

[Chairman: Mr. Ady]

[2 p.m.]

MR. CHAIRMAN: I'd like to call the meeting together for the Alberta Heritage Savings Trust Fund committee.

We'd like to welcome the Hon. Ernie Isley, our Minister of Agriculture, and the associate minister, the Hon. Shirley McClellan, who are here today to discuss the projects and programs as reported in the annual report of the Alberta Heritage Savings Trust Fund, 1988-1989. We appreciate them co-ordinating their time to be here together, and we look forward to hearing their opening comments. We'll give each of them a few minutes to make some opening comments, and then we'll move to questions. With the concurrence of the committee, it is the intent of the Chair to allow questions from the committee members to go to either member according to their responsibilities. I believe that probably is the best way to work it, unless there's a better suggestion moving from the committee.

To give you a brief overview, hon. Minister Isley has the Food Processing Development Centre that's funded under the heritage trust fund and the Agricultural Development Corporation, so questions on those two projects would be appropriate. The Hon. Shirley McClellan has three programs: Farming for the Future, the irrigation rehabilitation and expansion program, and the private irrigation and water supply program. Those three programs or projects would be appropriate for questions to her.

Are there any who would like to read recommendations into the record prior to beginning our formal meeting? Hon. Member for Lacombe.

MR. MOORE: Thank you, Mr. Chairman. I'd like to propose the following recommendation for consideration of the committee:

I recommend the government review the capital projects division projects to identify which areas of expansion, addition to, and maintenance should be funded in the future from general revenue.

MR. CHAIRMAN: Thank you, hon. member.

And so, hon. minister, shall we have the minister or the associate minister . . .

MR. TAYLOR: I have a recommendation.

MR. CHAIRMAN: Oh, I'm sorry. I missed that.

MR. TAYLOR: I'm sorry. I've never seen him shut up so quickly. That's why I got caught off guard.

MR. CHAIRMAN: You have a recommendation you'd like to read in?

MR. TAYLOR: Yes.

AN HON. MEMBER: Is this going to go on for half an hour?

MR. TAYLOR: No. It's just:

Recommended that the fund devote the same amount of moneys to improving the productivity of dryland farming as it now does into research into irrigation expansion.

MR. CHAIRMAN: Thank you.

Hon. Member for Wainwright.

MR. FISCHER:

In order to preserve the integrity of the heritage trust fund, I

recommend that the annual rate of inflation be considered before all investment terms are transferred to the General Revenue Fund.

MR. CHAIRMAN: Thank you.

Are there any others? All right; we'll move on to the next section of our meeting. Which minister would like to go first? Minister Isley. Well, the time is yours to take a few minutes and give some overview of your department and the projects and programs that are funded from the Alberta Heritage Savings Trust Fund. Then we'll hear from the associate minister and move on to the question portion.

AN HON. MEMBER: Age before beauty, as it were, Mr. Chairman.

MR. ISLEY: That's what you're getting, age before beauty.

I'll be quite brief, Mr. Chairman. First of all, thanks for recognizing us with the importance to come before you and discuss our programs.

The major user of the Alberta Heritage Savings Trust Fund that I'm involved in is the Agricultural Development Corporation, which I believe in the current year is financed to the tune of \$90 million from the Heritage Savings Trust Fund. I think I can report to you today that there's been quite a significant turnaround in the Ag Development Corporation, which is, I would say, as a result of the turnaround that we're seeing in the agricultural industry in this province and the greater mood of optimism that is out there. Now, that doesn't say that there aren't still some negatives in agriculture in the province, but in general, people tend to be much more optimistic than they were two, three, four years ago. I would suggest that that optimism is translated into increased borrowing activity through the corporation and a fairly significant decrease in the amount of stressed or difficult accounts the corporation has to deal with. For comparative purposes, as of today in the current year only 6.6 percent of in excess of 10,000 accounts are more than one year in arrears. That compares to last year's figures of 8.5 percent and the year before's figures of 11 percent. To date this year there have only been 49 quitclaims or voluntary consent foreclosures compared to 157 at this time last year.

With respect to land inventory we now have on the books 533 quarter sections of land; that's down from 765 at this time a year ago. To date this year we've disposed of 193 quarters - and I believe we've done that without in any way negatively impacting the marketplace out there - whereas at this point in time last year we had disposed of 144. I believe under the new leadership of the managing director, Bob Splane, there are some efficiencies developing in the delivery of the program. Staff has not increased. I believe response time is improving and will continue to improve. I look forward, barring another dramatic downturn in land values, to us working our way through the balance of the difficult accounts over the next 24 months and having a much more positive report to deal with next year and the year after.

With that, Mr. Chairman, I would hope that when it comes to questions, we're dealing with questions with respect to the policies of ADC and how it is using the moneys of the Heritage Savings Trust Fund. I'm not at liberty to appear before you and discuss any specific client's direct dealings with the corporation.

MR. CHAIRMAN: Thank you, hon. minister. I would now like to give the associate minister an opportunity to give an overview for those areas of her responsibility.

MRS. McCLELLAN: Thank you, Mr. Chairman. Members of the committee, I would like first to introduce to you two gentlemen that I have with me today to assist in any technical advice that you might require. First, Mr. Gerhardt Hartman from the Irrigation Secretariat, and Dr. Yilma Teklemariam from the Farming for the Future program. I'm very happy to have them with us.

I would just briefly speak about, first, Farming for the Future. I think in Farming for the Future, Alberta has the most innovative and effective agricultural research program of any province. This program represents a very unique co-operative effort among producers, the private sector, academic institutions, and the federal and Alberta governments. The means of co-operation are the research projects supported by Farming for the Future. The outcome is the project results, which in turn lead to tangible benefits for the Alberta agricultural industry. Agriculture is one of the foundations of the Alberta economy, and our welfare is tied to it and to its continued growth.

The Alberta private irrigation development assistance program is a new program which was announced in December of last year as a means to assist producers to develop new irrigation projects in regions of the province which are not serviced by an irrigation district. As you know, since 1976 the Alberta Heritage Savings Trust Fund has been assisting the 13 irrigation districts to upgrade and expand their water supply systems through the 86-14 cost-sharing program, which we will discuss. This program, the private irrigation development program, is intended to provide an equal opportunity for private irrigators to develop a source of water and bring it to the boundaries of their fields. The program, I should add, is provincial in scope and provides an opportunity to regions outside of southern Alberta to intensify their agricultural operations through irrigation.

The last program that I would speak very briefly about is the irrigation rehabilitation and expansion program. This program, which was initiated in 1969 and has been funded through the heritage fund since 1976, has entered the final year of its current five-year mandate. Since 1976 a total of \$287 million has been granted from the trust fund for this program. As you are aware, the long-term shared objective of Alberta Agriculture's irrigation rehabilitation and expansion program and of Alberta Environment's irrigation headworks and main irrigation systems improvement program is to provide a system capable of supporting 1.3 million acres of irrigated farmland within the existing irrigation districts. In view of the progress we've made thus far, I would assure the committee that this is a feasible, realistic goal and one that will benefit not just our farming sector but the provincial economy as a whole.

With those comments I would invite your questions and discussion.

MR. CHAIRMAN: Thank you to the ministers for their good overview.

I would like to recognize the Member for Calgary-Forest Lawn, followed by the Member for Lacombe.

MR. PASHAK: Thank you, Mr. Chairman. My first question is to the Minister of Agriculture, and it has to do with the 193 quarters, I believe he said, that were disposed of by the Alberta Agricultural Development Corporation during the past year. I wondered if he could give us some idea as to what the economic consequences of those sales were for the province in terms of the profit or loss on those sales in terms of the obligation of the province and what the province realized in terms of the sale of

that land.

MR. ISLEY: I presume you're inquiring as to the amount of money we lost in taking that land back and reselling it. This probably isn't all tied to the 193 quarters, because it would depend upon when the land was taken back and when the debt was written off. Some of those quarters may have been under our control for a couple of years and leased before being sold. But in terms of write-offs to date for the corporation, it's slightly over \$28 million. We had budgeted \$46 million this year I believe. That would compare to write-offs last year of, I believe, \$58 million, but let me check it out. Write-offs last year totaled \$57,000,420. Write-offs to date this year are \$28 million.

MR. PASHAK: We note that recently the Alberta Mortgage and Housing Corporation had to undergo a substantial write-down on assets. When we look at the declared assets of the Alberta Agricultural Development Corporation, I think they're slightly in excess of \$1 billion. Is there any potential there for a substantial write-down in declared assets of the Alberta Agricultural Development Corporation similar to what happened with the Alberta Mortgage and Housing Corporation?

MR. ISLEY: I would say not, because the Ag Development Corporation has been writing off losses as those losses were incurred. If the land was foreclosed upon or quitclaimed, once all those assets have been disposed of, the difference between that and whatever debt owing has been written off the books. So the only existing write-downs would be related to the properties that are still under our control. I'd have to go back and check to see how many of them have already been absorbed.

MR. PASHAK: Finally - I raised this question a year ago, and it has to do with quitclaims, with that property then reverting to the Alberta Agricultural Development Corporation and then marketed again and in some instances going back to the person who originally filed the quitclaim. I know you don't want to speak about individual cases and I can respect your view there, but what about a policy with respect to those kinds of transactions? Have you developed a thoroughgoing formal policy that managers of AADC are to respect in this regard?

MR. ISLEY: The old policy of third-party sales is used on very rare occasions and only where the client is coming forward with an offer that the corporation is satisfied is at the top end of the market value in the region. The generally accepted methods of disposing of the lands, once they're acquired, is through closed tender or through open auction. The corporation also has recently developed a policy of disposing of lands by an ADC direct-supervised auction; you know, without going to the expense of the title coming from the client to ADC and then to whoever buys the property.

Under any of those options, though, there is nothing to prevent a previous owner from becoming the new owner, providing they're topping the market price or the bid document and providing they're using financing other than ADC. So there's nothing in the policy that prevents someone who has been foreclosed on or quitclaimed from coming back through either the open tender or the open auction and being the successful bidder as long as they're not looking for ADC financing.

MR. CHAIRMAN: Member for Lacombe, followed by Member

for Athabasca-Lac La Biche.

MR. MOORE: Thanks, Mr. Chairman. I note that under the Food Processing Development Centre they didn't get any money in the last year. However, they were constructed with heritage trust fund money. So I'd like to direct this set of questions to that area and ask the minister just what effect the Food Processing Development Centre has had on our level of processed food exports. Has it had any effect, positive or negative?

MR. ISLEY: All I can give you at this point in time is the feedback that I've been getting from the processing industry, who seem quite happy with the services that they're getting from there, particularly in some of their research projects and in some of their packaging techniques. As far as, you know, a cost/benefit analysis, I'm sure there may be one around, but I haven't recently reviewed it. But I can certainly dig something out for you in that area. I didn't bone up too much on that one because I thought that was kind of a thing of the past. But I recognize that it was built with funds from this committee and is a legitimate question.

MR. MOORE: My second question, Mr. Chairman, is related to the same area, about the dollar value of these products. However, I'll probably get that in the reply later on.

Again in this area, does the minister think that the food processing centre could support itself if it were privatized?

MR. ISLEY: That I would hesitate to answer at this point in time either. Remember that the food processing centre was part of our commitment to diversification in agriculture and trying to develop more jobs in, you know, the only area of agriculture where I believe there's great opportunity for jobs, and that's in the value-added. I'd have to check before I could say whether or not it could run at this point in time as a privatized operation.

MR. MOORE: Could I have my third supplementary then, Mr. Chairman, on that? You talk about value-added. Do you feel that this approach to assisting businesses to get into the value-added end of it is an approach we could apply in other areas?

MR. ISLEY: I think probably. I think any assistance you can give the private sector out there in research and development and programs like our APMA program, which is the Agricultural Processing and Marketing Agreement program where we're assisting processing plants with part of their capital grants, are probably our two best levers for encouraging value-adding in secondary food processing.

MR. CHAIRMAN: Thank you.

Member for Athabasca-Lac La Biche, followed by Member for Wainwright.

MR. CARDINAL: I see much of the Agricultural Development Corporation's funding comes from general revenue. Precisely what percentage of your funding comes from the heritage fund?

MR. ISLEY: The \$90 million that we take from the heritage fund is all money which is loaned out to beginning farmers, active farmers, and people in agribusiness. All of the administration of the corporation, any of the losses of the corporation, any of the incentives paid out by the corporation, which are

the 3 percent beginning farmer incentive and some of the incentives under our indexed deferral option, all come out of general revenue. In addition, out of general revenue comes, you know, the difference between what we're paying the heritage fund for our money and what we're loaning it to the farmer at. I believe the corporation's current budget out of general revenue is about \$94 million.

MR. CARDINAL: My first supplement is: why isn't it all funded by general revenue?

MR. ISLEY: Well, like many other corporations we've turned to the Heritage Savings Trust Fund as our source of loan capital. We're currently exploring some other options so that we're not as heavy a drain on the fund, one being a vendor-financing program where we're hopefully going to attempt to encourage the person that is selling the farm to stay involved in at least a partial lending capacity. There are still some discussions going on with respect to equity financing, but that's kind of a tricky one to deal with in the agricultural industry. But the simple answer to the question is that ADC has always depended upon the Heritage Savings Trust Fund - well, always since '76 - as its source of capital for relending.

MR. CARDINAL: The final question. What is the total deficit of ADC presently?

MR. ISLEY: How much does it totally have loaned out as a portfolio? One point one billion dollars.

MR. MITCHELL: Point of order.

MR. CHAIRMAN: Point of order?

MR. MITCHELL: I don't want to speak for the member, but I don't think that was his question. His question was: what was the deficit? And I'd be interested in that answer and in not having to repeat that question. Is there a cumulative loss or . . .

MR. CHAIRMAN: Well, with respect, hon. member, I think the minister dealt with that earlier when he spoke of the amount of write-down that the corporation had suffered, some \$28 million or whatever the number was. But he did deal with that, and I would assume that's the deficit. Hon. Member for Athabasca-Lac La Biche, do you . . .

MR. CARDINAL: I'm satisfied with the question. I can figure it out.

MR. CHAIRMAN: Okay. Thank you.
The Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman, and good afternoon Madam Minister and Mr. Minister and department officials.

I note that in the '89 report it says that 743 loans were given out last year, and this compares with only 487 in the previous year. Why is the number of loans increasing so substantially?

MR. ISLEY: Well, I think that, hon. member, is related to what I referred to in my opening comments as the renewed optimism in the agricultural industry, and I think also the fact that I believe most people out there feel that land prices have bottomed out and will be moving to an upswing and that the timing

appeared to be right for certain people to come forward to enter the industry.

MR. FISCHER: Could you tell us, then, what percentage of our farmers are currently receiving some form of ADC funding? I guess what I'm getting at is: are we beginning to increase the overall agriculture debt load again with this increase in numbers?

MR. ISLEY: I would say probably yes. It's hard to give a percentage, from the stats I'm looking at, of our farmers that are benefiting from ADC programs. I can share with you that in total there are 26,000 contracts held by ADC. Of those 26,000, though, one farmer may be holding more than one, because the 26,000 includes 7,500 beginner farmer loans, some of which again, if they've used the option of entering with a small loan and then going for a second and a third – you know, three of those may be with one farmer. There are 90 developing farmer loans, 2,400 other direct loans, 104 specific guarantees; 15,358 farmers use the Alberta farm development loan guarantee program, which is administered by the banks but guaranteed by ADC; 60 farmers are currently under the farm development guarantee loan and 172 under implemented guarantees. In addition to that, there are 74 different agribusiness loans.

MR. FISCHER: Yes. Did we relax any rules or regulations in order for this increase to come on?

MR. ISLEY: No, we actually tightened the rules and regulations under the beginner farmer program where we now require 20 percent equity.

MR. TAYLOR: Or more.

MR. ISLEY: . . . or more. You're lobbying for someone, Nick. And that compares to, at one time on land, zero percent. One of the other reasons, probably, for the increase is that we no longer require a land base for a beginning farmer to qualify. They can start out with a loan as low as \$10,000. The maximum at the upper end is still \$200,000.

MR. FISCHER: Okay. Thank you.

MR. CHAIRMAN: Thank you.

Member for Clover Bar, followed by Member for Ponoka-Rimbey.

MR. GESELL: Thank you, Mr. Chairman. Good afternoon, hon. ministers and staff.

I wanted to ask a little bit about the Food Processing Development Centre, and I want to structure it on the basis of the present effect of free trade and maybe even the projected impact of free trade on that area. My perception was that the laboratory, the facilities at Leduc, were designed to strengthen and expand our capabilities so that Alberta food processors could see some opportunities in the domestic and the global markets for value-added products. What effect has that free trade agreement with the United States had on food processing exports in general? But I'm more interested in not just the present effects but what effect you expect the agreement will have on future export levels.

MR. ISLEY: Well, I would say the free trade agreement in

general to date has been slightly positive toward our secondary processing. My anticipation in the future is that it will become much, much more positive, because as our processors get a more open access to that market down there, you know, I fully expect them to take advantage of it. I'm thinking of one area, the canola field. If we can get the tariffs that the U.S. is currently imposing on our processed products removed, that could generate a significant amount of secondary processing in canola products in this province. On the other hand, if there's foot-dragging on behalf of our U.S. counterpart, they might grab a little share of our industry that they shouldn't be getting. So I think the sooner we can move to the acceleration of tariff removal, the better chance our processing industry has of growing.

MR. GESELL: Mr. Chairman, related to that and on the free trade issue still now related to the Agricultural Development Corporation, I believe we've already been accused that we unfairly subsidize farming because of the benefits we offer to our local farmers. How can we counteract that perception and that accusation that's being made? Is there a strategy of how he might deal with that effectively?

MR. ISLEY: Well, you're all aware that we're currently being countervailed rather significantly in the pork industry, and I would hasten to add that that countervail has absolutely nothing to do with the free trade agreement. There's nothing in the free trade agreement that prevents the U.S. from countervailing Canada or Canada from countervailing the U.S. if we feel one country or the other is unfairly subsidizing its producers. We're currently challenging the pork countervail both through the dispute settling mechanism of the free trade agreement and also through the associated GATT process, and I'm still somewhat optimistic that we can win that one.

I think where our challenge is and where the work is currently being done is in attempting to define what a subsidy is on both sides of the border. You know, they're not pure down in the south either; they have their support programs. But in my mind, if we could establish what the subsidies are and we stack ours up and they stack theirs up and we make them equal here or we make them equal down here, that's the kind of level playing field we want. I would think that if we could successfully reach an agreement whereby on a countervail you add up the subsidies on both sides of the border and countervail the difference, if there's a difference, as opposed to countervailing everything one country is doing and not acknowledging anything the other one is, we'd have a better arrangement. That hasn't been achieved yet, but we're working on it.

MR. GESELL: My final supplementary, Mr. Chairman, I want to direct to the associate minister. It has to do with a reference on page 19 of the annual report which indicates that Farming for the Future also is involved in new food processing techniques; it's right at the bottom of the paragraph dealing with that Farming for the Future program. It's listed as one of the accomplishments. I'm wondering: is there a duplication here? Why is Farming for the Future doing work in food processing when we have the food processing centre already specializing in this type of research?

MRS. McCLELLAN: The Farming for the Future program is, as I said, to develop research in agriculture and to provide opportunities for diversification. One of the methods of

diversification, of course, is improving our processing to export. The centre certainly does carry out a great amount of that work; however, in my mind – and I think most people would agree – there are never enough research dollars to do all that we need to keep up with this fast growth that we're experiencing in a very competitive world. So there are dollars spent through Farming for the Future for research projects dealing with food processing.

If you wanted to address any specifics of the projects, I would ask Dr. Teklemariam to further expand that. That's the general policy reasoning behind it, but Yilma – if I may call you that, it's easier.

MR. GESELL: Mr. Chairman, if I may clarify. I know that research might be going on in both areas, but I'm more concerned that there's co-ordination, that there isn't any duplication.

MRS. McCLELLAN: We do have a committee that approves all research projects – we receive requests for far more projects than we can possibly handle, so there are committees that are struck that address research proposals in each area – and that committee very closely monitors what is occurring in research in other areas and takes that into consideration, as well as the need and the value of the project, before it is approved.

DR. TEKLEMARIAM: Thank you, Madam Minister. Your answer is absolutely correct. If I may give some specific examples and comment on the technical side of the projects that were supported in the food processing area under Farming for the Future. There is no duplication between what the Food Processing Development Centre at Leduc does compared to the projects we have funded under Farming for the Future.

If I may go to specific examples, in the area of extracting ingredients from our raw materials, we have supported a project with a private company that is attempting to process and extract ingredients like proteins, starch, and so on from grains like wheat that requires a specific type of process to handle that compared to what's available elsewhere. Another area we have supported deals with the idea of producing soys from canola as opposed to from soybeans. It's a product very much like soya sauce. In fact, it's been market tested and has proven to be quite comparable and quite acceptable to consumers of soya sauce but using canola as an ingredient to develop that product. A third area I'd like to mention deals with the idea of developing a lactic acid starter culture industry for our dairy industry for making cheese and other dairy products. This is supported at the University of Alberta with a researcher who has the skills and the specialties and the capabilities.

So the projects we have funded are carefully selected to make sure that there is no duplication between what we do in-house through our own facilities but allow us to tap into the expertise, the capital facilities, and the knowledge available both in the academic community and the private sector.

Thank you, Madam.

MR. CHAIRMAN: Thank you.

The Member for Ponoka-Rimbey, followed by the Member for Edmonton-Meadowlark.

MR. JONSON: Yes, Mr. Chairman. Good afternoon, ministers.

My questions have to do with this new initiative, the private irrigation and water supply program. First of all, I would ask the associate minister to outline a little bit more the ownership structure that's involved in funding these projects. What I'm

specifically getting at is that, as was indicated, this is for the funding of capital projects up to the border of the land that's going to be served by this irrigation network or project. Are we talking here in all cases about an individual farmer, and does that person own the equipment in effect that we've partially paid for, or are we talking about groups of farmers who've come together to establish, I guess you'd call it, a private irrigation district?

MRS. McCLELLAN: The program deals with the project. It can be an individual, and there could be more than one in the project. You're absolutely correct: it deals with bringing the water from the source to the edge of the field, and from that point on all of the costs are incurred by the project person or the farmer. My best answer is that the ownership is with the person in the project. It is a grant to assist a person with the capital investment to bring water from the source to the edge of the field – I'm probably answering more than you want – but the ownership would stay with the person or persons who put the project in place. It is a grant.

MR. JONSON: Mr. Chairman, a further question then. In the history of the Heritage Savings Trust Fund capital division, the investments the fund has made in this area have been retained by the public as far as ownership is concerned. Here we're putting money into essentially a private set of facilities. The question would be: what is the rationale for funding this from the Heritage Savings Trust Fund rather than from general revenue? It's not a large amount of money in the course of things; why here?

MRS. McCLELLAN: I guess the first part of it is that it would be possible to fund this out of general revenue. However, I think because this program is analogous to the irrigation rehab and expansion program, it appeared appropriate to the designers of the program to fund it in the same way at that time.

The intent of the program, as I outlined earlier, is to create an equal opportunity for private irrigators to develop new irrigated land as opposed to irrigation districts or people that reside within an irrigation district. Certainly all of the grants in this program are for capital construction, and I guess we are saying that this represents an investment in the strengthening and the diversity of Alberta's agricultural community.

MR. JONSON: My final supplementary, Mr. Chairman – and I'll precede my question by saying that I'm glad to hear that this program is available all across the province. But I would ask: are there any projects that have been funded north of Airdrie?

MRS. McCLELLAN: To this point I believe there have been 31 applications, and remember, this program is very new; we have just begun with it. The last information I got from the branch when I spoke to them was that they did have applications from about 31 projects and that the majority of them at that time were in the south. However, we must remember that this is a new program, that there is a fairly extensive amount of work that needs to be done before a project is put in place, and unquestionably the people in the south probably have put a lot more thought and homework into irrigation than to other parts. However, I would say that certainly need for this program is not contained in southern Alberta, as you would well know. There are other parts of our province that do suffer from lack of moisture, and other farmers may wish to look at diversification

through specialty crops that are only able to be grown under irrigation or a sustained, stable supply of water. So we do expect that this will expand over the province once the program is better known to producers.

MR. CHAIRMAN: Member for Westlock-Sturgeon, followed by Member for Edmonton-Meadowlark.

MR. TAYLOR: Thank you, Mr. Chairman. Back to the Agricultural Development Corporation – and by the way, greetings to both ministers and assistants. The thing that worries me a bit, Mr. Chairman, on the ADC is that the past record of going in the hole may be causing the Agriculture department to be just a little bit too mean now in trying to crawl back out of the hole. In other words, I think the ADC exists for the farmers, not farmers for the ADC.

One of the things that concerns me is the question of leasebacks, and now that I have the minister here, Mr. Chairman, I'd like . . . To say that anybody can bid on the open market for their farmland back begs the question that (a) they cannot get a loan from ADC, are highly unlikely to get one from FCC to buy ADC foreclosed land, and banks aren't in the business. So really, when we put land onto the open market, or in effect, if there was a family on the land and in the buildings – and that's what I'm thinking of – we're condemning them to moving off the farms. I cannot understand why, and I would ask the minister why one of their means of renewing the land, besides auctioning it off, would not be, if there was an original owner on it, leasing back to the original resident, not someone that's way off somewhere, on a five-year leaseback system with an option to purchase at a negotiated price. You would not lose anything, and yet we would keep the family on the land. What's so against it?

MR. ISLEY: It is not against ADC policy to lease back to the former landowner, and there are some cases of leasebacks that do reach five years; I don't think there are any exceeding it. There are many that are on a year-to-year basis. I would say any of the five-year ones that I'm aware of are conditional upon the lease fees being paid. It has never been the practice to put into that an option to purchase or an option to purchase price. The closest we came to that is with a recent policy development approved by the board whereby they will, in a voluntary quitclaim, sell back to the original owner the home quarter or the home acreage at an appraised value plus 10.

MR. TAYLOR: Plus what?

MR. ISLEY: Plus 10 percent.

The main reason I would say for not going with any guarantee of having that landowner buy it back again is because of the concern of other neighbours and other ratepayers that may want an equal chance on that land. That's why I for one tend to lean towards the supervised auction sales or the open auction if the former client is interested in getting a piece of that action, because then it's all done in the wide open and if they have the resources to put together, so be it. I think in cases we've been co-operative enough where the client has been co-operative, to possibly extend a lease an extra year until that person gets in a little better position to be able to compete in the open marketplace. But I think as soon as we started guaranteeing the sellback at some predetermined price, you're going to get a reaction from another group of individuals.

MR. TAYLOR: Mr. Chairman, a supplementary. I'll go back to the first question. Let me make it clear, though, I wasn't talking about a predetermined price. I was just saying: with the right to buy at the market at the time. It's used often in commerce, Mr. Chairman, to keep a dealer going. Whether the dealer's selling your tires or your honey or your hardware, you've accomplished nothing by foreclosing and putting up for auction, because then you get the big dealer buying out the little one and then you only have one dealer. So the concept of leasing back to somebody who's gone broke with a right to buy at an arbitrated price down the road is a very old, accepted one, but somehow I've never been able to get it across to ADC. I'd certainly love the minister to consider it, because it does keep people on the land. And you'd lose no money, because if they can't buy it, it goes on the auction anyhow.

If I go a little bit further, back again along ADC's . . .

MR. CHAIRMAN: Hon. member, if you're coming to a question – your supplementary, I hope.

MR. TAYLOR: Yes, that's right; I am. It's just very near and dear to my heart. I know it's economically sound, and it's so good, and I can't understand why I can't get it through their heads.

MR. CHAIRMAN: I understand that, but would you move to the supplementary.

MR. TAYLOR: I'm an old financier. It's a good idea.

But anyhow, secondly, it comes back to money again. Is the minister considering additional capital for ADC? I know the minister said, "Well, they've toughened up for new farmers; they've toughened up here, and they're watching there." My own feeling is maybe the opposite: we should be loose. In other words, we should be getting more capital in because of what the associate minister said: the various types of farming we can go into. Is there any method being worked on where we can access banks' capital and just use our government capital as the whipping cream or the cherry on top of the main sundae? In other words, instead of putting it all up – we must remember we went into this business when we were trying to get rid of money; now we want to help farmers. So the idea is that we should have more funds in here, and we shouldn't have a bunch of people that are really trying to get everything back so my colleague won't give them hell for losing money. In other words, have we looked at more funds through the private sector to be able to put that base in there so we could loan out more money, cover more fields?

MR. ISLEY: Well, I'm sure, Mr. Chairman, the hon. member is well aware of the farm credit stability program which this government had the foresight to come up with in 1986, whereby we allocated \$2 billion through the private banks of this province to be reloaned to farmers at a fixed interest rate of 9 percent for up to 20 years. I think that program took off very dramatically. I believe we're just breaking the \$2 billion mark now or else we're nudging up to it very closely, depending upon the day you look at it. Just recently – last spring, in fact – we enhanced that program to an upper limit of \$250,000.

I outlined earlier on today another source of private-sector funds that we're seriously looking at to involve along with ADC funds, and that's vendor financing, where it's our intent to encourage the seller to participate in the financing. We haven't

got all the details on that finalized yet, but the concept is pretty well accepted, I would say, in our decision-making process. So we are looking at new sources of funding, and I don't think in streamlining or toughening up, if I use the term, the beginning farmer program that we're doing anything mean to them. I think where we've created the additional flexibilities was very much needed in that program, and if they had been in that program in 1980, '81, '82, we probably wouldn't have got into some of the problems that we did. I'd hesitate for anyone to get the impression that ADC has a tough foreclosure on farmers. If I look at the stats, to date this year there have been only 16 foreclosures compared to 56 to date last year, and I've already indicated, that compares to 47 – actually, 49, counting consent foreclosures – in quitclaims as compared to 157 at this time last year.

I think the ADC's board of directors is trying to function very responsibly in dealing with the public money, and I believe if I were to sum up their objectives in one sentence, it would be to keep as many of our farmers as possible on the land at the lowest possible cost to the public purse.

MR. TAYLOR: Thank you, Mr. Chairman. That's a good answer, and I hope we continue to keep looking for new funding.

The last: the federal equivalent, the FCC, is trying to do an end run in foreclosures, an end run around the Supreme Court's ruling that the Queen has no greater right to foreclose or to pursue on a personal covenant than does anybody else. The Alberta government, you will recall, Mr. Minister, supported the federal government in the Supreme Court trying to win the right to sue on a personal covenant. However, the federal government now has launched one, maybe two, cases in Alberta where they're going to the right of attornment – I'm sure you're familiar with it – where they're trying to collect back rent from farmers where the land doesn't fulfill the debt. It's an old British law, and it's gone through the Supreme Court. I think it's a very mean, vicious – and something that some Bay Street, Toronto lawyer thought up. Nevertheless, I was wondering: can I point-blank ask whether the Agricultural Development Corporation is considering or has made any moves under the right of attornment?

MR. ISLEY: No, they haven't made any moves, and to the best of my knowledge they're not considering any.

MR. TAYLOR: You'd slap them down if they tried, right?

MR. ISLEY: That's correct.

MR. CHAIRMAN: I recognize the Member for Edmonton-Meadowlark.

MR. MITCHELL: Thank you, Mr. Chairman. As a point of information, I was expecting that we would have received this year's ADC annual report at this meeting. I understand that we haven't. Is that true?

MR. CHAIRMAN: I've not received it, so I can only assume that it's not been published yet. Perhaps the minister can shed some light on that.

MR. ISLEY: I'm trying to recall. Did I not file one in the House while the House was sitting?

MR. CHAIRMAN: I'm sorry; I don't know. I don't recall. But anyway, can you proceed, member?

MR. ISLEY: I'll see that it's distributed as soon as it's available, if it hasn't been.

MR. MITCHELL: Thank you very much, Mr. Minister and Mr. Chairman, for allowing us to proceed with that.

I'm interested in what I did see in the March 31, 1988, financial statement which deals with 1988 and 1987. Much to my surprise and chagrin, at this point there is a \$100 million deficit unfunded, similar to the one we saw in the Alberta Mortgage and Housing Corporation, but that deficit is after the government of Alberta put in \$170 million. So, in fact, after just two years of accounting that we see here, there is a deficit, a loss in ADC of \$270 million, not to mention how that loss would be enhanced if we had the figures of prior years.

Could the minister please give me an idea of how much money the government of Alberta paid to ADC between the years 1982 and 1987 to cover losses? What was the contribution of the government of Alberta throughout those years in total and for the last and most recent fiscal year as well? Because we just have the two in between.

MR. ISLEY: I shared with the committee earlier on, Mr. Chairman, the amount of write-downs in the fiscal year '88-89 as \$57.42 million, and the amount of write-downs to date in the current fiscal year '89-90 of \$28.061 million. I'll take under advisement the question as to the amounts since 1982 and provide that information to the member.

MR. MITCHELL: Thank you for those figures, once again. That's an extra \$85 million. Just from '87 to the current point today in '89 we know, then, that the accumulated deficit of the ADC is \$350 million, which doesn't include whatever other money the provincial government put into it to cover prior year losses; \$350 million that we know about right now, which is 35 percent of the total assets of ADC. Would the minister please confirm that that company is absolutely, categorically bankrupt?

MR. ISLEY: No, because the minister won't confirm the figures you've just used because I don't have in front of me one of the documents you are quoting from and would consult it first. All I will confirm is the amount of write-down last year and the amount of write-down to date this year, which were the two figures I researched before coming in here. As to whether or not the corporation is bankrupt, I would suggest that if we have a corporation where 93.4 percent of the portfolio is virtually current, at least not more than one year in arrears, it's becoming a pretty healthy corporation and has the right to continued life.

MR. MITCHELL: How can the minister justify paying what would be in the order of \$100 million or \$120 million a year interest on the debenture from the Alberta Heritage Savings Trust Fund when this corporation has, just over the last three years, an accumulated loss of \$350 million and, in fact, right as of at the end of 1988, an unfunded deficit of \$100 million? How could the minister possibly justify a payment of interest over and above that \$100 million deficit in the subsequent year of 1989? Is it not just . . .

MR. ISLEY: Well, first of all, Mr. Chairman, I'm still not acknowledging the accuracy of the hon. member's figures in my

answers until I can check them out, because I know, hon. member, that there are various ways of twisting stats around, so I'm not going to be caught in any traps there.

The question, I think, is: how do we justify the investment we're making into Alberta's number one industry? That's agriculture, and I don't have much problem justifying it. Last time I checked, this industry was still employing, directly or indirectly, one out of every three people in this province. This industry has dramatic potential for growth at the secondary processing level, and I would view any moneys that we're putting into it as an investment into the future of this province.

MR. CHAIRMAN: Thank you.

Member for Calgary-Forest Lawn, followed by Member for Wainwright.

MR. PASHAK: Thank you very much, Mr. Chairman. To the associate minister. I note from the annual report of the Alberta Heritage Savings Trust Fund that there is a total of some \$262 million invested in irrigation rehabilitation and expansion, and in addition to that, under the Department of the Environment – and both these funding investments come through the capital projects division – there is \$397 million dollars for irrigation headworks and main irrigation systems improvement. What separates some of these investments from going into Environment and some into agricultural and rural development? Why aren't they all, for example, under agricultural and rural development?

MRS. McCLELLAN: Okay, I'll attempt to answer that. The irrigation headworks are, as you point out, the responsibility of Alberta Environment. That is because it involves the supply of water to a user of water, okay? In the case of Alberta Agriculture that is irrigation. But in my mind Environment's mandate for managing this program is to manage the water supply for the public benefit, and it's very important that they be in control of the headworks for that reason.

The conception that water that is supplied through headworks is just for irrigation is wrong. The water that is supplied goes for municipal use. Every system probably supplies water – and I could give you a complete breakdown of every town and village and indeed city that receives its water through that system for business and industry, for recreation, which I think you would agree with me is for the general public good. So that just gives you a few examples of what Alberta Environment manages our water for; their management is for a user. Alberta Agriculture's involvement is when that user is for irrigation, so in my mind it is a good way of retaining it.

MR. PASHAK: Why I've asked the question has to do with the amount of perceived financial support to farmers who use irrigated lands or would draw on this system. So I guess what would be safe to say is that there's at least a minimum of \$260 million that has gone in to support irrigation in the province. That's the money that's currently invested under irrigation rehabilitation and expansion, plus some portion of the other \$397 million that would be going to support irrigation, as opposed to recreation and other municipal purposes. So there is at least of minimum of \$262 million that has gone into that. I know that this is an impossible answer to provide in terms of actual dollars, but how cost-effective is that \$262 million to the province, or \$262 million plus, pardon me, in the sense that through irrigating the lands we have more cash crops or more

productive use of the land or whatever? Are you able to estimate what we've got back from that investment and what we're likely to get back in the future as part of that investment today?

MRS. McCLELLAN: First of all, I would remind you that even in the irrigation districts towns, villages, et cetera, do tie into those systems, so the use of that is multipurpose. Industry may get their water from an irrigation district and in many cases do. Industry would not exist in southern Alberta if they had to depend on another source of water, so it isn't just for irrigation. However, I will give you some answer; Gerhardt may wish to supplement on some detail.

About 4 percent of the agricultural land in Alberta is under irrigation, and we estimate that 12 to 15 percent of agricultural production comes from that land. I would suggest that that's a pretty good number. The reason it's difficult to tie it down is that some farmers irrigate and have dry land, so it's difficult for us to pull those bits of dry land out, or we could give you a better figure. Twelve to 15 percent is a very conservative figure on that.

I guess the other part that's very difficult to really tie down at this point is the ability to introduce new and specialty crops to our economy. I think Gerhardt may have a better handle on the exact figures of soft wheat, beets, and crops such as those that are grown under irrigation and cannot be grown in any other way. We have been able to grow those and look at the value-added side, the processing side, that provides jobs and diversification in the agricultural area. Those are the primary crops that are grown under irrigation, and we've been able to introduce a number of new ones. If you look through the Farming for the Future projects and so on and other research projects, we are always looking at new crops that we can get into the world market with that we couldn't do without irrigation.

Gerhardt, I think you probably would want to supplement some of the actual figures.

MR. HARTMAN: If you're interested in some of the statistics about what is grown and therefore get an idea of how it's divided up, we in the south grow – of all the irrigated acres in the irrigation districts, 37 percent in 1986 was soft white wheat. That's a breed of wheat that you can't grow on dry land, at least with little or no success. There were significant amounts of alfalfa for hay; there were sugar beets, 2.6 percent; potatoes, 2.2 percent. Those things that would not grow in southern Alberta without irrigation: corn for grain and silage of 2.6 percent, and other specialty crops of 5.3 percent. So if you start adding all of these things up, they become significant.

But I believe part of the question alluded to – is it benefits received from the program?

MR. PASHAK: May I restate the question just quickly? I'll use it as my third sup, if you will.

MR. CHAIRMAN: Well, if you just want to give some clarification.

MR. PASHAK: Well, that's what I really want to do. It's really the cash benefit of what is a considerable investment in terms of what we're getting out of it by way of production, in the first instance, but also, in the second instance, a return to the Treasury of Alberta, in a sense, from that production. It's the cash benefit to the province as a result of the investment that

I'm really looking at.

MRS. McCLELLAN: I would give you some, and I'd be happy to maybe provide you with a sheet of what we have from some reports and studies that we have done, and we have done some others. You would be familiar with the Coopers & Lybrand report that was done in 1987. Now, they were not mandated to deal with that. However, they did make a statement in it that I think supports this discussion, and they said:

The Irrigation Rehabilitation and Expansion Program has, as this study shows, produced significant economic benefits for Southern Alberta and is vital to the continued health of the agricultural economy.

Now, that's a general statement made out of a report and dealt with that particular program. We have other studies directly tied to the program that we can give you, figures of benefit to water users. They say: \$275 million of benefit to the Alberta economy and to the economy outside of Canada. Indeed, technology has been developed through that program that is being sold outside of Alberta to other areas. I would be happy to try and provide you with a lengthier answer on the benefits, but it is very difficult. We can deal with the varied agricultural benefits. It's difficult for me to deal with the recreation benefits to residents around bodies of water, like Chestermere Lake, which really aren't to the farmer although they may use them some. It is primarily the urban dweller: the fishing that has been able to be enhanced, the wetlands that have been built with the co-operation of the irrigation districts and Ducks Unlimited, and other fish and game that benefit all of us as Albertans through these projects. Those are the difficult ones to really tie down the hard economic benefit of: the tourism that has been developed around reservoirs or fishing areas that have been enhanced or maintained.

You're giving up.

MR. PASHAK: No, just one . . . Did I lose my sup, or was that a clarification?

MR. CHAIRMAN: No, you have a final supplementary.

MR. PASHAK: Have you ever given any thought to directing your department officials to do a value-for-money audit of this investment, of looking at the economy, efficiency, and effectiveness of these expenditures?

MRS. McCLELLAN: I would say that, yes, we are constantly working on that. As the program of rehabilitation is in its last year, we are again reviewing it now as to further extension of that program. A great part of it is to identify the benefits not only in the agricultural processing areas but in the man-years of work, the contracting, engineering work that is out there, construction, and so on. It's a big job because there are a lot of things that tie into this. Certainly I think the one area that I'm very keen on having identified better - and I think the minister shares that - is the opportunity for diversification in the province through the agricultural sector because of this program.

MR. CHAIRMAN: The Member for Wainwright, followed by the Member for Athabasca-Lac La Biche.

MR. FISCHER: Thank you, Mr. Chairman. You mentioned that the foreclosure figures have reduced substantially, from 157 in '87-88 to 49 in '88-89, and certainly those are very gratifying figures. Foreclosure is always a pretty harsh word, if you had

anything to do with people that are in that state. Do you feel that the indexed deferral program was directly related to the reduction in the foreclosures?

MR. ISLEY: First of all, let me clarify that the 157 figure that I quoted was the year to date last year, to the end of September, of consent foreclosures and quitclaims, 150 of them being voluntary quitclaims. Foreclosures year to date last year was 56. That compares to 16 foreclosure year to date this year and 49 consent foreclosures and quitclaims, 47 of the 49 being voluntary quitclaims.

A number of the options which the former minister in charge worked out with the Ag Development Corporation a little over a year ago I believe contributed significantly to the reduced numbers, the indexed deferral program probably being the leading one, the reamortization being another one. The proportional quitclaim had a bit of an effect, but it did not work as well, I don't think, as anyone anticipated it would and will probably need some refining. But certainly the new options to deal with stressed accounts turned a number of them around, and I would say renewed optimism in the industry also turned a number of them around.

MR. FISCHER: With the deferral plan do you see that as delaying it for a year and then seeing an increase again next year, or do you feel that it is turning that operation around?

MR. ISLEY: I think in many cases it's turning it around, and I don't think - you know, as long as the index stays in there, it should continue to work, because if commodity prices drop, then your payment drops on a comparative basis. If commodity prices go up, your payment goes up on a comparative basis. Very few of deferring up to the equivalent of two years of the arrears have occurred. Now, those are ones that if there had been a large number of those, may have come back to haunt the corporation, but there were very, very few of those that occurred.

MR. FISCHER: Thank you.

MR. CHAIRMAN: Member for Athabasca-Lac La Biche, followed by Member for Lacombe.

MR. CARDINAL: Thank you, Mr. Chairman. First of all, just a moment, I'd like to commend the minister and the associate minister and their staff for employing so many of my constituents. I didn't realize you employed 50 percent of my constituents. Yet that's one area I seldom ever get complaints, so you must be doing a good job out there.

But I'm not going to let you off that easy. I have a few questions here. What percentage of Alberta farmers are currently receiving some form of assistance from ADC?

MR. ISLEY: That's a hard one to put a fixed percentage on. There are in excess of 25,000 contracts with ADC, but some of those could be duplicate contracts. There are 10,000 of those that are direct loans. I would say, if I were to use a rough percentage, that it's going to run pretty high because many of your established farmers are using the farm development loan program, which is automatically ADC-guaranteed and worked into these figures. But it's not a significant part of the portfolio. It probably runs at about 15 percent of the total portfolio. But we'd have to eliminate those duplicate accounts and try to determine how many farmers are out there. I believe on the

books there are probably 55,000, 56,000 farmers in this province. Real commercial farmers: there are probably 36,000.

MR. CARDINAL: Okay. Is the overall debt load of Alberta farmers decreasing or increasing now?

MR. ISLEY: Overall debt load I would suggest in the last two years has probably stayed pretty constant. A lot of the debt load shifted from other institutions under the farm credit stability program, which means the farmer now has a much more stable debt load. He knows what his interest costs are going to be and that they're not going to fluctuate over the years. But I would say that if you looked at the total debt load of the industry two years ago and the total debt load today, it's pretty flat.

MR. CARDINAL: Okay, my final supplement is: how likely is it that Alberta will be accused by the United States of unfairly subsidizing farming because of the benefits offered to local farmers by ADC?

MR. ISLEY: I don't think ADC has ever come under question or fire, nor has the farm credit stability program. If you're running a program in an industry which is generally available to all people in that industry, it's usually exempt from any countervail. Basically, our financing programs are available across the agricultural industry. They're not aimed at the livestock producer or the hog producer or the dairy man, et cetera. It's where you get a program that is going toward the production of one commodity that the countervailing forces tend to come down harder.

MR. CHAIRMAN: The Member for Lacombe, followed by the Member for Ponoka-Rimbey.

MR. MOORE: Thanks, Mr. Chairman. We've had a question come up with various Agriculture ministers, and we never really get a satisfactory answer in one way, and that's the area of dealing with the federal government. Now, every time the Alberta government comes in and wants to supplement in an area where the federal government is, to the betterment of Alberta farmers, we find that the federal people just cut back that much. So all we did was transfer that help from the federal government to the provincial Treasury or the heritage trust fund. Now, we have this with the heritage trust fund. We have irrigation projects; we have Farming for the Future research projects that are being funded. Mr. Minister, do you feel that when we're going into these areas, we're losing cost-sharing benefits by the federal government backing out of these areas and letting us just take over? I wouldn't like to think that the heritage trust fund is just replacing the federal government's responsibility to assist Alberta farmers.

MR. ISLEY: Well, I'll comment, and then I think, since irrigation was mentioned, the associate minister would like to comment.

There are undoubtedly areas where the federal government phases out and pressure comes toward the provincial government to fill the gap. One area that immediately comes to mind is the interest-free cash advances on grains and other commodities which the federal government in the last budget announced they were stepping out of. Many producers have certainly turned and started lobbying the provincial government to fill that void. We have chosen to date not to do so, and I hope our resolve

continues.

In other areas of cost sharing – and I'm thinking now of the processing industry – the federal government has exempted certain sectors and said, "Hey, we will not support them." We have continued to support them by developing a stand-alone provincial program. I would hate to think where our irrigation rehabilitation would be in this province if we had waited for the federal government to make a move on it. I think we'd still be waiting. I think one of the great foresights that this government had in earlier years was to start managing our water properly and turning what was nonproductive land into very productive land.

I think we're always going to have the situation where the federal government is going to move around, and we're going to be under certain pressures to pick up slack. But I think we've got to retain the right provincially to decide where we pick it up, and let's not create the expectation that because one jumps out, the other goes in. You're going to be hit, as rural members at least, when January 1 comes and the federal government backs off of a significant portion of their fuel rebate. Undoubtedly some producers are going to turn to you and say, "Are you going to increase it?" Now, I'd hope the answer that we're giving is no. We will assess provincial programs as to where we think they're the best needed and slide them out that way.

MRS. McCLELLAN: Just to supplement on the irrigation side, you would know that there was an agreement reached in 1973 with the federal government where they turned over the responsibility for the headworks to the province. At that time we did reach an agreement on rehabilitation with them. That included the Brooks aqueduct, the Bassano dam, the Carseland weir, and the western irrigation weir on the Bow River in Calgary too. Those works have all been completed under that program. We are currently in negotiations with the federal government to reach a new federal/provincial agreement on sharing the costs associated with some new irrigation development, and there was in July of this year a Canada/Alberta Accord on Soil and Water Conservation and Development signed to be the umbrella agreement for these negotiations. Now, these negotiations are under way and are not completed, but it is in place. We're optimistically expecting to be successful in those negotiations. We've also reached an agreement on sharing on some irrigation developments, which includes the Blood Band.

The other ones that we have reached, which come into perhaps our research and technology side, were the Canada/Alberta research and technology transfer program, which is about a year or a year and a half old, and the more recent one, the Canada/Alberta soil conservation initiative, which was a cost sharing of some significance in that area. So I think that while I'm not saying we couldn't do better and that we won't continue, we have reached some agreements on cost sharing, and we'll be continuing to make sure that we get our fair share of that federal contribution to those programs.

Those are just some that I could think of that deal with my area.

MR. MOORE: Supplementary, Mr. Chairman, on that question. We'll use the food processing facility as an example. Now, the results coming out of there benefit all Canadian industries. They can utilize forever the findings from that, depending on the company that's there utilizing those services. Are we going after the federal people and saying, "How about you paying a portion

of the costs rather than us looking to the heritage trust fund to provide such research there, when it benefits all Canadians?" Shouldn't it be a cost-sharing area there? You know, carry the load [inaudible] all Canadians too many times at Alberta's expense.

MR. ISLEY: To my knowledge, we have never gone after the federal government for any share of the research centre in Leduc. Mind you, I could be wrong, but I can't recall us ever doing that. We have certainly gone after the federal government with respect to the Canada/Alberta Agricultural Processing and Marketing Agreement and are still pressing them quite hard, because the money that was dumped into that, I believe, five-year program has now expired, and we're interested in adding additional matching money. It appears we have agreement at the political level, but for some reason we haven't made it work yet at the staff level.

I think there are a number of areas where we may have to be the leaders if we're going to develop the agricultural industry in Alberta, because I would suggest to you that agriculture is definitely much more important to the economy of our province than it is viewed as being of importance to the total economy of Canada.

MR. CHAIRMAN: Member for Ponoka-Rimbey, followed by Member for Westlock-Sturgeon.

MR. JONSON: Mr. Chairman, I just had a couple of questions on ADC. I guess it's getting to be about three years ago that we had the review on the report Options and Opportunities. In the recommendations of that report there were a few of them directed at the actual administration of the ADC and its regional offices. Have we been able to, in the minister's estimation, effect any efficiencies in the operation of ADC in terms of turnaround times on loans and perhaps in terms of reducing overall staffing requirements and so forth?

MR. ISLEY: Well, I think we're beginning to see an efficiency in the turnaround time of loans, not as great an efficiency yet as the minister would like to see. I think we've witnessed a total restructuring of the corporation and the roles that various levels are playing and the levels at which various decisions are made. I believe we now, at least in structure and in policy, have decision-making to a certain degree right down to the loans officer level. Now, the reason I say instruction and policy: in all cases it may not yet be implemented in that particular local office, but it certainly soon will be. I think as a result of the Coopers & Lybrand study we now have a board of directors that is performing the role of a board of directors as opposed to getting involved in day-to-day administration, and I think we've got a managing director who has the ability and is certainly, shall we say, decentralizing decision-making. I for one believe that if you are going to hold someone accountable for what goes wrong in their region, they'd better have some input into the decisions that are made in the region. I would hope that over the next six months turnaround times will drop much more than they are now, and more and more people will get direct answers at either the district level or the regional level, depending upon the size and type and uniqueness of their loan request.

MR. JONSON: Further to that, Mr. Chairman, has the overall staff component been increasing now that we have an upsurge in the number of loans being granted, or has it dropped?

MR. ISLEY: Three years ago the total staff at ADC was 212; the current year it's 191. So there has been a decrease in staff over the last three years.

MR. JONSON: But it's bounced up a little bit then. Pardon me, Mr. Chairman; I think I have the answer to my question in that it was 201. I think last year it was reported as having gone down to 175, so maybe it's bounced back a little bit, but it indicates that if the activity is there, the people are needed. That's all, Mr. Chairman.

MR. CHAIRMAN: Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. A question to the associate minister on private irrigation. Maybe she can correct me, but my impression from some of the complaints I've had from constituents all over the province has been that they get hit with the cost of metering the water they take from whatever it is, dugout or stream, by the Minister of the Environment. The Environment people come around, yet it's not covered in the irrigation grant. Quite often that hurts, because the very nature of private irrigation is quite often small farmers and people who are trying to go into truck gardening or something, so getting hit for a \$1,000 or \$2,000 or \$3,000 meter by Environment . . . Well, maybe not. Maybe you could fill me in a little bit on that. In the future, will that be included when they think about it?

MRS. McCLELLAN: The decision to include flow meters in the private irrigators' program was one that I would say we discussed at length. The feeling I had as minister responsible in that area on the private irrigators' program is that improved water management practices in our province are becoming more and more critical. Understanding that, then, I said, "Yes, flow meters should be a part of it." However, understanding the cost to the private irrigator - and I would say that the estimates I have on those devices are around \$700 - the decision was made to move from the 50-50 funding, which is inherent in the program, to 75 percent of the cost of the flow meter, and the 25 percent is paid by the project person. So I think what we said was that yes, it's important to water management practices, and it is an additional cost; however, we think it's important. We will pay 75 percent of that cost to take the burden from the private irrigator. However, I would add that the maximum is still \$30,000. We did not increase the maximum. I hope that answers . . .

MR. TAYLOR: Thirty thousand: their share or the whole project?

MRS. McCLELLAN: Thirty thousand dollars is the maximum they are eligible for, or up to one-half of the project cost.

MR. TAYLOR: Thank you very much. The second was in respect to Farming for the Future. I notice the cover has a wide band, and as you know, it's getting to be quite the rage now to discuss what some of us have been talking about for some years, decoupling aid to farmers from commodities and going into income insurance. In fact, the federal government has called a cross-Canada agricultural policy conference on that, I notice, in early December. I was wondering: has there been any research in Farming for the Future on income plans that are decoupled from commodity production?

MRS. McCLELLAN: I would ask Dr. Teklemariam to answer that on the specific projects, because I think there have been something like 800 and he probably remembers them all. I must say I don't.

DR. TEKLEMARIAM: Thank you, Madam Minister.

Mr. Chairman, we have not done any studies with regard to decoupling per se. We do have some studies that dealt with farm management, the economics of agricultural production in a broad sense, but we have not specifically looked at or supported projects that looked at decoupling farm activities from support programs, subsidy programs, or any of that type of project.

MR. TAYLOR: My last supplementary, Mr. Chairman, is back to the minister with respect to food processing and money spent in food processing research. This follows complaints I've had from cheese makers, who complain that the milk companies are so busy buying up the skim milk to powder it, because they get such a beautiful grant from the federal government to put it into powder, that there's not enough skim milk available to make cheese in Alberta. Consequently, is there research going on to see whether some of these federal funds that the Member for Lacombe mentioned – and that's one – are counterproductive, really, as far as developing processing markets here? Cheese is the one I think of in particular, the mozzarella cheese.

MR. ISLEY: Well, I don't think there's any research going on in that area, Mr. Chairman. There is certainly discussion and negotiation, which is where I think the problem has to be resolved. What the hon. member is identifying are the problems that start to ripple from a supply-managed sector of the industry, whereby the Canadian dairy control board and its subsidiary, provincially-controlled boards are not able to guarantee that skim milk supply to the cheese manufacturer or, in some cases, the cream supply to the butter manufacturers so they can move ahead with their expansion plans. In short periods of surplus, which is really of no use to that processor, you see some of that same product going into, as you say, skim milk powder. I think it's an area where the supply management system is going to have to look at being flexible. Maybe they have to decouple the processing of milk products from the fluid milk. I don't think anyone is attacking supply management of a highly perishable product like fluid milk or possibly even eggs, but when you get to the industrial, secondary process level, there's where the problems are developing. The challenge is going to be playing that balancing act between those strong believers of supply management and the need for guaranteed products from that industry for other purposes.

MR. CHAIRMAN: Member for Edmonton-Meadowlark.

MR. MITCHELL: Thank you, Mr. Chairman. I'd like to pursue the question that I asked in my previous set of questions. I took the opportunity to get the public accounts for 1982 through to 1988. I add up those figures, the losses that were covered by the money that was infused over that period of time by the province of Alberta plus the current deficit of \$100 million, and the total loss, therefore, by the Agricultural Development Corporation since 1981 has been \$709 million.

MR. TAYLOR: Holy smoke!

MR. MITCHELL: Holy smoke is right.

Could the minister please confirm that this amount of loss would be about equivalent to the amount of interest the Heritage Savings Trust Fund has been paid by the Agricultural Development Corporation and that this amount of loss is equal to about 70 percent of the entire assets, which are, of course, the entire loan from the Heritage Savings Trust Fund?

MR. ISLEY: Mr. Chairman, until I have a chance to review the numbers back to 1982 that the hon. member is quoting and see just what he's tallying up as losses, whether he's working in the incentive payments and a variety of other things, I have no way of knowing. If he's simply talking about how much general revenue money has gone into the corporation, you know, that covers many things other than so-called losses or write-offs. So before I would confirm any of his figures, I would want a chance to review what he's suggesting. I came here prepared to deal with last year's operations of ADC, so I'm not going to confirm or deny anything. I honestly thought the hon. member had walked out to get those books so he could sit a little higher in his chair, but I notice he didn't use them for that purpose.

Maybe I should share with the committee an interesting argument I heard at a mini ag conference at Bow Island last Friday whereby a number of farmers were accusing this government of being too generous with those people that take post-secondary education and become degreed individuals as opposed to assisting people in our base industry. This individual was saying: "Look, it cost the public purse \$100,000 of my money to train a lawyer, yet your greatest contribution to establishing a beginning farmer is probably – if he had the maximum \$200,000 loan and all he was counting was the incentive of the 9 percent down to the 3 and he wasn't recognizing the cost to the public purse, to the heritage fund above the 9 percent – \$6,000 times five or \$30,000." In his mind we were going way too far in subsidizing lawyers getting trained or doctors getting trained or teachers getting their postsecondary training as we were the young person in our base industry. You know, his figures may be out a bit, but he felt he had a very strong point.

MR. MITCHELL: Well, Mr. Chairman, the point here is that now the government's becoming extremely aggressive with farmers despite the fact that they themselves have been absolutely incompetent over the last nine years in managing this amount of money. Why should it now become the farmer's problem is, I think, a question we have to ask.

My next question is . . .

MR. CHAIRMAN: Wasn't that the question?

MR. MITCHELL: No.

MR. CHAIRMAN: It was a question.

MR. MITCHELL: Well, it was a rhetorical question.

Why is it that the minister would come to this meeting and not have at his fingertips such fundamentally basic information about the financial status of the corporation for which he is responsible and for which he is here to answer questions on: ADC. I mean, I'm asking you to confirm \$709 million. I didn't . . .

MR. CHAIRMAN: Hon. member, just a moment. We are here in this committee to deal with the annual report, 1988-89, and

the projects and programs that are funded within that year. So in fairness to the minister I believe it's obligatory on your part to allow him to gather the information, which is actually stretching the fact. In fairness, I believe you should allow him the time to peruse his reports and find out and verify the figures you are using.

MR. MITCHELL: I can't believe that he doesn't know. I mean, I can't believe it. But that's my point. Have you got an answer?

MR. ISLEY: Mr. Chairman, as I indicated earlier, I came here prepared to deal with the last year and shared in my opening remarks a number of the figures from the last two years. I'm sure the hon. member, if I had come in with the figures he is dealing with, would have gone back to 1972 when the corporation started and said, "Hey, how come you don't have these figures at your fingertips too?" I mean, I appreciate the games he's trying to play.

MR. MITCHELL: I don't think it's a game. We're talking about a \$700 million loss. But my third question . . .

MR. CHAIRMAN: Do you have a third question?

MR. MITCHELL: To change gears a little bit, could the minister please tell us why it is that irrigation headworks under the Alberta Heritage Savings Trust Fund program is administered by the Environment department rather than by the Agriculture department? It would be so much more appropriately the domain of the Agriculture department.

MR. ISLEY: I think the associate minister dealt with that earlier. Maybe it was while you were getting those books to raise your status.

MRS. McCLELLAN: It probably was. Do you want the repeat answer or do you want to check the . . . I did deal with it. I'll give you the very short answer, not the long one, and you can maybe check the other one.

The headworks program is the management of water to a user, and the user is not simply irrigation. Alberta Agriculture gets involved when it's delivering water to a user of water for agricultural purposes. I would just remind you that the headworks delivers water for municipal uses, for recreation uses, and for business which is for the benefit of all people, rural and urban, and indeed across the province in tourism and a number of other things. So that is the reason, and I think it is appropriate that the management of our water through the headworks program stay with Alberta Environment.

MR. CHAIRMAN: The Member for Clover Bar.

MR. GESELL: Thank you, Mr. Chairman. I'd like to deal with irrigation and a little bit about equity of funding. First of all, on the irrigation rehabilitation and expansion program, particularly since the associate minister, I believe, indicated that she would like to see the program continue on. The funding that's provided to the 13 irrigation districts under the program - how is funding allocated to the district? I'm asking: is it fair and equitable so the areas are treated in a fair way?

MRS. McCLELLAN: The funding in the program is allocated

on a formula basis which the Irrigation Council developed in consultation with the Alberta Irrigation Projects Association, and that is the irrigation districts' association. AIPA is the irrigation districts' association, to get all these associations straight. So they developed the formula which divides the funding into two parts: the major works and irrigation capital works. That is how the funding has been developed and becomes as fair and equitable as possible.

MR. GESELL: Further, Mr. Chairman, I believe there is some considerable discussion going on about irrigation in the United States, particularly in California, about the fairness and equity of providing what they call cheap water to the end users. With this program, are we likely to have that same criticism? I feel it's important that we do not, and I'm wondering if the minister can assure that we do not get into that same situation, that particular discussion, that's going on in California right now.

MRS. McCLELLAN: Well, in our funding formula - as you know, 86-14 - the 14 percent is from the irrigation districts, and it is significant. I think we want to put it in the context of the value to the province, to the economy of the province, to construction in the province, and to man-years of work in the province, which is a benefit to all the people of Alberta and the economy of this province. So that is the context. I think one should look at this as not just the direct benefit to the person who is able to grow crops under irrigation.

MR. GESELL: Mr. Chairman, my final supplementary deals more with the private irrigation and water supply. Now, I'm not sure; this may have been answered. Please indicate if it has. I can read it up in *Hansard* in that occasion. How many applications have been received to date on that particular program, and how many have been accepted?

MRS. McCLELLAN: We've received about 31. I did cover it briefly, but I don't mind putting them in. I would not be able to give you the information on exactly how many have been accepted, because I would suspect they are all in process. The guidelines involving the use of flow meters were held up until we made a decision on that. Now that that decision has been made, we are able to proceed with the applications. The applications are 31 in number. Most, as I indicated before, came from southern Alberta, but I should say that 16 percent came from east-central, central, and the Peace. That's an answer that I should have given to the previous question on that.

MR. CHAIRMAN: Member for Westlock-Sturgeon, followed by the Member for Lacombe.

MR. TAYLOR: Mr. Chairman, I don't know which minister to address this to, but I do notice in your report there that this fund was responsible for buying the hopper cars. I'd like to ask whatever minister responsible now what their view is of privatization and getting hold of cash. Have there ever been any thoughts given to selling the hopper cars?

MR. ISLEY: I believe the minister responsible is the Minister of Economic Development and Trade.

MR. CHAIRMAN: That doesn't fall under this ministry.

MR. TAYLOR: I just assumed that if it was for transporting

wheat or grain, it would be. Okay. I'm sorry, wasted question. All right.

The second is with regard to co-ordination, if it's possible, and this is again Farming for the Future. Has there been any work done in Farming for the Future to see what types of phone line or communication systems we should be putting in now that we are privatizing and now that particularly rurally you have the choice between fibre optics or the old electromagnetic system. Fibre optics handles much more information. I have a feeling - I know I've checked out my area - that we are privatizing farmers with lines that were all the vogue 35 years ago and that fibre-optic lines, which are quite necessary for the modern computer facilities a farmer may need, are not being put in rurally yet. I would like to ask if Farming for the Future has looked at what superstructure, electronically, in telecommunication lines our farmers need for the future.

MRS. McCLELLAN: I'll answer maybe part of it, and Dr. Teklemariam will have to address the specific. The phone lines that are being put in will handle a computer at this point. As to whether we have done any research through Farming for the Future, I haven't seen it, and I guess the answer is no.

MR. TAYLOR: I'd sure like to make a motion on it, because I'm afraid we are marching into the future with a horse and buggy as far as the farmers are concerned. But let's move on - I mean, well-intentioned.

MR. CHAIRMAN: Your final supplementary.

MR. TAYLOR: Yeah, final supplementary. When do I get a chance to make a motion like that?

MR. CHAIRMAN: Next year.

MR. TAYLOR: Next year. Holy smokes. How slow can you get?

MR. MITCHELL: No, no. Next meeting.

MR. TAYLOR: Next, then, is back to I don't know which minister again. This is on evaluation, land use. Land use, I guess, comes under the heritage trust fund, that's used for land reclamation . . .

MRS. McCLELLAN: It's in Environment.

MR. ISLEY: Minister of the Environment.

MR. TAYLOR: Well, let's look at just the economics, then, and forget about land use.

Have there been any studies made to show the relative yield in the four categories of what we can use agricultural land for, which are grazing cattle; grazing game or game farming; thirdly,

growing aspen wood; fourth, grain farming, tilling the soil. Those are the four uses of this land. In Farming for the Future, are there any projects going on that?

MRS. McCLELLAN: I'll yield to the doctor on that specific.

DR. TEKLEMARIAM: Thank you, Madam Minister.

The agricultural land in the province is classified by CLI class with regard to its capability, its topography, its location with respect to market, and so on. Classes 1 to 3 are generally considered to be good for farming purposes. You can use them for various types of crops, and the economic return from the use of that land would tend to be more in grain farming as opposed to raising cattle or using it for rangeland. When you go to classes 4 and 5, then you go more into pastureland and, if the topography in the location is suitable, game farming for those that may be interested in that type of pursuit.

But our concentration has been largely in what you would consider the class 1 to 3 grain farming areas. We looked at the relative merit of producing various types of crops: wheat, canola, barley, rye, flax, and so on. We do have comparative figures that will show you what the return per acre would be if you plant wheat versus canola in a particular year. Those, of course, would have to also be considered in relation to the price that prevails in that particular year.

With respect to classes 4 and 5, we have looked at range management, rotation grazing, the new type of grazing system - I'm not sure if you have heard of it - called the Savory grazing system, whereby you keep rotating with a circular type of pasture management, the idea of using pasture to fatten cattle, not just to raise your range animals, cow and calf, but also look at producing beef using pastureland. The Pembina Forage Association, for example, has done a considerable amount of work that tends to show that you can produce up to 300 pounds of beef per acre if you properly manage the pasture.

Those are the kinds of things we have done, but we have not really compared the value of raising game on class 1 land versus raising a crop or any of those other four classes of commodities you mentioned.

MR. CHAIRMAN: Thank you.

A point of clarification to the Member for Westlock-Sturgeon. The Chair was being facetious with its response that your opportunity would be next year. The proper form for a motion such as you're entertaining would be a recommendation through the committee, which would go to the minister if they saw fit that there should be some change made in the telephone system.

Having said that, our time has expired. I'd like to thank the ministers and their staff for being here and for the answers they have been forthcoming with to the committee. We appreciate their time. Hopefully, they will be of value to the committee as we continue the deliberations for recommendations.

[The committee adjourned at 4 p.m.]