, related to that, I guess I've always struggled with the fact that most of the climate change discussion is very negative discussion. It's about how awful everything that we're doing is. What I'd really like to hear from you is: how do we use climate change to our advantage? How do we grow our economy in a positive way because of it instead of just piling up barrier after barrier after obstacle, layer upon layer, that kills our province, quite frankly. How do we do that positively? I'd like to hear that.

The Chair: Mr. Gotfried.

Mr. Gotfried: Thank you, Mr. Chair. I wanted to follow up – really, it's the same line of thought – using perhaps Western Feedlots as an example, where it was clearly cited that things like the carbon tax and government regulation and policy certainly were tipping points for them. I'd like to hear from our presenters, if in the future we have an opportunity again, where those layers are. Is it a livestock head tax? Is it a carbon tax on operations? Is it a carbon tax on transportation of our global export goods that's going to affect us? What are the small increments here that are being affected by government policy that are making us uncompetitive and thereby handicapping our ability to diversify our economy? I really wanted to thank and appreciate everyone here for their insights, for their time, for representing their stakeholders as well. I'd like to hear from them, perhaps in some detail as we move forward, what those costs look like and how we can mitigate some of those costs and, you know, follow up on some of the other concerns there are. Where is the balance in this and how can we ensure that we have success while we're also addressing some of the concerns and moving forward with what I think is really the best policy, which is to let innovation and research take its lead?

Thank you.

10:30

The Chair: Member McPherson.

Ms McPherson: Thank you, Chair. For the very lively province of Alberta I would like to understand from our panel what sort of KPIs they'd like to see established in order to measure the progress that's being made.

The Chair: Thank you very much. As a reminder to all members who have joined us on the panel today, all these have been recorded by *Hansard*, so you should be able to access the transcripts within the week or so.

Thank you for joining us. I know that some of you have come from a long distance to join us here today as well. If you do wish to provide any additional information or follow-ups to any of the questions, please filter them through the committee clerks before the end of the month so they're accessible for all committee members.

We're going to take a short, five-minute recess and start back at 10:37 sharp for the additional panel.

[The committee adjourned from 10:31 a.m. to 10:42 a.m.]

The Chair: All right. I'd like to welcome everyone back and ask everyone to take their seats so we can get back to the agenda. I apologize for the delay starting the next panel here as well. We've had quite a bit of riveting conversation going on so far.

As a courtesy to our guests who are joining us here at the table, I'd ask that our committee members introduce themselves again for the record. I'll start on my right.

Mr. van Dijken: Good morning. Vice-chair Glenn van Dijken, MLA for Barrhead-Morinville-Westlock.

Mr. Taylor: Wes Taylor, Battle River-Wainwright.

Mr. Orr: Ron Orr, MLA, Lacombe-Ponoka.

Mr. Schneider: Dave Schneider, Little Bow.

Dr. Chen: Lingyun Chen, University of Alberta.

Dr. Blade: Stan Blade, dean of the faculty of agriculture at the University of Alberta.

Mr. Cullum: Stuart Cullum, chief innovation officer with Olds College.

Mr. Pryce: Paul Pryce, Alberta Council of Technologies, director for agriculture and Asia relations.

Mr. Alston: Wade Alston. I'm the CAO for the town of Magrath and here to talk about the sustainable agriculture education partnership.

Mr. Carson: Jon Carson, MLA for Edmonton-Meadowlark.

Ms McKittrick: Hello. Bonjour. My name is Annie McKittrick. I'm the MLA for Sherwood Park, and I'm substituting for MLA Fitzpatrick.

Mrs. Schreiner: Good morning. Kim Schreiner, MLA for Red Deer-North.

Mr. Dach: Lorne Dach, Edmonton-McClung.

Mr. Horne: Trevor Horne, MLA for Spruce Grove-St. Albert.

Ms McPherson: Good morning. Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

Mr. Koenig: Good morning. I'm Trafton Koenig with the Parliamentary Counsel office.

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

Ms Rempel: Good morning. Jody Rempel, committee clerk.

The Chair: I'm Graham Sucha. I'm the committee chair.

I'll allow those who are the phone to introduce themselves as well.

Mr. Malkinson: Brian Malkinson, MLA, Calgary-Currie.

The Chair: All right. We'll now proceed. Sorry. Go ahead, Mr. Piquette.

Mr. Piquette: Yeah. It's kind of awkward. Who's going to speak first? Colin Piquette, MLA, Athabasca-Sturgeon-Redwater. Welcome.

The Chair: All right. We'll start with our panel members providing their introduction presentations, and I will start with Mr. Alston from the town of Magrath.

Starfield Centre (Town of Magrath)

Mr. Alston: In the ag sector there's a bit of a structural problem in the educational area. A lot of corporations are finding that there's a huge deficit in postsecondary graduates in the ag sector, as many as between 60,000 and a 100,000 graduates a year, a deficit to that extent. The corporations are not finding enough young people who are interested in careers in this sector. In order to address this at a grassroots level, the town of Magrath a couple of years ago decided to invest \$2 million in a stand-alone facility in conjunction with the modernization of the high school in Magrath, a centre to promote ag education at a secondary level and to create a bridge between elementary, secondary, and postsecondary education in the ag sector, to get more young people excited about careers in this area. We did this through a unique collaboration between corporations, a municipality, and a school division.

Now, in our school division, the Westwind school division, there are 600 First Nation students in our area. The problem that we're facing in a lot of rural municipalities is that agriculture is being conducted in a traditional way. A lot of the innovation, a lot of technology, value-added, and so on isn't happening here in western Canada as it is in economies like in Holland, for example, and other economies where there's a huge percentage of their economy which is agriculture. The second-largest ag economy in the world is Holland, and Holland would fit very neatly in a corner of our province, but the level of innovation, the level of vision in the ag sector is far different in some of these other regions than it is here in our area.

Our goal was to create a pilot project that could be transferable into other municipal settings throughout the province involving a collaboration between a local, rurally based urban municipality, a school division, and a corporation, in this case Agrium Inc., based in Calgary, who are real innovators and quite visionary in their approaches towards agriculture and collaborate closely with a number of postsecondary institutions in this province.

A facility was constructed. It's now complete, and we're developing curricula. Obviously we have to co-ordinate with Alberta Education in this area in order to create a new vision, I guess you

could say, and to educate in the ag sector and technology areas but also in terms of economic diversification. Our goal through this sustainable agriculture education partnership and this innovation centre, which is a stand-alone facility next to our high school, is to promote not only education and create innovative curricula in this area that would be transferable into other settings throughout the province but also to use the centre as an incubator, working in collaboration with federal and provincial partners and the economic development infrastructure in our area, for example, of the city of Lethbridge. We're also collaborating closely with Lethbridge College and the university and have also been in meetings with Olds College and other groups around the province. Anyone who's interested in agriculture: we're interested in collaborating with them.

A board has been formed. The partnership is independently incorporated. We have representatives on the board who are directors from the Alberta Wheat Commission, senior academics, representatives of the college and the university in Lethbridge, and so on and so forth. We're developing these curricula now. Again, we're trying to fill this gap, get young people to see a future in this sector and to work with their parents, you know, to work in the corporate setting, really to try to raise the bar in terms of the vision we have about where agriculture can be going. If we were to develop the same level of value-added per acre that the Dutch are accomplishing, we'd probably outpace the oil and gas sector in this province if we were able to accomplish that type of thing and certainly be much greater contributors to the economy.

Just as an example here, in closing, we're not just talking about this in potential project terms. We have a group called the Starfield Centre, and we leased about 30 acres of land to them. They're building a state-of-the-art greenhousing facility in Magrath. They're breaking ground right now, and we just entered into an agreement to acquire eight industrial lots in our community to build state-of-the-art lighting and other things. We're trying to build Magrath as a centre for innovation in agriculture in terms of economic diversification and education at a grassroots level and make it a feeder into the postsecondary around the province and then transfer this into other settings. Agrium is the lead player on the corporate side right now, but there are other corporations standing in the wings.

We'd also like, if possible, to take advantage of some of this carbon tax funding, potentially, because environment and environmental sustainability is a major focus in what we're doing.

I'd better stop there.

10:50

The Chair: thank you very much, Mr. Alston.

We'll now move on to Mr. Pryce.

Alberta Council of Technologies

Mr. Pryce: Thank you, Mr. Chair, and good morning, everyone. I'd like to begin by expressing appreciation for the standing committee's interest in growing Alberta's agrifood and agribusiness sector as well as for your interest in the work the Alberta Council of Technologies is conducting in this area. I'm also pleased to share that ABCtech recently entered into an industry alliance with the Agriculture and Food Council of Alberta, although unfortunately I didn't have the opportunity to run this presentation material by them, so today I'm speaking strictly on behalf of ABCtech.

The food and beverage industry is an economic engine for Alberta, our second-largest manufacturing sector, and its importance to any diversification drive cannot be overstated. My presentation today will specifically focus on how to better grow

agrifood opportunities at the micro, small, and medium-sized producer level. Major investments like the \$350 million expansion by Cavendish Farms in Lethbridge show that Alberta is already doing great at the level of large producers, but if we want all cylinders firing in this engine, we need to do better at the initial stage, commercializing a product, and then bridging the so-called valley of death, which means bringing micro and small producers up to the level where their products can be sold beyond the local farmers' market.

The first challenge is what I would call the government-entrepreneur interface. Few in Alberta's agrifood industry are aware of how Alberta Agriculture and Forestry or Alberta Economic Development and Trade can help market their products overseas. If you conduct an Internet search for Alberta agrifood, this is the top website that turns up. It's not very intuitive, and it would take someone quite a bit of digging to find out what, if any, programs are available to help them do business in our province. I regret for the sake of the members calling in that this is a very visual presentation, but I hope that the materials can be shared so they can also benefit from this. Of course, my contact details will be available to follow up if there are any questions for those members calling in.

In contrast, I'd like to show you food starter, a program launched in 2015 with support from the city of Toronto. The website is flashy but intuitive, and it takes only a couple of minutes to find out exactly what food starter is and how it can help get a new product to market. Essentially, it's a single window for R and D funding, business development advice, and access to a 20,000-square-foot incubator. If we want to really develop Alberta's agrifood potential, we need to change the way entrepreneurs and government interact. A good starting point for that is a single window with a better website. Of course, there needs to be something of substance to communicate through that website. This is where we encounter the greatest challenge facing our industry, the lack of a coherent ecosystem.

The Leduc Food Processing Development Centre fulfills an essential role, and the government of Alberta's investment in its expansion is a very, very wise decision, but it is currently oversubscribed, and it is unclear whether the expansion currently under way will be enough to meet the demand when completed in 2019. Also, Leduc is an incubator, not an accelerator. It can help at the start-up phase, which is great, but what if you have achieved some market success, some brand recognition, and you now want to scale up your production to reach export readiness? What if you've been doing well filling small orders but then a big order comes in that exceeds what your facility can do? There aren't really any supports in Alberta for that currently.

A better approach in the future might be an array of incubators across the province, each with a more specialized focus and catering to the surrounding region. Graduates from these incubators might then later feed into a single accelerator or hub of accelerators to scale up production. Colleges could be ready to step in to fill the gap here. NAIT has facilities where pilot projects can be tested and has openly discussed its own potential as an incubator or accelerator. Later this morning you'll be hearing from Olds College and the University of Alberta. Those could also certainly fit into such an ecosystem.

I cannot stress enough how well positioned Leduc is given that the Food Processing Development Centre is there and Edmonton International Airport is only five kilometres away with excellent cargo handling infrastructure and connections. What's needed is someone to bring it all together to form a reasonably coherent ecosystem where an entrepreneur with an idea can visit a website, contact the appropriate incubator, and then later, if needed, access

a facility where production can be scaled up. Government shouldn't be in the business of doing business, but it can make the connections. It can facilitate networking.

Finally, it's important to note that these incubators don't have to be factories, places only for industry. If you look at the current slide, a shot from inside POS Bio-Sciences, an example of an incubator in Saskatoon, it doesn't really look very tourist friendly. But food is fun, and consumers show increasing interest in the field-to-fork or gate-to-plate experience, so these incubators could be vehicles for agritourism for an area. Breweries and vineyards are already providing us with examples of how this can be done successfully, but recent efforts like the Cochrane CookHouse, a food processing incubator and commercial kitchen, have fallen through because of a lack of funding to get the idea off the ground. That might have looked like Union Kitchen, a very successful food incubator in Washington, DC.

I regret that my presentation only scratches the surface of what a made-in-Alberta agrifood and agribusiness strategy should look like, but I look forward to questions from the committee, and I am eager to help in any way I can.

Thank you very much, Mr. Chair.

The Chair: Excellent. Thank you.

We'll move on to Mr. Cullum.

Olds College

Mr. Cullum: Thank you very much, Mr. Chair. I'd just like to thank the Standing Committee on Alberta's Economic Future for inviting Olds College to this table to talk a little bit about the role of colleges in addressing the issues and opportunities as they relate to our agriculture and agrifood sector. I'm privileged and humbled to be a part of this esteemed panel.

I think that you're tackling the right kinds of issues. When we look at agrifood production and manufacturing across Canada – this is a recent slide that demonstrates the economic value of that sector relative to the primary production sector – we're hitting on the right notes, I believe. In the recent Advisory Council on Economic Growth reports that have just come out, the Dominic Barton reports, it was gratifying, I think, for a college and for an industry that supports agriculture and agrifood to see agriculture viewed as one of those sectors with untapped potential. They actually profiled that sector specifically in their report.

Olds College is an institution of over a hundred years. We have focused specifically on agriculture, environment, horticulture, and other areas, but agriculture is certainly what we're known for in terms of the training and education that we've delivered over the years. Colleges in general are positioned well to address the skills gap that we see within that report, that I was referring to, by the advisory council. They talk about the number of jobs and skills that are required within this industry and the risk that that creates. Certainly, as an institution focused on training to skills and graduates that will address those industries, we're well positioned as a sector and as a college, specifically, where our focus is not only on building technical skill sets but on building entrepreneurial skill sets.

One of the things that we also provide is an integrated environment for students. That's part of our vision as an institution, and it's certainly representative of many of our counterparts throughout the province.

We also support company growth through applied research. Our institution has been engaging in research for over 20 years, but our focus is specifically on supporting entrepreneurs and companies in getting their products to market, in product development and scale-

up. Many of those companies are in the agriculture space and in the food space.

We're also well positioned to develop leadership hubs in support of training, entrepreneurship, business acceleration, and investment. We have a partnership with a venture capital agrifood incubator in Calgary, District Ventures. They focus on manufactured goods. We're proud of that, and we want to build those kinds of collaborations to support our students as they consider entrepreneurship and building businesses within the agriculture and food space.

The other kind of unique element that our college can provide to skilling and addressing the skill shortage within the agriculture and agrifood space is through a mechanism that we call learning enterprises. There are enterprises actually on Olds College campus, where they're built as businesses, profit centres. They're built that way for a couple of reasons. They're more sustainable for our institution in terms of driving revenue for the benefit of our students, but they also provide a real-world environment for our students to engage in production, in marketing, and in distribution of products. So it's a hands-on, real-world environment for our students to engage in as part of their training. It integrates the classroom with the real world.

11:00

The other thing that this provides as well is an opportunity for the nimble sort of adjustments that need to be made within the training environment as it relates to skills that are required within the agriculture and agrifood sectors. As we know, technology is changing. Our sector is becoming more digital, more data focused, so there is going to be a need and a continual need for institutions and postsecondaries to consider how we adjust our training in order to address that, and we can do that through our learning enterprises approach.

One of those examples would be the Olds College Brewery. This is an example of a learning enterprise on the Olds College campus, which is supporting value-added agriculture. It was recently renovated, and we now produce around 75,000 litres of beer a year. We actually train around 50 students per year, and this is serving an industry that we know is growing, from 14 breweries in 2013 to now 60 breweries in 2017. We're one of the few trainers of brewmasters and brewery operators in the country, and we're proud to be supporting the value-added agriculture sector in this way.

Another example of a learning enterprise is our National Meat Training Centre. This is basically a fully integrated slaughter, processing, and retail space. We have a Temple Grandin designed slaughter facility for the industry to use as best practice, and we can also show how the industry can advance in terms of taking cuts of meat and other protein products that are normally low value and value those up to higher value cuts. We actually have research that's happening within that facility. Not only, then, are we training students in a business relating to these kinds of facilities, but we're helping them understand how to take products from the agriculture sector and value them up, create value in order to enhance their business and improve the industry in Alberta.

Another exciting initiative that I'll just end on is an approach that we're using to integrate our campus. We'll be announcing very shortly a significant initiative in agriculture on our campus that integrates our learning enterprises, the way in which our producers work with us in the training. We're going to be developing a leadership growth centre and establishing a thought leadership position within smart agriculture and sustainability.

Finally, the applied research capacity that we currently deliver for the agriculture and food industry is going to be significantly enhanced as a result of that. We heard this morning about the need

for acceleration capacity, and we couldn't agree more. I think that there is strong incubator capacity within this industry. Olds College would like to establish itself as a venue for accelerating products, accelerating companies, and helping them get their products to market faster. That's inherent within how we're trying to integrate through this particular model, so stay tuned.

Thank you very much for the opportunity to present.

The Chair: Excellent. Thank you.

We'll now move on to Dr. Blade.

Faculty of Agricultural, Life and Environmental Sciences, University of Alberta

Dr. Blade: Good morning, everyone. Thank you, Mr. Chair and to the panel for inviting us to speak about something that's very close to my heart. I grew up on a dairy farm about 50 kilometres south of here, worked in international agriculture for over a decade, and then came back to serve as dean of the Faculty of Agricultural, Life and Environmental Sciences at the University of Alberta.

I would point out the good collaboration we have. We are also a hundred years old, celebrating our centennial in 2015. Our faculty acronym is ALES, so, of course, for our centennial we had to brew ALES ale in collaboration with our good friends at Olds College.

For our faculty it's an exciting time. Every one of those global issues that you think about, whether it's about agriculture itself, food, the links to nutrition that further link to health, those are things that we are actively involved with in addition to the very active programs that we have in environment as well as other value-added opportunities not on track here around forestry and other links that our faculty is very involved with. We have about 1,550 undergraduate students, over 500 graduate students, and we are closely integrated with the agrifood sector in so many ways, about which I want to be able to provide a bit of background for you.

Part of that integration we can measure in money. We average about \$45 million of external funding coming into our particular faculty because of the important work that we do as companies and others vote with their dollars. We have great partnerships.

The frame is already there. You know this. The last data I saw from 2015: over \$10 billion of exports. If you add together farm gate sales and value-added processing, as Stuart has just shown us, it's just under \$30 billion a year. These are key industries for us, but I think the overall theme that I want to present is that we're leaving money on the table. Agrifood is leaving money on the table. How does that happen? If we think about growing our alignment, right now we have a lot of complexity in our system that I think my panel members have spoken to in some regard. How do we grow that alignment? How do we make it simpler for companies, for activities to occur within this province? One suggestion might be even within the area of ag research. The government of Alberta does ag research. Universities do ag research. Colleges do research. How can we make that into a more seamless, a more integrated approach? Not only are we leaving money on the table, but I think there's the opportunity for thoughtfulness, for intentionality.

If I think about people, we at the faculty are very interested in developing those people. What do those undergrad and graduate students do? They go on to be chief scientists of groups like Ceapro, that just built a \$14 million dollar facility. They're consultants in our farm-sector industries and input companies and others. They're people like Ryan Mason that are running Reclaim Urban Farm, an urban produce producer here in the city of Edmonton. We need to grow people, and certainly our faculty is very interested in doing that through our undergraduate and graduate training. Just this week students are going to be going out onto farms, having many

internships. We place people in food companies. We put them in places where they increase their value so that when they do go and start the arc of their career, they will make progress.

Certainly, in the area of productivity we know that we are a very research-intensive group. The investments that I've spoken about come from companies because we can continue to grow our productivity. Our competitors around the world are making these investments. If I would point out one particular area where Alberta has moved forward, we've done all these good things around tripling our agrifood production over the last 25 years because of investments like the former ALMA, like the existing ACIDF, that have driven these kinds of issues. We do need investments to make sure that that research and development can occur. Stuart referred to the Dominic Barton report that came out. When they look at other countries, whether it's the Netherlands or Israel, investment in agricultural research and innovation is a key element that they identify.

Profitability. I've already spoken about moving up that value chain. Ceapro has created their facility here. We're working with a number of the meat producers in the province on enhancing the value of those products for both domestic and international markets. That's the kind of vision that we see, certainly in thinking about new kinds of markets in the food processing activities that we do within our faculty.

In closing, I would say that some of the templates are already there. Look at Scotland. Scotland Food and Drink: they picked out four particular areas that they want to grow in. They've named private-sector champions in each of those four areas. They've identified their strengths, and now they're making investments in how to realize a particular target. Right now in this province we do not have targets for what it is that we want to accomplish, and that can be around not only value but sustainability and a whole array of areas that are important to our citizens and to the citizens that we hope to export to.

I would just close by saying that this is really about that thoughtful intentionality. We've got a lot of the pieces of the mosaic here. Our faculty already has significant links into the partnership, but really there's a role to play for the government of Alberta and others in ensuring that partnership is thoughtful and intentional to build that simpler system.

Thank you, Mr. Chair.

The Chair: Thank you very much.

We'll now move on to Dr. Chen.

Crop Protein and Cellulose Program, University of Alberta

Dr. Chen: Okay. Thanks, everybody. Thanks, Mr. Chair. I will present on behalf of a specific research program at the University of Alberta in the Department of Agricultural, Food and Nutritional Science. I'm a professor and a scientific director of the cereal protein and cellulose program at the University of Alberta. We have nine years of experience in the value-added sector. We work with barley, oats, canola, peas, chickpeas. We develop value-added processing to convert those crops into starch, protein, lipids and to try to use those value-added ingredients in end products such as food, cosmetics, or the agricultural sector.

11:10

Based on our feedback from the industry collaboration and also from the program's perspective, we identified that there are three areas that will need further and continuous support. Firstly, it's academic research. We do think investment in academic research is very important because we have basic research that focuses on the

core pieces, common questions from industry, and the knowledge generated from that research can benefit a large portion of industry. On the other hand, we do some applied research and industry service. We specifically work with certain industries to solve their problems, and we provide our expertise and equipment to help them to change some ingredients for the packaging systems and the food products. We think continuous investment in academic research is very important.

According to our experience it's identified that there are still gaps between the academic research and commercialization. We think it's a priority to investigate those research programs rather than the project-by-project systems. The reason is that we take one year to develop a relationship with industry and another couple of years to develop new technology with industry and another couple of years to scale up the tech knowledge and then another couple of years to go to the commercialization, so in this process continuous investment in a research program is very important to build a long-term relationship between industry and the research program. Also, that continuous support is important to maintain expertise and skills in the core piece of the program so that it can provide better service to many industry partners. This long-term relationship will enhance the possibility of technology transfer, and I think it's much more sustainable than the project-by-project systems.

Another area I want to address for investment in the research program is to combine the business element and the research element together. In my program we have a scientific director – that's me – and we have a business director. That's Darren Walkey. We work together. The business director communicates our expertise and equipment skills to industry and brings industry to the table, and then we build collaboration with industry. During that collaboration process the business director keeps industry updated. Communicate: that's very, very important to build long-term relationships. I think that's the model we can suggest from the program.

The second area. I think we need to continuously support small and medium-sized companies in Alberta. These are the companies that are likely to commercialize academic research and knowledge, and those local small companies are likely to use local resources like protein from peas, barley, and oats from Alberta and bring them to the commercialization level in the next stage. To give an example, company X is a start-up company that produces their protein snack bar that is made from locally produced peas, and during that process the small company lacks expertise to do the sensory test and they lack the capacity to scale up the tech knowledge. If there is no support to make the university and industry come together, it's likely they may fail in the first several years. Alternatively, if there is support to promote those kinds of interactions, then they have a higher chance to be successful.

The third area I want to address here is the development of clusters. Nationally and internationally clusters are becoming more common within agriculture and the food sectors. Those clusters can be a physical grouping of companies that share expertise, infrastructure, feedstocks, resources, and equipment. An example is the agrifood cluster in Denmark and Food Valley in the Netherlands and the agrifood innovation cluster in Saskatchewan. A cluster can also be a network focused on entities that connect companies, academics, and producers over a region for the purpose of sharing expertise, resources, and promoting innovations. Why we build this cluster is because somehow our industry partners went to the United States to find resources and equipment for their product development. However, those resources are available in Alberta. By building these clusters, we can make industry know whether they can find the resources and expertise and where they are. Also, the clusters can create opportunity for companies and organizations to

strengthen their weaknesses and more efficiently integrate that knowledge together through collaboration and partnership.

Also, those clusters will allow us to move towards full crop utilization. For example, some companies will use protein from barley. Some companies will use beta-glucan from barley. Some will use oil. If we just emphasize one ingredient, this will not be economically viable, but if we build a cluster to make full use of different ingredients and develop them into different products, this is more economical and is more important for the growth of the local economy.

Another example is that the program is using this cluster approach in food product development. As a research program we are very good at identifying the functional properties of crop ingredients and predicting where they can be used. However, we are not that good at making food very appealing. That's why we are working with the NAIT culinary arts program to make delicious food. Also, there is a gap between the lab research and the commercialization. We need to scale up the technology. That's why we work with the Leduc food development centre to scale our technology from benchtop level to the commercialization level.

Those are the three areas where we think the government should have continuous and further investment. Thanks very much for this opportunity.

The Chair: Thank you, Dr. Chen.

I will now open up the floor for questions. MLA Dach.

Mr. Dach: Yes. Thank you, Mr. Chair, and thank you to the panel for a very thorough and supremely interesting discussion on a topic that's important to all of us. The bottom line is that we're all farmers at heart, and most of us eventually trace our roots back to the farm, as Dr. Blade indicated. It's nice to see a couple of friendly faces that we've met before as well as new panel members that I haven't seen as yet.

I wanted to open my questioning by thanking you first for your time in getting here, but I also want to focus on the crop protein and cellulose program from the U of A. First of all, in your submission you mention that your program has developed a diverse and growing network of more than 1,000 industry, government, academic, and research organizations. Can you tell us more about this network? Is it local, regional, national, or global?

Then, while I have the opportunity, I might add something else that I've really been interested to know about while listening to this panel and the previous one earlier today. Israel and the Netherlands have been mentioned repeatedly as examples of the collaboration and integration that's necessary in order to apply science to agriculture to maximize productivity, exports, profits, and so forth. Those examples are certainly something we can learn from, those two countries, but I wanted to know what challenges we face here in Canada, in Alberta, with respect to the scale of our agriculture compared to that which you find in the Netherlands and Israel, which is a smaller, more intense type of agriculture. What challenges do we have in applying their lessons to our larger scale farms and crop areas, which might make it more difficult, or what adaptations do we have to make to the application of research when we try to bring it home to Canada? Hopefully, that's not too broad a scope, but I'd be interested in all panel members making comments on that.

I'm really, really happy to see the focus on education as the way to bring us into the 21st century in terms of making sure we take full advantage of our agricultural sector globally. We, I think, have vast opportunities which are untapped, and I'm excited by it.

Thank you.

The Chair: Dr. Blade or Dr. Chen?

Dr. Blade: I'll let Dr. Chen handle the global network, and then I'm sure the rest of us can speak to the second question.

Dr. Chen: Okay. I think that because of the system, where we have a business director and a safety director in the program, we actually have connections with both local small and medium-sized companies as well as multinational companies; for example, Kellogg, General Mills. For example, with Kellogg we have had a continuous research project during the last five years.

11:20

I think an advantage of that is that, firstly, we have a lot of local companies that are crop processors. I mean, links with multiple companies are very important for them to commercialize the ingredients that they have developed. For example, we are working with local industry on a project to develop a fava bean protein ingredient. This company wanted to fractionate the fava bean into protein and starch, and then they wanted to use those ingredients, in the end, for the product.

We have been working with Kellogg for five years. The idea is that we can link those local companies with multinational companies. The idea is that you use the ingredients that are generated from the local small company to develop some food formulations together with Kellogg. In that work we, hopefully, can have a higher chance for those multinational companies to come to Alberta to source their ingredients and use those ingredients produced by the local company. In that way, we can build the value-added chain.

At the same time, we are also working with local crop breeders. For example, with fava beans, there are different varieties. We work with them to see what kind of a variety will generate high-quality protein and how this different variety will impact end-food applications. We are working with crop breeders, local crop producers, and also local food processors, and we are also working with local food companies as well as international ingredient suppliers and end users. In that way, hopefully, as a research program we can bring them together to build the value-added chain in Alberta. So that's an example of what we do.

Dr. Blade: I can speak to the second question that you asked, Mr. Dach. You're right. We often cite the Netherlands and Israel but, I think, for the reason of the downstream work that they do. In the case of the Netherlands, they actually import a lot of the basic commodities and then add value there.

I think it might be more interesting to look at templates like New Zealand. I spoke about leaving money on the table. They export \$37 billion, which is impressive. They did a study last year with KPMG where they feel that the full value, when they track those commodities around the world, is worth a quarter of a trillion dollars. It's really about – and we've heard it in the Barton report – moving up that value chain. I think we can learn a lot from places like Israel and the Netherlands around making those investments, doing that downstream work in food processing, and making those supply chains.

The advantage that we have in Alberta is that we provide the whole package. We can produce all the way through to production, and that becomes very interesting for citizens that want to buy high-quality, nutritious, interesting food.

Mr. Alston: I just wanted to mention that I'm familiar with the economies in Israel and the Netherlands. I've travelled there, you know, over the last 30 or 40 years, and I've seen the evolution in many respects. I think that the idea that necessity is the mother of

invention is a real driver in those economies, in Singapore and in a lot of other places around the world.

In some of my academic background I was involved with comparative national development models and looked at successful models in the Pacific Rim, for example, in Southeast Asia. I worked based in Hong Kong for many years and have experienced it firsthand in the Chinese special economic zones and so on and was intimately involved in that for many years. I think there's a level of integration, you know. I think we get institutional siloing sometimes in our economies here in North America and in Alberta, and out of necessity there's been a level of integration and collaboration and sophisticated planning. I liked what Dr. Blade said about a more focused approach and thoughtful intentionality.

I'm a planner by background, and I think the level of state planning that's occurring in these economies is very powerful, and it's exceeding what we're accomplishing here in North America. That's one of the secrets of success and why they're able to add so much value through the chain economically. I saw this in the Netherlands back in the early '80s, and I travelled throughout the country at length in this area. I think there are some strategic kinds of tools that we can apply in terms of visioning and creating a higher vision and drawing experts from around the world, if we need to, to help bolster our ag sector and provide that kind of visioning.

I like what was mentioned about that position that's coming up, that Stuart mentioned, a thoughtful leadership position at Olds College. Vision and intensive multidimensional planning between the various players in our economy in this area I think could have a huge impact, and it's been the secret of success, I think, in Singapore and Israel and some of these other economies.

The Chair: Mr. Cullum.

Mr. Cullum: Yeah. I would echo those comments and also reflect on a recent initiative. Both Dr. Blade and I are part of a steering committee for the establishment of a smart agriculture supercluster. This initiative is really being driven out of Alberta but is going to be a national focus. Certainly, western Canadian representation was very much apparent in a meeting that we had a couple of weeks ago.

What I was encouraged about was the fact that all the major academic institutions came to Alberta, came to Edmonton to be a part of this meeting, and we actually had a breakfast prior to the meeting. It struck me that that was probably the first time that many of the deans of agriculture and the VP research folks and folks like myself from the universities and the colleges were actually sitting around a table talking about how we can co-ordinate more effectively in order to support our industry.

In some of the prework that we did for this meeting, we put out a survey, and one of the areas that came through probably the most is the need for greater co-ordination within the agriculture sector, particularly around noncompetitive issues or areas where there are mutual benefits. I think we see it within other industries like energy and health, where organizations and sector participants will come together around initiatives that are noncompetitive that provide mutual benefit. I think this is an opportunity for agriculture as well, and through initiatives like the smart agriculture supercluster we're looking at what those areas can be in order to create systemic change and transformation and advancement for our industry.

The Chair: Any comments, Mr. Pryce, as well?

Mr. Pryce: No. I believe the other panelists have covered the subject very rigorously. Thank you, Mr. Chair.

The Chair: Mr. Schneider.

Mr. Schneider: Thank you, Mr. Chair. Through the chair, of course, I have been involved in agriculture for years as a farmer, and in that business, I'm sure, as you folks know, you have to be innovative and such just to stay in business. I guess my question is: how important do you believe entrepreneurialism is to moving agribusiness and agrifood forward in this province? How do you see entrepreneurs being empowered, and do you see any barriers?

Dr. Blade: Thank you for the question. If I think about your area, it's a perfect example of bringing in new crops. I mean, the beet plant has been running for 30 years, over 30 years probably by now.

To the specific question, let's start from the communications standpoint. I think that sometimes people don't understand how remarkably innovative agriculture is today, but I think that that innovation has just been table stakes to keep us competitive with the rest of the world. So the things that we already have talked about, about creating new people and creating those new ideas: that's basically kept us in the game.

Now we have to think about the ways that we're going to be better than the rest of the world, and I think that that leads to that entrepreneurial element. If I think about the sorts of companies that our faculty works with, of course it's in the food sector, it's in the nutrition sector, but it's also in those other technology opportunities, whether it's looking at, you know, grain monitors or a whole array of other things that are going to make us better, that are going to make us more efficient. Certainly, when we work with our students now, both undergraduates and graduates, they're not just thinking about going into the jobs that I've described. They do very well in existing companies and in NGOs and coming to government positions, but more and more of them are actually leaving our faculty and starting their own companies, whether it's around technology, whether it's around new information, new knowledge. I think that's the only way that Alberta and Canada are going to stay in the positions that they are and really realize the potential that we have.

Mr. Alston: I agree a hundred per cent with what is being said. I think one of the keys is that we've got to get our young people thinking outside of the box in this area. If we realize the gap between where some economies are in this area and the opportunities that are out there in these fields and get them excited about these things, thinking about these things in case study and other terms, not just in secondary school but even in elementary school – really, we need to project a vision that is more energizing and exciting for our young people.

I think this particularly applies to farm families who have a tradition, are having problems finding a child to take over the family business. If a family has 5,000 acres and they think they can only give it to one of their children – you know, all of those children could be working and building that business and making a lot more money than they're making now, but if they don't have a vision in their youth and if we don't start planting those seeds, then I think we're going to be up against a major problem long term, right?

11:30

The Chair: Mr. Pryce.

Mr. Pryce: Thank you very much, Mr. Chair, and thank you, Mr. Schneider, for the excellent question. I do have to express some concern at notions of government planning or picking winners and losers. If we say, as a random example, yes to specialty meats but no to lentils, we are leaving money on the table. So I think the best role that we can find for government here in this, as we try to develop an agrifood or agribusiness sector in Alberta or at least further expand what we already have, is to provide a clear path for

entrepreneurs so that they can develop their products and bring them to market.

I know from my experience working for the government of Japan that Alberta Economic Development and Trade is excellent in the follow-up. There's excellent follow-up from the government of Alberta. Hopefully, Minister Carlier, on his visit to Dubai and India, comes back with a lot of good connections, and that can also be followed up on, just as, I know, with the incoming Japanese delegations in the past. The question is how we develop things at the grassroots, and picking winners and losers might be smothering those grassroots.

The Chair: Mr. Cullum.

Mr. Cullum: Yeah. All great comments, and I would just reinforce them. As an academic institution, as a college which has traditionally taught technical skills, this has been something that we're challenged with in a prior role within a different academic institution. As we were looking at agriculture, agricultural programming, we actually went out to the community and asked: you know, what are the skills that you need in the graduates that we're producing? It was rarely technical skills. It was usually business skills. That really challenged us as an institution in terms of where we need to be focusing our curriculum to train agriculture business leaders.

I think that also opens up another opportunity around: you know, who are the agriculture business leaders and the entrepreneurs now and in five years and in 10 years? They're not farm kids, necessarily. They're IT professionals. They're engineers. They're marketers. I think we need to do a better job as academic institutions of even showing agriculture and food as a profession of folks that are not necessarily coming from the traditional places that we've seen in years past.

In terms of barriers, I mean, I think we need to be training our students to understand how to build good deals. We hear this often, that there is money available. There's venture capital available. Often it's the deal flow that's challenging. I think, you know, it's important that we train within those safe communities like our academic institutions, within our learning enterprises the skills so that our graduates can come out understanding how to build good businesses that are well structured, that are financeable, that are built on good products that people are going to buy. All those important lessons, I think, are critically important. And then giving them the opportunity to try and to fail and to try again: we need to foster that kind of a culture, I think, through the organizations that we represent, and then I think we'll start seeing entrepreneurship within the ag and food sector flourish.

The Chair: Do you have a follow-up?

Mr. Schneider: I may have something I want to read into the record at the end, but we'll see how the questions go.

The Chair: Okay. Yeah. We'll see how our time goes.

Mr. Taylor.

Mr. Taylor: Thank you, Mr. Chair. Dr. Blade, I have a question for you. You mentioned Scotland, and Scotland had picked four targets that they wanted to concentrate on and work with. What do you think for Alberta? Do you have four targets or more targets than that or less targets than that that you think we should focus on?

Dr. Blade: I think that in the write-up that we provided, there are those ideas, and really it circulates around those five things: building alignment, making sure that we have the right people with

the skills that Stuart just mentioned; making sure that we keep investing in productivity because if we do not continue to produce at a level that we are now, with great commodities, we will be in trouble. Then we start thinking about how we increase the profitability of that, and that's really moving up the value chain.

Then the third piece is that marketability. If I think of what we do now, even in the area of marketability, we know that trade agreements count on the quality of our products, the food safety, all of those elements where we need to have an evidence-based background to say that Canadian, Alberta products really are the best in the world and that they merit either a premium or that they would be of great interest in the international marketplace. I think those are the areas that show great opportunity.

I share the opinion that we're not going to pick out particular sectors, but if we look at where canola started first, 30 or 35 years ago, it wasn't just about production; it was about everything working across, from processors to people that were buying in other parts of the world. They were all part of the Canola Council. If we think about the example that I've been involved with over the past 10 or 15 years in the pulse industry, there are things that we can learn there. But I think it's about enabling those activities rather than picking out specific spots.

That's what Scotland did. They talked about grand areas, and, lest I repeat it too often, it was about setting a target. They have a very clear target, in their case in economic terms but produced in a sustainable way, of money. Right now, if we're at \$28 billion in farm gate sales and food processing, let's pick a target. Let's work on that together. I think I mentioned that in my write-up. It's not about one person coming down. Set a target and say: "This is what we're going to aim for in 10 years. Therefore, policy has to align. The work of our institutions, the work of municipalities all has to work towards that target." I think that's what we have been lacking as a province up until now.

Mr. Taylor: Okay. Thank you.
Can I follow up?

The Chair: Yeah. Absolutely.

Mr. Taylor: Yeah. You talked about making sure you have productivity and profits. Can you address some of the issues that are surrounding red tape that have come into some of the areas throughout the industry? You can look at the meat-packing plants as areas where there has been more red tape that's been put in there, more regulations, that have actually made a lot of people not productive in that area. Olds College could be able to speak to that as well.

Dr. Blade: Well, I can start. You know, let's think about that meat value chain. What are we doing right now? We have undergraduate courses that train students. We have 30 graduate students in a very special program that are working on meat science. We send our graduate students down to Olds College to learn with the instructors there for a couple of weeks within the term.

There are many elements where we're working with those existing companies in the province of Alberta. I can't speak to the particular hurdles that you're talking about. What I see on the connectivity side is that those companies are creating very innovative products. They're high-value products. If I think about a particular firm that produces pork in this province and sends it to Japan in 40-foot containers: that creates remarkable value for us. I don't know if I can speak to the hurdles thing. I just don't have the first-hand experience.

Mr. Taylor: Yeah. I was also, like I say, trying to talk about being able to have profits and productivity and the red tape. Can you address that as well?

Dr. Blade: Again, I'm not sure I can address – I'm assuming you're talking about regulations, then?

Mr. Taylor: Yeah. It could be regulations that have been put in place.

Dr. Blade: Right. I guess, you know, what do we work on as a faculty? We certainly work on thinking about how important safety is, how important quality is, but I can't speak to the specific things that maybe you are considering.

Mr. Taylor: Okay.

Mr. Cullum: Yeah. I'd be in the same boat. I don't think I'm in the right position to necessarily speak to that. But I can say that that was in some of that prework, that I talked about, for our discussion on this smart ag supercluster policy. Enabling policy was an area that was identified as needing to be a focus. I can't speak to the specifics, but it's clearly a top-of-mind area.

You know, I think there is a recognition that, particularly, as an example, interprovincial barriers are often an issue for the value-added agriculture space. We could think of the beer industry as an example of that. That's often top of mind. It's addressed. I can't speak to the specifics, but I think it's just an example of an area that needs to be addressed because it does impact profitability. It does impact a business's ability in that particular industry to be fully successful and maximize its profits. I mean, there's international trade, and there's policy that probably needs to be addressed as well, but it's that interprovincial area that, I think, is perhaps some of the low-hanging fruit that needs to be considered. So I think it is a very relevant point, and I think that it's something that, certainly for the community and the leaders that we engage with, is top of mind. It needs to be continually managed and monitored.

11:40

The Chair: Thank you.
Member Carson.

Mr. Carson: Thank you very much, and thank you once again to the panel for joining us today. I think that we're all learning a lot, and of course we always have more to learn. Specifically on the side of urban farming, something that I've heard a lot about in recent years, I'm just wondering if any of your institutions offer any programs for people interested in getting involved with urban farming. Then I would also ask what opportunities you see in urban farming itself.

Dr. Blade: We are very involved with a number of urban agriculture activities. I've mentioned a private company that one of our graduates has started up here within the Edmonton area. We've been very engaged with the Edmonton urban food strategy, with a number of our economists and others in addition to the production agriculture side. Of course, this creates remarkable opportunities. I know that our resource economists have worked on the idea of farmers' markets and helped to think about how you further enhance the value of farmers' markets. The local aspect is critical.

I think it's important to identify that Alberta has this portfolio of production. When you have 20 million acres of cropland every year and 4 million plus people, it means that we're going to be in the export trade for a significant portion of our agricultural sector. But this creates a unique opportunity for individuals, for small groups, for co-ops to work together. We've worked on both sides of that,

both on the production side but also sort of on the economics, the marketing aspects as well.

Mr. Alston: I think that from a cultural perspective Magrath has been known as a garden city since its founding and was based on an agricultural village style model and has had very active food processing and other industries over the years. It's been sort of our traditional strong point, I guess you could say. We have initiated market gardening and other types of initiatives. I think that in more progressive urban settings in Vancouver, Boston, and others that I could name, municipal councils are looking seriously into these types of issues. I think it can be part of the urban fabric, you know, in some municipalities. I know that in Salt Lake City, for example, you can have nine chickens in your yard, no roosters. There are certain bylaws and guidelines and so on.

I think that integrating agriculture into an urban setting is important and is a part of our connection with the environment and sustainability and so on. I think that communities that embrace this culture, if you want to call it, and this type of modelling at a municipal council level and so on are on the leading edge of these types of issues. From an environmental perspective and in other regards I think it adds to the richness of urban life, but it has to be managed appropriately and co-ordinated with the neighbours and those types of things, right?

The Chair: Mr. Pryce.

Mr. Pryce: Thank you very much, Mr. Chair, and thank you, Mr. Carson, for the question. Alberta Council of Technologies doesn't have any particular programs to support urban agriculture, but it's something that I understand the organization is keenly interested in.

On a personal level – I certainly am bringing back the topic of Japan – in my work for the consul general based in Calgary, there have been a number of Japanese firms that we've had coming into Alberta which specialize in hydroponics technologies, that have looked at Calgary and Edmonton, the skyline, and said: why aren't you using that space efficiently? In Roppongi, in Tokyo, the 60th floor and up is oftentimes dominated by farms.

It's a niche, certainly. It's never going to rival the sheer amount of arable land that we have here in our province, that we're blessed with, but it's certainly something that we could do to promote specialty crops and something that we should look into in the future.

It would also to a certain degree demystify agriculture, I believe, for Albertans. For folks living in the cities, it's something that's a bit alien. You just have the canola fields that you pass through on the drive between Calgary and Edmonton, or vice versa, but having that there in your community, something like the Devonian Gardens even, that we have in the core in Calgary, would be something that certainly demystifies it. It's one of the reasons why I was pushing in my initial remarks the idea of agritourism. Not only would it be a shot in the arm economically for a lot of rural Albertan communities that could be struggling right now but also, as I say, it demystifies it, maybe makes people interested in pursuing a career in agriculture or food processing in the future.

Thank you very much, Mr. Carson.

Dr. Blade: I'd be remiss if I also didn't mention that I very much like the social aspect of agrifood. I would just mention two things where our students have worked very hard on the identification of food deserts even here in Edmonton, about the access to food in various communities, and the ways that our faculty is addressing that. I would welcome you during the growing season to come to south campus to the Green & Gold Community Garden. It's run by a group of volunteers. You can buy your own produce there, and a significant amount of that produce also goes into Edmonton's Food

Bank and other systems. So even though we've talked about the commercial opportunities of agrifood in this province, which are remarkable, I think that there's definitely a social conscience element that is very much engaged here as well.

The Chair: Excellent.

Mr. Cullum.

Mr. Cullum: Yeah. Thanks. I'm going to have to stop going last because all of my good points are taken.

Again, I agree with that. I think that urban agriculture is becoming more than just a hobby. It's an economy. You just have to spend some time in the Silicon Valley to see the amount of investment that's going into urban agriculture processes, things like stackable farming and aquaponics. I mean, there are visions of that actually taking the place of conventional agriculture. Whether that will ever happen is, of course, a question. But I think the point for Alberta is that it is an opportunity. Urban agriculture is a growing economy, and there is a great amount of intellect and understanding for agriculture that can actually be part of our exports. We think about exports of products, commodities, of value-added products, but I think that there's also an opportunity for Alberta's intellect to be brought to bear in order to address some of the opportunities around urban ag.

I'll give you an example. At Lethbridge College they've established an aquaponics program where, you know, when I was at that institution we actually attracted experts from the U.S. into Lethbridge to build that program. The premise was that within an area that has got tremendous growing capacity and agriculture potential in the conventional sense, how could that be utilized and incorporated within a context that would actually be better suited within a more urban setting and northern settings and whatnot? I think that urban agriculture, while it's often not front and centre in these kinds of conversations, needs to be something that we consider in relationship to how we can contribute to it and benefit from it economically.

Of course, we do have two major centres. Edmonton has done some really interesting things with their own urban food council, and Calgary is starting to mobilize as well. Olds College has a campus in Calgary, and of course there are institutions represented in these urban centres. So we need to be thinking, I think, about how we support that interest. I agree that as we can educate the public and society more around growing things, it does create a greater affinity, I think, between the agriculture system and that consumer, which can only be a good thing.

The Chair: Excellent.

Do you have a supplemental?

Mr. Carson: It's maybe not a supplemental.

The Chair: All right. Mr. Orr.

Mr. Orr: Yeah. Thank you very much. Lots of questions. Maybe just a quick initial one. I'd like to know – and we're getting close to the question – what percentage of total agricultural value does urban farming actually contribute in actual dollar values, and do you see a future for that?

11:50

Dr. Blade: I do not know that total, but I think I get the intention of the question. As I had mentioned before, productivity, production in the province of Alberta, you know, is going to be a portfolio, and as mentioned, extensive agricultural skill is going to be one of the tremendous opportunities that we have because of the land base that

we have, because of the infrastructure that we have, because of the people that we have within our industry. I think what we're talking about here is a niche opportunity that others have already described around education. On south campus we bring thousands of kids every year for them to learn about the dairy industry, the poultry industry, and others.

As far as an economic opportunity we know that sales at farmers' markets have increased dramatically over the last five years. This is going to be literally a niche in that \$26 billion or \$28 billion that we produce every year in the province.

Mr. Orr: No idea what size that niche is? Has anybody done any research on that?

Dr. Blade: You know, I just had a discussion with the chief statistician of Stats Canada, and we talked about exactly this, to try to capture that particular number. I do not know what it is, and I'm not sure it exists.

The Chair: Mr. Pryce.

Mr. Pryce: Thank you, Mr. Chair, and thank you, Mr. Orr, for the question. Likewise, I can't put a specific dollar figure on it, but I can ask a question in return: what exactly are you growing? That affects exactly how much we're going to get in terms of profit. Leafy vegetables: not much. But maybe if we can find a niche for, say, soybean crops being grown urban, at higher levels of a particular building. We don't really produce any tofu in Alberta, but it could be, again, a niche industry that we could certainly capitalize on.

Ultimately, I would say that it's a matter of government squaring the circle – is there an opportunity here, or what is stemming us from realizing the opportunity of urban agriculture? – and then trying to match entrepreneurs with that opportunity. As I say, it's a question that's difficult to answer because we don't know exactly what we would grow that way.

Mr. Orr: Well, I do agree that there is an educational value that's very important, and it's also faddish for urban people – that's fine; you know, I don't care – but I think as a committee here we're supposed to be figuring out how we diversify Alberta's economy, and I'm not sure that it's a very big piece of the picture of how we actually grow our economy. Nothing wrong with it. I'm just not sure that it will contribute to that very much is my comment.

Related to that, I'm also challenged – and maybe this is a challenge for those of you that work in the academic field – that if you look at Alberta's agricultural footprint, it's almost all centred around central Alberta. There's a reason the highway goes down the centre. I live in the middle of that. If you go 50 kilometres west of me, it gets too cold and wet for really good agriculture. If you go 50 kilometres east of me, it starts to get too dry. The reality is that the best land is sort of from Edmonton down the centre. It ends at Lethbridge, somewhere there, depending on how you want to measure it.

The majority of our province – I mean, if you look at the map, it's wide up here and south it gets down to like this. Really, we're using a very tiny bit of our land base. One of the presenters that we just had here talked about the fact that there's this tremendous sort of centralized focus amongst what happens in agriculture and that the physical infrastructure, the social infrastructure to expand that out into the rest of our province is seriously lacking. So how do we fix that problem?

I mean, particularly in the north, from the presenter from before, you know, we have huge opportunities up there, but nobody really looks at it. We're so centrally focused here that we don't even think

about it. How do we get the research and the thinking to go beyond just this little tiny footprint where most of it happens?

Dr. Blade: It's probably bad form to disagree with the premise of a question.

Mr. Orr: Fair enough. It's good discussion.

Dr. Blade: You know, we do work across the world. If I think about specifically the Midwest of the United States, they are corn, soy. That is just their industry. The beautiful thing about Alberta is that we have this broad diversity. Where do we have some of our research farms and ranches? We raise cattle at Kinsella, we raise cattle at Duchess because those are almost the perfect environments for doing that particular kind of agriculture. I would say that our curse is our blessing. We have this remarkable diversity of agricultural production, whether it's in the Peace with honey – Alberta being the number one producer – all the way through to others . . .

Mr. Orr: But when you talk to those people from the north, they're frustrated with the lack of infrastructure, with the lack of education, with the lack of connectivity for farmers. It all happens down here in the middle, and a lot of them get left out, quite frankly. That's what they say.

Dr. Blade: I certainly would take that as a fair point. Maybe that is where that broad provincial view of coming together to create some of those targets and maybe some of them on a regional basis would make a lot of sense. I know I just had a look at our stats. We draw a lot of students from the Peace region because we are that opportunity for training at an undergraduate and even at a graduate level. But I accept your point. Productivity is certainly interesting, but it's probably those other elements as well, to combine it all, where I could see that there would be some sources of concern.

The Chair: Excellent.
Ms McKitrick.

Ms McKitrick: Thank you. And I wanted to thank the presenters. I really am glad that we had an opportunity to talk about the importance of research. Each of you, in your own way, are doing a lot of research that makes it possible not only for Albertans to have access to good local food but also for us to grow our economy through the agricultural sector. So I really wanted to thank you.

I also wanted to especially thank Olds College. You're diversifying, and you're getting a brewery program it sounds like. If I had an opportunity, I would ask you to please develop a cheese-making part, but anyway. I really appreciate the way that you've taken up the opportunities to diversify the agricultural economy here.

I have a question that is in reference to, I think, some of the things that were said a little while ago. We know how important it is for our products to go and be exported, and the agriculture minister is, I think, on a tour or going to be going on a tour, especially to the Middle East, in terms of promoting our products. My question is: how are Canadian and Alberta products viewed internationally? Would you say that confidence in the safety of our outputs of our agricultural products, both in their primary form and in the value-added, is a benefit in accessing markets?

The Chair: Mr. Pryce.

Mr. Pryce: Thank you very much, Mr. Chair and Ms McKitrick, for the question. Since I work for one of Alberta's biggest consumers of agricultural products, maybe I can speak to that

question. I think the high quality of the products that we produce certainly match demanding markets like Japan, South Korea, China, and so on. So we're very well suited, and our reputation is increasingly recognized.

I know that other provinces are trying innovative things with penetrating that market. For example, Tokyo has a HyLife restaurant. So you can eat Manitoban pork at a restaurant that has a somewhat rustic Manitoban feel to it. It's a little out of place in downtown Tokyo. But it's interesting, that way of trying to bring a product to market and achieving that brand recognition.

At the same time, I think on the regulatory side it's wonderful that we have very clear channels between our consumers and the producers. Regrettably, when the two cases of BSE were detected on a farm near Edmonton, some countries made a very knee-jerk reaction – South Korea, Taiwan – blocking Albertan beef or Canadian beef. Thankfully, my office was able to interface very well with CFIA, the Canadian Food Inspection Agency, got the information and the details, and made a science-based decision to continue to buy Albertan beef. There was no stop to that trade.

I think those two things are certainly beneficial to us, a feather in our cap, that we have that safety record and then also that high quality of nutrition and taste.

Dr. Blade: Thanks, Ms McKittrick, for the question. I would just say two things. What we have observed when I've travelled with Alberta delegations is that there is no doubt that Alberta products are seen as the highest standards for food safety, for quality. And thank you for your comments on research. It's been very much that activity, to ensure that there are very technical elements to food safety that Alberta has been a leader in over the years, to guarantee that excellent reputation.

If you wouldn't mind, I would just turn it a little bit to another product that our international customers greatly appreciate, and that is actually the education that they receive when they send students here to Alberta. We have a significant number of students that come into our faculty, as do all of our postsecondary colleagues and partners around the province. That, then, also leads to where some of our graduates have returned home and they've been very active and very engaged in business opportunities back here to Alberta. So it's playing the long game, but there are really some opportunities because of the presence of postsecondaries and the relationship that we have with our students.

Dr. Chen: Since I'm working in the crop area, I know that most of the crops are just exported as is. This has significant value. But I want to mention that nowadays, with more and more processed food in the market, I do think that crop fractionation – I mean, not just the grain itself but separating them into different ingredients – is very important to maintain the value in Alberta. We will see more and more of those ingredients that can be used as ingredients in the final products. I think that's the way, the area, that Alberta should build.

12:00

In Saskatchewan we have pulse fractionation; they change peas into a protein, polysaccharide, and they use those ingredients to supply two ingredients, which are ingredients supplied in the United States. Then those ingredients will end up as ingredients in Kellogg products. I think that's something we should build in Alberta. That's the way to make value-added processing applications and maintain their value in Alberta. That's my opinion.

The Chair: Mr. van Dijken.

Mr. van Dijken: Thank you, Mr. Chair. Thank you all for coming to present today. I'm very interested in the discussion that's taking place. I have a couple of questions, essentially. You know, we talk about the Netherlands and how things were developed there. When we look at it, entrepreneurs are looking for opportunity, and then they develop it. Largely, it's reflective of the infrastructure that's available to them within a region that allows them to actually take advantage of an opportunity. In the Netherlands, essentially, you know, we have the port of Rotterdam. If that was never developed the way that it is, as a gateway into western Europe, the Netherlands would not be where they're at with agricultural exports. Schiphol: for those that have been travelling, Schiphol is very much key to the flower industry, the flower market that takes place there.

In Canada, in Alberta specifically, the infrastructure of rail was key to allowing the development of agriculture throughout the prairies. More recently the infrastructure of irrigation has developed much of the southern Alberta agriculture. I guess my question is: is there a piece missing that could be identified that would allow Alberta to take it to the next level? Is there a port? I know that we have airports that are working on this idea of an inland port. Does anybody have any ideas on that? Is there a piece of the infrastructure that we're missing at this time?

Mr. Alston: I know that in the Lethbridge region there's been a lot of discussion over the years about the future of their airport. That airport can land the largest aircraft in the world. The runways were developed during the Second World War, and there are large air shows that occur there.

Looking at Schiphol airport in the Netherlands, I used to work with a Dutch corporation called Euro Consultants. I had a lot of experience with their economic model, I guess you could say. I've felt for many years – and I've talked with friends and colleagues at the university and the college in Lethbridge and so on – that, in my mind, there's no reason why there can't be cargo planes flying out of Lethbridge, you know, with value-added agricultural products. Now, that would take years of planning and vision and so on, but I think we need to set targets, and we need to work towards them. I think that creating the transportation infrastructure within our province to be able to effect that – and I think the Lethbridge region is a good case in point.

Magrath was known as the irrigation capital of Canada throughout its history. That's where the irrigation industry had its start with the Galt family, Sir Alexander Galt, and so on and so forth. We need to think big. We need a vision. We need to plan, and I think we need to work with our rural and urban municipal partners and develop these kinds of strategies. That's what the Dutch have done effectively. They've thought globally in these terms, and they've gone out and they've built the infrastructure and made it happen over time. It won't happen overnight, but I think the planning and the vision need to be in place.

Dr. Blade: I hope you wouldn't mind if I talk about a different kind of infrastructure, and that's people. What we've seen within our faculty is that when we've recruited people around livestock genomics to start doing the best that we possibly can, we've developed this world-class capacity that has drawn investment from around Canada and across the world to partner in improving our livestock genomics. We've done similar things with Dr. Chen on the food processing side, where all of a sudden we have these remarkable technologies that SMEs and multinationals are coming to.

If I look at our peers across Canada, in the case of Saskatchewan the university partners with the provincial government in bringing in specific people in particular areas of potential technology that are

going to be advantageous to the province. Up until now we haven't done that in that intentional way. If people want to do work in particular technologies, as Dr. Chen does in nanopackaging or others, there are other things that we can do very effectively, but we would need to make that partnership in those specific areas in collaboration with everyone that's involved in this sector. So back to that idea of creating that vision, setting those targets, and then being very specific in our investments in that very unique kind of infrastructure about the people that can lead the research and development activity.

The Chair: Mr. Pryce.

Mr. Pryce: Thank you very much, Mr. Chair. The vice-chair's question has very massive implications. I think this committee could probably produce a very detailed and comprehensive report just on the question of trade infrastructure in Alberta. I know some in western Canada have talked about the idea of a northern corridor, a kind of multi-use transportation corridor stretching from Prince Rupert to Churchill, which would go some way towards addressing the concerns that Mr. Orr posed earlier about the exclusion of northern Alberta communities from some trade opportunities and economic development opportunities.

At least speaking to the task before this committee, the report on value-added agriculture, perhaps the infrastructure that we can look at, a little bit of a smaller issue to deal with before going after something so big and so grand, is just the issue of incubators, trying to ensure that there's sufficient support for those incubators to be developed in existing hubs. As mentioned earlier, Cochrane CookHouse was a wonderful idea of bringing together an incubator, a kind of production facility, a commercial kitchen, and a local farmers' market under a single roof. They had the foundation. Unfortunately, they couldn't afford the roof. So that's certainly somewhere that perhaps government could help in the future.

I thank the vice-chair for the question.

The Chair: You had a follow-up.

Mr. van Dijken: Just with Dr. Blade's talk about people in technology, you know, we heard during the presentation also of business and research tied together as a long-term commitment and long-term program in agriculture. I can remember as a kid my dad growing some rapeseed in the '60s. He grew it out in the back forty, where nobody could see it. Then it developed into this vast canola industry that we have today. The pulse industry that we're just really starting to get traction with and lots of opportunity with fractionation within that industry: part of the hurdles to get through is that we've got this vast landmass with few people. So the technology that's advanced through research with the people that are available, that you spoke about: how do we continue to encourage entrepreneurship in developing this technology and expanding our abilities when there's a lot of protectionism around technology?

Dr. Blade: An excellent question and thank you for it. What we have found is that it's important to work with our industry partners. Some of our best partners have been groups like the commodity commissions. When I think about the investments of the Pulse Growers and the Canola Producers, those are public interest, public good groups that represent large numbers of producers, and they have been superb in supporting the work of our researchers. I guess I would say again that it is that portfolio approach.

When we work with private-sector groups, there's a very clear understanding about how that IP is going to be developed, and there's always an understanding, particularly after a period of time,

that that IP will be released to the public through publications or other sorts of things. You know, the title for our new institutional plan within the University of Alberta is For the Public Good. As dean of our faculty I'm very comfortable with the kinds of things that we have produced, whether it's been new varieties of canola or wheat that are available to all farmers through commercial channels all the way through to some of the food safety products that, again, reach the marketplace, that are available to all.

12:10

But I wouldn't want to sugar-coat it. There are certain areas, especially around the new areas of GPS technology and others, where companies are far ahead of where public institutions are. The farmers on the panel will know that an area of great contention is: who even owns that data, the information coming off yield monitors on combines? There's no doubt that there are issues that we are facing.

Mr. Cullum: Yeah. It's a really important question, and I think it's one that academic institutions have struggled with, as has the technology sector, in terms of: how do you work with postsecondary institutions in a way that allows them to be free to operate? From a company perspective, working with colleges is quite straightforward. We at the front end do not take a position on intellectual property ever. Companies can come and do applied research within our institution and know that the intellectual property that's developed is theirs, and that gives them the freedom to co-operate and the freedom to commercialize, which is really important for them. That's something that is inherent within most colleges.

We also work with producer associations and industry associations around developing capacity for technology development that's going to benefit the industry as a whole. Some of those projects are with specific companies. Some of those projects are with, you know, a group of companies or organizations where the intellectual property is open and for open use. Then it's about enhancing not only technology and application but knowledge, enhancing that whole sort of system around a particular area. We've just developed a new technology access centre, for instance, in residual feed intake, so we're working with companies like Grow Safe and others to help the industry optimize existing technology. That's a benefit, certainly, to the companies, but it's a benefit to the industry as a whole.

As an institution we want to become more open for this kind of activity. We have over 2,000 acres at Olds College. I'd love to see a day where that entire spectrum of arable land is being utilized in a way that brings together students with companies and with other industry players so that there is teaching and learning and research and commercialization and entrepreneurship happening, you know, across that asset base that we have as a college. We're doing what we can to sort of open up our land base and our assets so that industry and companies can come in and entrepreneurs and our students can utilize it in a way to support their entrepreneurial interests.

The Chair: Excellent.

I'll allow for two more questions, and then I'll have any other remaining ones read into the record. We'll do Schneider and then Dach. Go ahead.

Mr. Schneider: Read it into the record, or are you going to allow . . .

The Chair: I'll allow those two questions.

Mr. Schneider: Okay. Certainly. I'll start with Mr. Pryce. You mentioned the need for more incubators. You also mentioned that the universities may already have facilities to accomplish this. Do you have any quantification of labs available from our universities to enable incubators to be marketed to industry?

Mr. Pryce: Thank you very much, Mr. Schneider, for the question, and thank you very much, Mr. Chair. Regrettably, I don't have those numbers with me, but I would certainly be happy to follow up with the committee clerk with something hard and fast in terms of figures. As I said, the really crucial thing is having that single window so that it's easier for entrepreneurs to find those incubators. They shouldn't, I feel, have to dig for it. They're doing hard enough work on the R and D side and marketing.

Thank you very much, Mr. Schneider.

Mr. Schneider: Just a follow-up to that. From an incubator an agrifood business needs an accelerator. We have no accelerators as currently defined in Alberta. Is that correct? What would be the government's role in fostering the creation of an accelerator if that was the instance?

Mr. Pryce: Thank you very much, Mr. Schneider, and again thank you, Mr. Chair. When it comes to accelerators, I would say that the Leduc Food Processing Development Centre certainly fits the definition of an accelerator and does an excellent job. Here's hoping that things work well with the expansion when it's completed in 2019. Again, of course, an accelerator for which products? There may be some areas where we could see an accelerator fitting into a different kind of niche, maybe less of a focus when it comes to speciality meats, for example, maybe something more on the cereal side or a plant-based protein. Who knows? But I would say that when it comes to government support for developing accelerators, something similar perhaps to what was done with Leduc, bringing together the necessary parties, maybe a bit of starter capital to ensure that things get off the ground. I'm not entirely sure.

I at least would recommend the approach similar to POS Bio-Sciences, where it was the government of Saskatchewan from the '70s, and I think it was only privatized in 2011 or 2012. Things have really taken off since privatization. I'm not entirely sure it's in the government's best interests to be setting up that accelerator and operating it for a 30- or 40-year period. It could involve a lot of sunk costs in that particular case when capital is already tight.

The Chair: Mr. Cullum.

Mr. Cullum: Yeah. I can't really speak to accelerators per se, but I would like to highlight that in the agrifood space there are some really interesting initiatives that have emerged over time. There's a program called Alberta flavour, for instance, which is a collaboration I believe the University of Alberta and NAIT are involved in. It was developed out of Northlands when I was there, and we worked closely with the Leduc Food Processing Development Centre to develop the program. It was called the product introduction program. They fortunately created a much more sexy term for it. It also had support from ALMA and others. It was a program that really was intended to bring together the institutional food service organizations to help start-up companies, food companies that normally would have a difficult time accessing that market through Sysco and others because of just the need for consistency in volumes, right? So we created this program that was a bit of a back door into those large food service entities. It gave them an opportunity to test and to trial and to sort of stumble around until they became more sustainable and actually entered it through the more traditional pathway.

Programs like Alberta flavour – and there are a number of others – I think are really important programs to be paying attention to and to ensure their success because those are the kinds of, I think, grassroots initiatives that are going to help food companies, local food companies ultimately be successful.

Dr. Blade: Just a very short response as well. The faculty and the University of Alberta have been very focused on this idea of making that bridge between their research and companies. We have a facility here in Edmonton called Agri-Food Discovery Place. We work very closely with companies. They essentially are coming in and they're testing those first ideas before they would graduate to a place like the Leduc Food Processing Development Centre. So there are some links, but, again, all of those other issues around operating capital and making themselves available – there are hurdles that those companies face when working either with us or even as they try to graduate on to Leduc.

The Chair: Excellent.

Just being cognizant of time, I will ask any members who have any remaining questions to read them into the record, and then we can have our panels follow up with us through the committee clerk.

Mr. Dach.

Mr. Dach: Certainly. I'll be brief. I know that we're all interested in indulging in some Alberta food. I can hear stomachs growling. Now we're chewing into our lunch hour as we speak. But I did want to ask to Mr. Wade Alston from the town of Magrath to tell us more about the Starfield Centre, which is developing a year-round polyculture facility with geothermal heat, solar power, and low water use. It's a flagship project intended to expand across Alberta. I wanted to know, on the expansion, how the Starfield Centre fits into the Magrath sustainable agricultural partnership. And if the Starfield Centre does expand, what role will the town of Magrath play?

The Chair: Mr. Carson, you had another question as well?

Mr. Carson: Nope.

The Chair: Okay. Mr. Orr.

Mr. Orr: Yeah. Thank you. Maybe just two quick ones. How do we attract students? I mean, I know universities are always out to attract students, but more focusedly, how do you market the career of agriculture to students? I mean, city kids don't know much about it and think it's just muddy. The rural kids don't really have the opportunity unless they come into the city and then have them go back to the rural. They get stuck somewhere else. So how do we actually do that?

I guess, related to that, we are in the middle of a curriculum rewrite for Alberta Education. I just wonder if anybody from the university is having the opportunity to have some input into that curriculum rewrite so that agriculture actually shows up in our Alberta Education curriculum because otherwise it may get completely missed. I think you guys have raised some really good points on that, so getting them to the right people would be very valuable, I would think.

My other question is for Mr. Pryce. Just very briefly, on your website you have a resiliency index. It basically says that the innovation ecosystem in Alberta is viewed as ineffective. I'd like to know why it's ineffective. What do we have to do to make it more effective?

12:20

The Chair: Mr. Schneider.

Mr. Schneider: Yes. To Mr. Cullum and Dr. Blade: is there value in transferring the government of Alberta's ag research and development assets to the universities or potentially to the Alberta Innovates corporation?

The Chair: Excellent.

Well, thank you to our presenters for meeting with us this morning and for responding to our questions. As a quick reminder, the transcripts for this committee meeting will be available on the Assembly's website shortly. If you wish to provide any additional information or answers to these questions, please forward them through the committee clerk before the end of the month for the sake of all committee members.

We will now take a recess for lunch until 1 p.m.

[The committee adjourned from 12:21 pm to 1:04 p.m.]

The Chair: Welcome back, everyone. I'd like to call the meeting to order.

As we move into panel C, for the courtesy of all of our guests at the table and for those joining us on the phone, I would like for us to introduce ourselves again for the record. I'll start to my right here.

Mr. van Dijken: Good afternoon. Glenn van Dijken, MLA for Barrhead-Morinville-Westlock.

Mr. Taylor: Good afternoon. Wes Taylor, MLA, Battle River-Wainwright.

Mr. Orr: Ron Orr, MLA, Lacombe-Ponoka.

Mr. Schneider: Dave Schneider, Little Bow.

Mr. Woolley: I'm Ben Woolley, representing Sunhaven Farms.

Mr. King: Randy King, representing West Grow Farms.

Mr. Carson: Good afternoon. Jon Carson, MLA for Edmonton-Meadowlark.

Ms McKittrick: Good afternoon. My name is Annie McKittrick. I'm the MLA for Sherwood Park, and I'm substituting for MLA Fitzpatrick.

Mrs. Schreiner: Good afternoon. Kim Schreiner, MLA for Red Deer-North.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Mr. Horne: Good afternoon. Trevor Horne, MLA for Spruce Grove-St. Albert.

Ms McPherson: Hello. I'm Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

Mr. Koenig: Good afternoon. I'm Trafton Koenig with the Parliamentary Counsel office.

Dr. Massolin: Good afternoon. Philip Massolin, manager of research and committee services.

Ms Rempel: Good afternoon. Jody Rempel, committee clerk.

The Chair: I'm Graham Sucha, the MLA for Calgary-Shaw and committee chair.

I'll ask for those on the phone to introduce themselves, starting with Mr. Gotfried.

Mr. Gotfried: Good afternoon. Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Piquette: Colin Piquette, MLA for Athabasca-Sturgeon-Redwater. Good afternoon.

Mr. Malkinson: Brian Malkinson, MLA for Calgary-Currie.

The Chair: I just want to confirm that the representative from Peace Gourmet Honey is on the phone.

Mr. Coppens d'Eeckenbrugge: Yes, I am.

The Chair: Excellent. Could you introduce yourself for the record, please?

Mr. Coppens d'Eeckenbrugge: Jean Coppens d'Eeckenbrugge, owner of Peace Gourmet Honey. It's a small business specializing in specialty honeys like different flavours, different origins of nectar.

The Chair: Excellent. Thank you very much.

Once again I remind you that every participant will be invited to make a five-minute presentation, after which I will open up the floor for questions from committee members. A reminder for the members who are joining us at the end of the table here, too: the microphone consoles are operated by *Hansard*, so there's no need to touch them during this time.

I will start with our representative from West Grow Farms to open us up.

West Grow Farms

Mr. King: Good afternoon. Thank you for this opportunity to present to the standing committee our summary. West Grow Farms is doing indoor vertical farming. I wanted to say that we're using aeroponic technology, which had its early beginnings in the 1940s and has evolved since then right through to the present day, where it's being developed for commercial indoor farming operations. To date in Canada there are two sizable indoor farms, primarily on the eastern seaboard, one utilizing aeroponic technology, the other one using hydroponic technology. With respect to internationally, vertical farming is prevalent right across the globe, more so in the Asian countries, China and Japan, and it's growing a bigger foothold within Europe. China, for example, has 25 factory farms, which are 100,000 square feet in size and larger.

What we wanted to focus our summary on was some of the key initiatives that we see the government having today. One of them was working with small producers to eliminate barriers to local food production and marketing. We still have the opportunity to move innovation of agricultural techniques to commercialization and support a growing demand within the market for fresh, locally grown produce and, in parallel with that, try to reduce the waste that we see in the traditional supply chain. Some of the barriers to achieving this are that it's not prevalent to us that there's a whole bunch of government support or how to find that government support for new, innovative growing techniques that will bolster our economy and further diversify it.

1:10

The other point we'd like to make is that the traditional supply chain is the big golden arch – right? – where you go from farm right through to a distributor, and then it finally makes its way to the retailer. It's long, and it creates lots of waste. There's lots of literature around waste in getting food to market. What you'll see is that in 2003 the Food and Ag Organization found in their studies

that there's about 40 per cent waste in getting the produce to the retailer. That is just from the farm to the retailer. If anyone has been to the store lately, you'll see that produce is primarily coming from south of the 49th parallel. Just the other day I bought some basil, and on the package it said: from Colombia. That's \$5.65 for 84 grams. I took it out of the package, and it was pitiful. Within our full-blown presentation we talk about food quality and nutritional value. In some cases the heads of lettuce that we get in the store have the nutritional value of straw. We're strong proponents of moving technology and developing it so that we can grow produce closer to the source of the demand.

Our recommendations are to expand Alberta Agriculture Financial Services Corp's and maybe ATB's mandates around supporting these initiatives that are going to grow the economy. Being early leaders, there are lots of capital costs and research and development that fellows like us undertake and that we have a difficult time getting recovery for. More incentives would be nice for the horticultural LED lighting right across the industry, maybe an industry review focused on shortening the supply chain to our local markets and trying to flatten that arch.

With respect to our climate leadership plan growers and especially indoor farms consume significant amounts of electrical energy. Within an indoor farm that'll be the single largest operating expense. We're looking at using gas generation, capturing the waste heat to heat our building, removing the CO₂ from exhaust gas and using it in the process to grow plants, leaving pure green energy available to the marketplace. Some of the barriers that we see are that right now we classify renewables as solar power. We would need a minimum footprint of two acres of solar panels in order to power a very small facility. Wind or hydro generation doesn't address our concern for cost because we still have to pay the transmission, distribution, and demand charges associated with that energy.

The energy really needs to be right at the grower's site. Presently if growers are producing their own power, they have to make an application to AESO to become generators. We don't want to be generators, right? We want to be growers. Having said that, the recommendations to take forward that we see would be to amend the microgeneration regulation to provide for entities in the growing community where we're really scrubbing the CO₂ out of the flue gas of our gas turbines – so it is true energy – and give us the opportunity to sell that energy back into the grid under the microgeneration regulation because, again, we don't want to be generators.

The other thing I'm going to say, again, is that the horticultural lighting is another big concern for us. I know that there was a program that was available for a few weeks and disappeared. It may be a lack of funding; we don't know. If that could be revived, it would be of value to the sector.

The last point we have: big on small business. In 2014 small business accounted for 32 per cent of the provincial gross domestic product, providing 36 per cent of private-sector employment. In order for us to continue to diversify and grow the ag business, you know, we need to focus on greenhouse growers, for example.

Some of the barriers we see are property tax disparities for indoor farming versus the traditional farming community. Indoor farms are primarily situated close to urban settings and are taxed at industrial rates or commercial rates. On a 20,000-square-foot building our taxes would be \$50,000 a year. There's a big disparity between ourselves and somebody who's out in southern Alberta in a greenhouse environment.

I guess one other barrier, the biggest barrier we see, is moving new initiatives or innovation forward in Alberta, some mechanism for those early leaders to get the supports to take these projects to

market. Some recommendations we would propose around this small-business driver would be to encourage Municipal Affairs to have a review of the property tax assessments as they relate to indoor farms, both for owned facilities and leased facilities – I'd suggest that most indoor farmers would look to find a vacant building or lease a commercial building to install an indoor farm in an urban area – and, I guess, to understand or expand agriculture farm services programs. When we go to the local AFSC service provider, they're not well informed around new technologies and what we're doing. They're well informed around the traditional farming methods, but when there are new innovations brought forward, we kind of get the same responses as the traditional banks, and it doesn't matter how much money you have down.

Thanks for your time.

Sunhaven Farms

Mr. Woolley: First of all, thank you very much for having us here, having Sunhaven to come speak to you. I'm here with Dave Price, who was originally going to do the presentation, but he's got a bad cold, so I'm pinch-hitting for him. My name is Ben Woolley.

Bryan Perkins of Perkins Farms and Sunhaven Farms was unable to attend today. Bryan is a third-generation farm businessman who now with his family includes the fourth and fifth generations, and they operate Perkins Farms' grain and hog operations near Wainwright. Sunhaven Farms is a hog production group with operations across the province of Alberta. Sunhaven has over a hundred family farm owners, many of whom were welcoming their third and fourth generations into the operations at home. Collectively, the Sunhaven Farms operations represent \$100 million of capital investment, 150 direct jobs, and over 250,000 market hogs per year.

Sunhaven has partnered with other family-owned operators like Sunterra Farms to develop an integrated farm-to-fork production model that sells high-quality pork in Alberta and throughout the world.

Sunterra has its roots in a small mixed family farm established by Dave and my parents near Acme in 1950. It has grown to become a Farm Forward enterprise with production facilities primarily in Alberta; Sunterra Meats, a small processor in Trochu, where it processes and sells pork domestically and internationally; and retail stores in Edmonton and Calgary serving consumers directly. Sunterra is pleased to be able to work with the fine families that make up Sunhaven Farms. It is on the successful background of grain production, feed manufacturing, hog production, genetics, and health management that our remarks are based.

1:20

Pork production in Alberta supports nearly 7,000 jobs, direct and indirect, involved in production plus another 5,100 jobs in food processing. Alberta's pork sector's economic impact was \$1.6 billion from \$670 million in sales in 2014. An additional \$1.2 billion was produced by the processing sector. Most of this activity is felt in rural communities outside the two major metropolitan areas.

Alberta is blessed with tremendous natural resources. For agriculture and food production, this begins with the availability of good land and water that is the envy of the world. Combining this with the strong, innovative spirit of our forefathers, our free-enterprise approach has meant that our value-added agriculture and food production is world competitive. The pork industry has developed to produce superior quality and value products as well as to be competitive in commodity pork. Strong markets in Japan and the growing base in China make pork different than other

commodities, including oil, where there's a much greater current dependence on dealing with the United States and what that may mean with President Trump's policies and direction.

Major opportunities exist for the Alberta pork industry to grow its role as a driver of economic activity. A first step would be for Alberta's producers to be able to expand to fill Alberta's current excess processing capacity if the right economic conditions existed. Capital investment of \$750 million would produce another \$2 billion per year in economic activity and thousands of jobs. It would add value at home of over 600,000 tonnes of locally produced grains and legumes.

What would it take to have this happen? First, it takes visionary leadership with a broad focus and desire to facilitate this opportunity. It takes a receptive political environment provincially and locally, with a shift from what we have recently seen at both levels. It takes the availability of people willing to choose to work with us to create this growth. This means having the infrastructure in our communities competitive with what people expect in larger urban centres, from simple things like roads and services to high-speed Internet through the SuperNet at a comparable cost. It means having schools, while smaller in scale, that still have the funding and flexibility to provide appropriate local education, including being able to partner with local businesses to provide technical training. Students that go to postsecondary institutions in cities tend to meet spouses and marry there and not return to their home communities.

It takes having readily available capital which is patient and reliable right through the cyclical highs and especially the lows of the food and meat business. The charter banks do not provide this for us. It takes a broad provincial government attitude and a conscientious, long-term commitment to allow the industry to compete from the base of Alberta's natural advantages and abilities without having to carry any extra regional, provincial, or national burden of regulation or taxation that our competitors do not have to face.

Alberta's grain and meat producers have a proven track record of world competitive success. The developing world demand for meat products is clearly evident and a great opportunity for us. Alberta's value-added food sector will expand to the extent it can, working from all the conditions here versus those that our world competitors work with.

Thank you.

The Chair: Thank you very much.

I'll now ask Mr. Coppens d'Eeckenbrugge – and I apologize for mispronouncing that – to do his presentation.

Mr. Coppens d'Eeckenbrugge: Yes. I have made a slide show. I don't know if you have been able to see it, but it kind of presents a little bit of the specifics of my company.

The Chair: Sorry to cut you off for a quick second here. Just for those who are joining us and the committee members, it is on the internal website if you want to refer to it as well.

Sorry. Please proceed. My apologies.

Peace Gourmet Honey

Mr. Coppens d'Eeckenbrugge: I want to refer to the slide show that I prepared before. It was kind of a presentation of the company. Basically, it's a fairly small company, and I work a little bit like a beekeeper in Europe, where you specialize in some flavours of honey. In my case I stay away from the main crops like canola because there's a strong taste, and I go for finer crops like clover or

alfalfa or wild berry, which comes from small fruits like saskatoon, chokecherry, raspberry, strawberry, highbush cranberry.

I try to market it first locally because we need to have kind of a good, solid economic base before starting to expand. It is a bit of a challenge because it is not common to produce a specialty honey. My customers are surprised by the quality and the taste. Yes, I still sell it at a fairly reasonable price, maybe a little bit more expensive for the wild berry because it's a special crop.

But I'm planning to expand, and the difficulty, as I mention in the slide show, is that, first, everything that comes to the Peace Country, so many of our supplies, comes from Edmonton. You have to add 25 to 35 per cent in shipping costs. I'm trying to do that by having some other beekeepers or friends who are going to Edmonton maybe get the goods for a better price, basically just for a smile.

Then the other cost and what makes it difficult for a small business is when you want to reach a customer outside. I've started to look more towards the south and the cities and also at transportation and time cost. What actually arises over time is that the distribution, in general, is made for the large-scale but not for the small-scale business. If you want to sell a product at a better price because of its worth or because of its quality, then you have to bring it to the customers. I look at different options, you know, like driving it myself, going once a month to the big cities and trying to have retailers that are going to distribute my product. Of course, they themselves must be specialized retailers like gift shops or for souvenirs or specialty or organic food. This kind of retailer is usually who is carrying my product.

So it's time consuming, and it's not efficient moneywise. I look at different opportunities like going with sales on the Internet and looking for a platform, and if you look for a platform, you need someone who is going to contact the customer and ship the goods and make the transaction. Basically, it's very time consuming. Remember that I'm a beekeeper. In the summertime I work with the bees. If I don't manage my hives in the summertime, they are not going to produce.

So the challenge is distribution, obviously, and marketing is something manageable. Financially it results in some challenge for the beekeeper because you use a lot of fuel going from one beehive to another one. You use also a lot of electricity in the shop, and I'm going for natural gas. So you've got to pay two bills. You have to pay distribution costs of the power and the gas. Sometimes it's not really the best deal.

1:30

My feeling in general is that the infrastructure is made more for large businesses than small niche markets, and basically my expectations towards the government would be, first, to build a culture or terrain that helps small businesses grow. Like, if you want to see the crop and the terrain is hard clay, it's not going to grow. The first thing for a small business is to be in an environment where it can grow and thrive. That's what my slide show is kind of pointing towards. Build a culture. Give us the tools that help us grow, first.

There is a chance of that happening with the customers. They start to buy more locally. They start to be more aware of quality. Locally there's starting to be support, but the awareness is not really there, you know. Building a campaign for purchasing local food or fresh products, quality products is something that still needs to happen, in my opinion.

I realize that we are at a time of change, change in mentality, change of attitude, but the economic structures haven't changed. They are still made for big production and not for small products. If you look at distribution, I think it's where you'll see the biggest

challenge, when you want to distribute your special products to a niche market, you know? That's what I want to share.

The Chair: Thank you very much.

I will now open it up for questions from committee members, and on my list I have MLA Schreiner.

Mrs. Schreiner: Thank you, Mr. Chair. I'd like to start off by thanking the panel for joining us here today, whether in person or by teleconference. Thank you for your presentations and for the opportunity to ask questions. The government absolutely wants to support local Albertan producers as much as possible. As food producers are there any insights that you would like to share into how we can make it easier for you to do business?

I have two supplemental questions. Can I ask them now?

The Chair: Yeah. If you want to ask them, then they can incorporate them into their answers.

Mrs. Schreiner: Okay. Absolutely. Thank you.

I was wondering how much of your market you would say is local compared to outside of Alberta.

From your perspective what kinds of tools and supports for small business do you feel would best support the agribusiness sector?

The Chair: We'll start with Mr. King.

Mr. King: We're not quite to market yet. We're developing an indoor farm, and we've got a building. We've got our equipment in place. We've leased it. What we do know from our marketing plan is that almost all of our produce will be local. There is such a significant demand from the local grocers and different segments of the marketplace that want to buy local, the whole 100-mile concept of purchasing local produce.

Tools and support. I think it's the process for those entrepreneurs that are bringing new technology to the marketplace and trying to look for support. That support is just a hand up because, you know, we're spending all kinds of money on research, and we fine-tune our systems and then now are taking that to a small commercial facility. How do you get the funding and the financing? Do you go to a chartered bank? They're not interested in providing that type of funding. There's no road map – right? – for individuals like us to follow. I'd venture to say that sometimes within those departments that are providing funding within the government, they don't have a road map for themselves. They don't know where to send you. So that's one.

Then we highlighted a couple of other things, right? The taxes, you know, the tax rate for indoor farms.

The other issue for us is being able to sell energy, right? You know, as a microproducer our generation requirements would be under five megawatts, you know, a megawatt and a half. We don't need all that power. We need the CO₂. We may need, you know, half a megawatt, but we need the CO₂ and the waste heat. The by-product we have is electrical energy, and there's nowhere right now for us to send it. There's no mechanism for us to get it to market and get some recovery because there's that capital cost of buying the generation assets.

The Chair: Mr. Woolley.

Mr. Woolley: Yeah. Thanks for your question.

Right now we export about 9 million tonnes of grain from Alberta a year. What we would like to see is a lot of that grain kept at home to feed livestock and to add value to what we're producing for that grain, and then export the meat. Over half of what we produce is

exported, to answer your question, so export markets are critically important to us.

As far as the barriers go and what we think we need or what we believe we need to make us more competitive, all we want is a level playing field. Our biggest competitor is the U.S., and they have access to a number of different things that we don't have access to here.

First of all, they have very favourable tax rates and tax codes that help farmers manage their businesses in a more effective manner.

One of the primary drivers is access to capital. For example, I can go and build a building in the Midwest of the U.S. now and only put 5 per cent of the equity down whereas here we can be required by the chartered banks to have up to 50 per cent equity.

In the U.S. we can have bank accounts that work directly with our trading accounts so that we can hedge our commodities and run our businesses in a much more professional and economically viable manner, and the money transfers back and forth without any interference whatsoever. Trying to set up a hedge account here requires a huge amount of collateral, and it's much more difficult to do, so access to capital is critically important.

Access to labour. We don't have an awful lot of people in Alberta, and there are even fewer people living in rural Alberta, so labour is a really critical component of everything that we do both in the farms and in the processing sector. So access to labour is also critically important.

Then, of course, access to foreign markets. The new EU trade agreement we see as being a real positive. Very sad to see the TPP die because we felt that that was going to be of huge value to agriculture in Canada. It looks like we'll probably have to rely somewhat on free trade agreements to continue to grow our business.

We do have the resources, the know-how, and the expertise to take advantage of all of the natural resources we have in Alberta, and we would like to be able to take care of that and have the regulatory environment that allows us to do that.

I don't know if you've got anything to add to that?

The Chair: Mr. Coppens d'Eeckenbrugge.

Mr. Coppens d'Eeckenbrugge: Yes. My market is primarily local. It's the Peace Country. There are about 330,000 people in the Peace Country. I occasionally go to Hinton, so it's not very far right now.

The challenge for beekeepers is, first, to build the infrastructure, all the extracting equipment for processing the honey. Right now I'm working on developing a machine that's going to simplify the extraction and, at the same time, make it a lot less dependent on the issuance of power, so I can use a lot less power and less time and, especially, less labour.

1:40

For beekeepers it is not very easy to find labour, too, because it's not a job that everyone likes to do. Students can sometimes help, but it's very occasional, and mostly it's boring labour that helps us the most. On my scale of beekeeping I just need someone occasionally, so I'm not that dependent, but it's still something to manage to work a beeyard. For the extraction I need to have help, and that's why I'm looking to build a machine that's going to simplify the extraction and reduce the cost of the power, which in my case is very important and very high for a small size.

Then, of course, the cost of the fuel. You need to own one or two trucks and go to the beeyards. Having specialty crops, I sometimes have to travel 30 miles to go to one beeyard. I try to be efficient by organizing myself and concentrating the time of labour so that I can drive only once instead of twice.

Distribution is still the challenge because when you live in the country, your next market is the bigger city. In the case of the Peace Country it's Grande Prairie, so every week I travel to Grande Prairie and do the retail of the products at the retail markets. Yes, I have to go with the philosophy of the distribution. Like in the big stores they have their own way of shelving. They have their own policy. So it's not that easy to bring a local product, something that is special, and introduce it in the traditional chain of distribution.

Where the government could help us is with the processing – and it partly does it already as I'm getting some help for building this new machine – and maybe managing the energy cost and trying to open a market for small producers or specialty producers and, as I was mentioning in my slide show, actually, the coaching or help on the marketing side. A small producer doesn't – I didn't go to a school for business, and I don't think it would help me, anyway, because it's a different structure, but there are still marketing and distribution issues that are really challenging when you have to learn them all by yourself.

I feel that small business is learning on the ground about the land, and it may take you 10, 15 years when sometimes, with a little bit more experience, in five years you can see the market, and then you can see what is available and what you can do. It's kind of an uphill road, and it could make it easier, and I think that with the proper infrastructure and the proper education it could be smoother. I know that in Europe at the time I was in Europe, 28 or 30 years ago, there was a place for small business. I hope it's going to come to work like that, you know, where small business . . .

The Chair: Excellent. Thank you.

Mr. Coppens d'Eeckenbrugge: Sorry?

The Chair: Oh, I was just saying thank you. I just wanted to make sure we got to the next questions here as well.

Mr. Coppens d'Eeckenbrugge: Okay.

The Chair: Excellent.

Mr. Orr.

Mr. Orr: Yeah. Maybe, first of all, to Mr. King. You mentioned the traditional supply chain as being one of the problems, the golden arch. What's the solution to that, in your opinion?

Mr. King: I think there are multiple solutions. I was hoping that we – there needs to be more of an industry review. We're going through co-operatives and not having – if a local supplier has to go to a co-operative and then to a distributor and then it goes to another warehouse before it gets to the retail outlet, that produce is handled so many times. There's waste. Like, you know, the time to market is so long that the product just degrades nutritionally, right? It's looking for opportunities where those can go directly – right? – as much as possible.

Mr. Orr: Okay. But apart from people being prepared to drive out of the city to the farms and pick it up themselves, which most of them will never do – a few people will, but not many. I agree with you that it's a problem. I don't know what the solution is, though, and I'm looking for that.

Mr. King: It's working with the big retail industry. They're stuck on the traditional approach of buying that produce through the big distributors like Gordon Food and what have you rather than going straight to them.

Mr. Orr: Yeah. It's a challenge, all right. I wonder if the efficiencies that created the supply chain wouldn't – I mean, if you go to many, many, many small, direct consumers, there's going to be some waste there, too. I don't know which one works better, but I just wondered if you had any really good ideas on that.

Mr. King: No. But if I do, I'll submit one in writing.

Mr. Orr: Thank you.

I do have one other, a little follow-up question, if I may, Mr. Chair. On your page 3 you mentioned some of the international places that are doing indoor vertical farming. My question to you is: out of the list that's here, how many are actually self-sustaining or financially viable versus branding expenses or government-supported initiatives?

Mr. King: Well, the one in the U.S. is self-sustaining, AeroFarms.

Mr. Orr: Yeah. That's one.

Mr. King: Toshiba and Panasonic are independent corporations – right? – running their own farms. I guess as far as . . .

Mr. Orr: Yeah. But are they running those as marketing, branding expenses to be green and all the rest of it? I mean, they make their money off high-tech stuff, not farming.

Mr. King: Well, Japan has moved to indoor farming because they don't have farmland to produce produce. Being an island country, they want to be self-sufficient, with food sovereignty, so they have the most factory farms in the world.

Mr. Orr: Well, I think you're being very creative, and I think it's a great thing. I wish you the best of success. Yeah. There are lots of obstacles to overcome. You know, congratulations, and I hope you win.

Mr. King: We will win.

The Chair: Excellent. I'll remind all members to speak through the chair.

Mr. Woolley, my deputy chair was commenting that you may have some insight in relation to this, too. Would you care to comment as well?

Mr. Woolley: As far as going right to the consumer, we have our own retail outlets where we sell our own produce. By the end of April we'll have 10 retail outlets in Calgary and Edmonton, and we're able to showcase our own product to the public through those retail outlets, both beef and pork. We feel that that's a tremendous way to get our product out. Even though it's not a huge percentage of what we produce, it's still our face to the public and creates public trust in both our industry and our own product.

I don't know, Dave, if you've got anything to add to that.

1:50

Mr. Price: Hi. From our own philosophy's point of view, we think that the best way of doing this is to provide all kinds of different market opportunities there. So whatever develops, if it has an opportunity to interface directly with the consumer, then that's great. What we don't want to see is other people making decisions on what's appropriate or what's not, because then everything actually has a chance to succeed. If people are making decisions on proper channels or branding or whatever that is, then that automatically limits innovation, it limits opportunity, and it definitely limits what the consumer actually has the ability to pay for. In our case, we are confident in our direction because the

consumer is telling us where they would like us to go with their money. We're not relying on anybody else.

The Chair: Excellent.
MLA McKittrick.

Ms McKittrick: Thank you, Chair. I have a question for Jean des Abeilles, and then I probably will ask a similar question to Mr. King. Bon après-midi, Jean.

Mr. Coppens d'Eeckenbrugge: Bon après-midi.

Ms McKittrick: I'm really interested in your story of being a small beekeeper in the Peace region and the efforts you're making to market your product and to develop new products. You alluded in your presentation, in the PowerPoint, to the things that are challenging for you in Peace River as you're trying to develop the product, and I know, having talked to some other honey producers, that your story is not only of you in the Peace region producing honey but is of any farmer that is doing a small-scale gourmet or specialty product.

We talked a little bit earlier today on this area. I'm really interested in specific things that you could see are needed for you to be able to maximize your distribution and marketing system because, as I understand it, the challenge for you is really getting your product to retailers in an efficient way and getting the capital to buy some machinery. What would you like? What would help you to achieve your goal and build your business and create economic development in the Peace region?

Mr. Coppens d'Eeckenbrugge: One thing I've been working towards is getting the chain of extraction and particularly the honey processing shop ready for what is called the licence form, to produce a grade, which would allow me to go over the borders of Alberta eventually, progressively building up my machinery so that I could meet the demands of CFIA, the Canadian Food Inspection Agency, so that I can get my licence. Of course, now I'm working on getting a complying floor, a concrete floor, but there are a few small issues that I'm working on. The processing part is one challenge.

The distribution part is the other challenge, and I don't know exactly how to encounter it because in the summertime I have to spend time in the beeyard. So I try to organize my weeks. I have one day for the distribution.

The retailing: I have to look for stores that have either specialty products or local products where I can display the different honeys. At the same time I try to approach grocery stores. Some are more open to local products. It's like competing with every other honey product on the shelf, and I try to tell the manager: "Listen, this is something special. You should put it with the healthy choices or at a place where it kind of gets more of a view." A consumer in a grocery store is usually looking at the price as the decision factor for choosing honey. Happily, the honey that I'm producing is liquid but unpasteurized, which gives it an advantage. Ideally, it should be kept cool, but that's not easy to do if you keep the honey in a different place and people don't see it. Then I approach the tourism office or everything related to gifts.

The problem is that except for Grande Prairie, which is the main city, with around 55,000 people – this is the biggest centre in the Peace Country, so I don't have a large customer base to really make the business thrive, you know? Basically, I'm keeping afloat, but I don't get the feeling that I'm coming ahead. I have to innovate with lean processing, making processing that doesn't cost so much in terms of time and labour and power; reduce the cost and the transportation; and find a way to organize myself to distribute the

products outside of the Peace Country, like trying to reach centres like Edmonton, Jasper, Banff, which are about a day's travel distance away from the Peace Country.

I don't know what the solutions are, because I'm looking for them, you know?

The Chair: Excellent.

Ms McKittrick: Merci beaucoup.

The Chair: Sorry to interrupt.

Ms McKittrick, you had follow-ups for the other members?

Ms McKittrick: Yes, I do. I wanted to ask the same kind of question to Mr. King. I have a NutraPonics project in a nearby riding, which is very similar to what you're doing on your farms – right? – or something similar. Again, I'm also really interested in that distribution. We talked a lot about the challenge to get local products to the retailers because of the fact that most retailers buy their products through a central company – I'm thinking of places like Safeway or Sobeys – or else through a company like Sysco or Sun. How do you see that changing?

Mr. King: You know, at the present day our business plan focuses on the local community. There are some small grocers that we've already talked to. They've given us what their requirements are for different cultivars and said: if you can supply this produce for me, so many pounds or tonnes a week – right? – we'll take all that. Our plans are similar to my colleague's here: have a retail storefront and continue to do social media marketing and bring the people to you, right? Then the rest is that there are other segments of the market that we'd also pursue. I think that to begin, our marketing plan is local, and as we grow, we're going to have to go to those large distributors.

2:00

Mr. Woolley: I don't know that I have anything to add. I'll let Dave comment on it.

Mr. Price: Yeah. In our own case we source as much as we can with the retail stores from local suppliers. I don't think that there are any particular challenges associated with that. Again, it's really an opportunity just to respond to what the consumers want. As the demand goes up in any particular area, we like to respond to that, and if it's the local demand, then that obviously is the place that we would fit best because that's our priority.

The Chair: MLA Schneider.

Mr. Schneider: Thank you, Mr. Chairman. My question is to Mr. Woolley, and certainly anybody can answer. You're going to have to forgive me because I've scratched all over this page trying to get to my three questions.

I was going to ask you your opinion on the competitive framework in Alberta and what you see could be considered barriers or hurdles to growth and success in agrifood and agribusiness. I think you've kind of answered that. You can certainly answer some more of that if you like.

I guess my question really is: who's failing, in your opinion? Is it AFSC or ATB or the chartered banks? When I look on AFSC's website, I see there's a value-added and agribusiness program. Ag service, food processing, manufacturing, and transportation are considered eligible businesses in that program, and a loan of \$5 million to an individual is available, preferred rates for producers who add value to the ag industry. I'm sure you're aware of the program. I just want your opinion on that. Who do you believe is

failing? You talked about getting hands on capital: 5 per cent down in the states in the Midwest, up to 50 per cent here for the kind of things that we really are looking forward to doing here. I'll just leave that to you.

Mr. Woolley: It's a great question. There are two sides to the finance. There's the capital side and the operating side. On the capital side, when you think about \$5 million, it sounds like a lot of money to begin with. The typical pig unit these days is 2,400 sows, between 2,400 and 3,000 sows. Some of them go up even higher than that; \$5 million won't even build the infrastructure for a 2,400 sow unit. We need, as I said in my presentation, about another million pigs in western Canada and probably half a million pigs in Alberta just to fill the processing needs. The capital side of it: certainly, the limit needs to be raised so that we can have better access to the capital that we need to build the infrastructure that we need to produce the livestock that we need for our processing facilities.

On the operating side, access to capital is a big issue for us when it comes to the collateral that we need and the restraints that we have on the operating lines that we have. Again, it goes back to: we just want a level playing field with the guys in the U.S. You take AgStar, for example, which is the biggest lender to the U.S. industry, and they have specialist people who understand the pig industry, understand hedging programs specifically, and will finance hedging programs because they understand the fluctuations of the market. The hedging line will allow us to take the highs and lows out of the market to a certain extent if we choose to do that. They encourage us to do that because it means that our business is more stable. The problem in Canada is that we don't have access to that kind of expertise to understand those kind of fluctuations in the operating loans, and we need that kind of expertise in the markets so that we can manage our businesses more effectively in that manner, if that makes sense.

To just divert a little bit, on the regulation side, you know, what are the barriers? We have regulations in place when it comes to the environmental regulations. We've just developed a new code of practice for the animal welfare in Canada in general, that's way ahead of anybody else in North America, either the U.S. or Mexico.

But we need to make sure that our environmental regulations especially are followed the way that they're written. Quite often it's left too much to local interpretation for them to say yes or no when it comes to, let's say, building a building or implementing the environmental regulations as they're written. We have environmental regulations, they make sense, they're well written, and all we want is to be able to implement those the way that they're written and not have local jurisdictions be able to say: no; we're going to throw those out, and we're just going to stop you from building because this lady over here, who's five miles away from where you're building, decided she doesn't like it or this man or whoever that might be. We just want the regulations enforced the way that they are and to not be overburdened with that.

A prime example of that is what happened in the U.K. when they overburdened the industry with regulations, and 50 per cent of the industry disappeared. They lost all of that infrastructure, all of those jobs, all of that economic activity just because of overregulation.

The Chair: MLA Horne.

Mr. Horne: Yes. Thank you. My question is specifically aimed more to Perkins Farms, but I'd be more than happy to hear anybody's feedback on it. I'm wondering if you've personally taken advantage of any of the programs available under the Growing

Forward 2 program and if you could explain to the committee how your operations may have benefited from that.

Mr. Woolley: Okay. Yeah, we certainly have taken advantage of Growing Forward, and I'm speaking about Sunterra now and not Sunhaven just because I am actually with Sunterra. But we've taken advantage of Sunhaven to do some improvements in our plant, for example, to make ourselves more efficient and to upgrade machinery and to make us more competitive with our overseas competitors in our overseas market. Yes, we've taken advantage of a number of those programs in a number of different ways. For example, we have a CO₂ stun plant, and we put in a new humane hog race, that Growing Forward provided us the money for, and that really helped us to move pigs in a more humane, friendly fashion. [An electronic device sounded]

Then on some of the capital projects that we're also working on, we've taken advantage of some of the Growing Forward money as well, yeah. It's a useful program. It's a good program.

Mr. Horne: Okay.

The Chair: Just as a reminder for those who are on the phone, when you are not speaking, just mute your lines.

Mr. Woolley: That wasn't me, by the way.

The Chair: Mr. King, do you care to comment?

Mr. King: On Growing Forward 2: no, we haven't taken advantage of any programs as yet. You know, we didn't see anything there that was specific to what we were doing quite yet. There was one program that we might have missed. I don't know if it was supported through Growing Forward 2 or if it was an Alberta ag program around LED lighting, but my understanding was that it was only available for a few weeks and it was oversubscribed.

The Chair: Mr. van Dijken.

Mr. van Dijken: Thank you. My question is to all members of the panel. All members identified energy as a significant cost in their operations. But then, also, Ben, you spoke with regard to competing for natural advantages, how industry in Alberta has been able to recognize natural advantages such as land, water, our resources and ensure that we do not put forward public policy that would disenfranchise the ability of our producers to be able to compete on a scale globally. If you could just reflect a little bit about current energy policy, whether it be electricity or for your heating costs, your transportation costs, reflect a little bit on how that has an impact on your operations.

2:10

Mr. Woolley: I'm going to let Dave answer that.

Mr. Price: Mr. Chair, if you don't mind, I'd like to just take a little bit of a step back. If you think about primary production in agriculture as being at one end of the value chain and the consumer is at the other end, if you and I were in those two positions, everyone on this side of the table has a piece of action along the way. The consumer dollar that you start down the path gets a piece taken of it all the way down the path till it gets to me. Anything that is put in place incurs costs, whether it's transportation, whether it's energy, whether it's energy impacting transportation, whether it's regulation, whether it's environmental requirements for certain structures or operations. All of those things flow to the people between us, and it takes from what I get.

When Ben made the comments to start with, that was to try and encourage people to think about this in a way that is broad-minded and say: okay; if we're going to make a decision that's going to have some impact, what is the knock-on effect of that? The knock-on effect is that the last guy to get paid is the producer. The last guy to get paid is the producer. Everybody else gets paid first. When the money starts with you, if two or three more people are inserted along the table, that reduces what I get paid.

If we're talking about international markets, the same is true. We might be able to deal with all of this, but now we've got three or four other fellows over here that say, "Well, we're going to stick on a tariff, or we're going to have some transportation costs, or we're going to have other things," and that all comes out of my pocket because it never gets to me. That's the framework. If you think about everything that impacts the economics of the business overall, the last guy to get paid is the producer. That's the world that we are in.

Now, the other points that had been made were on labour availability and how that works. That also impacts because if the people that choose to work with us in a rural setting have elevated costs or reduced services, they will choose to live someplace else and not work for us. Even though we may be paying a little bit more than the alternative someplace else, if the infrastructure, schools, health care, and basic services like SuperNet are not available, they will choose to live someplace else. When policy-makers like you people are thinking about this kind of diversification, you need to take into account all of those dynamics and say: okay; if we expect rural Alberta and the rural economy to contribute to the production sector, at the end of day it has to have people, capital, and be competitive in those things that impact on their ability to get paid.

The Chair: Thank you.

Mr. King: Energy costs are significant for indoor farming. For a small farm, say, 6,000 square feet, the electrical costs would be about \$20,000 a month under the current regime. I believe that, you know, the only way that these types of facilities can really be profitable at the end of the day is to put generation on-site and shed ourselves of the transmission, distribution, demand charge riders, and administration fees, that make up over 50 per cent of your bill. That's one. The other cost is natural gas for the generator. If we're able to sell power as a microproducer, then you have a revenue stream.

Mr. Orr: You're not allowed.

Mr. King: I know we're not allowed. We're hoping that we might be able to get some changes there.

The current regulation, where we're having, you know, bidirectional meters – well, we would never be taking any power. That would be a by-product of our process. So it's a bit of a challenge for us.

The Chair: Excellent.

Mr. Coppens d'Eeckenbrugge.

Mr. Coppens d'Eeckenbrugge: Yes. What I'm going to say is: would there be an avenue to regionalize the economy, I mean, the political and economic infrastructure, so that the decision sometimes could be made at the local level and promote business on the local level, too? What happens at the local level is that the government knows what is happening and knows who the players are, and they could promote more interaction. I feel that where the network is missing is locally and regionally. My idea is: can we

think of building a network that is more regional or local and that promotes the players? Then, of course, it can expand outwards.

The Chair: Excellent. Thank you.

MLA Dach.

Mr. Dach: Yeah. I was just rolling the problem around in my mind, Chair, and thinking as a former salesman that there's got to be a solution to this. I'm just looking at the marketplace, and there's a failure that is taking place here and barriers that are in place for these small producers that the market is not responding to. It seems as though there should be some leadership role that government can play, and I think that we're all kind of searching for that. What can possibly be done to allow access to the market for these small producers, whether they be honey producers or other types of products, so that they can access the distribution chain and get into the stores so people can actually buy their products?

In terms of this leadership role I think that we've seen some attempts to have larger retail chains set aside an Alberta-made section. I think that Sobeys has done that. I don't know if that was from prompting by government. I'm wondering if there is some leadership that could be done through government to provide, say, a registry of products that are made by small producers so that retailers could then know about them and perhaps provide shelf and marketing space in their stores on a larger basis, so have government operate some type of an interchange clearing house of retailers and product producers so that they know each other. If you maybe want to expand on that role, if there are any thoughts towards that process that you've perhaps wrestled with as well, and have any suggestions.

Mr. King: Not all of the grocery chains have evolved to that state. There are the independents, the small independent grocers that have, you know, half a dozen stores or one or two stores. They're delighted to have local produce. Some of the bigger chains want to buy local, and when you speak to them, they're directing you back to Sysco, right? It's got to go back through local, through Sysco, going back, and I don't know if you get local produce then.

Mr. Dach: I'm just speaking of some way of scaling yourselves up as maybe a co-operative group, as an entity, or as a small producer secretariat that somehow has more market force so that you get noticed.

Mr. King: There is a movement here within the local community to have an indoor growers association. I know that Dr. Mirza and a group that he's been working with have been moving that forward. It's just not in place yet.

Mr. Dach: There's got to be a way to make it work.

The Chair: Mr. Woolley, do you care to comment as well?

2:20

Mr. Woolley: Yeah. I mean, at the end the day, it comes down to what the consumer is prepared to pay for something. The consumer is going to make the choice as to what he or she purchases. If he or she sees value in what they are purchasing, they'll be prepared to pay more for it, or they might be prepared to pay more for it.

So we have to prove to our consumers that the product that we're producing is of a quality and a standard that adds value to their experience of consuming it, and that's what we try to do. For example, we command one of the highest prices in Japan because of the quality of the product that we produce. But we can only do that if we've got a consumer that's prepared to buy it, not if that consumer says: no; this product over here is of equal value, and I'm

getting the same experience out of that product as I am out of your product, so why would I pay more for it?

Supermarkets are going to determine their shelf space according to what provides them with the highest return. You know, we can be as folksy as we like with the supermarkets, but at the end of the day, they're running a business, and the only way that they will give you shelf space in their business is if they can get higher value out of it.

The Chair: Mr. Coppens d'Eeckenbrugge.

Mr. Coppens d'Eeckenbrugge: Yes. To answer that question, if you want to give a choice to your customer, they also need to see the product. The customer doesn't get a real choice because he gets what he sees on the shelves. That doesn't mean that there is no more product.

The idea of having an association of small producers or local food producers that would present products made just in Alberta would be great for the local producers. I think awareness is the first stage. Like, I've been thinking of having my products in the local tourist store because when the tourists are coming in the summertime and are looking for what's happening in the country, they'd see what they can get for products and what are the specialties. Basically, at the local level there can also be promotions: okay; here we produce honey; here we produce smoked meat; here we produce special jewellery or crafts. If the consumer starts to be aware of what is locally there and what is so special, then he will likely go for that. But if he's not aware of it, nothing is going to happen. So for me awareness is the key. You have to present the products.

The Chair: Excellent.

Mr. Dach, you had a supplemental?

Mr. Dach: Yeah, I did, related to this matter that we're talking about, where we're really seeing a question of market access problems. There's nothing wrong with the product. The product is of high quality, and it's eminently qualified to be bought if they could get themselves in front of the consumers. Our last presenter was just speaking about that very issue. I'm wondering. If there was a provincial education and promotion program focused on local foods, do you think that might have any impact on changing what consumers are thinking about demanding and if consumers could possibly be made to consider it by at least having that product exposed to them? It would also change what some of the other larger retailers provide. They need an opportunity to get a leg-up and get into the market, and consumers need to be given a choice to buy your products.

Mr. Coppens d'Eeckenbrugge: Yes. I would be delighted about that. I think that's a good goal, yeah.

Mr. King: That cannot harm us. In addition to that, there needs to be some two-way dialogue between those grocers and the small producers. You know, you're talking to one grocer, and he says: if you can grow this specific variety of kale for me, I will buy everything you can produce. But it's having that knowledge of what the demand is. If you're trying to sell them eggs and they want ham, it's not going to work.

Mr. Woolley: The risk with that is that any organization that is selling for a group of producers is not producing that product. So from our point of view, I don't want somebody else, who I don't know, selling my product.

Here's what I mean by that. If you've got 20 producers producing a product and you've got one person marketing that product, you

might be able to get the consumer to try that product, with enough marketing, and to say: we want this product. Let's say three of those producers are producing a substandard product to the one that I am producing. So the consumer goes and tries those three products and says: I can get better quality for less money over here; I'm not going to buy that product anymore. That has then, by virtue of recognition, damaged the product that I'm selling because I'm then at a discount to this product over here even though I'm producing a higher quality product. That's always an inherent risk of having a single marketing organization representing a lot of different producers who are actually producing an end product.

We would rather do our own marketing, have access to markets and be able to go and talk to the consumers ourselves, to market our own products to those consumers so that we can explain the attributes of our product to them, be it local, quality, price, whatever that attribute is, to be able to explain it to whoever it is that we're marketing to.

Mr. Dach: So supports for your own marketing efforts would be more along the lines of what you would look for?

Mr. Woolley: Exactly. Yeah. That's the way we would see it, yeah.

The Chair: All right. We'll finish off with Mr. Taylor, and then I'll give the rest of the members an opportunity to read their questions into the record.

Go ahead, Mr. Taylor.

Mr. Taylor: Well, thank you, Mr. Chair. The mandate for this committee is really to help the agricultural sector and find ways to make it better for you guys. One of the statements I heard frequently when I was reading through the submissions was that you want less bureaucracy, less red tape, so I guess my question kind of goes around that. What can we do? What can you suggest to the committee for us to help you produce your market, to have less bureaucracy in each one of your individual markets, so the government can get out of the way of what you do as entrepreneurs, you know, which is produce us a product, a good product for a good price? What would you suggest?

Mr. Woolley: I've been over most of the restraints or the issues that we have. Again, we just want a level playing field. We think we can outproduce our competitors if we have a level playing field.

Now, some of those barriers include access to labour. In rural Canada we have a tremendous problem. Our plant is in Trochu, Alberta, and it's difficult to get people to come live in Trochu, Alberta. All of the things that Dave talked about, like schools and infrastructure and those sorts of things: we have to have those things in order to attract people to come and work in the plants, and it's difficult when we've got those resources being taken away.

Access to capital. We need more and freer access to capital. We're happy to work with whoever it is to help set up programs and help to explain what it is that we're working with. A lot of what we have talked to the government about has fallen on deaf ears, unfortunately, so we still don't have the necessary programs in place in order for us to access capital the way that we would like to.

Export markets. Our federal government has done a tremendous job of opening up export markets and giving us opportunities. We just want to be able to access those without undue red tape from the CFIA or whoever that might be. I can give you an example of that. We developed a product to sell to Japan, and the CFIA and the Japanese importers wouldn't talk to each other. We wound up not being able to export that product because we couldn't get them working together to promote that or to just give us the regulations that we needed to follow to export that market, so we abandoned it.

The Alberta government did a great job of helping us develop that product with the research centre in Leduc, but it fell apart because of what we ran into there.

So access to labour, and then, again, going back to the regulations, as far as environmental regulations go, we just want them implemented the way that they're written so that we don't abide by all of the regulations the province has set out and then find that we're getting stymied at the local level because of some whim that somebody may have. Again, we don't need further regulations. We think that there are enough regulations in place now governing our industry, that we are competitive from an animal welfare, from an environmental point of view with all of our neighbours if not at a much higher standard than a lot of them. We don't want excess burden on that. Then, obviously, we can't afford to be taxed in excess in our industry because of the way that our U.S. competitors are able to defer their taxes.

2:30

Mr. Taylor: Can I just have a quick follow-up on that for one second?

The Chair: Yeah.

Mr. Taylor: When you talk about access to labour, are you talking, like, foreign workers coming in here to fill some of the jobs that Canadians obviously are not filling?

Mr. Woolley: We will always prefer to hire Canadian labour. You know, it's a lot easier. It costs us a lot of money to go out and find people from foreign countries, bring them in, set them up with housing and all that sort of thing. We would way prefer it. Our starting wage is way, way above the minimum wage. Our starting wage now is \$15 an hour on our farms. That's our starting wage. We do everything we possibly can to attract labour within Canada, and we would much prefer to have access to labour in Canada. However, if we can't access labour in Canada, we have to go to the international markets. What we don't want to happen is that when we're in that position where we can't access labour in Canada, we find barriers to us being able to get labour from international markets. We have to be able to fill our plants. If we can't get the people to fill our plants, we can't kill the animals and process the animals and produce the product.

The Chair: Mr. King.

Mr. King: Thank you. Similarly, access to capital is big for us.

The second issue is a level playing field with respect to property taxes for urban versus rural farming. It's a significant disparity there.

The third thing that we would be looking for is changes in the microgeneration act so that small producers can sell their power.

The Chair: Mr. Coppens d'Eeckenbrugge.

Mr. Coppens d'Eeckenbrugge: Yes. I would add about the CFIA. I'm aware that it's a federal agency, but if the regulation could be kept simple and also fair between bigger producers and smaller producers. For some time the small producer had to go with guidelines that were very expensive, and it put almost a stop on their production. I don't know if something would be feasible to make the products safe and clean for the customer and give the same chance for the producers, the larger ones, and kind of maybe help the small producers in a way by sometime implementing regulations. Those regulations should be there for the safety of the customer but not for stopping the producer selling the product. That's what I feel.

The Chair: Excellent. Thank you.

All right. Being cognizant of the time, I will allow members who were on the speaking list to ask questions for the record. Mr. Orr.

Mr. Orr: Thank you very much. My question is for Sunhaven or Sunterra. I don't know which, but you'll figure it out. I really would like an answer to this later if at all possible. I mean, our committee is supposed to be exploring how we grow agribusiness in Alberta. I think that with regard to the hog industry it's actually going in the opposite direction.

Mr. Woolley: We're fairly stable now.

Mr. Orr: Are we? I hope so, because when I look in my riding, probably within 40 kilometres of my house in a circle I could take you to six or eight hog barns, maybe more, that have closed in the last 10 years. There was a lot of intensive hog barn activity there. There isn't anymore; it's gone. There are only a couple left.

My question, then, is: as the population is down and there's very limited processing and there are labour issues, regulation issues, operational cost issues that other jurisdictions don't face, taxes, is the hog industry at risk of disappearing as we move forward? Now, you just said that it's stabilized. I hope so.

Mr. Woolley: Yeah. I think . . .

The Chair: I apologize. Just because we're running out of time, we need to move on to the next presentations. These questions can be submitted via the clerk, and I'll sort of go over the process near the end.

MLA Schreiner.

Mrs. Schreiner: Thank you, Mr. Chair. My question was to Mr. Woolley from Perkins Farms, but I would like anyone from the panel to be able to comment. We've heard it mentioned that there is not congruency between the federal and provincial inspection standards, and I was just wondering if anyone from the panel would like to comment on that and give me their feedback.

Thank you.

The Chair: Mr. Schneider.

Mr. Schneider: Thank you, Mr. Chair. I asked this question of the Economic Development folks that were here this morning, so I'm just going to ask it to all submitters during this panel. Have you ever used the Alberta international offices to help sell your products outside of Alberta?

My second question is specifically to the gentleman from Peace Gourmet Honey. Grande Prairie Regional College, Fairview campus, had to suspend the beekeeper program due to lack of interest. Now, the Fairview campus has all of the infrastructure necessary and required to teach the course still to this day, but is there a need to market the course in order to get entrants, or is there just not enough demand for beekeepers?

Mr. Coppens d'Eeckenbrugge: Should I answer the question?

The Chair: No. You can submit it to the committee clerk after this meeting. I'll provide the information in relation to that once we finish all the questions.

Mr. Coppens d'Eeckenbrugge: Okay.

The Chair: Mr. Horne.

Mr. Horne: Thank you. I've got a bit more of a targeted question for Mr. King. I'm very interested in the model, but I'm wondering

specifically about the benefits in operation, such as West Grow might have, for our northern residents. Do you see this model as suitable for all climates and locations, or do you think it really works best for an urban setting?

The Chair: Excellent.

I want to thank the presenters for joining us this afternoon and to let them know as well that transcripts from this committee meeting will be available on the Assembly's website within the next couple of days. The committee clerk has also committed that she can send off these follow-up questions to you personally as well, and then any answers to these questions or any additional feedback you'd like to provide for us can be forwarded to the committee clerk before the end of the month for the sake of all committee members here as well. I want to thank you for coming in.

We're going to take a short recess, and we'll reconvene at 2:45.

[The committee adjourned from 2:37 p.m. to 2:48 p.m.]

The Chair: Welcome back, everyone. I'd like to call the meeting back to order.

Before beginning our final panel of the day, I would ask that we quickly go around the table to introduce ourselves for the record. I'll start to my right.

Mr. van Dijken: Good afternoon. Glenn van Dijken, vice-chair of the committee and MLA for Barrhead-Morinville-Westlock.

Mr. Taylor: Wes Taylor, Battle River-Wainwright.

Mr. Orr: Ron Orr, Lacombe-Ponoka.

Mr. Schneider: Dave Schneider, Little Bow.

Mr. Carson: Good afternoon. Jon Carson, MLA for Edmonton-Meadowlark.

Ms McKittrick: Hello and good afternoon. I'm Annie McKittrick. I'm the MLA for Sherwood Park.

Mrs. Schreiner: Good afternoon. Kim Schreiner, MLA for Red Deer-North.

Mr. Dach: Welcome. Lorne Dach, MLA for Edmonton-McClung.

Mr. Horne: Good afternoon. Trevor Horne, MLA for Spruce Grove-St. Albert.

Ms McPherson: Hello. Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

Dr. Massolin: Good afternoon. Philip Massolin, manager of research and committee services.

Ms Rempel: Good afternoon. Jody Rempel, committee clerk.

The Chair: I am Graham Sucha, MLA for Calgary-Shaw and the committee chair.

I'll ask for those on the phone to introduce themselves, starting with Mr. Gotfried.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Piquette: Colin Piquette, MLA for Athabasca-Sturgeon-Redwater. Good afternoon.

Mr. Malkinson: Brian Malkinson, MLA, Calgary-Currie.

The Chair: All right. Please remember today that participants are invited to make a five-minute presentation, after which the floor will be opened for questions from committee members.

At this point I will welcome our guests and start with the Medicine Hat Meat Traders to open us up. Please introduce yourself for the record as well.

Mr. Pahl: Good afternoon. I'm Greg Pahl, part owner and manager of Medicine Hat Meat Traders. I notice that we're one presenter short, so I'll maybe take six minutes.

The Chair: Go ahead.

Medicine Hat Meat Traders

Mr. Pahl: Mr. Chairman, hon. members, thank you for the opportunity to address the committee regarding small business and agrifood in Alberta. I'm sure that today you've heard many viewpoints on these topics, and as an example of successful agrifood growth Medicine Hat Meat Traders is happy to share our viewpoint with you.

For the past 11 years we have grown from a small butcher shop start-up to a thriving meat snack provider throughout Alberta. We began by marketing within a single farmers' market and have expanded throughout the years to selling in over 20 different markets a week, 40 different retail locations, as well as online sales and group fundraisers. We have enjoyed this journey. That being said, it has been a struggle. We are here today to give you our opinion on the challenges we face and how to make it easier for us in this industry to be successful.

The first thing I would ask: is there really a desire to develop the food industry here within Alberta and Canada? Do we want the food security of domestically produced food? In most neighbourhood grocery stores I can go in and get safe, reasonably priced food in almost any season imported from countries far and wide. I can buy produce from South America, garlic from China, meat from Australia, cheese from Europe and in many cases cheaper than we can produce it here. It is not because we lack the raw materials – Alberta produces some of the highest quality proteins in the world – nor is it because our labour or costs are much higher. It is because these countries have subsidized their agrifood industries.

In the past we may have been able to tax, tariff, or restrict access of other products, but this is becoming much harder as free trade deals eliminate many of those barriers. Thus, it is more important than ever that we give domestic support to this industry. Subsidies and preferential market access are some ways we can do this. I'm not suggesting direct product subsidies but indirect ones that will affect the success of the products we can produce.

Research and development. Give our educational institutions the tools they need to work with these very high-protein sources we have, and use the results. Too many studies that we've paid for go sit on a shelf, collecting dust. We need the academic resources to make these studies pay for themselves and to create more opportunities. Colleges' technical staff and students can glean cutting-edge information out of these studies, but for the most part they go unrealized.

Skill development. We have many very fine educational institutions like Olds College and the University of Alberta. Continue to give them the resources they need for high-level learning, but also continue to give ground-level resources to those on the front lines. Weekend classes, night courses, short courses, and online education can greatly increase the quality and quantity of products produced.

Offer your resources like the food development centre to successful farmers' market vendors. They have perfected their craft and now need the skills and resources to take that to the next level. These are not big companies, just regular people, and they cannot afford to rent the facilities and hire the professional help at commercial prices. Also, please consider building these facilities in greater geographical availability. We are a big province and need those opportunities to have greater access.

I ask that you educate your professionals: food development, credit advisers, health inspection staff, to name a few. Everyone involved within the food system has to be aggressively supportive – I'd like to repeat: aggressively supportive – not passive, sitting in an office, but out there trying to find and develop these businesses. Try and hire for these positions. Hire people that have brought a new food product to market with real-life experience.

Market access. A few small companies who sell product to a select few grocery outlets directly control the food industry. It has been said that three grocery chains control approximately 80 per cent of food sold within Canada, with most of that food grown or processed outside our borders.

2:55

Here are a few ways we can compete. Tell the people where it came from, how it was made, and who made it. Generously fund farmers' markets within the province. Let each market open their doors so that no vendor is ever turned away if they make, bake, or grow Alberta product. Too often a good idea becomes a territorial fight. Let's open up the markets to innovation and competition. Each community and town should have at least one farmers' market a week. Additional resources should be given for full-time and early-week markets. Open up access within Alberta where shoppers can focus on buying local goods. Let food producers sell at other locations that we already support with our tax dollars. Arenas, sports facilities, government buildings, and liquor stores could all be venues where we could highlight Alberta-made food products.

Capital funding and support. As each new successful food business venture grows, they can only self-expand by using their profits. It is because of this that we need greater access to capital funding, investment opportunities, and educated lending professionals. Each opportunity that we have has to be a sound investment, but there has to be a willingness for our lenders to take some risk. Grant funding for all aspects of development such as Growing Forward 2 and whatever comes next. Also, please keep in mind that most processing equipment, packaging supplies, and other physical needs of food producers are imported. We are paying a 30 per cent exchange fee on all those goods. Consider a credit that will at least pay the exchange rate.

Lastly, I'd ask to encourage and be proud. When I travel and I eat out, I make it a point of telling my server or my cook: thank you for lunch or supper or breakfast. I want them to know they are not just slapping together items as part of their job but are providing me with daily sustenance. Have you ever talked with a food producer in Alberta and said, "You know, last night I had a delicious steak; you ranchers are doing a great job"? We all need to feel appreciated and give credit to these industry people. They're trying their best, and often at great risk, to feed us all.

With that in mind, I want to thank you all for putting forth this effort to feed our province and encourage the industry. Thank you very much.

The Chair: Thank you very much. As a former restaurant manager I appreciate you thanking your servers as well.

I will now invite the representative from Sunora Foods to give his presentation. If you can introduce yourself for the record as well, please.

Sunora Foods

Mr. Bank: Sure. I'm Steve Bank. I'm here from Sunora Foods. First of all, I want to thank you all for inviting me. I want to thank the chairman and members of the committee. First, I'll start off by telling you a little bit about Sunora Foods.

Sunora Foods is a mid-size company. We're neither big nor small. We are on the Toronto Stock Exchange. I'm not going to tell you whether to buy or sell our stock. If anybody wants to buy or sell the stock, you know, you should consult your broker and find out what he thinks. That isn't why I'm here. We export our products to 30 different countries. Our largest market is the United States; the second-largest is mainland China; third, of course, is Canada. The idea of coming here is primarily to give you at least some of our thoughts on what needs to be done to grow and diversify the Alberta agrifood businesses and agrifood business in general.

I've given it as a paper, but I'm just going to extrapolate from that. I mention in the paper that the first step is to expand the sales base that Alberta companies have. If you don't have a satisfactory base of sales, you can't expand into plants and employ people. In terms of expanding sales, much of what's done in this province is sold outside the province. In our case we're involved primarily in canola oil and other types of food oil. There are not enough people in this province to consume all the canola-related products that come out of western Canada. We have to necessarily export to other markets.

I'll mention here that access to the U.S. market in particular is of paramount significance. I think the fact that the Premier is going down to the States to address that issue shows that she's definitely on the right track. The U.S. market is very significant to many companies like ourselves. Roughly 60 per cent of our products go to the United States.

In addition to that, I've listed some of the initiatives that I think might be worth while in terms of many Alberta companies, particularly with regard to exporting products to the States and around the world. Some of these things are already being done. I think they need to continue to be done and perhaps expanded upon. I think that fostering international trade shows so that additional customers are introduced to all this is important. Anything to bring in trading partners in other parts of the world for Alberta companies is, I think, worth while.

In terms of marketing in other countries as well as here, there's a need for marketing support to introduce products, for advertising and promotional support of various kinds. In addition, the cost of placement on retail shelves: if you're going to sell more products, you have to get your products onto shelves, and shelf placement today, not only in Canada, in the States is expensive. Even in markets like China it's expensive to get your products onto shelves. These are things that warrant some kind of consideration as far as support in terms of getting sales going for Alberta companies.

Now, assuming that you've got the sales, a key factor here is having the companies expand in Alberta. Right now in terms of the markets around the world, in Canada, the States, and everywhere, you have to see that there's an adequate return on investment and see that the risks are warranted. Not only do people in Bay Street, Wall Street, Frankfurt, and London look at returns on investment and risk; people running businesses look at the same factors. In terms of looking at Alberta, Alberta at least has to offer similar incentives and opportunities as compared to other provinces in this

country and also to opportunities that are offered in the States and overseas.

We're a modest-sized company. We were approached not only by Alberta but by Saskatchewan, the state of Idaho, Washington state. Even the government of India has approached us to say: maybe you should do something in India. If you look at all these people approaching a modest-sized company like ours, they're certainly approaching the big guys.

Things here have to at least be attractive enough to keep the companies opening up facilities here. If you expand sales but don't make the opportunities to open up commensurate manufacturing in this province a possibility, you haven't really, you know, taken care of the whole situation.

I mention here that companies looking at this – you can say a lot of things, but when push comes to shove, what really is a key thing is: what is the return on investment, and what are the risks associated with that investment? These are the things that people are going to look at in terms of making a decision.

I mention that there are a number of initiatives that the province can take in terms of opening up facilities. One of them is interest-free or low-cost loans for companies to expand in the province. The second option is some kind of incentive as far as the purchase of capital equipment, whether it be tax incentives or other incentives, so that when you go to purchase equipment, your effective costs are lower.

3:05

A concern here is: what's going to happen with energy policy in this province? When you look at opening up a facility, right now we're not only looking at what is going to be the prospective cost of heating a plant here – it costs more to heat a plant here – but also the costs of running your equipment versus some other places. One of the problems that, you know, we've got – and we're looking at different opportunities, different places – is: what are the costs of energy going to be when you open up a plant in this province? A big problem is not so much that it might be higher but that it's hard to quantify. Any kinds of things that are left open as far as risk factors and are hard to quantify raise doubts in your mind as far as what you're going to do and pose a hurdle to opening up facilities.

You mentioned before about things as far as additional workers. I think some kind of incentive to hire people, particularly people who make over \$15 an hour – I think that in most industrial enterprises you're going to pay your people over \$15 an hour if they're going to be, you know, people who can handle modern equipment and do to the things you need them to do. But to compete with other places and to do things here, there might be some introductory incentives as far as bringing in new workers in particular who would be paid over \$15 an hour, which seems to be an objective for, I think, all of us.

These are just some of the thoughts that I've got on the situation. I'd be happy to answer questions to the best of my ability. When I came here, some people said, "Are you nervous about the presentation?" I said: "A little bit. I'm more nervous about the questions. I have no idea what the questions might be." Again, I want to thank you for giving me the chance to present at least our perspective on things. As I mentioned, we're not the smallest company; we're not the biggest. We're somewhere in between. If you want to know whether to buy the stock, again, consult your broker.

The Chair: Well, thank you, Mr. Bank.

I'll now open it up to questions. MLA Schreiner.

Mrs. Schreiner: Thank you, Mr. Chair. I'd like to start off by thanking the panel for joining us here today. I enjoyed your presentations, and I thank you for the opportunity to ask questions. My first question is to the Medicine Hat Meat Traders. As a retailer how do you see your business fitting into the growth of the agribusiness sector?

I have a couple of supplementary questions. Now, I know that you, Mr. Pahl, had many examples, but how can we incentivize and support more local food development? From your perspective, what kinds of tools and supports for small businesses would best support the agribusiness sector?

Mr. Pahl: It's a topic that we struggle with quite a bit, being a new and very small company. If I want to retail within an existing grocery chain, as was mentioned, unless you can fit within their very small local-foods area, which some stores are starting to do and which I appreciate, you would have to buy space. Really, that's out of the reach of most small companies, to buy shelf space. It is a growing trend to identify local products within the marketplace, and some retail locations have made us welcome, which I really appreciate. Otherwise, I would have to find alternative retail locations that would be willing to take that risk of having a new product on the shelf. I can tell you from experience that once we get there and the people realize that we are an Alberta-made product, they're very supportive, and we do very well competing head-to-head against all those other products.

Mrs. Schreiner: Thank you.

The Chair: Mr. Schneider.

Mr. Schneider: Thank you, Mr. Chair. I just need to know if you are supporting the idea of the government legislating grocers to leave space for you to put your food on their shelves.

Mr. Pahl: I don't think they would appreciate that, and I'm not supporting that.

Mr. Schneider: Thank you.

Mr. Pahl: I guess if I could ask you folks a question: do you remember when neighbourhood bakeries were popular? They're gone now.

Mr. Schneider: Flour mills are gone too.

Mr. Pahl: For the most part small butcher shops and many other small family-owned businesses have disappeared, in this case in the food industry, because of the grocery store. What I'd like to see is: give those customers an alternative place to shop. If they had a regular or full-time farmers' market to attend and buy their Alberta-made product there instead, I think they may be tempted to try it.

The Chair: MLA Schreiner.

Mrs. Schreiner: Thank you, Mr. Chair. I have a couple of questions for Mr. Bank of Sunora Foods. My first question is: are your oils besides olive oils produced using local ingredients?

Mr. Bank: Most of our production is devoted to canola oil. Most of our sales are in canola. Canola is a local product. We do sell olive oil, but our olive oil is coming from Spain. I would say that probably in excess of 90, maybe 95 per cent of our sales are based on canola, canola largely coming from western Canada, much of it from Alberta. I just had a meeting with a major Alberta canola crusher, Bunge, earlier this morning. Certainly, the seed for

Bunge's products is grown right here. I would say that much of the products we've got comes from this province. We are indirectly sourcing products from farmers in Alberta.

Mrs. Schreiner: Thank you.

I have a supplement and then another question if I may.

The Chair: Yeah. Go ahead.

Mrs. Schreiner: Mr. Bank, in your presentation you talked about supports. I know you talked a little bit about it, but can you elaborate more on what supports you were thinking of to be able to put your products on local shelves?

Mr. Bank: One of the things here – and my friend to the left of me brought up some of the issues – is that some of the major companies around the world come into grocery chains. Let's say that it's Nestlé or any major company. I used to work for Quaker Oats. They have a lot of products. They come in, and they say: "We have umpteen hundred thousand or umpteen million dollars for our products on your shelves. Now, we want to make sure we get the best possible shelf space." Then you come to a company like his, let's say. Even if he offered a commensurate amount for his beef, he may not get there because they've already bought shelf space for a whole array of products. It is an issue. There is some need for incentives as far as getting shelf space, at least to create a little more of a level playing field.

There may be a need to actually look into some of the industry practices. I know that down in the States we ran into an issue with a major food service company – and this is true here, too – where some of their local houses brought in our products, but they said: "Well, firm X gives us several million dollars a year. They have maybe several hundred different products. What are you going to give us versus that?" The only way we could get the products into their groups was basically to get certain individual restaurants to say, "We're spec'ing your product," and then they would take it in. It is a very complicated issue as far as grocery distributors, as far as people in the retail food industry.

If you look at many of the grocery chains, particularly the ones out of eastern Canada, it's very hard for Alberta companies to penetrate these groups. We had one case – I'll mention names, or maybe I shouldn't – that was a large grocery chain out of eastern Canada, a large general merchandise chain. They said, "You have the best price on the products in western Canada." I said, "Well, that sounds good." They said, "But the guys in the east are cheaper in the east," and I said, "Well," and he said, "We've decided to go with the people in the east all over." I said: "Why is that?" "Because it's easier for us to do it that way than to break down the country."

3:15

So this is another issue that you run into, the supply chain issue, and trying to get grocery chains to look at, say – maybe somebody's got a better deal in western Canada, but since the guys in the east are cheaper in the east, they're inclined to go with something where you've got more population. This is another issue that we're confronted with. You get into an issue where this large general merchandise grocer decides to go with the people in the east even though the buyer says that you've got a better deal in the west.

Mrs. Schreiner: Thank you.

The Chair: Mr. van Dijken.

Mr. van Dijken: Thank you, Chair. Question. In the submission, Mr. Bank, you talk about new and expanded versus existing and

providing interest-free, low-cost loans and other incentives for new and expanded as opposed to having a system in place that would recognize that all businesses are competing against each other and need a level playing field to be able to operate. I'd like to get a sense from you of what your perception is with regard to the value of incentivizing new and expanded versus existing and ensuring a level playing field that is not overburdensome with regard to tax or other policy. Why in the submission were you thinking new and expanded versus all?

Mr. Bank: New and expanded facilities are at a disadvantage. The reason is that the people who have been in operation with facilities longer have locked-in costs. They are likely to have better rail access to their facilities, historically, so it isn't really a level playing field. Somebody who did something, set up a facility, say, 20, 30, 40 years ago has, you know, already an advantage versus somebody setting up today. Everything, as I say, in terms of the costs that they paid many years ago and if they've already written off, and a significant factor is just getting rail access and access to container yards. In many cases they may already have these factors taken care of whereas if somebody's going to open up a new or expanded facility, they are in effect at some handicap. Maybe that shouldn't be what happens, but it is, in fact, true.

It's sort of like if you bought your home 20 years ago and somebody is buying a home now, his costs now are higher than yours were 20 years ago, and you may say, well, why should you be penalized because you had the foresight to buy the home 20 years ago? But if you're going to encourage people to do things now and have a somewhat level playing field, a guy buying a home now is at somewhat of a handicap versus you who bought your home 20 or 30 years ago, right? I don't know if that makes any sense or not, but anyway, that's, you know, the perception that people would have.

There are some advantages to new facilities that I'll mention. Some of them are that sometimes when you open up a new facility, you have more modern technology incorporated into the facility, but at the same time, you know, if you look at where new facilities are being opened up, some are opened here – Cargill opened up a modest-sized crushing facility in Alberta. When they opened up the largest refinery in the world, they opened it up outside of Saskatoon. If you looked at the facility I visited today at Bunge, that facility has been there for many, many years, and they have good rail access and other things. Anybody new who opened up to a facility similar to that would be at a handicap.

Anyway, that's my perception of it.

The Chair: MLA McKittrick.

Ms McKittrick: Thank you, Mr. Chair. I've had the pleasure of eating your jerky, Mr. Pahl. Actually, I bought it in Lethbridge when I was there, and I have to agree with you. It's very different, and it's very good. I'm not sure how you arrived at the kind of jerky you're producing, but it was very nice.

I really have two questions. One is: how do you compete when there are so many other types of jerkies? Also, were you able to easily get the capital needed to start your operation and to build it up? I'm assuming you had to have some R and D money, you know, even if you figured out the recipe in your kitchen and so and so. How were you able to put the capital together to be where you are, and how did you compete with the other kind of jerkies, you know, in the fairly crowded markets?

Mr. Pahl: First of all, thank you for trying it.

Ms McKittrick: It's good.

Mr. Pahl: Number one, we can compete because we have, without any exaggeration, some of the best beef in the world. While I'm saying that, it would be nice to be a branded product like Parmesan cheese is. Alberta beef should have its own brand. We compete very well. We start off with that raw product, and because we're small, we're able to adapt to the customers' taste profiles that they like. Again, they get it fresher because I'm not shipping across the country or across the continent. It's usually consumed within a few weeks of me making it, so it is fresher.

A plug for Olds College here – that's where I learned my craft – they did a fantastic job, and I hope that that education gave me the basis to make a good product. Eleven years at the farmers' market let me sample to people, and they gave me feedback on the product, which was also very helpful.

As to your second question about the capital, that's a little tougher. We tried to find funding when we started the business and make the product that we're making today. We were turned down many, many times by lenders of all shapes and colours and sizes, most if not all, so we actually sold ranchland to self-finance our business. Unfortunately, that had to be done. Even to this day we would love to expand and offer our products across Canada and even export if we had the opportunity, but that capital still eludes us.

Ms McKittrick: Would you say that access to capital for, you know – your product is a value-added product using excellent Alberta beef. Would you say that that is one of the limiting factors in growing the agribusiness here?

Mr. Pahl: That is the number one limiting factor for my growth at the moment, yes.

Ms McKittrick: Thank you.

The Chair: Mr. Orr.

Mr. Orr: Yeah. Thank you, Mr. Chair. I appreciate it. Have either one of you used the Alberta international offices to help develop your products and sell?

Then, I guess related to that, too, maybe just share – maybe Mr. Bank is more capable to answer this one – some of your experience trying to move into the international markets and what advice you would give for new exporters trying to get there.

Mr. Bank: I would say that in some instances we've had good experience. Particularly in China we've gotten some support, and we're, you know, very active in China today. We have a guy on staff who grew up in mainland China, and the Alberta government has helped us with the odd show in China. We've been, I'd say, assisted as far as making some arrangements into China in particular.

3:25

At times in the States there's a history of introductions from time to time, particularly historically. If you go back many years ago, 15 to 20 years, we had some key introductions made to U.S.-based customers that were very helpful and were very instrumental in some of the things we've done historically in the States. Some of the people we met through these introductions have moved from one group to another, a significant group in the States. But just having those opportunities, I think, has been worth while.

I think that some of the things that I mentioned here, the government in Alberta has historically done, and I think they can be continued and expanded upon, some of the marketing initiatives. I think what's been done historically has been good. It hasn't always

been done that consistently, but I think if it's done with greater consistency and perhaps a little more widely, some of these have been very worth while.

Mr. Orr: Maybe just a slight follow-up. This is bigger picture stuff, but that's our challenge. I agree that some of those things have been done historically. I guess my question for you would be: both as an Albertan and as a businessman how do you see the provincial government continuing to address some of those issues in light of the fact that we're living in a land of deficit and careening towards \$60 billion of debt? How do we balance those needs? To be frank, I mean, I think both of you have asked for a fair number of different kinds of assistance. Where are we supposed to get that money from?

Mr. Bank: Yeah. I think you've raised a good issue. It's sort of like you might want to expand your business into a lot of areas, but you do have constraints as far as capital.

Mr. Orr: I guess we have the same constraints you have: capital.

Mr. Bank: Yeah. You have similar constraints. You know, regardless of how you phrase it, money is the constraint, whether you phrase it as capital or however you want to phrase it. I guess you have to establish priorities as far as what initiatives are going to get you the best bang for the buck, and that's really what you have to figure out. You know, I've given you a lot of different suggestions, but not all suggestions may be economically feasible in light of everything. I think you have to figure out where you get the best bang for the buck, given that there are constraints.

I think also in terms of things that relate to setting up manufacturing and processing facilities, you have to see that there's at least a level playing field with other places because the idea that, you know, somebody from Idaho can come up and say, "We think you're better off opening up in Idaho" – if they're approaching us, they're approaching everybody, and I think you have to have at least a situation here where people feel that at least it's a level playing field with some place like Idaho. You know, I never even thought about opening up in Idaho.

Mr. Orr: Well, it's a fair example, though, because I can actually cite you several different businesses who do exist in Idaho and sell into Alberta, and we can't compete against them. We don't even provide the product.

Mr. Bank: But in this case they were trying to get us to do something in Idaho.

Mr. Orr: To move.

Mr. Bank: Yeah. You know, I was kind of shocked that somebody from Idaho was coming up here to talk to us. I was kind of amazed.

Anyway, that's kind of what businesses generally are confronted with. I think one of the issues as far as opening up businesses is how to factor in this energy cost thing where you can't even get a handle on it, and things that you can't get a handle on are particularly tough to deal with as a business.

Mr. Orr: Right.

Mr. Bank: I think that might be one area where there might not be a tremendous amount of cost.

The other is that if there are loans made, maybe there's some kind of bank guarantee so that the banks are comfortable making a loan on a more attractive basis. That might be something that could be done where there might not be a lot of cost. In other words, try to think of those areas where you can get the best bang for your buck.

Mr. Orr: Okay. Thanks. I appreciate it.

Mr. Pahl: Might I interject?

The Chair: Go ahead.

Mr. Pahl: If it's capital costs that we're all concerned with, from very tiny to medium to large, I think the sensible thing is to run it like we would run our businesses. Things aren't done unless they make sense, unless they're going to make you money. Developing food businesses within Alberta as developing tax-paying, value-added entities is a positive thing . . .

Mr. Orr: I would agree.

Mr. Pahl: . . . done in the right way, of course.

Mr. Orr: Yeah.

The Chair: Any other members wishing to ask a question? Go ahead, Ms McKittrick.

Ms McKittrick: Yeah. I wanted to ask one last question. I'm sorry, Mr. Pahl, if I'm going to ask you another question, but I'm really intrigued around the ability of persons like yourself that have a good idea for developing. I'm assuming that you're employing people in the Medicine Hat area and you're contributing to the local economy. So I wanted to ask a question about your access to educational programs and to any program in the area that you think might help you or other similar local agribusiness entrepreneurs in developing your business or supporting you in having the right kind of employees and so on.

Mr. Pahl: I know there's been some discussion about the lack of educated workers, I guess, in certain fields. I've never experienced that myself. Food safety, of course, is our number one concern, and there seems to be adequate resource for those types. For the tasks that we have on hand for our employees I wouldn't have any trouble finding them training. It's not even something as involved as product testing. The universities in Alberta have excellent resources as far as people graduating that have degrees in those fields. So I wouldn't have a problem, I think, expanding my business, again, maybe because the food industry is still quite small in Alberta and the workforce is quite large.

Ms McKittrick: Thank you.

The Chair: Mr. van Dijken.

Mr. van Dijken: Thank you. Again, Mr. Bank, there was a piece in your submission that I thought: boy, I really like those two words. It said tax relief. With regard to developing business and giving companies possible tax relief, I guess, if you could speak a little bit towards, you know, the competitiveness throughout many jurisdictions. In companies, you know, in the executive offices, whether that's in small, big, large companies, they're looking for favourable areas to operate in. I'm going to go back to new and expanded versus all the entities having the ability to have tax relief and how that can incentivize continued growth and continued sustainability within a jurisdiction. Could you just talk a little bit about what you see as the possibilities with tax relief and what that can do for industry?

Mr. Bank: I think it could, you know, significantly help to expand things here. I think one of the issues that we're confronted with is that our effective tax rate right now is like 30 per cent as a corporate tax. That's relatively high compared to many other places we could

be. If we expand here, anything we do is going to probably be taxed at a rate of 30 per cent if you figure both the corporate and provincial taxes. If you look at other jurisdictions, it's going to be less. So I think that particularly in terms of expanded facilities, where you haven't written off the costs, as I mentioned before, it would be very helpful.

3:35

Also, anything that can be done to eliminate or minimize risk associated with opening up facilities as well, I think, is helpful. If you can get the tax rate down so that your effective return on investment is better, you're likely to go in the direction of where that return on investment is best, figuring in taxes because you're going to figure in taxes when you make those investments.

One of the things that's on the horizon is that Trump has already said that the U.S. tax rates, where companies are paying 25 per cent or whatever, are too high, and we're paying 30 per cent up here. You can see what the nature of the situation is. Also, if you even go over to Saskatchewan, the taxes appear to us to be lower. At least, they did to my friends from Cargill, anyway. I talked to the guy who runs a lot of the operations for Cargill, and he thought that the situation generally was more advantageous to the east of here. I think I'd say that at least, at the minimum, things should be on the same playing field as Saskatchewan, anyway.

Mr. van Dijken: Just a supplementary to that. You talked about risk and identifying risk. Part of development of public policy is to recognize that actual in-place policy but also, then, signals that are being sent to industry are critical towards that decision-making with regard to the risk of entering into new and expanded facilities. When you talk about the calculations that are being made at the executive offices, how much weight is put towards signals, and how much weight towards actual in-place policy at the time?

Mr. Bank: One of the concerns is not just in-place policy but the risk that policies could change. Having stable policies in place so that you can make calculations that you can rely upon, I think, is important. To have a situation where you don't know from one year to the next which way things may go: that's a particularly hard thing to deal with. If there are just stable policies so that you know what you can rely on and you know what your costs are going to be, I think that's important. When I talk about risk, you need to have things that you can quantify and effectively deal with as opposed to having imponderables and uncertainties where you don't know what the outcome may be. Anything that can be done to create a situation where things are stable, where you know what's going to happen, I think, creates a better environment for business.

Mr. Carson: Well, thank you very much to both of you for joining us today. I really appreciate your insight, and I think it's been a very productive day. My question is on the topic of automation. I'm just hoping to hear your thoughts on how that might affect your industry on the production side but on distribution as well, maybe some of the benefits but also concerns. Say automation gets into the hands of bigger players, so you are getting pushed out of the industry potentially or out of the market. Just any thoughts on automation and if it's a part of your business concept at this time.

Mr. Bank: You know, I think automation is something that's happening, and it isn't something that you can fight. I went over today and saw a facility that 25 years ago employed in one production area about 25 people. Today they pointed to one part of the facility and said that the whole line can be operated by one person. They temporarily needed two others because one automated

piece of equipment had failed. I think, you know, to say that this isn't going to happen – it does happen.

However, there is room for facilities that are more flexible and employ more people. The trade-off with having automated lines is that you can't change from one product to another and do a shorter run quickly. I think there is room for facilities that are more flexible and perhaps employ more labour and less equipment and are less automated, but I think that, you know, long term, to try to prevent automation is difficult.

I think also that if you look at automation, there's a certain safety factor that goes with it, like, that highly automated equipment is totally enclosed. In terms of consumer safety it's actually from a safety standpoint somewhat better than a facility that is less automated and employs more people because it's protected from any kinds of microbes or dust or anything. Looking at that facility, it is very impressive. Also, I think it's very hard to stand in the way of that and say that we ought to go back to the way things were 20 years ago. It's hard to justify that.

The other side of it is that, looking at a more automated facility, it used to be that people were lifting things onto pallets. You know, it was hard on the backs. There were a lot of workmen's comp claims. Today in that facility there's an automatic palletizer. Now, it is better to have people standing there loading things on pallets, sustaining some kinds of injuries to their backs, or is it better to have an automatic palletizer and have somebody who just sees that that equipment functions right, where maybe they're using their brains a little more and their backs a little less? To stand in the way of that kind of automation: I don't know if that makes a lot of sense.

Mr. Pahl: If I may, if our business is to be competitive with other similar type products, we'll definitely be looking at automation in the future: just the cost of goods, the economy of scale. It may not mean fewer jobs, but it'll definitely mean more product moved. I guess for the meat industry food safety is and continues to be an issue, and fewer hands involved is a positive thing. The negative side to that is the cost of that machinery and automation.

The Chair: Excellent.

MLA Dach.

Mr. Dach: Thank you, Chair. I just wanted to thank both presenters for providing highlights to some of the decision points that government has to look at when considering what direction to go in terms of support to maintain industry in the province. Lower taxes are something that, of course, businesses always would like to have. Governments are also, on the other hand, asked to provide high-quality infrastructure. Those are paid for by taxes, so the trade-offs have to be made. We also think that there's a benefit to a well-educated population with publicly funded health care, that isn't coming out of an expensive private system. That is a benefit in this province that too often isn't given its due. I'm sure that's taken into account when people are making their business decisions about where to move their business, whether to this province or other jurisdictions.

But there is certainly a move to spiral downwards. You can't sort of go until you hit the bottom, as any government will know. That's one thing I think you have to protect against when you're being asked to continually maintain a lower tax rate for businesses and incentives for them to stay here.

I think business sees that and that government has choices to make. We have to find the right balance in any jurisdiction, including this province, between lower taxes and providing quality infrastructure and supports for the population as well. Given that, I think that we are expecting that there's going to be a good quality

of conversation between government and industry over the ensuing years. That's one of the things that I want to ensure happens, that we continue these conversations. It's been really, really helpful this afternoon having both presenters here and others this morning, and I look forward to keeping the door open and making sure the dialogue never stops.

Thank you.

3:45

The Chair: Any feedback or comments?

Mr. Pahl: I'd just like to add one comment, that I'd like to see us get paid for the quality we have. It should come at a premium to other areas that would like our product if they would like it. We shouldn't have to go begging and cheapen our product to access those areas. I think that because what we have is so special and so unique, they should be coming to us and asking: I'd love to stock your product; it's the best in the world. Really, we maybe just need to say that out loud a little bit more.

The Chair: Any other questions from committee members?

All right. Seeing none, I want to thank both presenters for joining us this afternoon and for responding to our questions. If you wish to provide any additional feedback, please forward it through the committee clerk here before the end of the month, too. You're welcome to continue joining us in the gallery as we have a few more items on our agenda that we have to move forward through.

Committee members, the next item on the agenda we're moving to is the review of the inquiry timeline. As committee members are aware, we have another full day of presentations ahead of us tomorrow, and then we need to be ready to move into the deliberations and recommendations stage of the review. Standing orders require us to complete our inquiry and report to the Assembly no later than six months after the commencement of the review, which means no later than April 20, 2017. For at least a few weeks of time in between the committee has to focus on the consideration of the 2017-2018 main estimates. Due to this timeline I want to encourage committee members to identify before the next meeting on the agrifoods and agribusiness review what you see as key issues stemming from this inquiry and what kinds of meaningful recommendations we as a committee could put forward. With that being said, does anyone have any questions in relation to the timeline?

Seeing none, I'll move on to the next item on the agenda, additions of late submissions. At the last committee meeting, although the due date advertised for written submissions was January 15, 2017, the committee passed a motion to accept all submissions received by January 30, 2017. Since this time, a few additional e-mails regarding the inquiry have been received, so I would look to the committee for instructions as to how these should be handled. Specifically, will we honour our motion passed at the last meeting, rescind it, or revisit the issue?

Mr. Orr: Would it be fair to ask what submissions were received?

Ms Rempel: Yeah. I'm not exactly sure what you'd be looking for. It's a very low volume now, but we continue to receive the odd submission in response to the original call.

Mr. Orr: I guess, from any significant groups that would matter to us?

Ms Rempel: Well, I don't know about that.

The Chair: It's all relative, right?

Ms Rempel: I mean, they're not from, you know, any of the groups that you've invited to make a presentation or anything like that because, of course, they have further opportunity to provide input because of their continued participation.

Mr. Orr: I'm inclined to say that because of the timeline we honour the last one, that says that we're done.

The Chair: So honour up to January 31? Do any other committee members object to that? Okay. With that being said, we won't move any motion, and we'll accept up to January 31.

Moving on to the next item on the agenda, other business. Is there anything else that anyone wants to address? I know we're all meeting tomorrow, so I'm sure we can bring that up, too, if that comes up.

All right. Seeing none, we will see you all tomorrow at 8:30. Would a member like to move a motion to adjourn? Don't all speak at once. Mr. Taylor – you're the winner – moves that we adjourn. All in favour, please say aye. All opposed? On the phones? All right. That motion is carried. The meeting stands adjourned.

[The committee adjourned at 3:50 p.m.]

