

[Chairman: Mr. Oldring]

[10:03 a.m.]

MR. CHAIRMAN: Good morning, ladies and gentlemen. We'll call the meeting to order if we can, please. I want to begin by welcoming two ministers this morning, the Hon. Peter Elzinga, Minister of Agriculture, and the Hon. Shirley Cripps, Associate Minister of Agriculture. I'd refer members to pages 10, 11, and 12 of their heritage trust fund annual report. The Hon. Shirley Cripps will be reviewing the Alberta Agricultural Development Corporation. The Hon. Peter Elzinga will be reviewing Farming for the Future, the irrigation rehabilitation and expansion project, and the Food Processing Development Centre out at Leduc.

Ministers, what we have been doing is extending the opportunity for the ministers to begin with some opening remarks, and then we've gone on to a question period from there. I would at this time turn the floor over to you for any remarks you might have.

Just before I do that, if I could ask the members to allow me the opportunity of giving a few opening remarks, and then I'll start to recognize hands after I've had that opportunity.

MR. PIQUETTE: Are you going to signify that?

MR. CHAIRMAN: On that note I'll turn the meeting over to you.

MR. ELZINGA: Thank you very much, Mr. Chairman. With all these hands going up in the air, I'm having difficulty seeing you.

MR. CHAIRMAN: I've never had so many friends.

MR. HAWKESWORTH: We're just a friendly bunch.

MRS. CRIPPS: Just remember that when you start asking questions.

MR. PIQUETTE: It might be a day at the farm.

MR. ELZINGA: It looks like an auction mart.

MRS. CRIPPS: Why didn't you all come to the sale Monday?

MR. ELZINGA: Thank you very much, Mr. Chairman. Let me share with my colleagues at the outset how delighted Shirley and I are to be here to respond to whatever questions or concerns you might have. I've got some fairly lengthy opening remarks, in view of the importance of the three sectors that fall under our area as it relates to the heritage trust fund. Our colleague Shirley Cripps is going to deal with ADC.

Prior to doing so, acknowledging the openness in which I always conduct myself and wanting to make sure that all of you folks get factual information, we've brought along a number of people from our department. I'd like to take this opportunity to introduce them to you so that in the event that we get into the technical aspects of some of what we are funding, we can rely on the expertise of these individuals who've done such a superb job of dedicating themselves to the furtherance of our agricultural community.

I'll begin with Dr. Art Olson, to my immediate left, who is our assistant deputy minister of research and resource development, and our other assistant deputy minister, Barry Mehr, who is responsible for marketing. We have also doctor — you'll have to forgive me, doctor, because you've got a name a bit like mine; sometimes I don't pronounce it correctly — Dr. Teklemarian. We also have David Schroder, who is the head of the Food Processing Development Centre. We have Gerhardt Hartman, the manager of the irrigation secretariat, and we have Dave Yakabushi, who is the director of our financial services, here also to make sure that we answer in a very open way any concerns you might have. In addition to that we have two individuals from ADC: Dave Schurman, who is manager of financial services, and Bob Spiller, manager of special projects.

With those remarks let me indicate to you, too, that in the past ministers have given an overview. This year, with the split responsibilities, it's going to be somewhat different. Because of that I'm going to restrict my comments to the three topics that fall under our specific area: Farming for the Future, irrigation rehabilitation, and the Food Processing Development Centre. As I mentioned earlier, too, my dear colleague Shirley Cripps will be responding in regard to

the Agricultural Development Corporation.

As you're aware, too, we did answer a number of questions when we were before Committee of Supply and supplied a considerable amount of information at that time. We also forwarded to you, Mr. Chairman — and I would assume it's been distributed to the committee — additional information as it relates to funding for agriculture under the heritage trust fund. What I'd like to do, if it meets with your consent, is concentrate on some of our accomplishments rather than on the philosophy and objectives. We have a few sheets listing the progress made by Farming for the Future and by the Food Processing Development Centre. Maybe we could distribute those sheets to everybody, which do a good job of outlining some of the successes that we have had in these areas.

Mr. Chairman, Alberta has one of the most exciting and innovative and creative agricultural research programs in Canada. As you are all aware, the goals of Farming for the Future are to help increase net farm incomes. We're pleased to announce also that just recently we had the opportunity to again respond to further research by announcing a further five-year mandate for Farming for the Future at a cost of some \$5 million per year. The new mandate starts next April and will run until March 1992. As you are all aware, too, there are two components to Farming for the Future. One is actual research, and the other is on-farm demonstration. The objective of the on-farm demonstration program is to expedite the transfer of research results directly to the farming community.

As was outlined in the sheets that have been distributed, I would like to review some of the Farming for the Future highlights. We have had a total allocation of \$40 million. Farming for the Future has supported some 370 research projects, some 350 on-farm demonstrations, for a total of more than 720 projects. These projects cover all the major commodities and resource areas of importance to Alberta's agriculture food sector. This year alone the research program is supporting 94 projects at a cost of \$4.56 million.

The results from a wide assortment of Farming for the Future projects funded to date include the development of three livestock vaccines; a black fly repellent for cattle for use with an improved sprayer; the Alberta Bee,

which has a better honey production and a stronger overwintering ability and disease resistance than other bee varieties now available. I know that will be of keen interest to my colleague from Vegreville. We've developed rapid techniques for the evaluation of feeds; new safflower and soybean varieties for Alberta conditions; new varieties of barley and canola for the Peace River region; methods for controlling potato diseases; improved management recommendations for growing various cereal and oilseed varieties; an improved packaging process for an Alberta bakery product; improved nitrogen fixation techniques for alfalfa and pulses; better information on the advantages and disadvantages of different tillage procedures; a new method for removing, storing, and reimplanting calf embryos and a new technique to split these embryos to produce identical twins.

One can go on for quite some period of time acknowledging the very important contribution these funds have made to the agricultural sector itself. However, these are the basic building blocks for an industry which on average provides 20 percent of primary agricultural production. I'm sorry; I'm jumping into the irrigation and rehabilitation area now, too, and the funding that we do in our expansion program on that sector. I should mention at the outset that we don't have a similar handout as it relates to the irrigation projects. But it's important to acknowledge also that in our irrigated areas, some 20 percent of our primary agricultural production takes place from just 4 percent of our cultivated land base.

Just some of the latest information on our irrigation rehabilitation projects. There have been 148 major projects approved for funding under this program at a cost which ranges anywhere from \$28,000 to \$7.26 million for an individual project. The 148 do not include any small projects, yet in one region alone these small projects amounted to \$910,000, as of last March. Just with those figures, it's obvious that a great deal has been accomplished. I'm not going to deal on that anymore. I've got some excellent notes here, but I think I'll use them to respond to whatever questions you have.

There is one area I would like to briefly touch upon, because it's a very innovative area and a very interesting one as it relates to research. That deals with windmill research,

relating to irrigation also. I can share with the committee that rather than our old-fashioned terms, our technical people have developed some sophisticated terms like "wind turbine," but the principle is basically the same, whereby we are using wind to help us increase the productivity of our agricultural sector. As it relates to that, to date the results have far exceeded expectations and the interest shown by farmers, industry, and government has been very high. Field days have attracted crowds in the hundreds, and tours have been arranged for interested groups from throughout North America and Europe. Numerous manufacturers have shown interest in having their machines tested under this project. But, most important, valid findings have been made which point out that the relationship must be firmly established between machine capability and the wind patterns in a particular region. We believe that it can serve a very useful purpose, again, in further developing our agricultural sector.

If I could just briefly touch on our Food Processing Development Centre. In dealing with Alberta's Food Processing Development Centre, which is located in Leduc, it is a research and development facility committed to the advancement of food processing in Alberta and, as I'm sure the majority of the committee members are aware, was opened in December 1984. It's one of the best equipped and most modern facilities of its type in Canada. The equipping of this facility is to be completed with the \$905,000 approved in the '86-87 estimates of the heritage fund's capital projects division. The centre's total completion cost will not exceed our original projections. This level of funding was approved almost four years ago, and I can assure you that it's certainly money well spent.

Just to highlight some of the worthy projects. We've handled more than 1,000 requests for technical information in assistance from industry. Approximately 200 food processing, manufacturing, and food service clients have received assistance, and the size of these clients varied from the small-family operations of one, two, or three people to the medium- or large-scale integrated operations employing several hundred people. The vast majority of centre projects have involved technological assistance to small or medium-sized industries with varied food product interests. These interests include specialty

prepared foods, snack foods, beverages, confectioneries, cereal and baked goods, processed and formulated meats, and dairy products. Projects also varied considerably in the complexity and the length of time required to conduct them.

Again, rather than go into a number of their detailed accomplishments — I believe you all have those sheets in front of you — there is one thing that I would like to highlight also. It's something that we brought up in the Legislature when we were in session, in that the centre's staff are also working closely with the Alberta processors and a Japanese retail company in shipping products to Japan. Right now we're also carrying out funded contract work on new beef products for the Beef Information Centre. I think one of the more innovative approaches — and our officials will speak in a more detailed way on it — is that we're attempting to develop shelf-ready products for the Japanese market. I'm sure, Dave, you'll have more to add on that.

Let me just close, then, and, prior to turning the chair over to Shirley, wrap up with one project that has gone the entire route, all the way from the initial concept to retail marketing. It's a true success story, and the result of it all was the opening of Krahn's Home-Made Style Dressings Ltd. in Calgary. Using the full resources of the department's marketing sector, particularly the Food Processing Development Centre, Krahn's developed a line of dairy and canola oil based salad dressings. Following product development and quality assessment at the centre, the products were scaled up to pilot processing and, finally, plant production. Our staff assisted in equipment sourcing, advising on plant layout, and aiding plant start-up. The company now operates a 20,000-square-foot production facility with a throughput capacity of 40 jars per minute. The product is marketed in the four western provinces, plus Ontario and Quebec. The company is planning to increase its product lines by expanding into custom packaging and institutional marketing.

As with the other projects we've discussed, we believe and we're very supportive that these three areas are well beyond what we had expected and the payments are returning to a greater degree than we had originally anticipated. Quite frankly, it's paying off in significant terms for our agricultural sector in

the province of Alberta, and there's no doubt that they're going to prove even more successful as years go by. I'm sure there would be general agreement amongst all of us that research is so essential for further development of not only the agricultural sector but all sectors.

So again, my deepest thanks, Mr. Chairman. I'm sure Shirley has a few words she'd like to pass on to you, and then we'll do our utmost to answer in a very thorough way whatever questions you might have.

MR. CHAIRMAN: Thank you, Mr. Minister.

MRS. CRIPPS: Mr. Chairman, I know that you're all probably as excited about the research and the developments that Peter has talked about as we are.

This is a new experience for me, being on this end of the table instead of along the side there asking questions. And I had lots of fun the last four years. I'm sure you took time to read my remarks earlier.

You all recognize, of course, that with Alberta's agricultural resources we have the capacity to produce far in excess of our population's needs and, as a result of course, farmers compete on the world grain and livestock markets, leaving us vulnerable to changes in the worldwide economic conditions. As mentioned, this global economy is not favourable, and the forecast for the short term shows little optimism in some cases. However, given our history and the diversity of our agricultural sector, Alberta's farmers and government remain optimistic about the long-term future of agriculture.

The farm industry in our province has become highly capitalized, particularly over the last decade as farmers expanded using inflated capital input. Debt capital has played an important role in this expansion, and the debt outstanding in Alberta has nearly doubled in the last five years — every year in five since 1975. Alberta's agricultural debt today is currently estimated at about \$5.3 billion.

ADC has responded to this growing need for affordable credit for producers and, to this end, all loans outstanding to ADC at April 1, 1986, that bore interest at 9 percent or higher in the current renewal term were amended so that the interest would be 9 percent for the remaining life of the loans. I looked back, and the only

loans that were made at 9 percent were made in the very early years of ADC, so a substantial number of loans were lowered to 9 percent. As well, a commitment was made that until the review of ADC's role and mandate was completed, any new loans made at ADC would be at 9 percent for the life of the loan. Both responses by ADC address the critical need in the industry for reasonable-cost financing.

You will all know that the review of the role and mandate of the Alberta Agricultural Development Corporation is now under way. It will consider the scope and purposes of the corporation in relation to changing credit needs in agriculture and the availability of long-term, fixed rate financing under the Alberta farm credit stability program. Response to the public hearings throughout the province has been quite good so far, and I think the committee is getting a very balanced point of view in their hearings. I have to point out at this time that we have no preconceived notion as to what the recommendations of the committee will be, and I'm not making any forecasts on the future role and mandate of ADC until that review is completed and we have had adequate time to get the input from the committee.

Because of the \$5.3 billion in farm credit and the capital structure, long-term debt represents the largest portion of this total and is estimated at 60 percent of the \$5.3 billion. You might also be interested that the assessment is that one-third of the farmers have about two-thirds of the debt and one-third of the farmers have one-third of the debt. The rest of agriculture is virtually debt-free, probably with the exception of operating loans.

ADC has been a major force in serving Alberta's agricultural credit needs. This is especially so in the area of the beginning and developing farmers, where access to long-term funding at reasonable interest rates is extremely important. The smaller but equally important aspect of ADC's work is in the area of guaranteed funding. These funds are made available by lenders other than ADC, and ADC guarantees repayment, thereby meeting the special credit needs for short-, intermediate-, and long-term funds. This area of funding has increased in importance over the last several years as a result of the financial difficulties facing farmers.

ADC's lending activities over the past year,

combined with its work since 1972, brings the total loan portfolio to \$1.2 billion on 25,410 active accounts. Direct lending accounts are just over \$1 billion of this total. ADC also has specific programs geared to agribusiness. Although the total amount of outstanding may appear relatively small, at \$66 million this area is an important part of ADC's day-to-day work.

The largest single area of lending for ADC continues to be the beginning farmer program, which is part of the direct lending. In the year ended March 31, 1986, ADC authorized 802 beginning farmer loans totalling \$89.1 million. Enhancements continue to be made to this program. Last year it was announced that stage 3 would be added to the program, allowing beginning farmers to receive their disbursements in three stages over six years. I have to say that that's been fairly effective, as over 80 percent of the beginning farmer loans that were made in the last year have taken the staged-loan program rather than the total capital at the outset of their loans. So giving them six years to develop a program will probably be much more effective for both the farmer and the taxpayer than the way we made loans in the past.

With the introduction of the Alberta farm credit stability program, the interest rates for beginning farmers have been reduced to 9 percent, with 3 percent incentives available during the five years. To ensure that the beginning borrowers have a better chance of successfully starting a viable farm operation, the equity requirement has been increased to 20 percent. A better equity position is seen as necessary to allow farmers to cope with the cyclical nature of agriculture.

The 3 percent incentive: if you will remember, a couple of years ago the loans were 12 percent, 6 percent for the first five years of the loan. Two years ago when they were going back up to 12 percent and there were real economic crunches for some of these beginning farmers, we gave an additional couple of years' 3 percent incentive to bring them down to 9. Since all the loans are now at 9, that program effectively carries on through. I think it probably helped some of the young farmers over the crunch.

ADC lender of last resort programs have been replaced by the developing farmer program. I don't think I need to go into that, except that it's a fixed rate interest, 9 percent.

The Alberta farm development loan program is probably an interesting one in that it's by far the largest in terms of borrower numbers and loan dollars. These loans are made available through a farmer's regular banking institution, with ADC providing a guarantee to the lender. In 1985-86, 5,881 Alberta farm development guarantee loans were authorized, consisting of \$87.1 million. This program has been very, very popular and has allowed farmers to obtain short- and intermediate-term financing, with longer terms and lower interest rates than might otherwise have been developed. The Alberta government guarantees 10 percent of each bank's portfolio in that program, and it's the program where we've had the least call on the guarantees, just right around .25 percent. So it has been a very effective and very efficient program.

Last spring marked the first full year of operation of the farm development guarantee program, as it was introduced in 1985. It allows up to \$100,000 in new operating capital to farmers who could not otherwise obtain operating credit due to their financial circumstances. The interest rate on these guarantees is set at the lender's prime plus 1 percent.

With trouble still apparent in the agricultural economy of western Canada, legal actions have continued through the year where no other course of action was reasonable. In 1985-86, 230 borrowers, with 255 direct and specific guarantee loans, were involved in legal actions, including 75 foreclosures, 37 bankruptcies, 140 quitclaims, and 3 receiverships. While 255 loans is a significant number, this only represents 2.65 percent of ADC's direct farm loans. In addition, claims were paid involving 42 clients of the Alberta farm development loan program. Again, that's only .25 percent of that portfolio.

Directly relating to what we've just been talking about, ADC's role is to put their staff in direct contact with any farmers who were experiencing financial difficulty over the last year, so we developed the enterprise counselling program. In that program emphasis is placed on developing management strategies in making farmers aware of the benefits of sound financial management and accounting practices. Farm financial problems of the recent past have made plain the importance of sound financial management and record keeping to farm

business performance. Management skills and supporting accounting systems are key determinants in the success and survival of most farm businesses. Farmers not in financial difficulty have been encouraged to adopt financial strategies to reduce their risk and improve profitability. I guess anything looks good on paper. It doesn't always work out the way you plan it, but we've had a number of courses, through both ADC and the Department of Agriculture, where farmers are becoming more cost-conscious and more conscious of adequate bookkeeping.

Under the enterprise counselling program established in 1985, ADC enlisted 60 practical, knowledgeable farmers located throughout Alberta to work on a one-to-one basis with farmers experiencing financial difficulty. Since the inception of this program, these farm counsellors have undertaken 362 on-farm counselling assignments, and the program has proved very successful in establishing workout plans between the farmers and the creditors.

I guess I'd be happy to answer any questions that members of the committee might have.

MR. CHAIRMAN: Thank you very much to both ministers for a very informative overview. Before I turn it over for questions, I would point out to members that there are now 12 members on the list and that yesterday afternoon we had the opportunity for only six members to get their questions in, with seven members still left on the list. So I would ask the co-operation of all members in being as succinct as possible with their questions and again remind you that it's one question and two supplementaries. That doesn't mean three questions with three little questions or just of couple of clarifications.

Maybe with that background, I'll recognize the Member for Pincher Creek-Crowsnest, followed by the Member for Athabasca-Lac La Biche.

MR. BRADLEY: Thank you, Mr. Chairman. I'd like to also congratulate the ministers on their excellent overview. I wanted to ask some questions about irrigation and the irrigation investment. I think it has been a very important program for southern Alberta, both in Environment and Agriculture, and I know that Agriculture has a very important role to play in the investments through your department in the rehabilitation of the districts.

Perhaps the minister could give us some overview as to what work has been accomplished to date. I know it's a big program to look at rehabilitating all those irrigation districts. The minister has mentioned that 4 percent of the arable land in the province is under irrigation and produces about 20 percent of our gross agricultural product — or 19 percent, depending on what figures you use. So it's very important we see these systems brought up to complete rehabilitation. Could the minister just explain to us where we're at with regard to that program, what progress is taking place, what percentage of those irrigation districts has been rehabilitated, and perhaps comment in terms of the financing of this program? I believe that recently another five-year commitment was made to the rehabilitation program under the capital projects division. When does that run out, and how much work does he see us having completed at that time when this five-year commitment has lapsed?

One thing that I think perhaps is important to the committee is that given the fact that there have been some suggestions that the Heritage Savings Trust Fund will be capped, which also means that obviously the capital projects division will be capped, will we be faced with reductions in terms of the annual allotment to this very important area, or would it be a direction for us as a government to go to increase the percentage from 20 percent to 25 percent, so we can see these sorts of commitments carried through?

MR. ELZINGA: Thank you very much, Mr. Bradley. Maybe I can just say at the outset, too, that I'm going to respond in a general way and then I'm going to ask Dr. Art Olson to get into some of the detailed information in response to your questions because, as you are all aware, Dr. Olson is very active in this area and it is very dear to his heart.

If I could underscore what you've mentioned, because it is so important, whereby although, as you mentioned, it only represents 4 percent of the cultivated acres in our province, it produces about 20 percent of our production. That underscores the importance of our being further involved with our irrigation rehabilitation and expansion. It is my hope that we continue with the present level of funding. As you are aware, we are just going through the budgetary process

for presentation to the Legislature in the spring, so some of these areas are still up in the air as it relates more generally to our departmental estimates, more so than the heritage trust fund capital projects. But I'm going to ask if you would respond, Art, to some of the detailed questions that Mr. Bradley has put.

DR. OLSON: Thank you, Mr. Minister. One of the reasons we didn't prepare a sort of highlight sheet like we did for the Farming for the Future program and Food Processing Development Centre was that there are so many projects in the irrigation sphere, and how you define them. I understand, Mr. Chairman, that on Friday you indicated we should bring the map that Environment used in their presentation to you. They have a number of large-scale projects that are relatively easy to define and to talk about, but when you get into projects with the irrigation districts, each district has quite a number of projects, and they're spread over a large area. Some of them are very small and some of them are very large. I thought it might be useful, though, to give you a bit of a picture of the scale we're at now.

To this point in time, the districts have been rehabilitated about 25 percent of the total length of the canals within the province's irrigation districts. This is about 2,000 kilometres of canals, or just about across this country, if you put all those canals end to end. So it's a pretty large rehabilitation program that's under way. I'm told that in 1985 we rehabilitated enough canals that they would stretch from Lethbridge to Calgary, if you put them end to end. So that's a pretty significant kind of effort in that period of time.

Since the program was put in place, we have laid about 94 kilometres of pipe. We've constructed 3.4 kilometres of concrete canals. We've laid 33 kilometres of plastic in terms of seepage prevention to reclaim land adjacent to the major canal system. I can go on with details, and I could talk about headworks, structures, drops, straightening of canals and takeouts, and all that kind of detail, but I don't think that's the sort of thing you're looking at at this point in time.

I guess the best way to describe it is that the program as originally announced was a three-phase program. The first phase was completed in 1985 and a very extensive review was gone

through at that point in time in terms both of what we were going to achieve and also the cost-sharing formula that these funds are provided under to the irrigation districts. At that point in time, the government agreed to extend the program for the following five-year period at a cost of \$30 million per year, subject, of course, to the annual estimate process. And prior to 1990 we'll be looking at the program again in that same kind of way we did in 1984-85.

I mentioned that we have about 25 percent of the canals rehabilitated at this point in time. I guess, in overall, about a third of the system has been rehabilitated. We're averaging an increase of about 20,000 acres a year. You're probably going to say that that's not a lot of new acres each year. The reality is that two or really three of the major districts have moratoria in place due to the supply of water issue: the Lethbridge Northern Irrigation District, pending the completion of storage and of the main canal; the Eastern Irrigation District, pending some renovations the federal government committed themselves to and, again, the delivery systems; and, of course, the SMID, the impending major storage and canal works that I believe you talked about Friday. This will place limitations on the districts in terms of their ability to add new acres to the water rolls.

I don't know what the total demand is for water from the irrigation districts. Some of you from southern Alberta would probably know better than I. But I can assure you that it's very large and very aggressive. In the last couple of years a lot of people have made some pretty major steps in terms of trying to obtain water for their supply.

If we work on the same basis as we have for the last five years — and back to Mr. Bradley's question — we should complete about another third of the rehabilitation by 1990 and then pretty well have wrapped it up by 1995.

MR. PIQUETTE: At that \$30 million?

DR. OLSON: At the \$30 million rate. Remember, that's the Alberta government's contribution. In addition, the districts themselves, through a charge on their water users, contributed 14 percent. We contribute 86 percent; they contribute 14 percent. That's based on — I don't want to get into it, if you

don't want to, though. It's a very complicated formula based on where the benefits actually accrue to our society per se and goes back a lot of years in history in terms of where it came from. We have the issue of inflation to concern us in 1989 and 1990 as well, but my hope is that we'll have about two-thirds of the system rehabilitated by 1990 and that we'll see major acreages coming into place as a result of the capital works rehabilitations you talked about Friday. Mr. Bradley, does that cover the points you raised?

MR. BRADLEY: There was the question about the implications of not diverting any more revenue into the heritage fund and when we come up against this 20 percent limit, we won't be able to continue this program.

DR. OLSON: If I may, Mr. Minister. That certainly has to be at the top of everybody's agenda. The reality is that the program depends on a certain cash resource. It has major impact on the industry in southern Alberta. Assume that there was some form of readjustment. That would slow down the construction that's involved. It would also slow down the rehabilitation.

Were that reduction major ... I wasn't involved at that point in time, but it's my understanding that one of the reasons rehabilitation was based on a long-time format was to ensure that rehabilitation happened on a planned basis. If you have limited resources or the potential for a cutoff entirely, you encourage the districts to do what they have to do now and only that, and you end up with a piecemeal rehabilitation, so you end up having a lot of long-term problems created by that whole process. You end up with a bit of canal here to solve an immediate seepage problem, a checked structure here to solve an immediate problem of one that's broken apart, and the system isn't really being rehabilitated; it's being repaired. That would be a concern if there was an immediate cutoff.

In terms of a change of the resources directed, of course I think we're all looking at that kind of thing. The reality is that you can slow up the process to a certain extent or extend it over a period of time. The larger concern is the impact of a significant cut and a major stoppage on the quality and the direction and the kind of rehabilitation that would occur.

MR. ELZINGA: Maybe I could just add to that too. Mr. Bradley, we're going through that process, and we don't have anything definite to share with you at this time. The possibility does exist, but we're hopeful that it won't occur. There might be a capping of it, but hopefully there won't be a reduction. Again, we're just going through that budgetary process ourselves, so we don't have anything definite to share with you at this time.

MR. BRADLEY: Thank you. The second question I had was with regard to expansion in terms of ...

MR. CHAIRMAN: The third question.

MR. BRADLEY: That was just — he asked me if he answered my first question.

SOME HON. MEMBERS: Third question.

MR. BRADLEY: Then I'll have to fold my second and third questions into one question.

AN HON. MEMBER: I thought you'd folded three in your first question.

MR. NELSON: It's all right. Leo's already asked one.

MR. BRADLEY: Now that I'm down to my last shot here and want to get back in, I guess — you'll have to put my name back on the list, then, John. I wanted to ask about expansion in terms of irrigated acreage. It relates to some degree to the work of our colleague here, the chairman of the Water Resources Commission, and the recent report on the South Saskatchewan. What is the department's process in terms of addressing these expansion needs, where expansion will take place?

I recognize that the funding from the trust fund currently only goes into current irrigation districts. Other areas of the province have expressed interest in becoming involved in irrigation and would like to have similar treatment in the development of new irrigation acreages. In particular, I look at my area, with the coming on stream of the Oldman River dam. There are a couple of areas there which could benefit from irrigation and from similar funding in terms of implementing or putting in the main distribution systems. Perhaps you



could comment about how we go about making these decisions with regard to expansion and the process in terms of addressing the recommendations of the Water Resources Commission on the South Saskatchewan River basin.

MR. ELZINGA: After some initial comments, I'm going to turn it over to the expert here, Dr. Olson. It's my understanding that yes, we hope to have further expansion. It's also my understanding that about 200,000 acres outside the existing irrigation districts are currently licensed for irrigation. Again, with the severe drought we experienced in past years, the interest in and demand for our irrigation projects has increased. I should stress, though, that the availability of the necessary water supplies remains a primary issue. Again, whether this development does take place is going to depend on a number of circumstances — such factors, as I mentioned, as water supply and the suitability of land for irrigation. The underlying theme of it all is the cost of constructing the necessary irrigation works. An important component of that is the commitment the farming population itself will have to these projects. Is there something, Art, that ...

DR. OLSON: I think there are basically two limitations in terms of irrigation. The first and critical one is water. I'm talking about natural limitations. The second one is climate. There are some areas in the province where irrigation would certainly be an expensive investment. There are other areas, particularly in southern Alberta, that would benefit very directly from water. The first issue that has to be dealt with is the issue of water supply, and that's why we were very pleased to see Mr. Kroeger's report. The current cap we're talking about in terms of this program is 1.5 million acres. As we move toward that ... Of course, there's a lot of demand there. The South Saskatchewan study deals in part with that process.

The second I'd like to deal with is the kind of soil resource you've got. We do have a process for establishing that what water we do have available is used on our best soils. In the areas you described, Mr. Bradley, we are in fact carrying out extensive irrigability analyses. Fortunately, again with Water Resources Commission support, we've had funds to carry

out such analyses, I believe as far north as the Lacombe-Red Deer area. It's a corollary to the work that's being done on the inventory of our wetland problems. That study is under way in much more detail in the areas you discussed. My hope is that they could become part of the existing irrigation district; if they're widely separated, there may in fact be a new district created.

MR. PIQUETTE: Mr. Chairman, I'd like to welcome both ministers of Agriculture. As we travelled the province recently in our task force hearings on agriculture, we heard a lot of suggestion and criticism of the ADC loan program. I'd like to compliment the minister for undertaking a review program of ADC. I think it's about time. It's a program that needs to be updated, with the changes in the economic situation here in Alberta for the agricultural industry.

One of the things that worries me quite a bit is that, as the statistics indicate, one-third of the farmers have two-thirds of the debt and most of these debts are young farmers. Basically, these are generational farmers who have purchased land from their parents that has been in the family for quite a few years. Bankruptcies, quitclaims, and foreclosures: even though you mention here 255, a lot of them also simply abandoned farming, just simply auctioned off and left the land. Plus a lot of other cases are in the midst of starting procedures relating to foreclosures and quitclaims.

AADC has 14,000 clients in the province of Alberta, with 25,000 loans, so it's a very major player in the agricultural industry in terms of handling debt. The question I have is this — and we have talked a lot in the House, for example: why doesn't ADC declare a moratorium on foreclosures? We were always told that it's impossible because we'd be upsetting the whole lending rate. The Minister of Municipal Affairs, Neil Crawford, indicated to us the other day that the province has a bailout plan to avoid multimillion dollar losses on bad loans to operators of 12,000 subsidized apartment units. It's offering to let business people defer loan repayment until the apartments are profitable again.

Why in the world, when we have a present economic crisis in the agricultural industry mainly affecting the beginning farmers who

have borrowed money under AADC, hasn't your department done the same thing or offered this kind of a deal for farmers? If it's good for businesspeople, why isn't it good for the farmers?

MRS. CRIPPS: That's probably a question that I think will be handled by the review committee, and as I said earlier, I certainly don't intend to predetermine the recommendations of the review committee. Something like that that is a major change in policy in ADC I think should come as a recommendation of the review committee.

You talked about the number of young farmers and that there are far more, and they are probably first, second, third, or fourth generation farmers. As minister I review and have to sign all of the loans that are over a certain amount of loss to ADC. Those loans were made and certainly all of the decisions have been made long before I see them. All I see is a sheet of paper which gives the statistics and the information about the loan and whether ...

MR. PIQUETTE: Cold, hard statistics.

MRS. CRIPPS: No, they're not cold, hard, and believe me, when I look at those statistics, I look at them in terms of the hopes and aspirations of the people who are involved. It's not just a piece of paper. It's a heartrending decision to sign my name to that, because I wonder about those people: their hopes and aspirations, why they couldn't make it, what's happening to them, and whether they've got the fortitude to continue on and to do something else. I look at each one of them, and quite frankly if there's anything in this job that's going to give me an ulcer, it's that. It really is a concern.

On the other hand, we have to be responsible to the taxpayer, and the taxpayer is paying very dearly for somebody's attempt to become a farmer. I think as representatives of the taxpayer we also have to take an attitude that we are responsible to the taxpayer in ensuring that he or she isn't hurt any more than necessary by this whole attempt by someone to become a farmer.

You talked about the second and third generation. Most of the quitclaims and foreclosures I've seen — and I see everything

that's over a certain amount, over a \$100,000 loss I think it is. Very few are second and third generations, and very few have considerable personal assets into the operation. One of the things I've asked for is what equity they went into the farming operation with and what equity they have when they come out. Most of the loans or quitclaims — very few foreclosures, mostly quitclaims — that I've seen have very much difference in the personal assets or equity that they went into the operation with and come out with, for the most part; I'd say 90 percent of them. I've seen about a dozen, I think, where there's considerable personal loss. For the most part, they had very little equity when they went in, and that's one of the reasons that we increased the equity participation to 20 percent.

MR. PIQUETTE: My second question ...

AN HON. MEMBER: Third.

MR. CHAIRMAN: Your second question?

MR. PIQUETTE: My second question.

Mrs. Minister, I'm not at all satisfied with your answer, because I was here basically trying to get your reaction to why, in the meantime, until the review has been completed, you aren't calling a moratorium until a full assessment of the effect of foreclosures and quitclaims is analyzed and perhaps a different repayment schedule is arranged with farmers and deferral of payments, et cetera, when we're doing this for the Alberta Mortgage and Housing Corporation. You're saying that you're trying to protect the taxpayer and that the average ...

MRS. CRIPPS: No, the balance. Don't say the ...

MR. PIQUETTE: The average loss per foreclosure at ADC is \$100,000 for farmers. You can't tell me that you're protecting the taxpayers when you're allowing a write-off of that kind of an asset. I know a lot of these young farmers with prices a lot better in the agricultural industry would be a heck of a lot better positioned to make these payments perhaps in a few years from now, could actually repay these loan programs, and would actually stop the drop of the land value and quit throwing land on the open market type of thing

than what ADC is now doing.

I am not at all satisfied with your answer. I think it shows a lack of clear leadership for the farming industry when they're in the terrible situation at the present time.

My second question is . . .

MRS. CRIPPS: Wait a minute. That was a question.

MR. PIQUETTE: Pardon me? That was a comment.

My second question is -- I'd like to have a response to a moratorium. Why aren't we adopting a plan like the Alberta Mortgage and Housing Corporation?

MRS. CRIPPS: I'm not exactly sure what the Alberta Mortgage and Housing Corporation is doing, but we're not adopting a plan because in the first place we do have some specific programs in place to assist farmers who are in difficulty who have ADC loans. We have counselling programs. We also allow them to add their arrears onto the end of the loan if that is going to help them and they're attempting to make payments. Any farmer who is trying to keep his loans current and is working out a program of repayment with ADC is being assisted. Most of the foreclosures and quitclaims frankly haven't made any payments since 1980-81. There are very few of them that don't have almost three or four years' interest and payment built up, and there is virtually no hope for them to come up in any case.

If you read through the files that I see, most of them couldn't possibly pay those loans. It doesn't matter whether they have another moratorium for a few months. In any case, ADC is trying to restructure the loans of the ones who can be helped or give them more flexible payment terms in the next couple of years for the last year in order to keep them current. The problem: there are a number of loans that are over \$100 in arrears, and that's 27 percent of it. There's only 9 percent which actually are in difficulty and probably can't meet their commitments. Frankly, when I see those reports that I look at, some people should be charged with child abuse for getting their sons and daughters into the kinds of situations they've gotten them in by selling the farm.

MR. PIQUETTE: And ADC as well.

MRS. CRIPPS: I'm talking about a few cases. Thank heavens that's not a major problem.

In other cases I see -- last week I signed one where the people who are on the farm between them are now earning \$70,000. They have \$238,000 outstanding to ADC; I think \$138,000 will not be reclaimed by ADC. They have absolutely no intention of paying. It seems to me that when anyone borrows money -- I don't care whether from ADC or anyone else -- you're borrowing with a commitment to repay, and when you end up earning every year half of the outstanding balance that is being written off to the taxpayer, there should be some attempt to make a payment. I don't care whether that payment is made over 20 years or 10 years, but in many cases there is no attempt. I guess those are the kinds of accounts that bother me. The people that are trying to make their payments and are committed to working through the process I have great empathy for.

MR. GOGO: You should get tougher, not easier.

MRS. CRIPPS: No, there is a balance there that we have to . . .

MR. GOGO: The ones you've described, you should.

MRS. CRIPPS: Exactly. I have concerns about that.

MR. CHAIRMAN: Final supplementary.

MR. PIQUETTE: My third question. I'd like to address that whole issue later on, but I don't want to leave Peter out of whack here because we didn't ask him any questions.

First of all, a compliment for Farming for the Future. The research part is something we support very heartily. I think we've got to diversify the agricultural industry. The question I have, though, is the fact that as the province of Alberta is kicking in more money for research, from the statistics of Agriculture Canada, they are pulling out their dollars from research here in Alberta, and a lot of it is going down east. I find that we're a very poor negotiator. If we're going to put a dollar into research, we should have a matching federal contribution so we can double the impact of our research dollar here in Alberta. Why hasn't Farming for the Future made sure that for

every dollar they kick in for research, you get a federal contribution to make sure that we get those federal dollars back in Alberta instead of seeing them disappear down east all the time?

MR. NELSON: Let's put a moratorium on all small business too, eh, and bankrupt the whole system.

MR. ELZINGA: I can say that we've expressed in a very strong way -- when the initial announcement was made some time ago that federal cutbacks were forthcoming, we expressed our dissatisfaction at that. I'm happy to report that because of further negotiations with the federal government and their responsiveness to our representations, they've indicated that they will not proceed with any further cutbacks without proper consultation with ourselves.

I can indicate, too, one very encouraging aspect as it relates to agriculture in general. The national agricultural strategy that we as agriculture ministers are presenting to our first ministers gives a further indication of support for research on behalf of the federal government. It's a statement of principle whereby they are committed to further expanding research in this area. We're thankful that we have had good representation made by individuals within our department to the federal people, and we're going to continue to pressure them, acknowledging the importance of research in the agricultural sectors.

I'm delighted that the hon. member is endorsing that aspect because, as I mentioned in my opening comments, we can't overstress the importance of research and the benefits it does pay to our agricultural community. But if I could just come back to ADC so that the hon. member doesn't miss the points that my colleague has made, we're happy to work with the farming population as it relates to repayment ability. She indicated that, and I wouldn't want anybody here to be misled by the hon. member's comments whereby he attempted to imply we wouldn't, because we are working with the farming population to work out a new repayment ability scheme, if they so wish.

In addition to that -- and I'm not sure on what basis the hearings are being conducted on behalf of the New Democratic Party, but we believe very strongly that we should at least let our committee have the opportunity to come

forward with recommendations prior to prejudging them. It could be that with this very important review that is taking place, it might be one of the recommendations, but we're not going to involve ourselves with prejudging the excellent work that is going on. In the event that that recommendation is forthcoming, we will give it serious thought, because as he is aware -- and there is really no need to further underscore it -- we've done a heck of a lot for our agricultural sector simply because we recognize the prime importance that it plays in the Alberta way of life.

MR. HYLAND: Mr. Chairman, my questions are related to Farming for the Future. They're partly as a result of an exchange between you, Mr. Minister, and myself -- I forget if it was in estimates or in question period -- on the agricultural research institute. That follows from recommendation 9 in last year's report on the trust fund where it was passed by the committee, suggesting an endowment be put in place so that agricultural research could be carried on for an indefinite period of time, on the interest off that endowment. I was very happy to hear the announcement on November 4 of another five-year extension, but I believe that what we were after last year was a long-time future type of agricultural endowment.

At that time I think I expressed concern if it was to be attached totally to the university, in that I thought it could be patterned on the other endowments that we have in medical research where it's got an independent board and that board makes the decisions on the endowments. If it is to exist, I wonder if you could bring us up to date on what you're thinking about on that institute, in spite of the fact that we've announced -- what is it? -- a four- or five-year extension on Farming for the Future.

MR. ELZINGA: As you have mentioned, Mr. Hyland, we were pleased that on November 4 we could announce a further extension for Farming for the Future. Again, I wish to stress what I stressed earlier. We don't have revenues coming in as we did in previous years, so we have some decisions to make as to where our funding will go. Shortly after the new year we will have something definite to say on that, because it will also require legislation, in the event that we go to an agricultural research institute. It is my hope that after discussion

with our colleagues, we can establish an agricultural research institute whereby we will have further co-ordination of all our research projects within the province of Alberta, whereby we have a co-ordinating body that involves itself with Farming for the Future, with our universities and our private sector and both levels of government so that there is no overlapping of research, whereby the actual dollars spent are spent in a very productive manner so that in turn that research can be passed on to our farmers so they can put it to good use.

We are proceeding with that concept, and I would hope we would see some legislation in the spring session to establish a research institute relating directly to agriculture so that our agricultural sector can benefit from it. I know again, too, it's something very dear to Dr. Olson's heart, who has worked very hard on this concept.

MR. HYLAND: Thank you.

I suspect that Dr. Olson probably knows what my second question is going to be. I think I've asked it to him a number of times in these committee hearings. That is related to the amount of on-farm demonstration. If we look at the amount from the '85 annual report, the amounts going to the various universities, et cetera, Agriculture Canada research stations, Alberta Agriculture, and so on, it's \$4.3 million out of a \$5 million project last year. My concern again is: by the percentages here we're getting a lot of pure research out of the universities and agriculture stations. Maybe Ag Canada is more where we can get a little bit of applied. I'm still concerned about the spread between that kind of research and the on-farm usage, so that we can actually see if this research is going to work on the farm. I noticed in the handout that you handed out, Mr. Minister, some of the many things that have been accomplished. But I'm still concerned, and I don't know if there's any way to change it. I understand the system where people approach the Farming for the Future board with proposals, but when we look at percentages, I'm still concerned that Ag Canada has 30 percent of the funding of this program, the University of Alberta has 36.5, and then we go to private industry with 4.8 participation. I'm just concerned that we're getting so much pure research, which may be useful, but can it work

on the farm? Can it grow a crop better? Can it produce a cow faster? Can it put poundage on a chicken or a cow or a pig or whatever faster? It's providing jobs in research — there's no question about that — but is it providing useful information that we can use in developing our agriculture industry to a greater potential, as the member previous to me, Mr. Piquette, just suggested?

MR. ELZINGA: Maybe I can indicate at the outset, and then I'm going to turn it over to Dr. Olson again too, that to date the on-farm demonstration program has awarded over \$1 million to some 350 projects. These projects, quite frankly, have been very successful, as you have indicated, in communicating innovative ideas and technologies to our farmers themselves, and that's the purpose of it all. We can point to some specifics, as we did in our opening remarks too, as to the bee strains in northern Alberta, but it's also important to point out that for the year '86-87 the Agricultural Research Council of Alberta has increased its program's annual allocation from \$400,000 to \$600,000 so that, again, more producers themselves can participate in the program. Thirdly, to further underscore your concern, it's worthy to point out, too, that under Farming for the Future we've expanded the output of publications in the area of agricultural research to make sure that this information is getting out to our agricultural sector, and we're even distributing some of this information through the Country Guide.

If I could just leave you on a lighter note — and I hope nobody will take me seriously when I indicate this to you; I wouldn't want anybody to do so — but just the other day I dropped into a farmer's yard. I don't know if any of you have heard about it, but this one farmer had developed a chicken with three legs so that he could have three drumsticks. As we were going down the road, I happened to see one of these three-legged chickens running down the road, and I inquired of the farmer as to the process and how it has worked out, if it has proven successful. He said he's not quite sure whether it's proven successful or not, because he was hopeful he would have that additional drumstick, but with three legs the chickens can run so fast he hasn't caught any yet.

DR. OLSON: Mr. Minister, for Mr. Hyland's

information, as a result of the input we had last year, one of the areas where we're seeing a very significant increase is in the private industry section. It went from about 1 percent or less up to 6.5 percent of investment.

The on-farm demonstrations are an effective way of transferring new ideas or ensuring that new ideas are tried out at the farm level. I would say, though, that the farmer isn't necessarily the only client of the research we're doing. The processor and marketer are also clients, and those areas are very difficult to do that kind of demonstration in. It's a source of information in that regard. But it's pretty obvious that our field staff of the department and the farmers across the province like the on-farm demonstration program. I think that essentially we've increased the money every year we've had the program in place, and it works very effectively in terms of transferring technology.

One of the other things that's basic to Farming for the Future that I think has been useful in terms of transferring the information — through the review process we've tried very hard to do two things. One is to ensure that every committee that's involved with Farming for the Future has a majority of farmers on that committee. I think that tends to bring a pretty good kind of reality to the process. One of the chuckles I had when we initially set that policy was that some of our scientists had some concerns about farmers making scientific decisions. It turned out that as time went on, they learned very quickly that the farmers were quite capable of making scientific decisions, and they also brought some economic realities to the decision-making process. I think that has been very effective and perhaps part of the reason why Farming for the Future has achieved some of the things it's done.

The other part of that has to do with ensuring that the professional staff, the people that in many cases make that first contact with the farmer with a new idea — the district agriculturist, a whole range of specialists from across the department — are actually involved with the program. At the on-farm demonstration level we ask that a DA or one of our specialists be involved at the research level, and we ask for our professional staff to take part in that review so they know what's going on and add their judgment to it. By knowing what's going on, they have that information available

to hand to farmers, processors, or marketers on a very immediate basis. I think that's worked rather well.

MR. HYLAND: Thank you. My last question is related to a pet peeve. I notice some of the results of what's happened in Farming for the Future, developing new varieties of barley and canola for the Peace region, for example. The question I've got is related to the Agriculture Canada research station at Lethbridge and the number of Agriculture Canada positions cut in Alberta. As previously mentioned, they're reduced. I can remember having ministers before the committee before, even during Liberal times, and saying they had assurances from the federal minister that there would be no more reductions. I believe a letter was circulated at one time. The reduction still came. There are some projects that with our funding we may be just holding, and I think we need research in some.

I know there's some research going on on soft white wheat, and I'm not sure what stage he's at. Rather than trying to take U.S. varieties and make them work in Canada, we should be developing, as we have here, a whole new variety, because we're a few miles north of them and we have different conditions. We have a little bit shorter growing season, and we should be developing and breeding these varieties for ourselves rather than trying to make varieties from somewhere else fit.

MR. ELZINGA: Art has some specifics he's going to share with you, but maybe I could indicate to Mr. Hyland and the committee members that when we met for a couple of hours in Ottawa on Monday, the federal minister indicated to us as provincial ministers that they were going to continue with their present level of funding for research, acknowledging that there had been cutbacks in the past, as you are aware. I stand to be corrected; I believe the numbers were that there were 10 . . .

DR. OLSON: Twelve.

MR. ELZINGA: Twelve positions cut back and a further 10 projected to be cut back. But as I mentioned to Mr. Hyland earlier, we have received the assurance that these cutbacks will not take place without proper consultation, and

after the federal minister's words as it related to research, we're hopeful that with proper consultation we can do our utmost to see that there is minimum harm caused.

In a specific way, in response to your question on wheat varieties, I believe Art has some information for you, because we have been involved in that area.

DR. OLSON: Thank you, Mr. Minister. We got involved with Agriculture Canada at the request of the Soft White Wheat Growers Association, not to create a program but to augment and complement the program that Agriculture Canada had in terms of developing new varieties. I believe our commitment this past year is about \$73,000 into that program. I don't have handy with me the kind of dollars that Agriculture Canada is putting into it, but they've got some resources in terms of staff, equipment, and facilities that I'm sure are significantly greater than our \$73,000 contribution. But we're helping drive that program, and I think we're doing it very closely with the industry.

For those of you who aren't acquainted with soft white wheat, one of the problems is that about 90 percent of the acreage is in a variety called Fielder. That particular variety is very sensitive to moisture. It will sprout in the head when it's nearly mature after a good rain. There is essentially no dormancy, the kind of dormancy most people are used to with the hard red springs. It's also very sensitive to a particular kind of rust called strip rust. A very major portion of the industry was affected by both of these problems this last year. We're trying to develop a variety that has both sprouting resistance and strip rust resistance. My understanding is that the indications are good. As we are breeding varieties, it is not a short-term kind of thing. It's going to take some time for these, through the process that ensures they're the kind of barleys we want for our soft white wheat industry in Alberta.

I should add, if I may, regarding the question or the comment on co-ordination with the industry, that I in fact had the opportunity to meet with the soft wheat people yesterday -- Mr. Art Eckert and some of the other people in that organization -- and they've had an opportunity to review this year's proposal by the researchers of Ag Canada and have made some very concrete suggestions with regard to the

level of funding. It was not the level of funding proposed by the researcher -- in fact, somewhat less. That's the kind of involvement we like to see and we have encouraged. I think we have pretty well developed Farming for the Future. We have very positive, pragmatic input from the farmers involved, to ensure that the kind of research that needs to be done gets done.

MR. R. SPEAKER: Mr Chairman, just a couple of comments. We appreciate very much the salinity program you're going to continue in Farming for the Future. We think that's a good idea. Irrigation rehabilitation: there have been many good benefits to southern Alberta that we have noted. As a member from that area, I'd like to urge the continuance of that program, certainly in terms of the efficient use of water. Currently it's an excellent winter works program. That's a double benefit that is occurring at the present time.

The question and concern that I think the districts have is the commitment to the 86/14 formula, because if we change that 86/14 formula, say to 75/25, what it does is increase the water rates of the various individuals and the districts significantly and under the current economic conditions creates a kind of hardship. Is that commitment of the government firm until 1990 at this point in time?

MR. ELZINGA: It is my understanding that it is, Mr. Speaker, yes.

MR. R. SPEAKER: I appreciate that very much. I think that's a very important decision.

The other area is with regard to the new 9 percent program worked through the banks. This is a question of information. Early in the development of that program it was intended that some of the money from the heritage fund be utilized. I know that the government has borrowed on the open market as well. Are some of the funds coming from our heritage fund at present, or is there a mix?

MR. ELZINGA: Let me indicate to you that as you are aware, too, the fund itself and the transfer of moneys and the rollover is done by our Provincial Treasurer. But the heritage fund is used in offering the guarantees, and it is used also when we borrow money, which we put on deposit. In turn, the farmers have that money

available to them. It was our hope to use the blend of moneys, whereby there would be actual moneys from the heritage trust fund plus moneys that we would borrow on the strength of the heritage trust fund. So the heritage trust fund is involved, if not in a direct way in an indirect way, in making sure that those funds are available.

MR. R. SPEAKER: Are your ministries responsible for the policy and the ongoing supervision of the fund, or is that all under the Provincial Treasurer?

MR. ELZINGA: No, there is a divisional breakdown whereby the actual rollover of funds is the responsibility of the Provincial Treasurer. The administration and the information flow and everything else fall under our department, but the rollover and the transferring of funds is with Treasury.

MR. R. SPEAKER: Mr. Chairman, have I got another question? I was trying to find out where I was at.

MR. CHAIRMAN: You do, yes. You have one final supplementary.

MR. HAWKESWORTH: They're very brief, Mr. Chairman.

MR. R. SPEAKER: I try to be that way. Thank you, Bob.

In terms of the guarantees that will go along with that 9 percent program, would it be an accurate assessment that after two years the government guarantees the capital repayment to the banks? In other words, in the formula, if I remember the regulations correctly, within that two- to three-year period the government would pick up the first 50 percent of the initial loan of the farmer in losses if necessary. Is that an accurate statement?

MR. ELZINGA: As you are aware, we have a graduated scale whereby over a five-year period our guarantee is increased on a yearly basis. We did that at the time to make sure that the banks didn't just roll over all their bad debts and we would be responsible for them. But there is a graduated [scale] -- I don't have those figures with me, but I'd be more than happy to get them to you -- whereby our guarantee does increase

over a five-year period, up to a maximum of 80 percent at the end of the five-year period. If you have a supplementary, if I haven't quite . . .

MR. R. SPEAKER: I'd really appreciate that. This is in terms of the collateral being requested by the banks at the present time. They're requesting all land. This is the message going out to the farmers: that we only want land as collateral. What concerns me is this question you've just answered, that we as a government are pretty well guaranteeing losses because of that formula. Why do they want that major portion of land? For example, to get the \$200,000, a number of them are requesting \$300,000 of current value of land only. Machinery and so on are not counted in that as collateral, as they had in earlier loans when the loans were just with the bank.

MR. ELZINGA: Let me indicate at the outset that what we have done and are doing on a continuous basis is sending out interpretive bulletins to the various banks. Some managers are interpreting things the way they would like to see them rather than as we've outlined the program. We've communicated to some individual bank managers our concern that they've not followed our guidelines. As you are aware, prepayment ability was our prime criteria because we were offering the guarantees, as you've just indicated. Because of concerns raised, we have developed a further proposal as it relates to security. If I could elaborate somewhat on what you have said, some individuals took out an original loan, say for \$300,000; they've paid a good portion of it back, and the banks are still demanding the same security that they had on the original loan. We're hopeful that within a matter of days we can have that corrected, whereby the security arrangements will be altered somewhat so that the full security that they had on the original loan will not be required in the event that that loan amount has decreased, to counteract the concern that you have raised.

If I could also just bootleg in, Mr. Chairman, we also altered the provisions related to partnerships to a degree, because in some cases we found also that a father or a mother or the family itself would leave a farm to the family, and in the event that there were six members in that family and one had left the province or the country and still had a partnership in the farm,



they would be ineligible. We've altered that somewhat so that we could overcome the concern in that area. We wanted to make sure that bona fide farmers did have that money available to them. But we are continuing to assess it. I thought I should illustrate the one as it related to partnerships because we are also working on the security provisions.

MR. R. SPEAKER: Thank you, Mr. Chairman, and thank you to the committee for your liberal attitude.

MR. HERON: Mr. Chairman, Minister Elzinga, and/or resource people, I would like to focus on the Prince Rupert grain terminal and the Ridley Grain Ltd. investments of the heritage fund. Through pages 11, 35, 48, and the (b) footnote on page 49 we have a pretty good description of a \$134 million first mortgage debenture to Ridley Grain, showing it as an 11 percent participating debenture. I was wondering, given that the objective of the terminal was to add 20 percent to the grain shipped to the Pacific market, if it's meeting that objective, and if you have some idea, now that the project is complete, as to what the consortium's equity portion was. For example, we hold the first mortgage debt, and the consortium put in some equity capital. Could you give us some estimate of the total asset value there and just how it's doing in terms of meeting its objective?

MR. ELZINGA: Maybe, Mr. Heron, and not to avoid answering you, I should indicate that we've got four specific areas that are under discussion as it relates to our responsibilities. This falls under Economic Development and Mr. Shaben and his responsibilities with the capital projects under the heritage fund. So he has those details available to him which we don't since it's under his department's responsibilities rather than ours. In a general sense, I can indicate to you that we would wish a greater throughput through Prince Rupert. We are pushing for that, and we're hopeful that that will be the case. But I think I'd be out of order in responding on the specifics, in view of the fact that it does fall under Economic Development.

MR. PIQUETTE: You could comment on the shipment aspect.

MR. GOGO: That's not the question.

MR. HERON: Then, Mr. Chairman, I will save my questions for the Minister of Economic Development, because I have some concerns about the capitalization, compounding interest, and that. I will defer them.

MR. McEACHERN: Mr. Chairman, my first question is about ADC. How many hectares — or acres, if you like — does AADC currently have title to through foreclosures and quitclaims, and could you give me a sort of regional breakdown on that?

MRS. CRIPPS: I'm not sure I can give you a regional breakdown, and I'm too old to talk in terms of hectares.

MR. McEACHERN: Acres are fine.

MRS. CRIPPS: I'll give you quarter sections, because in agriculture quarter sections are what's really important.

ADC is presently administering 517 quarters.

MR. McEACHERN: Five hundred and seventeen quarters?

MRS. CRIPPS: Yes.

MR. McEACHERN: Any kind of south-north, any idea at all on that?

MRS. CRIPPS: I think the regional distribution is pretty . . .

MR. PIQUETTE: Must be mainly in Athabasca.

MRS. CRIPPS: I'm not sure. Maybe Doug can answer that. What's the regional distribution, Doug?

MR. SCHURMAN: We don't have the statistics on a regional breakdown with us here. We can provide them.

MRS. CRIPPS: I do know that it's pretty well provincewide. I think there are a few more in the north than in the south, but it is provincewide.

MR. McEACHERN: I remember talking to a farmer up in the Debolt area who said that a lot

of his neighbourhood had disappeared somehow, that there were a lot of quitclaims in his area.

The follow-up question on that, the second question: what are ADC's plans for this land? Will they sell or lease the parcels in an ordinary manner, having an eye to market conditions, or just what are the plans for it?

MRS. CRIPPS: A lot of the land is listed with real estate companies. As I understand it, the majority of it is on the market, but there is certainly no push to sell it, because we don't want to further depress land prices. So it's on the market. Most of it is through real estate agents. Some of it can be applied for through ADC, but for the most part it's in the realtors' hands, and in many cases most of it is leased.

MR. McEACHERN: My final question is: how many farmers in the beginning farm program — and that program seems to have quite a lot of potential, but I'm just wondering how successful it has been — have had to give up that program with bankruptcies, foreclosures, or quitclaims? Do you know?

MRS. CRIPPS: The beginning farmers?

MR. McEACHERN: Yes.

MRS. CRIPPS: I know there are 9,000 loans. Did you ask how many of them are having problems?

MR. McEACHERN: Yes.

MRS. CRIPPS: There are 940 actual loans more than one year in arrears, and there are over 9,000 beginning farmers. That's direct loans, so that would also include other loans ADC has. So it's 9.93 percent.

Maybe in answer to that question I could go back to an earlier question, because it's in the same area. In trying to help those who are experiencing difficulty, ADC does a number of things: first, they'll refinance arrears; they'll postpone payment; they'll do total refinancing; they'll arrange for increased financing with ADC, FCC, or other lenders; they'll extend operating capital through loan guarantees, and that program is the one I said has been very successful; reamortize arrears; co-operate with other lenders to develop management financial packages; provide discharges of securities so

that other lenders can provide increased financing; and provide financial counselling through the counsellors. So it's only after all the alternatives are considered and our security has been eroded through ADC and the client is not being up front or there is simply no other way — no other way — that they take legal action or in many cases go to quitclaim. So there's a lot of work being done on it.

MR. PIQUETTE: That's a public statement.

MRS. CRIPPS: That's right.

MR. PIQUETTE: Broadcast it.

MRS. CRIPPS: I did.

MR. GOGO: Ministers Elzinga and Cripps, as you're aware — and certainly Minister Cripps is aware — the sugar beet industry in southern Alberta is going through some difficult times. They produce 11 percent of the country's consumption, but they can't sell it to the country, for a lot of reasons, primarily the way it's imported in the form of cane and processed in Vancouver.

With regard to the Food Processing Development Centre, Minister Elzinga, I don't see in the detail that there is any project under way at the present time in the Food Processing Development Centre . . . It would appear to me that in looking at alternatives for the use of sweeteners, that food development centre would be a natural. Could you or Dr. Olson indicate if anything is in fact happening there? If not, have you encouraged applications to come from that sector?

MR. ELZINGA: Maybe what I could do, Mr. Gogo, is turn it over to Barry Mehr, who has some information for you on that.

MR. MEHR: The whole area of sweeteners is a major challenge around the world today. You know that the root problem [inaudible] that relates to subsidies to all products, particularly as it applies to the sugar industry and one of the areas where there is real activity at the centre. Therefore, what you're saying is really incorrect, although as it relates to the sugar beet itself and to sweeteners it is correct — the use of that irrigated land that's producing sugar beets. As an example, there is extensive work

being done at the centre in developing new potato products, specifically processed potato products for specific markets around the world. Those products will be -- if those products are successful, the acreage that is now committed to the sugar beet crop will be able to be employed in producing potato products for new markets, particularly in the Pacific Rim.

So if you say sugar beets as such, sugar beets have been worked and worked and worked to death and are not showing a lot of potential for new utilization. But we're working on new products that in the long term will impact on the utilization of the land the sugar beets are produced on. Again, like anything else that relates to research, it's not a short-term horizon.

MR. GOGO: To use the term "sugar beets are worked to death" is probably not very encouraging to many, many farmers in southern Alberta who have some hope that sugar as a sweetener will indeed be resurrected.

Mr. Chairman, I'd like to ask Mrs. Cripps with regard to her responsibilities for the lending activities of the development corporation. I was comforted, in a way, to hear that at some point somebody has to say no when it becomes clearly evident that the chances of economic recovery in the farming sector are impossible. When I hear that people have not made payments for over five years, surely the message is pretty clear. We can't simply say that the role of government is to support prices to the extent that everybody has to be a successful farmer. If that's true, then I'm puzzled by Mr. Nelson's comments that for some reason it's fine to have these hundreds of bankruptcies in small business without government lifting a finger. I would hope that we would be consistent.

My question, however, to Mrs. Cripps is that we as a government have endorsed the Prime Minister's initiatives with enhanced trade with America. I think most people with much common sense recognize that if we don't in the next quarter century, we'll simply not exist economically. Minister Cripps, are your policies that you're adopting and encouraging with regard to lending activities consistent with the Alberta position that is part of comprehensive and enhanced trade, that we have to ensure that the free-market system prevails and that there has to be a limitation to

subsidizing, which in the judgment of many people is just economically not feasible for the future?

MRS. CRIPPS: I'm not sure how that relates directly to ADC, but I guess we are committed to ensuring that we get out of the ad hoc programs. That's one of the reasons that the people in the . . .

MR. GOGO: Perhaps I could enlarge on that. We, Minister, have recently announced a \$2 billion program at 9 percent money with the sole objective -- I recall leadership candidates and Premiers saying we should be lowering input costs because we have no control over the selling price. At the very same time, where land prices by most people's admission were far too high and are now getting back to some reasonable area, we have allowed people to use that \$2 billion fund to acquire more land, not to consolidate.

MRS. CRIPPS: No.

MR. GOGO: The point I want to make is that as minister responsible for the major lending agency of government with the farmer, ADC, what I'm curious about -- and maybe your review panel is going to come up with the answer; I don't know -- are the lending policies that you're encouraging through there to help people who are having difficulty, even though they may have acquired additional land, going to be consistent with the Alberta government's position in endorsing the Prime Minister's position in this country of free trade with America?

MRS. CRIPPS: At the outset I want to correct your statement about the farm credit stability program. Ninety percent of the funds that have been allocated or applied for through the farm credit stability program have been to refinance, so we are not . . .

MR. GOGO: Has any been used to acquire land?

MRS. CRIPPS: Pardon?

MR. GOGO: Any been used to acquire land?

MRS. CRIPPS: I imagine so. It's been used to acquire land, but your statement left the

impression that a major majority of it was going into new acquisitions, and that's not true. Over 90 percent — 89.9 percent actually — of that is going into refinancing, and quite frankly that was the intent of the program in the first place, to establish long-term credit stability, and I want to underline stability.

ADC is not making any lending decisions which would directly relate to free trade, but certainly we're making lending decisions which we hope will diversify agriculture and promote secondary processing of our agricultural products in the agribusiness area, thereby increasing the value of the agribusiness to this province.

I really can't answer your question in direct relation to free trade; maybe Peter would want to. I can just say that from a personal point of view, one of my main commitments over the next three or four years will be enhancing our marketing opportunities no matter where they are, whether they're provincial — which is, of course, our first marketing opportunity — within western Canada, within the United States, or worldwide. I just think that farmers especially have to also become involved in the marketing of their products and ensuring that they're growing products that meet market needs and trends and become active in their own organization in promoting marketing. Maybe Peter wants to elaborate.

MR. ELZINGA: I'd just like to pass a couple of comments, and then I'm going to ask Barry to get into a few specifics also, if Mr. Gogo wouldn't mind. Can I just say at the outset to my dear colleague that I met with — and it's related to your first question, the sugar beet growers. We met with them a couple of weeks ago in Calgary. We are working very closely with them and our federal counterparts to develop a national tripartite stabilization program for sugar beet growers. We're also quite actively involved in developing a sweetener policy, which our departmental people are working very closely with them on, so that we can again offer some stability to what we consider a very important sector in southern Alberta. I'd like the hon. member to be aware that we are working very closely with them, because it is a serious concern to us.

To support totally what Mrs. Cripps has indicated too, it's interesting to note that when we originally established the farm credit

stability program, our hope and our projections were — and we had mentioned this in the House on a number of occasions — that 75 percent of the money would be taken up for refinancing purposes. We met those expectations to a greater degree, and we're delighted that just slightly under 90 percent — 89 point some percent — has been taken up for refinancing purposes.

It's interesting to note, too, that 70 percent of the money has been taken out on a 20-year term period, so it has met the need of a good cross section of our agricultural sector. We didn't feel, though, that we should penalize those farmers who did not have any great debt. We felt that we should make this program as universal as possible, whereby all farmers who wish to participate could participate. If one didn't have financial difficulty, why should we inhibit his participation in the event that he has exercised proper stewardship over a number of years? We wanted to help those who were in need, but we also felt that we shouldn't penalize those who weren't necessarily in need.

As it relates to trade, it's just so important to us as a province, acknowledging the amount of export, not only outside of Alberta into other provinces but into other countries, the importance of our reliance on trade. That's why we've worked so hard, not only on an international basis but also on a countrywide basis, to remove the balkanization of various programs that are in existence within various provinces so that we would have an assured access for our agricultural products. We see it developing. The protectionist trends in the United States are part of a detrimental impact on our agricultural sector.

I'm going to ask Barry if he'd just elaborate on that somewhat, because he is involved with the marketing of our agricultural products. As Shirley has indicated, we wish to place a greater emphasis — and it's very dear to Shirley's heart — on ensuring enhanced market availability for our agricultural products. We've increased our productivity. In fact, Alberta farmers are the most productive in the country. Now we have to make sure that those markets are assured.

Barry, would you . . .

MR. MEHR: Very briefly, Mr. Chairman, everybody knows what the whole area of commodity pricing has done to the primary

producer not just in Canada or North America but throughout the world, and the financial crunch is what is being discussed here this morning. Economists tell us that if we took the European and American subsidies out of the real world, even with the surpluses we have around us in the world, you would increase commodity prices by approximately 30 percent.

There has to be a survival while negotiations go on. The programs that are put in place as negotiations go on in two areas, the bilateral with the U.S. and the multilateral through the GATT, will alter the world's programs. I don't think there's any doubt; I don't think any rational individual can view anything else happening. It may or may not impact on the programs of the government of Alberta — it very well may — as to how they're applied. Because the rules — we have to get some sanity back into this war that's going on in the international scene. That will evolve over time. In the interim, we have a cost-effective agriculture in our province, and programs have to remain competitive; there have to be support programs. As an example, you've got 72 percent of the budget in the European community subsidizing agriculture. The U.S.'s budget is massive this year in support of agriculture. So as a cost-effective producer there have to be programs put in place that support our system so that it survives during the negotiation period. The first is the bilateral with the U.S., but, as I say, the multilateral . . .

Specifically, it's interesting, but if you look at the United States' response — and this gets right down to the heart of your question — to ADC and ADC programs during their review when they instituted the countervailing duty on Canadian hog exports to the U.S., because it was generally available to all agricultural producers in the province, the programs under ADC were determined to be noncountervailable. Whether, in the review that's going on now, which is a new period and a new review, the same decision is made under U.S. laws, remains to be seen. But at this point in time the U.S. has declared that the ADC programs are noncountervailable.

MR. PIQUETTE: Their program is 6 percent as well.

MR. MEHR: That's irrelevant in this discussion.

MR. GOGO: So, Chairman, what Mrs. Cripps has said then — the activities of ADC and her plans for it, notwithstanding the review committee's recommendations — is totally consistent with the Alberta government's position of enhanced trade with America?

MRS. CRIPPS: Yes.

MR. GOGO: That was really my question, and I'm pleased to hear the affirmative. Thank you.

MR. CHAIRMAN: The Member for Lacombe, followed by the Member for Calgary Mountain View, if there's time.

MR. R. MOORE: Thank you, Mr. Chairman. I think we recognize that Farming for the Future is just as important as any segment of agriculture, because it holds the future of farming to a far greater degree in a lot of the current problems we're facing today in funding and otherwise.

I notice that it seems that every time we bring out a program, Ottawa cuts a program and lets us take over. Instead of ours complementing what Ottawa is doing, we end up doing it and the farmer gets the same benefit. There's no increased benefit by our getting into it. I ask if you have anything to say on the effect of the cutback by Agriculture Canada in funding for the research branch. Has that anything to do with us in Farming for the Future, that we're taking it over, or are we taking over any other that they're withdrawing from in their cutbacks, or is there any relationship?

MR. ELZINGA: As I'm sure you are aware, Mr. Moore, when the original cutbacks took place, the former minister, Leroy Fjordbotten, expressed our objection to that in a very strong and forceful manner. It's worthy to point out, though, that Farming for the Future is supporting no new projects at Agriculture Canada facilities this year, simply because we're not going to take up what they have pulled back on. As Dr. Olson has indicated and I indicated earlier too, we're grateful for the commitment they have given us as it relates to ongoing consultation to make sure that we're not left holding the bag in the event that they do cut back. Again, I could just underscore what I mentioned earlier, too, with our meeting

on Monday, in view of the federal minister's comments: our hopes that the funding will continue. Even though there won't be any increases, there shouldn't be any cutbacks for research projects on a Canada-wide basis.

MR. R. MOORE: Another area there, Mr. Minister. We're faced with fiscal cuts. There's no question about it. All governments are, with the economic situation we find ourselves in. Along with the fiscal cuts, you made a recent announcement about the future of Farming for the Future. Can you outline exactly what that program means? We touched on it off and on today, and I'd like to get just the full extent of that so that we can grasp whether we're getting any drastic cuts or whether we're forging ahead with Farming for the Future or maintaining our status quo.

MR. ELZINGA: The announcement I made on November 4 indicated that we were going to maintain our status quo. We were hopeful that we could expand it. We probably won't be able to in the near future. The reason we were hopeful we could expand it is that we recognize the importance of the research that is being conducted and the actual on-site application. I do have — and I don't have it with me; maybe Art might have it — some actual benefits per dollar invested: the actual return. I can recall from figures we reviewed that in some areas the benefits were four hundredfold, whereby the actual research paid such benefits that it increased the productivity, or the development of new strains — and I believe it related to wheat — whereby the development of a new strain was so beneficial as it related to productivity and the hardiness of it that the benefits were extremely significant. We can go through that list that was distributed today, too, as to the direct benefits of actual research and, as has been illustrated this morning, a lot of times it's not short-term benefits but long-term benefits.

It's so easy for governments at all levels to cut back on their research commitments because there is no immediate result of that cutback. We are committed, and that's why we did further announce on November 4 our ongoing commitment to Farming for the Future, acknowledging we would have liked to have put in even more but we are under budgetary constraints, so we are going to continue with a

program as it was in place.

Do you want to add something, Art?

DR. OLSON: Two things. First, with regard to benefits. I guess the simple way to explain that is to think of Alberta without canola, without rapeseed as a crop. Think of the cash flow position of farmers in northern Alberta if that crop hadn't been developed. Whether you can do a cost/benefit analysis on that kind of a situation, I don't know. I do know that the farmers tell us that in terms of canola, you're dealing with a 40 percent return on an annual basis, and you can go into the other ones as well.

In terms of the kind of resource that is available with the funds that have been allocated, this year we have — as we have in most years — considerably more applications than we have resources. But I can assure you that that in fact triggers a very effective and very aggressive review. We have about \$12 million worth of applications this year and typically have about that many dollars. A very active participation by the people I described earlier ensures that we get the kind of analysis. But let's face it, there are a lot of ideas out there and not all of them are winners. What we're trying to do is find the winners that will in fact benefit our kind of agriculture.

MR. R. MOORE: Mr. Chairman, I have an additional question, and I'm sure there are many others who have too, but in view of the time, I move we adjourn.

MR. CHAIRMAN: Just before we adjourn, I want to thank the hon. ministers for their participation this morning, and the department people who are with them as well.

MRS. CRIPPS: Before you adjourn, can I give Mr. McEachern some figures on those quarters he asked about?

AN HON. MEMBER: Great.

MRS. CRIPPS: There are offers pending on 47 quarters; 69 quarters are in the tendering process; 226 are listed with realtors; and there are leases in this crop year on 272 quarters. Just for the information of the member.

MR. McEACHERN: Thank you.

MR. CHAIRMAN: Thank you very much.

[The committee adjourned at 12:02 p.m.]

