

10:02 a.m.

Wednesday, October 31, 1990

[Chairman: Mr. Ady]

MR. CHAIRMAN: I'd like to call our meeting of our Alberta Heritage Savings Trust Fund committee to order this morning and welcome the Hon. Ernie Isley and the Hon. Shirley McClellan, the Minister and Associate Minister of Agriculture, and their department officials who have agreed to appear before the committee this morning for an open discussion on the funding of the Alberta Heritage Savings Trust Fund that has flowed through to the Department of Agriculture in the year ended 1989-90.

Prior to moving to the business of the meeting, I would accept recommendations members may have that they want to read into the record this morning. The hon. Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. I'd like to read in another recommendation here:

whereas the Alberta Heritage Savings Trust Fund scholarships are awarded on achievement and not on need or potential productivity and whereas it's commendable that the Alberta Heritage Savings Trust Fund scholarships are a recognition of past performances and not a financial reward or remuneration and whereas recognition of achievement is a primary purpose of the award, it is recommended that the Alberta Heritage Savings Trust Fund scholarship financial awards be reviewed and the dollar amounts be ascertained to reflect the need and potential productivity to society of the qualifying recipients.

MR. CHAIRMAN: Thank you. Other members with recommendations?

Just prior to turning time to the ministers, we are privileged this morning to have some very distinguished guests visiting us in the gallery. It's a delegation from southern Alberta who represent the irrigation interests there. With the consent of the committee I would like to read their names into the record. I'll be very brief.

We have with us in the gallery this morning Mr. Roy Jensen, chairman of the LNID and also executive director of AIPA - I'll use initials because I believe everyone involved understands what these initials stand for and it will save some time - Mr. Bob Wilde, vice-chairman of the RID, Mr. Keith Francis of the TID, Mr. Kirt Woolf from the UID, Mr. Joe Klemen of the BRID, Mr. Bill Mikalson of the BRID, Mr. Vern Hoff of the WID, Mr. Ben Loman of the LNID, Mr. Frank Malec of the SMRID, Jean Lehr of the SMRID, Mr. Wayne Schlenker of the SMRID, Mr. Donald Card of the LID, Mr. Ken Tolley of the MVID, Dr. Andy Strang of the AID, Mr. Dean Anderson of the MID, Mr. Dan Loewen of the EID, Pat Hemsing of the EID, Mr. Stan Klassen of the AIPA. We welcome them here with us this morning. They're interested in the proceedings today because the funding that flows through to the Department of Agriculture from the Alberta Heritage Savings Trust Fund is very important to the irrigation districts of southern Alberta. Perhaps the members might want to give them a welcome in the usual manner.

As I said earlier, we have the Minister of Agriculture and the Associate Minister of Agriculture before us, and it would be appropriate for the committee to put questions to these ministers on the following projects: to the minister, the Hon. Ernie Isley, questions on the Food Processing Development Centre in Leduc and the Agricultural Development Corporation; the associate minister has three projects, including Farming for the

Future, irrigation rehabilitation and expansion, and private irrigation and water supply.

I'd now like to turn some time to the minister and associate minister to make some opening remarks, and then we'll accept questions from the committee. Mr. Minister.

MR. ISLEY: Thank you, Mr. Chairman, and good morning, committee members. As the chairman has summarized, there are two areas that are under my day-to-day jurisdiction, I guess I would say, the food lab in Leduc, which is continuing to provide a valuable service to the food processing industry in Alberta, and the Ag Development Corporation operating out of Camrose. I trust most of you have had an opportunity to review the recent annual report that went out. I think it's fair to say that under the leadership of Bob Splane a significant reorganization has taken place in the Ag Development Corporation. Decision-making has been decentralized to a large extent, down even to the loans officer level, depending upon the level of loans we're dealing with. I believe we have speeded up response time significantly.

If you've reviewed the annual report, you will see that '89-90 was a pretty positive year for the corporation, with direct lending up from 702 loans to 1,021 under the beginning farmer program and a decline under the developing farmer program, which I think was expected because of the farm credit stability program, a decline in the guaranteed loans sector, which I think is a positive for the industry, and an increase in the commercial lending activity of the corporation. On the other hand, arrears have been steadily going down, and at the end of the year we're riding at 6.29 percent. That's arrears of over one year. As of September 30 they've continued to decline to 6.07 percent. So while there are a number of negatives out there in the agricultural sector at this point in time, I think it's fair to say that the Ag Development Corporation is not one of them.

With that I pass it on to the Hon. Shirley McClellan and look forward to your questions and comments.

MR. CHAIRMAN: Just prior to the associate minister giving her opening remarks, the Chair omitted asking the ministers to comment in their opening remarks on all of their projects that they receive funding for as we will not deal with them individually. So would you do that in your opening remarks? Thank you.

MRS. MCCLELLAN: Thank you, Mr. Chairman. I'm pleased to appear before my colleagues on the standing committee on the Alberta Heritage Savings Trust Fund to report on the three fund projects that fall under the jurisdiction of my day-to-day responsibilities.

I would like to introduce to my colleagues the three gentlemen who are with us today who may be required to offer some technical information on your questions. First is Gerhardt Hartman from the Irrigation Secretariat; Brian Colgan, who is the director of irrigation and resource management for our department; and Dr. Yilma Teklemariam from Farming for the Future. Thank you, gentlemen, for being with us.

I will offer some brief remarks on those three programs and would be pleased to answer questions on any of them at the conclusion of my remarks.

I'd like to begin with comments on the irrigation rehabilitation and expansion program, and I think the importance of that program is highlighted by the attendance of the people in the gallery who have traveled a significant number of miles to observe the procedures of this committee this morning. This

program, as you know, was announced in 1975 with funding from the Alberta Heritage Savings Trust Fund commencing in 1976. To March of 1990, \$287 million in heritage trust funds have been granted to the program. A further \$25 million is being invested this year, which brings the total investment to \$312 million as of March of 1991.

The purpose of the program has been to help the 13 irrigation districts in Alberta to rehabilitate and enlarge their water conveyance works; to improve their water management capability with the installation of water storage control, measurement, and reuse capabilities; to prevent the further degradation of land; to provide an opportunity for reclamation of salinized and water-logged land; and to reduce land severance by relocating canals to property lines and installing pipelines where it's cost-effective to do so. In light of the activities to date, I can assure the committee that this program has been very successful in achieving its mandate. More importantly, I can assure the committee that this purpose has been a most worthy one in terms of its benefits to all Albertans. The economic impact of the program has been great and includes direct and indirect benefits.

10:12

The importance of water to the economic strength and diversity of southern Alberta is quite clear. It has been fundamental to the growth and stability of that region. It is also a very significant part of our primary agricultural sector. While irrigated agriculture accounts for only 4 percent of the agricultural land base in Alberta, it generates up to 20 percent of the total value of farm sales. During drought years the proportional contribution obviously is even higher. It also has been a significant contributor to the agricultural food processing sector, and there are several large food processing plants involved in adding value to the specialized crops that we can grow under irrigation in the province, such as sugar beets, potatoes, beans, and vegetables. Also, it impacts greatly on the livestock feeding sector because of the availability of abundant supplies of forage and silage. The indirect benefits are associated with municipal and industrial water supply and the recreational, wildlife, waterfowl, and fishing benefits associated with this distribution and storage system. I think it's also worth noting that the AIPA study that was done in 1984 estimated that irrigation contributed \$941 million to the provincial economy annually and generated 35,100 jobs.

The last five-year mandate of this program expired on March 30, 1990, and that is the one we'll consider. The current year is a one-year extension. I felt I should highlight that to the committee. The extension was given to give the irrigation districts time to provide input into the development of terms of reference for the next proposed mandate of that program. The Irrigation Projects Association represents all irrigation districts and has provided its recommendations, which we have been dealing with in caucus.

I would like to briefly explain the next program, which is the Alberta private irrigation development assistance program. This program was established to provide financial assistance to farmers developing private irrigation schemes to drought-proof, intensify, and diversify their operations. This program is available to producers across Alberta. It supports the development of water conveyance systems similar to the development that is provided to the irrigation districts. It helps defray the costs associated with constructing capital works necessary to divert water from a variety of sources across the province and to convey it to irrigated fields. It has been set up to provide up to

\$10 million in grants to eligible applicants over a five-year period from April 1989 to March 1994.

The next one I would like to just briefly comment on is Farming for the Future. Farming for the Future was introduced in 1978, as you know, and is now in the fourth year of its current five-year mandate. It is allocated funding through the heritage trust fund in the amount of \$5 million per year for its current five-year term. In 1989-90 Farming for the Future supported 101 research projects at a cost of \$3,939,000. An additional \$600,000 is allocated for on-farm demonstration projects in each year. Farming for the Future has yielded concrete results for our agricultural community through each of its funding vehicles: the research program and the on-farm demonstration program. The payoff has been in the profitable use of these results by farmers and processors across Alberta. Agricultural advancements made with the support of the Farming for the Future program, an on-farm demonstration program, are adding tens of millions of dollars each year to the income of Alberta farmers.

Research projects have also helped to encourage the diversification of our agricultural economy by testing a large number of alternate crops and by studying a range of innovations in livestock production and food processing. I think maybe one of the very key significant benefits is the time to transfer research to the farming industry in our province, and it has greatly reduced that transfer of technology time. The on-farm demonstrations are immediately passed on to the producers, and they can see the results of the research projects.

The preliminary estimates of our staff: with \$60 million invested to date, it can be expected to yield a 40 percent net return per year to Alberta's agrifood industry over the next 15 to 30 years. The total net return attributable to the program could amount to over \$720 million. So we think that is very significant.

At this point, Mr. Chairman, I would like to conclude my remarks and look forward to questions from our colleagues on any of those programs.

MR. CHAIRMAN: A special thanks to our ministers for their opening remarks.

We'd like to recognize the Member for Edmonton-Centre with the first set of questions, followed by the Member for Wainwright.

REV. ROBERTS: Thank you, Mr. Chairman, and welcome to the ministers and their staff and the visitors in the gallery. It's been quite an education for me as the Member for Edmonton-Centre to have been involved in learning about a number of these issues in terms of agriculture and farming in the province, particularly with respect to our tour to the irrigation districts in the south. Again, thanks to Gerhardt Hartman for his not only great hospitality but great technical insights in terms of a number of questions that I had there. I must say that even traveling through Cardston, it was great to see how irrigated land can quadruple in its productive capacity as opposed to the dry land which would have been there otherwise.

MR. CHAIRMAN: I'm sure that it was a special time in your life.

REV. ROBERTS: There are other data. It represents 4 percent of the farmland but 20 percent of the overall production. These are terrific figures.

I think the one question that continued to plague me as I was spending time down there was just this very difficult decision for

all of us here when expectations are raised so high in terms of the potential for irrigation on farmland yet in some sense it not being able to expand to meet the expectations of a number of farmers that could benefit from it. I tried to dig out the exact figures, but I thought it was in the hundreds, farmers who could still benefit from irrigation projects, yet current programs and funding levels would not permit them to benefit from the irrigation systems and districts. So I'm wondering what the minister foresees in terms of how to deal with those expectations of other farmers in the longer range, Farming for the Future for them in terms of irrigation systems to meet their needs, or how the difficult decisions are made as to who gets it and who doesn't. I know that's something that plagues us all, and I'd like to get a response to that.

10:22

MRS. McCLELLAN: Well, first of all, I would say that the irrigation districts work in a very co-operative way. That has impressed me greatly over the short term that I've been associated with the Irrigation Council, with the AIPA, with all of the players involved. As irrigation rehab projects are established in a five-year mandate, there is a five-year work plan that is set forth. Each year it is reviewed and submitted to council and accepted. So the work is divided in that manner.

As to the question on the number of producers who would like to be under irrigation, I would suggest to you that the difficulty in accommodating them is not so much in the ability to put that into place as the availability of water. Of course, that brings us to the very importance of a major water management project in that region, the Oldman dam, which will allow some, although limited, expansion. It still will not allow the demand that could be placed on the system, but it will better allow us to add some acres to the irrigated area. But the biggest shortfall is in the ability to supply water rather than the dollars in the expansion program.

REV. ROBERTS: Thank you. That leads me, I guess, into my next question, which is, in a sense, on some water management issues in the rest of the province. I heard just last week of the drought conditions that have been plaguing east-central Alberta, the minister's own constituency, and other water management issues in northern Alberta as well. I know we want to play fair in terms of water management for farm families throughout the province, but does the minister have a response in terms of how she can, in a sense, shift some strategies, some plans to help with better water management in parts of the province other than southern Alberta?

MRS. McCLELLAN: That question is a little beyond what we're doing today because the program that we are considering here is confined to the 13 irrigation districts that are organized in the province at this time. I would only say that it is something the minister and I wrestle with in water management, whether it be drainage projects in the north, which we have some considerable experience with and have done some things, or whether it's supplying an assured supply of water to other parts of Alberta, whether it be a municipal demand, which is one of our big concerns, and/or to drought-proof or put a stable supply of water into those areas. I can only tell you that we are working very hard to look at that, but it is beyond the mandate of this particular program.

REV. ROBERTS: There are a number of things I would like to follow up, but I just want to touch on another area, the

programs under Farming for the Future, and ask if there has been some work done in terms of reducing the number of chemicals – herbicides, insecticides, chemical fertilizers – used in agriculture, whether in fact there are ways to lessen that and get into I guess what is called more sustainable agriculture. Certainly on the food end there's a demand among consumers that there be more environmentally friendly and environmentally sound crop production. I know it might be a controversial issue, but I think it would take some research that I've heard is going on in other parts of Canada and throughout the world. I'm wondering if the minister or her staff can respond to what efforts are being made to develop more environmentally defensible chemical and fertilizing techniques.

MRS. McCLELLAN: Well, I'll answer generally and ask Yilma to please just get into some specific projects, because, yes, that is an area that we have been looking at. Certainly some of the things we've done on on-farm demonstrations that I have had the privilege of observing myself have been directed in that way. Some of them are using a forage plow-down as an alternative to putting nutrients into the soil for weed control and a number of other things. Of course, we're always working on trying to develop varieties that may be used that are perhaps less dependent on chemicals or more resistant to disease.

Yilma, you might want to comment on just one or two specific programs in the sustainable agriculture area.

DR. TEKLEMARIAM: Thank you, Madam Minister. Yes, we do have a number of projects that look at the sustainability of agriculture and minimizing its impact, its effect on the environment. We have a couple of projects that look at biological control of crop disease as opposed to using chemicals, and we are also looking at ways of putting nitrogen from the air – through legumes, for example – into the soil. We have in fact been working in terms of establishing a rotation system that would incorporate legume crops into the rotation system. The ideal variety, of course, is if we can come up with a wheat crop that can also attract its own nitrogen, its own fertilizer, from the air, but that breakthrough in science has not yet been possible.

Thank you, madam.

MR. CHAIRMAN: Thank you.

I recognize the Member for Wainwright, followed by the Member for Westlock-Sturgeon.

MR. FISCHER: Thank you, Mr. Chairman . . .

MR. CHAIRMAN: Just prior to your asking a question, perhaps I could explain, for the benefit of those visiting in the galleries, that the process is that each member is allowed one question with two supplementals, and then it moves on to another member, and if the member who has asked a question has additional questions, he moves to the bottom of the list.

The hon. Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman, and good morning to the minister and the associate minister and staff.

I would like to refer to ADC. Certainly I think that the corporation has come a long way in the last few years in regards to being streamlined and being a little bit more effective. I would like to go back to the annual report. Certainly you mentioned you were very optimistic that we don't have as many bad loans or troubled accounts. Could you give me a little bit of a rundown on the land disposals that we've had this year?

MR. ISLEY: Yes. In 1988, two years ago, ADC held title to 784 quarter sections of land. Through a variety of methods, including some unreserved auctions that we conducted last summer, we have now reduced that inventory to 294 quarters of land. A hundred and twelve of those quarters have offers pending on them, which should leave us, when those sale dates close, 182 quarter sections. So we've reduced that inventory significantly, and hopefully within another 12 months we'll hold very little inventory.

MR. TAYLOR: How many young farmers are thrown off the land?

MR. CHAIRMAN: Order, order.
Supplementary.

MR. FISCHER: With your optimistic report – do you think that that report is quite up to date? I'm just thinking of the times that we're having right now with grain prices. Certainly I have and I'm sure other members had quite a number of people telling us about some of them closing down in the not too recent time lines. Could you comment on that just a little bit?

MR. ISLEY: The annual report is up to date to March 31, 1990. I did share with you in my opening comments the current arrears situation, as of September 30, 1990, which has declined from the 6.29 percent reported here in March to 6.07 percent. So there's no statistical evidence as of yet showing an increase in arrears problems as a result of the depressed grain market that is out there at the moment. I would suspect that if things stay as depressed in the cereal grains sector as they are at this point in time, that trend with the Ag Development Corporation will probably start to reverse itself.

MR. CHAIRMAN: Last supplementary.

MR. FISCHER: Thank you. My final supplementary is on the vendor financing program. I'm not sure if it was in place during this last year. Was it? Were there dollars spent on that?

10:32

MR. ISLEY: The vendor financing program became operational June 1, 1990. There are a number of loans out there under the program. It's our hope to encourage more and more use of that program, especially when you're dealing with intergenerational transfers, mainly so that you can keep some of the expertise and experience of the retiring farmer tied to the land in a meaningful way and also as an alternate source of financing so that we reduce our dependence on debentures from the Heritage Savings Trust Fund.

MR. FISCHER: What . . .

MR. CHAIRMAN: Hon. member, it really was a point of clarification, I suppose, and the minister gave you an expanded response.

MR. FISCHER: I just wanted to know . . .

MR. CHAIRMAN: The Chair perhaps will let you put one final question.

MR. FISCHER: I just would like to know what financial impact that is going to have or draw on our ADC. What do you see as the financial impact?

MR. ISLEY: The financial impact of the vendor financing program would reduce the cost of operating the Ag Development Corporation. We can use the vendor's money under the current marketing conditions cheaper than we can borrow money from the Heritage Savings Trust Fund. So the more financing we can get through the vendor program, you know, the less our interest support costs will become.

MR. CHAIRMAN: Thank you.

We'll recognize the Member for Westlock-Sturgeon, followed by Ponoka-Rimbey.

Perhaps the Chair could ask members to hold their preambles as brief as they can, because it appears there's a lot of interest in this department, and a lot of members would like to get in with questions. So not to curtail the process, but perhaps hold them as brief as possible.

Hon. Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, and also welcome to the ministers and the irrigation delegation. I might mention, Mr. Chairman, that when you explained the operation of the committee, you didn't point out that when the ministers are in trouble, one of the government members moves an immediate motion for adjournment, and then he can get off.

MR. CHAIRMAN: Hon. member, please move to your question.

MR. TAYLOR: Which they pulled yesterday in this committee, and they do it quite often.

MR. CHAIRMAN: Hon. member, please move to your question.

MR. TAYLOR: If he's in hot water, you'll hear a motion for adjournment, so watch.

MR. CHAIRMAN: It may have had to do with the calibre of questions. Hon. member, if you'd like to move to your question.

MR. TAYLOR: Anyhow, now that we've explained that system, I'd like to get to the irrigation part fairly quickly. They tell me that when we were checking with the Minister of the Environment, they said studies were under way, but I think this would fall into the associate minister's department. Has she a cost for bypassing the Peigan Reserve, if indeed the Peigans own the water and will not let the water – in other words, put roadblocks in the way of water flowing through from the new dam down to the weir?

MRS. McCLELLAN: Well, hon. member, I'm sure you're aware that that is not in the area of my responsibility. That is Environment, in the headworks program, and we only get involved in the program when the water is available to agriculture for irrigation.

MR. CHAIRMAN: Next question.

MR. TAYLOR: Second, then. That's just to try to pin down which one of these slippery cusses has the . . .

MR. CHAIRMAN: Hon. member, please move to your question.

MR. TAYLOR: Okay. I'm just narrowing down which minister has the button, that's all.

The second supplement, then, is along this same line. Maybe it ties in a bit with Farming for the Future as well as irrigation. What progress is being made towards the possibility of irrigating around the Medicine Hat area?

MRS. McCLELLAN: The expansion of irrigation into that area?

MR. TAYLOR: Yeah. Not from this present system but a new system, a new dam in the Medicine Hat to Saskatchewan boundary system.

MRS. McCLELLAN: I have to apologize again to the hon. member because it's out of the realm of irrigation. The building of dams or the headworks is not within our mandate.

MR. CHAIRMAN: Hon. member, perhaps you could focus your questions more directly on their areas of responsibility. We've now had two questions, neither of which are applicable. The Chair is going to have to rule you out of order.

MR. TAYLOR: Mr. Chairman, surely . . .

MR. CHAIRMAN: Hon. member, please move to your third and final supplementary.

MR. TAYLOR: The Member for Cypress-Redcliff is talking about building a dam. This minister would have something to do with putting headworks in for the dam unless he's just going to use it for sailing and washing his feet.

MR. CHAIRMAN: No, hon. member; this minister would not. It would come under the Department of the Environment, which the minister explained.

MR. TAYLOR: The next supplement, then, on irrigation water and the headworks is on private irrigation. On page 36 of the heritage trust fund annual report, of the moneys allotted to help private irrigation water supply, \$1.6 million of the \$1.8 million for the year has not been allotted. Is that due to the fact that people don't want the water or aren't using the scheme, or is it because the department is so screwed up that they can't get their grants through?

MRS. McCLELLAN: First I might say that I prefer "Bonnie" to "slippery cuss." That aside, on the question, I can answer that headworks are still under Environment.

First of all, the private irrigators program agreement came in late, so we had a slow period in the first part of that program. There are a number of other reasons that perhaps would cause some reduced response to the program. One of them is the moratorium that has been applied to a major portion of river water systems in the southernmost part of the province. We had anticipated, certainly, a greater response from central and northern, which hasn't occurred to the point that we thought it would. Irrigation requests seem to be somewhat reactive to

seasonal drought, and we've had some of that, but we've also had perhaps more normal precipitation levels and cooler weather in a great part of the province in 1989, so the sense of urgency perhaps wasn't there, with less demand. Of course, it's over a period of time that people can apply.

The other thing that I think is probably impacting it right now is that there is a very significant cost to the producer to introduce irrigation onto his property. I don't think we should forget that. We tend to think that the government supports irrigation a great deal through our projects, and we do provide assistance, but to the producer who is putting irrigation on his land, there is a very significant capital cost. Certainly I think the lower prices in world markets for many commodities will cause some reduction in our take-up of that program, because cash flow is really just not there. It's unfortunate that those things are occurring at the same time, because the diversification opportunities that this would offer to the producer just can't be realized right now with the cash flow problem.

I think those are really the reasons for the reduced take-up on it. It certainly is not that we haven't been dealing with applications. I have not had a complaint on the time or the assistance given by our people in the department to applicants.

MR. TAYLOR: I have.

MRS. McCLELLAN: Well, you should pass them on to somebody else.

MR. CHAIRMAN: Hon. members . . . Thank you, hon. minister.

We'll move to the Member for Ponoka-Rimbey, followed by Edmonton-Meadowlark.

10:42

MR. JONSON: Yes, Mr. Chairman. I'd like to ask a series of questions with respect to the Farming for the Future program. I think we all are striving for efficiencies in the operation of government, particularly in a time of difficult budget preparation. I note that we've had the Farming for the Future program in existence for some time but that the Agricultural Research Institute in its present form is a fairly recent entity as far as the government is concerned, yet these two particular organizations have rather similar goals. I wonder if serious consideration is being given to combining the two, both in terms of better delivery of research results and in terms of efficiency.

MRS. McCLELLAN: Certainly that's an excellent question. The Alberta Agricultural Research Institute was formed in 1987. Coincidentally, I happened to be a member of that first board and recall very well the discussion of whether the Farming for the Future program should be put under the umbrella of AARI, as we affectionately call it, at that time. It was felt that it was important that the research institute have the opportunity to develop under the terms of reference of its mandate at that time, and it would just be simply too cumbersome, so it was decided to leave the two as they were for the time being and revisit that.

The research institute has really made very rapid progress, and we are now looking at putting Farming for the Future under the umbrella of the research institute. One of the things I had asked the institute to do last year was a complete inventory of research projects in Alberta in all agricultural areas. I felt that once we had that data in place, then we could look at the thrusts that we should be making where we're perhaps not. That work

is almost complete, and we now feel that the time is right to put Farming for the Future under their umbrella but not lose the distinctiveness of that program. So we are looking at the merger right now.

MR. CHAIRMAN: Supplementary.

MR. JONSON: Further to that, then, I'm glad to see that that's being considered. Perhaps because of the assignment they've been given, I note that the administrative costs relative to the money left for program delivery, so to speak, for the research institute are rather high. What does it cost, Mr. Chairman, to the minister, to administer the Farming for the Future program?

MRS. McCLELLAN: The Farming for the Future program administration is primarily covered in the Agriculture budget, so it does not appear on the grant side of it. I don't know whether I have the exact figures for the administration. Yilma probably does have them.

DR. TEKLEMARIAM: Yes, we do have . . .

MRS. McCLELLAN: Yeah. It's a very small part of it because it's done under the research part of the department; 3.8 percent of the budget is for administration. We would see continuing to keep that at a low level even with the merger.

MR. JONSON: My final question, Mr. Chairman, deals with another aspect of a question raised earlier concerning the actual application or practicality or usefulness of the results of the Farming for the Future research. I know that these projects are good and they have some practical application, but I do not seem to see any mechanism in place that I know of where the actual applicable results of this research are transferred to the farming community, other than the report itself, I suppose. Is there any mechanism in place for making sure that farmers across the province are aware of results which are applicable to their farming operations?

MR. CHAIRMAN: Could we have order in the committee, please?

Please proceed.

MRS. McCLELLAN: Actually, Mr. Chairman, technology transfer is probably one of Farming for the Future's most important functions, and it is done in a number of ways. First and foremost, I guess the most obvious to us are the on-farm demonstrations, as you mentioned. The second is the publications, which is another method of transferring those. That can be in the annual progress report and, as well, in the research report. So these are distributed. People can look at them. If they want further information on a project, they can receive that. The third way that has occurred is the periodic conferences which Farming for the Future holds. The latest one was in March in Lethbridge and was attended by producers and scientists as well as our own extension staff.

A new venture that's been undertaken by our research division was the start-up of the ag research bulletin board system. This is new and will really be the doorway to what we call the agricultural research data base, and that's what we've been working on. It's important, and I think you've highlighted the importance of research dollars. They are very necessary. We can't afford to duplicate the use of those dollars in research. They're very precious, so we're making a very strong effort to get

a data base on research which is provincial as well as national and, indeed, international so that we are not doing the same project as, say, is being done in Saskatchewan. So that last method I mentioned, having the data base, is going to be very, very important to that.

Of course, the last one I would mention is the very practical matter of releasing and distributing certain hard technologies, such as new seed varieties, new vaccines, and other new products that are developed under the research projects.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Meadowlark, followed by the Member for Three Hills.

MR. MITCHELL: Thank you, Mr. Chairman. My first question concerns Farming for the Future. When we toured Millar Western, it was pointed out to us that there's a byproduct of their pulping process which is a material that's biomass and very high in nitrogen content. They are now looking at the possibility of it being utilized as a farm fertilizer. It would have the advantage, potentially, for farming in that it would be biomass and perhaps with fewer dangers to the environment and to the productivity of the land in the long term. It would have the advantage, on the other hand, to an Alberta-based industry, Millar Western, that . . .

MR. CHAIRMAN: Hon. member, the Chair is having problems following your relationship of Millar Western and their by-products to irrigation. Could you . . .

MR. MITCHELL: No, it's part of Farming for the Future. There's a direct relationship, as is always the case in my questions.

MR. CHAIRMAN: You're going to draw this down quite soon, I take it.

MR. MITCHELL: I'm getting there, Mr. Chairman. I've never let you down. My questions are almost always appropriate, and you know that. Thank you.

My question is: is this an area or an issue that would be of interest to the Farming for the Future program, and has it been looked at by that program?

MRS. McCLELLAN: I should say, first of all, that we don't so much shop for projects as have them come to us. Certainly from the brief description you've given me of it, it would be very possible for that company to apply to Farming for the Future for project funding. All of the projects that we fund are really joint ventured. When we show the dollars that you have in research, we're showing you our dollars that we commit and not the private sector that matches those dollars for research projects. I should also say that research projects are scrutinized – that is maybe the word – and prioritized about October 1. So those are your next year's projects, but we always hold back a certain amount of money for projects that might be new, that weren't in the works, so that there is a possibility for something to come into it later in the year.

Now, those project moneys are obviously smaller, but a company can apply to that program and it is looked at by the committee structure that I'm sure you're familiar with, and they prioritize the program. So it would be very legitimate for the company to apply to Farming for the Future or AARI for consideration.

10:52

MR. MITCHELL: It might be worth pursuing that company. It may be something they're not even aware of, given that they certainly aren't in the agricultural field. Thank you.

My second question concerns an issue that I typify or describe as being circular accounting. The Agricultural Development Corporation pays probably \$100 million or \$110 million to the heritage trust fund as interest on the debenture that the heritage trust fund has loaned them. The Agricultural Development Corporation does excellent work. We support it, and we're glad to see the kind of support that it has provided for agriculture in Alberta. At the same time, we are concerned that the way in which it pays its interest to the heritage trust fund is misleading to the people of Alberta, because this is not real investment income. I'll explain why. They pay about \$110 million on their debenture to the heritage trust fund. The heritage trust fund pays that money to the General Revenue Fund because the Treasurer needs his General Revenue Fund to be supplemented. The Treasurer then takes \$94 million, as he did in 1989-90, and he subsidizes the Agricultural Development Corporation. The Treasurer tells the people of Alberta that he has made \$110 million on this brilliant investment in the Agricultural Development Corporation, but the only way that development corporation can pay that money is because the Treasurer then subsidizes it. I'm wondering whether the . . .

MR. CHAIRMAN: Hon. member, do you have a question?

MR. MITCHELL: Yeah, I'm getting there. I'm wondering whether the Minister of Agriculture would take this matter up with the Treasurer and suggest to him that it is misleading, in fact, to the people of Alberta and that this circular accounting relationship should be pointed out in the annual report of the Heritage Savings Trust Fund.

MR. ISLEY: Mr. Chairman, it seems to me that the average Albertan understands quite clearly how the Ag Development Corporation is funded and who it is funded by. It's very simple. It borrows its money to relend, other than the new vendor mortgage program that we've introduced, from the Heritage Savings Trust Fund at market rates. As you pointed out and is pointed out very clearly in the annual report, the General Revenue Fund pays for the operating costs of the corporation and makes up the shortfall in the interest charged to the farmer and the interest paid to the trust fund. Now, if there's an accounting problem here, I would suggest that the hon. member probably take it up with the Auditor General. He seems quite happy with the way we're doing business.

MR. MITCHELL: He's not happy, in fact. He's not happy with deemed assets. He's not . . .

MR. CHAIRMAN: Hon. member, do you have a final supplementary?

MR. TAYLOR: He says you're playing with the books.

MR. CHAIRMAN: Order.

MR. MITCHELL: Yeah. I'd like to pursue that further, Mr. Chairman, but you see, nobody really wants to address it.

MR. CHAIRMAN: You do have a final supplementary?

MR. MITCHELL: I do. My final question concerns Farming for the Future again, and it's the issue of wetlands. We know there is a huge economic imperative for farmers to recover and reclaim that land because the economics of agriculture today are such that they need that land if they are to have any hope of sustaining their development and sustaining their businesses. At the same time, as Alberta develops more and more land, we encroach in an ever increasing manner on wetlands and the habitat that that provides for so many species which are important for other reasons to the environment and the health of this province. I'm wondering whether under Farming for the Future there has been consideration given to changing the economics of reclaiming wetlands; that is to say, making it economically feasible for farmers to leave some of those wetlands unreclaimed, recognizing that there is an economic benefit to the rest of this province for doing that which shouldn't have to be borne only by the farmers of this province.

MR. CHAIRMAN: Hon. member, that's a long stretch to an appropriate question.

MRS. McCLELLAN: Well, yeah, it's a stretch all right.

MR. CHAIRMAN: The minister is really not responsible for wetlands.

MR. MITCHELL: This is going to become an issue in Farming for the Future, Mr. Chairman. If we can't talk about that, what can we talk about?

MR. CHAIRMAN: In the mind of the member it's going to become an issue with Farming for the Future, but it's not an issue before this committee today for this minister. Now, if the minister has a brief answer that she would like to give relative to this, the Chair will permit it, but it's a long stretch.

MRS. McCLELLAN: I think the question in the statement is: should we be looking at some research projects that give the benefit of retaining them to the agricultural base rather than reclaiming them for farming land? Yilma will have to tell me if we have done something very specifically on that. I think from an agricultural point of view in the province, most agricultural people see the value of retaining wetlands, but whether we've done an actual research project to try and put a cost/benefit analysis together on that, which is, I think, what was underlying your question . . . Yilma, I don't recall seeing it in the works, but perhaps you . . .

DR. TEKLEMARIAM: Yes, Madam Minister, thank you. Yes, we have done a study on wetland management in a farming structure and how the farmer could manage it properly in an economic fashion, but it did not take into account the second approach of waterfowl management, or using wetlands for purposes other than agriculture. So that part of it would have to be looked at again.

MRS. McCLELLAN: We could certainly make that available to you as far as it went, but as I said, I don't think we've really done the cost/benefit analysis to the depth you're suggesting. Would you like to have that?

Will you make a note that we give that to Mr. Mitchell?

DR. TEKLEMARIAM: Yes.

MR. CHAIRMAN: The Member for Three Hills, followed by the Member for Lacombe.

MRS. OSTERMAN: Thank you, Mr. Chairman. A great deal of discussion this morning has focused on production, which is obviously critical, especially to do it in the most efficient, environmentally effective way possible. But I'd like to change the focus somewhat to go to an area where there hasn't necessarily been any new investment but that I think all of us here know, especially those of us who are strictly now in the grains area: that there is going to be no primary producer if we don't have a market for our products. Of course, as well, upgrading that primary product is also critical right across this province. The Food Processing Development Centre, which came into being a number of years ago, has in total, I understand from the annual report here, some \$9 million invested. I wonder if the minister could report to the committee how the ongoing costs of this centre are being paid, and then I have some subsequent questions.

MR. ISLEY: The ongoing costs of the centre – and I'm not that well briefed on it, but my best information would tell me that it's paid partly by the industry and partly out of the General Revenue Fund through Alberta Agriculture. There's no longer any funding flowing to it from the Heritage Savings Trust Fund. It was a capital project, and that was its only relationship to the fund.

MRS. OSTERMAN: Well, obviously it's important that whatever projects the fund is invested in are kept current and that the value we see stated here is the current value. I think that certainly a number of projects in the fund would come into that sort of category where there has been an investment but then the heritage fund on an ongoing basis is no longer involved. I wonder if the minister could report what type of products that may be currently marketed here in Alberta and beyond have been developed with respect to this centre.

MR. ISLEY: We were on a tour recently down in the Bow Island country of many of their value-added plants. Bow Island as a town has done a tremendous job of getting a number of small processing plants related to secondary agriculture there. The unsolicited feedback we got from people like Classic Grains and the sunflower plant down there as to the benefits they had derived by working through the Leduc food processing plant in both product development, packaging, and marketing was that it was something they were very, very pleased with. That's generally the response we're getting from the industry out there that has used the services of the food processing plant.

11:02

MRS. OSTERMAN: A final supplementary, Mr. Chairman. As we see some of the major expenditures – and all of us who had the good fortune to go south this summer and see the irrigation projects I think were very impressed with what we saw, and very frankly, somebody like myself was extraordinarily jealous, and those of us who live in central Alberta – I wonder: in terms of looking at this major, major investment in irrigation, is there a tight relationship with respect to looking at what products are going to be produced? Obviously, again there is the ability to produce crops in southern Alberta, given the difference in heat units and so on and knowing that you're going to have a water supply, that probably are innovative and more readily marketable if they're upgraded. Is there a tight relationship developing

between this kind of research and development centre and the various people who are involved in the irrigation area so that we do in fact see an additional multiplier effect of the investment that's been made through the heritage fund?

MRS. McCLELLAN: I would say the answer to that is yes, Mr. Chairman. The Irrigation Council's irrigation staff, particularly our irrigation staff from Alberta Agriculture that are located in that area, work very closely with producers on primary product development that can be further value added. One of the really important things in irrigation is your rotation; you have to keep rotating your crops. One of the areas they've developed a lot of value added in is in potato products. Of course, those are grown in northern and in southern Alberta. We're working very closely with the Leduc centre, putting forth a product in that area that we are marketing into Southeast Asia in particular. I think the french fries went into Asia maybe with the Olympics and some of the games and so on, and there's increased interest in that product. So that's a product that is not just confined to irrigation districts but certainly is part of it and is being developed for further markets.

Our people work very closely with the groups. We have our special crops people in our offices down there that work with the producers on crops they might look at. We have a very interesting crop being developed and processed down there, and we had to visit the still – the first time I really went and saw a legal still – in southern Alberta. It's pan oil. They are growing things like spearmint, basil, and peppermint, and they're extracting the oil right there and shipping this oil, which is of very high value, to Europe for flavourings or use in perfumes. This product is being distilled right on the farm, and it's a totally new product to us in southern Alberta. So our special crops people work with the producers in those districts to develop these products that can be higher value added, and we're quite pleased with the results.

MR. CHAIRMAN: Thank you.

The Member for Lacombe, followed by the Member for Lloydminster.

MR. MOORE: Thanks, Mr. Chairman. First of all, I'd like to show my appreciation to the socialists and the Liberals this morning. We appreciate the Liberals showing up before it is half over so they get their input in before we close off.

MR. CHAIRMAN: Please move to your question.

MR. MOORE: Appreciation to the socialists for showing some indication of liking irrigation. Maybe they'll support the Oldman River dam.

MR. CHAIRMAN: Please move to your question.

MR. MOORE: Mr. Chairman, I want to go to the Food Processing Development Centre. [interjections]

MR. CHAIRMAN: Order.

Now the Member for Lacombe.

MR. MOORE: I always like to show my appreciation for them. They don't get it from very many corners.

Anyway, to the ministers on the Food Processing Development Centre. That's a \$10 million investment out of the heritage trust fund. I know it's a completed project. Now that it's been operating for a number of years, I'm going to question the

utilization of it. Is it 50 percent to its potential, 100 percent? Is it going around the clock, or what is it doing down there?

MR. ISLEY: I'll take that question on notice and do a little research and get the info to you.

MR. MOORE: All right.

My second supplementary then. Perhaps the minister could advise us that firms utilizing the food processing centre – are they paying for that service? Do they pay for it? Do they come there and get any of this research done at the food processing centre for free? Is a company coming there with an idea or product to be tested charged for that service?

MR. ISLEY: Yes.

MR. MOORE: Okay. I have a supplementary on that one too. Are the fees such that this could stand alone? What I'm saying is: should it now be privatized in that there's a big enough demand for it that some company could buy it out and operate it for the food processing industry, and we get that \$9 million back into the heritage trust fund and utilize it in some other area to start up another worthwhile project like that, give the seed money to get it under way?

MR. ISLEY: In my judgment, not at this point in time. That may be viable when full utilization is achieved, but then on the other hand you have to remember that many of the firms moving into new areas of value added are not firms with large quantities of cash and if you jack those prices up too high you may reduce utilization. But it is, I suppose, an area of potential privatization somewhere down the road.

MR. CHAIRMAN: Thank you.

The Member for Lloydminster, followed by the Member for Athabasca-Lac La Biche.

MR. CHERRY: Thank you, Mr. Chairman, and good morning, ministers.

I want to target my question to the Minister of Agriculture regarding ADC, and I want to go back a little way to 1986 when a review of ADC was done and recommendations came forward from that review. One of the recommendations which I see, in effect now as of last June, I think it was, is vendor financing. I also want to say that our farm credit stability program, which was also introduced and certainly was of great acceptance through the private sector – one of the recommendations this review committee made was that ADC would be transferred to the private sector. I understand from what I've read and heard from you, Mr. Minister, that ADC has been streamlined because before that there certainly was a lot of error within ADC itself. But it has been streamlined, and I'm glad to see that. I'm certainly not taking a run at ADC in general. The question is: now that it has been streamlined, why are we not looking at privatization of ADC altogether into the private sector, because we have the performance of the farm credit stability program which was in the private sector and went increasingly well? So that would be my question: are we looking at privatization of ADC in the future?

MR. ISLEY: I would say the direct answer to your last question is no. The decision taken by government following the report was to implement many of the recommendations, and many of the recommendations coming from that review committee have

now been implemented, and I think the work of that committee has led to the efficiencies we're experiencing today. The decision to move the whole thing into the private sector, into the banking community, was taken in the negative. So the current answer is no.

I think it's fair to share with the committee that although the farm credit stability program has been a very popular program and the delivery of it from the farmers' perspective has generally been positive, remember that program is backed with a government guarantee, and I think if you do some research on the cost of that program to the public as opposed to the cost of the ag development program, the ag development program will probably come out ahead.

11:12

MR. CHERRY: Well, a supplementary question on that, Mr. Chairman. I guess we have a difference of opinion. I believe that the private sector is the one that works very well, that if at all possible we should be looking at it. You say the farm credit stability program was positive. It was overwhelmingly positive in my area. People just thought it was the best thing the government ever brought out. So I guess I view it as a difference of opinion, but I would still like you to consider that in the future we do look at privatization.

MR. CHAIRMAN: Hon. member, the Chair really needs you to move to your question.

MR. CHERRY: My question then, Mr. Chairman, would be: you say it's a flat no, but in your mind are there going to be any studies done that might relate back to the privatization of this company or department?

MR. ISLEY: I don't think there's too much difference of opinion, hon. member, between you and I as to where things function the best. There's nothing I would love better than to say, "Let's close down the Agricultural Development Corporation because the banking institution is doing a good job of adequately financing agriculture." I have a hard time suggesting that we're privatizing something if we have to stay in there with a government loan guarantee. That's not private; the public purse is still involved. If you're developing programs for specific target areas, and as long as we're running the ag development programs as cheaply or cheaper than guaranteed programs through the major financial institutions, I don't see much need to study the matter any further. However, if I'm directed to by my caucus, I certainly will.

MR. CHAIRMAN: Thank you. Final supplementary? Or is that the end of your series of questions? Thank you.

Member for Athabasca-Lac La Biche, followed by the Member for Calgary-Foothills.

MR. CARDINAL: Thank you, Mr. Chairman. Good morning, Mr. Minister, associate minister, and staff. I'm referring to the annual report, '89-90. I notice for that fiscal year ADC processed over 1,000 loans under the direct loans program totaling \$86 million and over 5,000 loan guarantees totaling \$76.2 million. Of course, these loans assisted beginning farmers and established farmers to expand. In addition, I notice that 25 loans for a total of \$5.8 million were provided to assist in the establishment of expansion of the food processing and agribusiness and farm service sector. I believe all these loans play a key role in diversifying the province, and I commend you and your staff for

that. I think you're going to also play a key role in keeping out of a recession, and I commend you for that because that's going to be a great help in the future. My question to the minister is: what percentage of these loans would go to northern Alberta?

MR. ISLEY: Mr. Chairman, I suppose the first question is: what is northern Alberta? If we're looking at the geographic north half of the province as northern Alberta, I would suggest it's a relatively small percentage. If we're looking at the rough north/south split of the agricultural parts of the province, if you turn to page 9 in the annual report, you've got the breakdown of the total portfolio by region and you've got the breakdown of last year's loan authorizations by region. The northern three offices - Vermilion, Barrhead, Fairview - would constitute slightly half of the total portfolio but would account for a little more than half of last year's direct lending. If you compare last year to the previous year, the greater increase in lending activity has been out of those three offices as opposed to the three that serve the more southern part of the province.

MR. CARDINAL: Okay. Thank you.

My first supplementary. I'd like to know: is there any special consideration being given when loans are being processed by ADC in relation to, you know, the northern marginal farmland and weather and soil conditions, et cetera?

MR. ISLEY: No. The guidelines for the normal loans - the beginner farmer loan, the developing farmer loan when that was in place - are the same across the province. The only time you'll get a different set of guidelines is when we participate in the interest free disaster lending program.

MR. CARDINAL: My final supplementary is in relation to diversification of individual farms because some of our farms are marginal in parts of Alberta, specifically in the north. Is there any consideration being given to encouraging and assisting farmers financially on a diversification plan for individual farms or not?

MR. ISLEY: The Ag Development Corporation, I would say, is prepared to respond to diversification ideas from farmers. The more diversified the farmer is, the stronger his or her chances of survival are. So I'd say that within the limits of the program, the more diversified the plan the farmer brings in, the greater his chance of getting financing.

MR. CARDINAL: Thank you very much.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Foothills, followed by the Member for Calgary-Fish Creek.

MRS. BLACK: Thank you, Mr. Chairman. I'm not going to try to kid anybody that I have any expertise in agriculture, because I do not, coming from a city riding. However, I had the opportunity to travel around the province this last year on the Electoral Boundaries Committee, and it's been quite an education to see the different agricultural regions within the province. From what I understood when we started off on our touring, we were anticipating a bumper crop this year, the best for many, many years, yet the headlines came out and said that there wasn't a market and the grain was stockpiled, et cetera. I guess I'm getting into Farming for the Future, and I'm having a hard time, wondering: if we've had some of our best crops for a

number of years but we don't have a marketplace, where are we really going in farming? What is the direction we should be looking at?

MRS. McCLELLAN: Well, I guess you're dealing with the research side of it, and certainly a thrust on the research side has been to look first at new varieties of crops, new crops we can market. The other, with which I have challenged the research institute, which will flow into Farming for the Future, is: should we be doing a lot more market research and working with the private sector on that side? I think it's fair to say that we are.

The value we have in irrigation in the south is that opportunity to produce crops in a diverse market system, whether it's in your soft wheats, your sugar beets, your alfalfa. We are cubing and pelleting alfalfa, shipping it into Asia, into Korea, and into other countries, looking at sales in many other countries. There is very much interest in Asian countries in canola meal, which can be used for a feed by-product. So this gives us some opportunities to develop some crops in areas that can be value added in more of a market response.

Where we're really facing problems is in our traditional export grains. Those are the ones that are hitting us and hurting us. So we must continue to do research to look at new crop varieties that we can grow in those vast other parts of the province that don't perhaps have the benefit of the heat units and the irrigation system that's in there. We've made a lot of changes. If you travel across the province, you'll see beans and field peas being grown in areas of the province where they weren't before. You'll see canola varieties that, because they've developed, are able to be grown in other parts of the province where we couldn't before.

11:22

So this is what we really have to continue to concentrate on, and all I can say is thank goodness that Agriculture has shown the initiative it has in this province to do that work in advance of this. We would be in a lot more difficulties if we weren't as diversified as we are. You can go into our red meat sector and the value adding we're doing in that sector and the markets we have identified in Asia, Japan in particular, where the sale of that product has gone way up. So you're absolutely right: we've got to continue. Research is a very important part of that. The producer at the primary level doesn't always have the luxury of economics or time to do that experimenting, and he has to survive in the meantime. So we need to continue.

MRS. BLACK: When you've gone through the research projects and developed a scenario where a new direction in crop production is recommended or found to be amicable to the marketplace, how difficult is it for a traditional grain farmer to switch his crop over to canola or something else? You know, you talk to people in the communities and mention, "Why not change your crop to something else?" It's a totally different way of life for them. How do they really adapt to that? Do they have to change all their techniques, their equipment . . .

MR. CHAIRMAN: Hon. member, you're really on a broad, broad subject that's asking the minister to give a great deal of background in farming. I'll allow the minister to answer it but would ask that she focus it more narrowly than your question really was put.

MRS. McCLELLAN: Gee, I had a 15-minute answer prepared, but I'll cut it back.

The member does hit on an important point, and it does deal with the technology transfer aspect we were talking about earlier, in research and the mechanism we do have in place in the province in our regional offices and so on. I mentioned earlier the special crops people who are in those regional offices and work with the farmer. In some cases it is a case of different machinery or adjusting the present machinery. A lot of it can be done with what you have. But what you really need is that technology transfer, that extension person in the community that can work with the farmer on application rates whether it be of seed, whether it be of fertilizer, whether it be of seedbed preparation. And harvesting: if you're new in the crop, you're not going to know just what the exact time is. So the technology transfer from the research capability is very important, and we do that in the publications, through our district offices, and with our special crops people in place to give the farmer or primary producer that information.

MRS. BLACK: This is a final supplementary, directly on the irrigation districts. In your opening comments you said that 4 percent of the irrigated land was returning 20 percent of the total farm sales. Could that scenario be used if we had further irrigation, particularly in central and southern Alberta? Could we expect the same ratio?

MRS. McCLELLAN: It all goes with the productivity of the land, so I don't know that the ratio could be exactly that way. Your productivity is already higher in central Alberta because of natural forces there, more rainfall and so on. It has certainly made southern Alberta, which is traditionally a dry area, far more productive. It would perhaps give you cropping alternatives that rely on a secure supply of water – some crops are very vulnerable to being short of water at a critical time in their development, and that perhaps precludes you from achieving – and then, of course, into value adding more products through developing it further.

But mainly the answer has to be that that's a difficult one to say. I would doubt that you would achieve that much more because of the productivity level of central and northern Alberta already as opposed to the south.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Fish Creek, followed by the Member for West Yellowhead.

MR. PAYNE: Mr. Chairman, initially I'd like to echo the earlier comments of the Member for Edmonton-Centre as to the value of the tour made by the heritage fund select committee to the southern Alberta irrigation districts. I'm in my second decade now as a member of this Assembly, and I don't recall a learning experience such as the one we had in the south. As a consequence, I would like to thank all who were involved in completing the arrangements so successfully for that committee experience.

As I understand it, Mr. Chairman, the last five-year mandate for the irrigation rehabilitation program expired in March of this year, and the program is currently on a one-year extension. Now, I stand to be corrected. I suspect that that situation causes a great deal of uncertainty for the IDs and makes it difficult for them to plan their rehabilitation and construction schedules. Could the minister share with the members of the committee this morning her anticipation for the future of what appears to be a very worthwhile program?

MRS. McCLELLAN: Well, you're right; the mandate did expire in March. I did meet with all the irrigation districts, many of whose representatives are here today, and with the Irrigation Council and also our own irrigation caucus. My concern at that time was, and still is, that this was a very valuable program and we needed to stop and assess where we were going with it. So I asked the irrigation districts to agree to a one-year extension, if I could achieve that through our own process here, while they worked to looking at the long-term management of this program and to reassess whether the criteria that were put in when this program began and was funded in 1976 still applied. Because as you know, technology has changed; irrigation acreage has changed. They very graciously – I think perhaps somewhat reluctantly in the beginning – agreed to humour the minister and go through that process. It's been a very valuable process, and I think the Alberta Irrigation Projects Association, which played a large part in it, and the irrigation districts' Irrigation Council and we members now feel it was a very important process to go through.

We have come up with a number of recommendations on this program from the groups involved that, I think, will be very valuable to the future of the program. We would hope that the irrigation districts don't sit in a state of uncertainty. We have irrigation districts that are very well along in their rehab, and we have some that are not. That was a concern: if this program ended, what about those?

So I can simply tell the committee we've gone through the process. That was the reason for the one-year extension. We've received the recommendations, and I will be preparing a recommendation for cabinet, taking it forward very soon to Treasury, to look at the next five-year mandate of this very worthwhile project.

MR. PAYNE: Mr. Chairman, as a first supplementary. I appreciate that it's somewhat awkward for the minister to divulge specific details of those proposals before they are taken to Executive Council. However, in the past the cost-sharing arrangement between the province and the IDs has been 86 percent province and 14 percent ID, with funding at roughly the \$25 million annual level. Of course, as the minister has already indicated, in the past the mandate for that program has been five years at a time. In the proposals that are now being developed for cabinet, can the minister indicate whether these basic or fundamental parameters are likely to change in the next mandate of the program?

MRS. McCLELLAN: Well, you're asking a kind of tough question, anticipation of a process. I don't think I can give you quite the answer that you might like to have, but I will tell you that certainly all these matters are under consideration in the development of the recommendations. But I think it would be all right to share with you the recommendations of AIPA. We have some of them here; I guess they can throw something at me if I'm wrong. I don't think they would mind me sharing their recommendations. One is that the 86-14 formula is still appropriate and it should be retained, and that the funding levels we are presently at should be retained, not reduced. That's a couple of the very key points. There have been other recommendations too, but I think those were the two.

11:32

MR. PAYNE: As a final supplementary, Mr. Chairman. I don't know whether any other members of the committee, or indeed

any of our guests in the gallery today, saw last evening's *W5* program. I was just spinning around the dial, as I sometimes do, and there was a program on irrigation in the southern part of the province: the Oldman dam and other projects. In the course of the interviews there was an interview with a dryland farmer – I believe his surname was Conrad – and he was critical of the program that we're now discussing today inasmuch as the dryland farmers, from his perspective, grow the same products or crops and sell them to the same markets; that government financing through the heritage fund or out of general revenues for irrigation, in effect, represents an unfair subsidy that distorts what might be otherwise a level playing field. I wonder if the minister today could offer a rebuttal to that with possible reference to current heritage fund dollars that might flow to dryland farmers in allied or other ways.

MRS. McCLELLAN: Well, that is a comment that can be made, and certainly I personally am a dryland farmer, so I have to answer that at times in my own area. There are crops grown under irrigation that would compete with dryland. However, there are many other crops grown under irrigation that cannot be grown on dryland and do not compete. An example: very little hard red spring wheat is grown under irrigation, a smaller proportion. It's very hard to get a high protein content in wheat under irrigation, and some of these folks might disagree with me. We do that very well in our area, because you need the heat and the dry at the right time to do that. So I think what I have to do in my own constituency and with people across the province is say that what I feel is that this takes some pressure off those markets for those of us that are confined to growing certain products that our land will only grow, and that as we continue, we will expand the diversity and the opportunity for specialty crops under irrigation. We are doing that.

I don't have the figures at hand – I could certainly get them for you – for the number of acres under each commodity that are there. I can tell you that most of the hay that comes into my area, which is very close to the irrigation district, does not come from the irrigation district; it comes from west-central and northern Alberta, because a lot of the forage grown down there is in alfalfa, pellet and cubing.

We do have the figures here; there is a graph and I'll share with you. The percentage of wheat, which is one I mentioned – the hard varieties including durum, I believe – only 5.3 percent is grown under irrigation. Now, soft white wheat is 37 percent. I wouldn't grow that on my dryland farm very successfully. Barley is only 15.9; oilseeds is only 4.8; alfalfa is higher, and as I said, it's going into the value-added, at over 18 percent; sugar beets, potatoes are some others; tame pasture, corn, and other specialty crops make up the balance of it. But I'd be happy to give you that.

So, sure, there are some crops that are competing. But I think, as I say, as we continue to develop specialty crops, value-added opportunities, that competition won't increase.

MR. PAYNE: I appreciate that very helpful response, Mr. Chairman.

MR. CHAIRMAN: Thank you.

The Member for West Yellowhead, followed by the Member for Edmonton-Centre.

MR. DOYLE: Thank you, Mr. Chairman. I, too, was very pleased by the great tour we had of the irrigation systems in

southern Alberta, and our most able guide we had on that tour filled us in, I believe, on all the questions we had.

Mr. Chairman, having been raised on a farm and worked on a farm and with farmers most of my adult life, my concern would be as to the total number of foreclosures, quitclaims, bankruptcies, according to the ADC records for the most recent fiscal year.

MR. ISLEY: The most recent fiscal year to September of 1990 would have 47 quitclaims, 17 foreclosures, five bankruptcies. That would compare to a year ago of 12 bankruptcies, 16 foreclosures, and 46 quitclaims: so fairly comparable to a year ago.

MR. DOYLE: Mr. Chairman, I was wondering if the minister knows how the numbers compare to the total number of young farmers in the province, and if he could express it as a percentage, because it may well be that although the number of bankruptcies are up and down and quitclaims and foreclosures could also be up and down, I believe the percentage would have gone up because there are fewer and fewer young farmers in agriculture in Alberta today on family farms.

MR. ISLEY: The users of the beginner farmer program tend to be the young farmers. If you turn to page 18 of the annual report, in the last year we had 1,021 new beginner farmers go into the industry, and you might say in total that we lost 64 ADC borrowers from the industry. So it's a pretty small percentage.

MR. DOYLE: Mr. Chairman, perhaps if we had had a copy of that annual report before the committee meeting, we could have addressed the question a little bit differently.

MR. CHAIRMAN: Hon. member, it was tabled some time ago.

REV. ROBERTS: To the committee?

MR. FOX: It wasn't distributed. We don't have a copy.

REV. ROBERTS: Not to committee members.

MR. DOYLE: My question, Mr. Chairman, to the most boss minister would be: what is the average age of the farmers in Alberta, and how does this compare with five or 10 years ago?

MR. ISLEY: The average age I couldn't tell you at this point in time, but I can certainly get that stat researched for you. If you want it for some retroactive comparison points, we can do that for you too.

MR. DOYLE: Thank you.

MR. CHAIRMAN: The Member for Edmonton-Centre, followed by the Member for Wainwright.

REV. ROBERTS: Thank you, Mr. Chairman. A number of my questions have been asked by others already, so I didn't want to repeat them. But just to clarify, though, Mr. Chairman. I do not recall that we as members of this committee did receive the annual report of the ADC. I thought the minister just tabled it earlier this week or last week. Is that not correct?

MR. CHAIRMAN: Perhaps the Chair could take the liberty of asking the minister. Was that report tabled during the last session of the Legislature, or has it yet to be tabled?

MR. ISLEY: It has yet to be tabled in the Legislature, but it's available on request by anyone.

MR. CHAIRMAN: The Chair stands corrected. I assumed that was tabled inasmuch as the minister was using it.

Please proceed with your question.

REV. ROBERTS: I guess that procedurally, I would think, given that there's close to a billion dollars of trust fund money being used there, we as trust fund committee members get that report in advance. We were trying to track it down, but it would be good to have.

I wanted to pursue a bit more my earlier . . .

MR. ISLEY: You may recall – just to clarify this – I put out a public press release that hit the papers about a week ago dealing with this annual report.

MR. FOX: It wasn't distributed.

MR. CHAIRMAN: Please proceed, hon. member.

REV. ROBERTS: Yes. I wanted to move back a bit to this other area. It might be more detailed information about Farming for the Future and the research projects around this area of enabling and enhancing farming that is more environmentally sound and the use of fewer chemicals and herbicides and pesticides and the rest. I'm just wondering if the minister and her officials actually have a dollar figure in terms of what is currently or is soon to be on the books with respect to that kind of research. Is there a dollar figure that gives a clear indication of what's going on in that area?

MRS. McCLELLAN: On sustainable?

REV. ROBERTS: Yes.

MRS. McCLELLAN: I'm sorry. I sort of lost the . . .

REV. ROBERTS: It's under a general rubric of sustainable agriculture, but I was particularly concerned about the area of chemical-free or other than chemical kinds of farming.

11:42

MRS. McCLELLAN: I think it's safe to say that there's a lot of work that needs to be done in this whole area. We are doing some, and it doesn't mean we shouldn't be doing more. There's a lot of talk about organic farming and chemical-free farming, and I don't think all the questions have been answered there. I'm not sure I'm as comfortable with crops that are grown so-called organically, with natural fertilizers put on them and the amount of nitrates there might be in that. So I think a lot of work needs to be done on that.

Prairie agriculture is perhaps not as sustainable without some fertilizer input, but I think a lot of the problem areas you're hearing about are areas where there's high rainfall and intensive cropping activities – for example, Ontario – which is a concern. I think some of your question comes to how much of this flows back into our river systems and so on. We do monitor very closely, specifically in the irrigation districts, the flowback into

the river: what is in that water and its environmental soundness. So we do monitor that all the time. Environment does that.

I agree that we need to do – and we are doing – more research on sustainable agriculture and the competitiveness of it. I don't think you can separate. If you look at the Growing Together papers that have been put out through the federal study on the whole agricultural scene, I don't think you can totally separate agricultural sustainability and economics. I think there has to be a balance, and it's pretty hard to look at one without looking somewhat at the other. So we need to do more work. We are and we will. I think we'll see more projects asked for in that area.

REV. ROBERTS: I appreciate the minister's response, and I realize it is a complex issue. Again, I appreciated the visit to the experiment on salinization in that one field. I forget where it was exactly.

The minister did say "we are doing some," and I'm just trying to get more of a handle on what that kind of . . .

MRS. McCLELLAN: How much.

REV. ROBERTS: Yeah, "some" is spelled s-u-m in terms of what we're really looking at here, or what we should be looking at.

MRS. McCLELLAN: I'll maybe ask Yilma to expand on what projects have been done. I also encourage that members sort of take note of these research reports, because they do outline all the projects. These bulletins are the ones we put out so that people can look at them and gain the information and so on.

I'll just give you two examples. Screening and evaluation of plant diseases for biological control of weeds is a project that's being done through Alberta Environment, Vegreville. There's fair funding assistance to that one. Integrated pest management on greenhouse cucumbers in Alberta: that's another one we're doing through the centre in Vegreville, and fair research dollars are being spent there. Another one: I would say sustainability comes to diseases we aren't familiar with, and we're looking at crop management in one on the control of Russian wheat aphid. That's built into it too. So I think if you look at the project reports, you'll see a number of research areas. Whether it's enough: we divide our research projects into sections, and then each committee decides on the priorities in those areas.

MR. CHAIRMAN: Your final supplementary.

REV. ROBERTS: I don't think I have a final supplementary, except maybe in the form of a statement to say that as an urban MLA, I get a lot of concerns from my constituents and my own sense of the province, how much we need to continue to be doing to make farming the kind of industry that is going to be attractive for young families in this province. You certainly have my full support and that of our caucus to continue to develop farming as it needs to go on to attract young families in this province.

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

MR. TAYLOR: Thank you, Mr. Chairman. I'll move along. I did want to remark I was surprised at the associate minister's surprise that people down in the Bow Island area, where I was born and raised, would know so much about running stills. I can

assure her that that was always the best off-farm income for many years when I was a little one. [interjections] It might have been because the hon. chairman's constituency refused to let him operate in his area.

MR. CHAIRMAN: The Chair wonders if that has something to do with the hon. member being able to focus his remarks. It's obviously had some adverse effect.

MR. TAYLOR: I was going to mention it was the hon. member's area that used most of our product.

MR. CHAIRMAN: Would the hon. member please proceed with his question.

MR. TAYLOR: I'd like to get onto irrigation for a bit. There's some far-out thinking on irrigation. I read the other day where there are some cheap water meters now available to meter water. Does that change the attitude of the government, or is the government looking at that at all as far as metering water within the headworks system or the delivery to the farmers?

MRS. McCLELLAN: We do meter on private irrigation projects. The water is definitely metered at the headworks now so that we know how much water is going into the system, we know how much is used. You must remember that water that passes into irrigation districts is not just for irrigation. There are municipalities that would not have water; there are recreational opportunities. I don't know whether there's a natural lake or body of water in southern Alberta other than the rivers, so it's a multi-use, and we know how much is going into those various areas. Cheap meters might be cheap meters, but they're being tested.

MR. CHAIRMAN: Supplementary.

MR. TAYLOR: The supplementary is back again onto metering or measuring water to the farmer in a way. Has any thought been given to differential water rates to farmers in that if they raise a product that can be raised on dry land or in central or northern Alberta, they pay higher rates than they would for raising a product that can only be grown down there; in other words, like peppermint or something like that? This is the Israeli system. If you use water to raise something that can be grown on dry land, you pay more for that water than you would if you raised something that couldn't.

MRS. McCLELLAN: That's not a very Liberal question. Are you talking about state control on what we grow?

MR. TAYLOR: I hear these thoughts are going on in your department, and I'm just trying to pick your mind.

MRS. McCLELLAN: You're talking about state control in agriculture and us telling people what they can grow and what they can't. I guess I get a little nervous when I hear that coming from you, hon. member.

No, I don't think there's any look at charging different rates as to what you can grow. The best test for a person growing crops under irrigation is their return. I would remind hon. members that irrigation farming is not cheap. There is, first, a very large capital investment by that producer. Secondly, his input costs are very high, and thirdly, he suffers the vagaries of the marketplace as does the dryland farmer. So the producer is the person

who very much says whether he should grow this or not from his bottom line, which is the place that should dictate what they grow. They do need a reasonable return, and it is very expensive for the producer to work under that system.

11:52

MR. TAYLOR: The hon. minister needn't lecture me on that, because I believe I checked the Agricultural Development Corporation's foreclosures, and the bloodthirsty character that's sitting beside you has foreclosed more irrigation farmers on a per capita ratio than he has dryland farmers. So obviously they are in a great deal of financial difficulty.

I would like to go on to the last supplemental, which is desalinization of waters that are drained off irrigation fields or fields that have been salinized in the past. I noticed that the state of Montana, which is just across the border, passed a law saying that no water that is any stronger in salt than what had been taken out of the river could be returned to the river courses. In other words, water returning to the river has to be the same quality as the water that came out. Now, how do you equate that to the very worthwhile desalinization or drainage projects that I saw on this tour through southern Alberta? How do we compromise that, if indeed the Montana system of environmental law is going to be followed?

MRS. McCLELLAN: Well, first of all, we have done a lot of work under the reclamation program on lands lost to production because of salinization, and I think you saw some of that. Secondly, I've already outlined that we are pretty critical of water that returns to the river. The amount that is returning into the river system is a very, very small amount. I think we're reasonably comfortable with that. We'd be happy if it were nil, but right now it's really not measurable; it's that small. So I want to give you some comfort level there. I think the more important question is the salinity in the land and the ability to reclaim that. There is a lot of work being done in that area, and I know you saw some of that, some of the projects to reclaim land and to stop seepage and so on, which is a big part of the rehabilitation of canals to stop seepage, to stop this going further.

MR. CHAIRMAN: Thank you.

The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. I just had a couple of short questions with respect to the Minister of Agriculture's introductory remarks. In speaking of the Agricultural Development Corporation, the minister referred to part of the organizational change being one of decentralization. In looking at the organizational chart for that organization, I don't see much change. What in fact is involved in this decentralization?

MR. ISLEY: Mr. Chairman, my reference to decentralization in my opening remarks was to decentralization of decision-making, not physical decentralization of the corporation. Prior to the reorganization loans officers out in the field had no decision-making authority. They were simply the recipients of the loan application, did some checking of numbers, maybe assisted the client in completing the application. Then it went to the regional office, which had very limited decision-making, and then to Camrose, where all the decisions were made. Under the new structure what is gradually being implemented and will eventually cover the province is decision-making right down to the loans officer level, so that on smaller loans a loans officer

can approve or disapprove right at that level. It seems to me that the only way you put accountability into an organization is to put some decision-making down with those who have to be accountable for the outcome of that business.

MR. JONSON: One supplementary question, then, in view of that, Mr. Chairman. I don't know if this is typical across the province, but I know that in my area the appeal committees which used to exist and, I guess, still exist have been very inactive in terms of receiving any appeals. Is this because things are going very smoothly, or is it because they're not being utilized and the final decisions are resting somewhere else?

MR. ISLEY: I would agree with you that the appeals committee work has been down somewhat, and it's been down somewhat for quite a number of years. While I indicated to you that, as shown in the graphs, there was an increase in direct lending, we're still at relatively low levels compared to the boom years which got a lot of young farmers into trouble and saw the organization suffer some fairly deep losses. So I suspect two things are causing a lower level of activity with the appeal committee. One is that there are fewer people trying to enter the industry than there were back in '82; and two, the system is probably responding better to those people because they're far more committed when they walk through the door than their counterparts probably were in '82.

MR. CHAIRMAN: Thank you. Our time is almost spent. However, the Chair will recognize Edmonton-Meadowlark for one question with no supplementaries.

MR. MITCHELL: Thank you very much, Mr. Chairman. I'd like to point out to the minister that in the heritage trust fund annual report it outlines that an investment in the Alberta investment division must "yield a reasonable return or profit." Inasmuch as the Alberta Agricultural Development Corporation debenture falls within the Alberta investment division, it's very difficult to see how it can qualify as yielding a reasonable return or profit, because it's subsidized so that it can pay the interest.

My question to the minister is this: would it not be appropriate for him to do exactly what the minister of the Alberta Mortgage and Housing Corporation has done: sell off those assets which are marketable, which are real investments, and absorb the remainder, which is a subsidy or a support program,

into the Agriculture department and call it, identify it, and manage it as a program of that sort rather than leaving this debenture in the Agricultural Development Corporation, which is, in a sense, simply no more than misleading the public as to its quality?

MR. ISLEY: The hon. member still comes across as rather confusing. The only real assets that the Ag Development Corporation would have to sell today are those 300 and some quarters of land that I listed earlier on, most of which are sold. It's down to 100 and some odd that I indicated will be left once all pending offers are closed. That is not anywhere near the security that backs up the loan portfolio. It's the security of the farmers out there that backs up the loan portfolio; it's the farmer out there that pays the bulk of the interest that goes back to the Heritage Savings Trust Fund. Through general revenue we pay the differential between the 9 percent most farmers are paying today and whatever price we borrowed that debenture from the Heritage Savings Trust Fund at. And that, to me, is very, very simple.

MR. CHAIRMAN: Thank you. That concludes our time for this morning. On behalf of the committee, the Chair wishes to express appreciation to the ministers for appearing before the committee, for the information that they've dispensed to the committee. We also would like to again express appreciation for those involved in irrigation who have traveled a great distance to be here to witness the appearance of the ministers before the committee today.

By way of announcement, the committee will convene again this afternoon at 2 p.m., when the Hon. Peter Trynchy, minister of Occupational Health and Safety, will appear. Tomorrow morning at 10 a.m. the Premier will appear before the committee, and our final hearing for the committee will be tomorrow afternoon at 2 p.m., when the Alberta Heritage Foundation for Medical Research will appear.

The Chair would entertain a motion for adjournment.

MRS. BLACK: So moved.

MR. CHAIRMAN: Those in favour? Those opposed? Carried. The meeting stands adjourned until 2 p.m. this afternoon.

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

