

10:01 a.m.

Wednesday, October 23, 1991

[Chairman: Mr. Ady]

MR. CHAIRMAN: I'd like to call the meeting to order this morning. I'd like to welcome the Minister of Agriculture and the associate minister and officials they have from the department. This morning we're going to entertain questions from the committee to the ministers pertaining to agricultural programs funded from the Alberta Heritage Savings Trust Fund. I think it might be well to just review which of those receive funding: Farming for the Future, Food Processing Development Centre, irrigation rehabilitation and expansion, private irrigation water supply, and the Agricultural Development Corporation.

We would welcome some opening remarks from the minister and the associate minister at their good pleasure. I would ask them to not make them excessively long so we can give questions coming from the committee their proper priority. Also at that time, one of you could introduce the government officials you have with you.

If there's no other business coming from the committee, we'll have the ministers give their opening remarks.

MR. ISLEY: Thank you, Mr. Chairman. Good morning, lady and gentlemen. The food processing centre in Leduc originally was financed out of the capital projects division. The operation of the centre does not come under the heritage trust fund. As far as I know, all the cash under the capital has flowed that will flow, so I'm going to curtail my comments mainly to the Agricultural Development Corporation.

As you're aware, ADC is a corporation with a mandate to help finance the progress of agriculture in this province. It provides agrifinancial service to Alberta farmers in agribusiness. In recent years we have endeavoured to adjust its programs and policies to make them innovative and forward thinking. ADC has moved from being a lender of last resort for beginning farmers, as it was in the 1970s, to an agency offering diverse financial services to primary producers and processors of agricultural products both directly and indirectly through private-sector financial institutions.

The bottom line tells the story. Since its inception in 1972, ADC has made more than 145,000 loans or guarantees totaling almost \$3.3 billion to the farmers and agriculture-related business-people who produce raw material and agrifood products. In 1990-91 ADC lent \$111.7 million under its direct lending programs, \$63.4 million through the private sector for guaranteed loans, and \$1.4 million under the new vendor mortgage program. Since 1972 \$1.3 billion has been borrowed by ADC from the Alberta Heritage Savings Trust Fund and \$264 million has been paid back, leaving \$1.08 billion outstanding.

Since the restructuring of ADC began in the latter part of 1988, ADC has moved from a position in which all the decision-making took place in Camrose to a position today in which about 95 percent of lending and loan amendment decisions are made by field staff. This delegation of authority has resulted in a decrease of 24 permanent positions in the head office and an increase of 11 positions in the field.

In addition to successfully decentralizing and delegating decision-making, ADC has also taken steps to resolve difficult situations. While it is not possible to ensure every client can be successful, ADC has been effectively using many very innovative work-out tools to deal with problem accounts. Accounts in arrears for over one year have dropped from 11 percent in 1988 to a current level of 5 percent in September of this year. In 1988 ADC held under its title 784 quarters of land. Through various methods,

including unreserved auctions, this was reduced to 251 quarters as of September 30. Of these there are 59 for which we have already accepted offers, leaving 192 quarters actually for sale in our portfolio.

ADC has proved to be a capable and innovative organization in the complex business of agriculture. Its direction is clear, its operational goals are sound, and I look forward to its continued achievement. One of Alberta's answers is to help our primary and secondary producers diversify, and ADC is integral to that goal. Its commercial financial services division offers sound business management advice as well as financial services to businesses related to agriculture and food production. ADC shares the goal of seeing our grain, cattle, and other raw products move into our own secondary value-added industry. ADC emphasizes the kinds of services to address complex managerial decisions facing the industry today. I'm confident that this contribution will continue to grow in scope and importance as we search for better ways to serve agriculture during a tough, competitive time.

With those comments, I will await your questions once the associate minister has addressed you.

MR. CHAIRMAN: Associate minister.

MRS. McCLELLAN: Thank you. Good morning, Mr. Chairman and members of the committee. I'm pleased to have this opportunity to appear before your committee to review the fiscal year 1990-91 and expenditures under the Farming for the Future program, the irrigation rehabilitation and expansion program, and the Alberta private irrigation development assistance program.

Before I begin, I would like to introduce the Alberta Agriculture staff who have taken time from their busy schedules to be with us today: Mr. Gerhard Hartman, manager of the Irrigation Secretariat in Lethbridge; Brian Colgan, director of the irrigation and resource management division; Dr. Ralph Christian, executive director of research; and Yilma Teklemariam, research manager. I'd like to acknowledge their and their staffs' efforts on behalf of agriculture producers in this province.

I'd like to start with the Farming for the Future program. Mr. Chairman, I trust all members of the committee have received a set of the Alberta Agriculture research reports. I would remind members that early this year we distributed copies of the 1990 Farming for the Future progress report. These documents describe the very many projects which have been funded under this program. Farming for the Future has supported a broad spectrum of research and demonstration projects aimed at diversifying production, increasing efficiency, and improving food processing and marketing. The projects which are awarded funding have the potential to improve net farm income and secure the long-term viability of Alberta's agriculture and food industries. As well, the Farming for the Future program has permitted a unique co-operative effort among producers, processors, research associations, academic institutions, and the federal and provincial governments which has allowed for more effective use of research dollars.

To update members, Farming for the Future was merged with the Alberta Agricultural Research Institute on April 1, 1991. This merger consolidates, streamlines, and strengthens our support for agricultural research under the institute's umbrella. It also improves co-ordination of activities between government, academics, and private-sector researchers. The merger also allowed the responsibility for administration to be transferred to the Alberta Agricultural Research Institute, thus allowing for a greater allocation of resources directly to research. We are very proud of the fact that administration takes up less than 5 percent of the budget. I would also note to members that the current Farming for

the Future mandate expires on March 31, 1992, and a proposal for a new mandate is under consideration.

I would then turn to the irrigation rehabilitation and expansion program, Mr. Chairman. Expenditures under the irrigation rehab and expansion program for 1990-91 represented a one-year extension of the previous five-year mandate. As you know, a new mandate has since been agreed to which includes provisions for a special fund to support future rehabilitation of the irrigation systems. As of March 31, 1991, a total of \$312 million had been invested in irrigation rehabilitation and expansion. The province's 13 irrigation districts have provided an additional \$49.7 million during the same period. Since the program began in 1975, Alberta's irrigated acreage has increased 34 percent. As of December 31, 1990, 1,202,594 acres were under irrigation.

Understanding that water is a precious resource, the program is continuing to explore ways to improve the efficiency of water usage. It's also very concerned with the environmental consequences of irrigation and endeavours to reduce land lost to seepage and reclaims salinized land while at the same time increasing irrigation efficiency and ultimately farm production.

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I should also note that the irrigation and rehabilitation program's research component was eliminated as of March 31, 1991. Irrigation research will now be co-ordinated through the Alberta Agricultural Research Institute.

Lastly, Mr. Chairman, I will just speak briefly on the Alberta private irrigation development assistance program. This program was designed to assist farmers in developing private irrigation systems to droughtproof their farms or to diversify or intensify their operations by providing adequate water. The program helps defray costs associated with constructing the capital works necessary to divert water from a variety of sources across the province and convey it to privately irrigated fields. The program complements the irrigation and rehabilitation program by providing assistance to private irrigators throughout the province.

Over the first two years of the program 66 applications were received, of which 40 have been deemed eligible for assistance. Total expenditures to March 1991 were \$446,565. The demand of the program has been substantially lower than we anticipated. We attribute that to a number of things such as poor returns from crop production, which have caused farmers to delay major capital investments, as well as the unavailability of a reliable water supply in some parts of the province. The completion of the Oldman reservoir and the lifting of the moratorium on the Oldman River are expected to increase demand for private irrigation in the future. This program mandate does end in March 1992, and we are reviewing the program at this time.

These three programs have netted tangible benefits for agriculture. In all cases we have attempted to keep administrative costs to a minimum and develop programs which best meet the present as well as the long-term needs of the farming community.

Mr. Chairman, I would welcome any comments or questions regarding any of these programs. Thank you.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Mountain View, followed by the Member for Ponoka-Rimbey.

MR. HAWKESWORTH: Thank you, Mr. Chairman, and welcome to the ministers and staff here this morning. I guess the first question I'd like to ask is perhaps a philosophical one more than anything. Within the last year the provincial government has decided to dismantle Alberta Mortgage and Housing Corporation

and essentially liquidate many of the assets held by AMHC, I guess the policy decision being that mortgages are not an area, at least when it comes to housing, the provincial government ought to be involved in. [interjections]

Do I have the floor, Mr. Chairman?

MR. CHAIRMAN: You are going to tie this into something to do with this department?

MR. HAWKESWORTH: I said in my opening comments that it was more philosophical. I'm just wondering if the same policy discussion has gone on with the Alberta Agricultural Development Corporation and why, on one hand, the government is getting out of mortgages and loans in one area. Is there any thought about getting out of that area when it comes to agriculture?

MR. ISLEY: Mr. Chairman, I think it's fair to say that during the extensive review of the Ag Development Corporation in 1987-88 that was seriously looked at, heavily debated, and I believe the conclusion at the time was that the banking community was really not interested in playing the role in agricultural financing that is needed. I think that's probably further evidenced by our significant intrusion into financing the industry through the farm credit stability program. We did use the banking institutions to do it, but it took, if you wish, government policy and support for that industry to get stabilized rates over a long period of time. If we're going to be philosophical, I would say the behaviour of certain socialist governments in this nation shocked the banking community in previous years and pulled them out of some agricultural financing.

MR. CHAIRMAN: Supplementary.

MR. HAWKESWORTH: Well, Mr. Chairman, I'll leave the partisan debate around that last comment. I think it's fair to say that the crisis in agriculture is one everyone is trying to grapple with, and I understand the provincial government still sees a role for financing where perhaps other lenders fear to tread. That certainly is a serious crisis as I see it. Obviously, I don't represent a constituency in the Legislature with a lot of farmers, but I think it's one that is of concern to everybody in the province because of the importance agriculture plays in our economy.

Given the kind of crisis agriculture has been in, I'm looking at what exposure this leaves ADC in. When I look at the financial statements - page 26, note 9, is the one I'm looking at. Perhaps I could have the minister and members of the committee turn to that. This is where I presume estimates are being made of what the potential and real losses are expected to be in terms of the loan portfolio outstanding held by ADC. Am I correct in reading that statement or note that says almost \$100 million . . . [interjections]

MR. CHAIRMAN: Hon. member, could you give the reference for that again? The committee apparently didn't hear it correctly.

MR. HAWKESWORTH: Okay; I'm sorry. It's the annual report for the Agricultural Development Corporation, page 26, note 9.

MR. CHAIRMAN: Thank you. They were trying to find it in the annual report of the heritage fund.

MR. HAWKESWORTH: Oh, I'm sorry. Okay; fair enough.

Do I understand that as you see the total exposure for doubtful accounts, the potential exposure for ADC is almost \$100 million? Am I reading that note correctly?

MR. ISLEY: I'm not sure where you're reading. You're on page 26?

MR. HAWKESWORTH: Page 26, note 9, entitled allowance for doubtful accounts and for losses on realization of assets.

MR. CHAIRMAN: Perhaps while the minister is doing that, I could interject for just a moment and we'll recognize and welcome to the Assembly a school group that has come into the gallery. I could advise them that what they're witnessing is the annual hearings of the Alberta Heritage Savings Trust Fund committee, which holds hearings to question ministers who have programs that draw funds from the Alberta Heritage Savings Trust Fund. This morning we have before us the Minister of Agriculture, the Hon. Ernie Isley, the Associate Minister, the Hon. Shirley McClellan, and their government officials. They will be here before the committee for two hours. This afternoon we will entertain a visit from the Minister of Energy.

Perhaps the students would stand and we'd ask our committee to give them a warm welcome. Thank you. Nice to have you visit our Assembly.

Mr. Minister.

10:21

MR. ISLEY: I believe the hon. member is correct in coming to that conclusion as to what the accumulation has been over time. I would add that the bulk of that has been in the agrifinancing business primarily related to the Sexsmith canola crushing plant.

MR. HAWKESWORTH: Final supplementary, Mr. Chairman. To the minister: given the sort of ongoing crisis in agriculture – and I don't know whether it's going to change in the near future – is it the minister's anticipation that this particular bottom line likely will continue to deteriorate, or do you see it turning around? And at what point does the ADC take the hit on turning this from a provision or an allowance to an actual loss on the books?

MR. ISLEY: As I pointed out in my opening remarks, Mr. Chairman, accounts in arrears in excess of one year have dropped from 11 percent in 1988 to 5 percent in September of 1991. When I look at the status of the ADC accounts, which is roughly \$1.1 billion of direct lending, and when I look at the state of the farm credit stability program, which was 2 and a half billion dollars of lending through the banking institutions, and the status of those accounts, I don't see any signs of a deteriorating financial situation in the industry. While I would be quick to say that the industry carries too much debt, at this point in time it is handling that debt. That's also evidenced by the number of farm foreclosures and bankruptcies and quitclaims occurring; they're not up in any significant numbers.

When we talk about a crisis in agriculture, I think it probably would be better to talk about a crisis in the grain and oilseed sector of agriculture. The other sectors of agriculture: if you rated them, I'd say you would have to give them ratings from fair to good, with the exception of the sheep industry. But the grain and oilseed industry for a variety of reasons has deep, serious problems. Hopefully, through new safety-net programs the associate minister has worked on, through a GATT agreement, that sector of the industry will strengthen and someday we can sit here and say, "Look, all sectors can be rated fair to good." But at this point in time the crisis is in that one sector of the industry, and we've been working very hard to respond to that crisis.

MR. CHAIRMAN: Thank you.

The Member for Ponoka-Rimbey, followed by Westlock-Sturgeon.

MR. JONSON: Good morning, Mr. Chairman.

My question follows somewhat from the first question related to possible privatization or shifting of acquiring of funds for the ADC from the Heritage Savings Trust Fund to some other source. It's my understanding that within the last couple of years ADC has initiated a vendor financing program. In my view this certainly is a move in the right direction in that it is using what you might call private dollars or vendor dollars and relieving the draw on the Alberta Heritage Savings Trust Fund. I'd like to delve into that program a bit though. First of all, the minister mentioned that there's some \$13 million, I believe, in vendor loan guarantees or loan arrangements. What has been the trend, though, and what is likely to be the projection for the next couple of years? Is it a program which is picking up steam? Is it likely to take over a significant amount of the loan portfolio as a program, or was it something that caught interest for a few months and has died down?

MR. ISLEY: It's something that started out slowly and is picking up. To date, after roughly one year in the program, we have 20 vendor mortgages in place totaling 1 and a half million dollars, which is quite a bit under what we had projected could occur. I would compare that to the Manitoba vendor mortgage program, which after four years has issued one loan, and the Saskatchewan, which after two years has yet to issue a loan. I think it's a program that, as the industry becomes more aware of it and as our loans officers suggest it as an alternative for part of financing, particularly on intergenerational farm transfers, could pick up significantly and pull in that private-sector money.

MR. JONSON: A supplementary question on the program, Mr. Chairman. What would be the interest incentive or the spread that would be provided to the vendor under this program? As I understand, it was going to be based on a five-year average of mortgage rates or something like that. What is the method used?

MR. ISLEY: The method, as I recollect, is the difference between the moving interest rate paid on guaranteed investment certificates and 9 percent, which in today's marketplace will be very, very little if at all.

MR. JONSON: My final question related to this whole area of special initiatives by ADC, Mr. Chairman, is on the index deferral program. Given current circumstances in the grain and oilseeds sector that were referred to earlier, I think this program has a particular application. First of all, is the plan still operating, and will it be extended or reviewed or enhanced in any way?

MR. ISLEY: The plan is still operating. Roughly 40 percent of ADC borrowers are already participating in it. Eligibility for new deferrals are in place until March 31 of this coming year. I suspect there will be some discussions over the winter months as to whether we should be extending that opportunity.

MR. CHAIRMAN: The Member for Westlock-Sturgeon, followed by Three Hills.

MR. TAYLOR: Thank you very much, Mr. Chairman. Also, my greetings to Madam Minister and M. Minister and four assistants. I'd like to go on to the ADC too. I've always had a hard time understanding why a Conservative government would have such

a monstrosity out there wandering around preying on farmers. It should have been hung and quartered quite a while ago. But let's go on a little bit further on ADC. In view of the fact that it is spreading its tentacles out through all forms of loans in the rural sector and also is becoming an agent of the Minister of Agriculture now when they put in aid programs and so on, it has pretty well squelched the whole private sector and is killing any competition from banks or trust or loan companies. You know, where the ADC was created to solve a problem a number of years ago, it has now become the problem. What possible reason do you have for keeping something like that going? Why isn't it liquidated, and why don't you get out of there?

MR. ISLEY: Well, first of all, I take a little offence to your statement about ADC out there preying on clients. You know, I think we've got to realize there's a real world out there, hon. member, that everyone can't succeed, as I said in my opening remarks. There are going to be winners; there are going to be losers. As far as work-out options to address problem accounts, I think as a result of this government ADC has some of the most innovative options that can be thought of, and if the hon. member has some productive suggestions along those lines, I'm all ears, but not of giveaways or debt write-downs. I don't think there is any desire from the industry — at least, I haven't detected any, and we just recently went through a meeting last Friday of every farm leader in this province — of doing away with the Ag Development Corporation. My reading of the industry and the industry's leaders is that they want us to keep in place and continue to encourage the growth of their industry at both the primary and secondary level through it.

10:31

MR. CHAIRMAN: Supplementary.

MR. TAYLOR: Yes. I can see him saying that there have to be winners and losers, but I question whether an agency of the government should be deciding who are the winners and losers. I think the free market, whether it exists or not . . . I guess we can postpone that, Mr. Chairman, to an election issue next time around. We'll see whether the farmers agree with the minister or with me.

Let's go on to ADC. The ADC has been designated the agent, as you point out on page 16 of the standing committee last year. I don't know where it appears in this one here. Yes, on page 13. They're the agent for your different disaster programs: the western Alberta ones, the southeastern one, and the northwestern one. I've had a great number of complaints. It's a kind of moving target. Is the minister aware, for instance, that with the southeast Alberta drought assistance plan, ADC decided a month ago to include income from hogs or cattle in whether or not the farmer would qualify for drought assistance, which in effect means that those farmers that have tried to diversify in southeast Alberta, in the drought areas, are being penalized by the ADC in their assistance program? Is he aware of that? Does he agree that income from nongrain farming should be included in the total income in deciding disaster assistance for drought and the wiping out of grain crops?

MR. ISLEY: The minister is certainly aware of it as are any of the government members that participated in developing the program. In both the northwest and the western disaster assistance programs and in the southeast, once you've qualified, once you could show hurt, once you could show losses as a result of drought, then you were subject to a needs test. If your income

from all sources except your RRSPs was sufficient to offset your ongoing expenses and your living expenses, then you failed to get a disaster loan at that point in time. If you passed the needs test, the amount you qualified for was the required topping up of your revenue to get you through the problems that were caused by drought. Then you went on to the next tests, which were the security and the viability tests. After going through all those tests, we did issue 4,000 disaster loans in the southeast disaster area and/or interest benefit options, because the other thing you could qualify for was that amount of interest toward an existing loan, to a total of \$320 million delivered into that region in an eight-month time period with virtually the same ADC staff. I would have to evaluate that as performance.

Granted, there are people out there that are very unhappy that they didn't qualify, and there are people that put forward very logical arguments, saying, "Hey, I was a frugal manager, I saved for the bad days, and now I didn't pass the needs test." That is what you're going to run into when you go out to help those that need the help.

MR. CHAIRMAN: Final supplementary.

MR. TAYLOR: Yes. I'd remind the minister the program was announced as a disaster program. It's like carrying burglar insurance and then having the assessor come out and say, "Well, your bank account looks pretty good, so I don't think we'll pay you for the burglary." Farmers have every right to feel that this was drought assistance and didn't have anything to do with their beef or their pig program.

Is the minister, then, aware of the other side of the equation: that ADC also went out to some of these farmers that were dried out and had tough times and said, "Look, you don't qualify for the assistance because we think you're going to go broke in the next two to three years," in other words, giving them that final little shove off the cliff? Now, what kind of assistance program is it that goes out there and says, "You don't look like you're doing so well, you look a little green around the gills, so you won't get disaster assistance no matter how much you've been dried out"? How would you justify that?

MR. ISLEY: If you had listened closer to my last response, once you got through the needs test, then you had to pass the security test: do you still have enough assets to secure this loan? Then, most importantly, do you have the ability, assuming the disaster, or the drought in this case, is behind you, to repay that loan? If you didn't pass those tests, you didn't qualify. That's a hard business decision. The program was never announced as a universal program that would assist every farmer in the region. The program was announced as a disaster program with a disaster loan in it made up the same way it was in western Alberta, in the northwest. It would help those that (a) qualified, (b) needed it, (c) could secure it, and four, could repay it.

MR. CHAIRMAN: Thank you.

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

MRS. OSTERMAN: Thank you, Mr. Chairman, and good morning to the ministers and members of their staff.

In his opening comments the minister spoke about the Agricultural Development Corporation and their innovation. I would agree; I think some very positive things have happened over the last number of years in terms of the operation and their directly meeting the needs of Albertans. I also believe that if they can,

while using the same administration, be utilized to deliver some of the plans that we have and helps that we're seen to get out there, that's a good utilization of staff. I have no quarrel with that.

In looking at potential innovation, I would like to maybe explore a bit of some of the ideas that may or may not be out there, because we can, I think, learn from other entities as to the viability of those ideas. It's interesting that in the trust fund's annual report, Alberta Opportunity Company happens to be on the same page as ADC. If I am correct in my understanding of the Alberta Opportunity Company operation, they are now taking equity positions in some businesses. If I am correct in that assumption, I am wondering if there is any such idea floating around with respect to policy for the Agricultural Development Corporation, particularly in the agribusiness area.

MR. ISLEY: That has been assessed by the ADC board of directors. They came up with certain proposals in the agribusiness field which are, I suppose I would say, currently being given consideration in the system. Whether the board's recommendations will eventually be upheld remains to be seen.

MRS. OSTERMAN: A personal observation, Mr. Chairman, to the minister, and that is that I have some concern, I guess, with extending the mandate from the loaning operation we presently have in the Agricultural Development Corporation given the type of expertise that I believe is needed and the role that an owner or a part owner should be playing in any entity.

With respect to the direct loaning now to the farmers out there, are any other areas being explored for those farmers who find themselves, notwithstanding some of the very good approaches we've used with the deferrals and so on – are any other areas being explored given the current state of circumstances, particularly in the grains area, knowing that that's where most of the lending is on land, as I understand it?

MR. ISLEY: The only one that I would say is being reassessed would be whether or not we should extend the index deferral program. The current state of the portfolio with arrears of roughly 5 percent is not indicating, as I stated earlier on, a crisis. If our other programs resolve the problems in the grain and oilseeds sector, then there may not be the need for further innovations to the ADC programs. But since those other programs are just starting to kick in, there may be a very good case for us to extend the indexed deferral option for one more year, and that's what is under consideration.

10:41

MRS. OSTERMAN: Well, Mr. Chairman, through to the minister, I think that's probably what I had in mind. I wasn't looking for an additional handout, you know, just looking for the general support programs for agriculture to work and those farmers who have been reasonable managers and so on to work within that framework. Given there may be some delays in those support programs taking effect, I would hope that that could be part of the consideration, not an additional subsidy through ADC, but only recognizing the time frame for the support programs.

That's all, Mr. Chairman.

MR. ISLEY: Thank you.

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

MR. EWASIUK: Thank you, Mr. Chairman, and good morning, ministers and staff. The Member for Three Hills sort of jokingly

asked us who was going to ask agriculture questions over here today, because Bob and I are primarily from urban centres. I just wanted to tell the ministers and the members that a good component of my constituency is agricultural. We do have in part of the constituency certainly grain farming. We also have a fair amount of vegetable farming, forage farming, and some livestock and feedlots and that kind of stuff. Of course, I'm still a farmer at heart as well.

Also, I might say that in that area of Edmonton we probably have some of the best climatic conditions, as I understand it, in the province for growth of farm produce and very good soil, so I think we have a very good agricultural component in that area. I think those farmers, like many farmers in the province, are experiencing some of our depressed situation in agricultural areas: as the minister said, primarily in the grain area, but in the cow/calf operations and the other produce certainly they aren't doing as well as they might or perhaps should be doing.

I want to ask the associate minister my questions, then, this morning, Mr. Chairman. I'm talking primarily about Farming for the Future. No doubt this is a good program. We must do this in agriculture. Every other industry does that. Research and development, I guess, is really what it is to a large extent. You can't quarrel with that, and I know they are doing some good things. We've seen examples of that, and the minister has reported.

MR. CHAIRMAN: Hon. member, your preamble is really becoming excessive. Would you move to a question?

While I've made the break, I would ask all members to please curtail their preambles, because at the end of the day the same members will complain about not getting in enough questions. So please don't be your own worst enemies; move to the question as promptly as you can.

MR. EWASIUK: Thank you, Mr. Chairman. I apologize for that.

I'm wondering now: in this Farming for the Future area, are we looking at some alternative crops, processes that would enhance the farming community in light of the plight they're in at the present time? What are we doing in this area?

MRS. McCLELLAN: Well, I thank the hon. member for his question and his interest in this area, because it is very important. The Farming for the Future program has a number of strengths. One of them that I have always been particularly in support of is the on-farm demonstration program. I'll just touch briefly on that component. I guess my particular support for that is that it does give opportunities across the province for demonstration plots of a variety of crops or varieties of particular crops to be grown. These projects are well signed; they're as visible as possible from any road. In almost all cases there are field tours of them. What it does is give producers an opportunity to see results from perhaps a specialty crop or different varieties of a traditional crop in their area without undergoing the expense and the gamble of the one year "will it work or won't it?" I have had the opportunity to attend and be on a number of those demonstration tours, and I would recommend that to any member that had an opportunity to go out and see what is happening on the on-farm demonstrations.

If you understand the committee structure that is there, it covers all the commodity areas – beef and dairy, cereals and oilseeds, forages, pulses, poultry, sheep – work, economics, marketing, and soil/water conservation and management. One of the areas that is being particularly looked at by the committees under the Alberta Agricultural Research Institute and the Farming for the Future program is the marketing area and looking at new products for

markets that are out there. We have said there must be much more market research done so that we in this province are producing crops there is a market for. I think that is the underlying importance.

So I would say yes, that is occurring. If you go through the lists in the reports of the projects that have been funded, I think you'll see a good balance between production efficiency, new opportunities for marketing, for value added, for conservation and environmental questions, which is really important to us so that in the future we can produce efficiently and in an environmental, sustainable manner.

That's a long answer, but it's a complex question.

MR. EWASIUK: Thank you.

MR. CHAIRMAN: Supplementary?

MR. EWASIUK: Yes. Thank you, Mr. Chairman. Another area in the province is the Peace River block. They have a compounded difficulty in their transportation costs in getting their produce to market. Is assistance available to the farmers up in the Peace River block? An example was given: perhaps the extension of the railroad. There's an old railroad bed there. They felt that by redistributing that railroad system in through the Prince Rupert area and/or assistance with costs of transporting the livestock to the slaughter areas . . . Is there any program under one of these areas that's available to those farmers?

MRS. McCLELLAN: There isn't anything in the program that would deal with an assistance program for it. I guess what is in the program is the research and the technology transfer component that will give those producers in that area some further direction in production of crops, first of all, suitable for the area and that perhaps can be value added in the area eliminating some of what is certainly a concern to that area and other areas in the province that face transportation difficulties. So this program is not designed in any way to be a direct assistance other than through research development and technology transfer.

10:51

MR. EWASIUK: Thank you. My final question, Mr. Chairman, is relative to irrigation. One can argue about the value that is received by the farmers who have access to the irrigation process. My concern, then, is some of the farmers in the central northeast area who experienced drought over the last several years and the assistance available to them. Now, we certainly support the irrigation programs, and we also assist the farmers as a result of the drought or poor crops or lack of sales for their produce. So the people that get the irrigation also get the other assistance. The farmers in the central northeast part of the province who have experienced drought may get drought assistance, but they don't have the benefit of also receiving assistance as do those who get the irrigation. I wonder if there is a bit of disparity here in terms of assistance to one sector of the farming community relative to another.

MRS. McCLELLAN: Well, the one program that I dealt with briefly this morning was the private irrigators assistance program. That program was instituted to give opportunities to producers across this province who were not within an irrigation district. I think the philosophy and the basics for the development of that program were very sound. Probably the problems in the take-up on that program are, as I mentioned this morning, with commodity prices, so that farmers just simply don't want to go into any other

high capital costs at this time, or can't. One of the other concerns is the availability of a source of water for using this program. It was put in place with the idea that a producer might be able to take up irrigation to secure a feed supply – for example, if you were a livestock producer – and simply produce enough feed on a secure basis for his own farm or move into some specialty crops or crops that are grown better under irrigation.

The assistance that is in place for yield loss is through crop insurance, and it is designed for that reason, and for forages, the forage insurance program. As you know, some years ago we extended that to cover more of the province. So these are the programs that are put in place to assist with that. What we've done through the research component in a great part of the area – and I live in a part of the area where it is semiarid. However, we are able to produce crops and sustain our agriculture there through the development of drought-resistant crops that will grow in that area and produce quite well. Those are the types of things we can do through research and development.

As I say, the private irrigators program was put in place with that in mind, to assist other areas of the province, but for obvious reasons the take-up just hasn't occurred.

MR. CHAIRMAN: Thank you.

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

MR. CARDINAL: Thank you, Mr. Chairman. Because I cover an area that's presently experiencing serious drought problems, I want to concentrate my questions on the disaster assistance programs. In 1990-91 Alberta Agriculture co-operated in administering a disaster assistance program for farmers to combat effects of heavy rains and drought across the province. Will the minister discuss his views on the strengths and weaknesses of the north-western, western, and southeastern disaster programs?

MR. ISLEY: Thank you, Mr. Chairman. Drought in the northeast is becoming an interesting subject to discuss. I just came back from Willingdon, too, at 2 o'clock this morning. I still have a wee bit of hide on my back, not very much.

If you analyze the three disaster assistance programs we've done in this province, there is only one component that is similar in all of them. That is the interest-free disaster loan, which we talked about a bit earlier with the Member for Westlock-Sturgeon. If you were to decide, and I'm not sure the evidence is there to make that decision, that the drought problems this year in the northeast in general, and in some areas very severe, constitutes a disaster, and if you were then to assess the program options that the farmer had in place – i.e., crop insurance, revenue insurance for his grain and oilseed production, forage insurance, pasture insurance for his livestock production – and conclude that they were inadequate, then you may be able to make that interest-free loan program work. If you were to conclude that they were adequate for those that used them and apply the same principles as we did in the other three areas – that, hey, if you didn't protect yourself, you would be deemed to have done it, and that would be worked in to reduce your loss over the years or the year that we're talking about – if you implement it in that way, it would not help the people in the northeast that did not take advantage of the insurance programs that are now trying to opt into them. So I'm not sure that even if we reach the decision that the drought this year in northeast Alberta, which no one is disputing, constituted a disaster and the programs were not an adequate response, you could simply transfer the southeast program or the western program in there and really do much good.



MR. CARDINAL: Thank you.

MR. CHAIRMAN: Supplementary?

MR. ISLEY: I might add that we made some water responses, because there is an area that the farmer had no program to offset those immediate problems caused by drought.

MR. CHAIRMAN: The Member for West Yellowhead.

MR. DOYLE: Thank you, Mr. Chairman. I'd like to begin by thanking Mr. Hartman for giving us such a great tour when we visited the Oldman River dam and the irrigation systems in the south part of Alberta.

MR. TAYLOR: Corn on the cob and dancing girls.

MR. DOYLE: Mr. Chairman, do I have the floor or the Member for Westlock-Sturgeon?

MR. CHAIRMAN: You have the floor. I ask for order from the Member for Westlock-Sturgeon.

MR. DOYLE: Thank you, Mr. Chairman. My question would be to the associate minister in regards to the irrigation system. Are any plans in place to enhance the environment of the irrigation ditches and the banks of those ditches with shrubs or small trees that would enhance the bird population or the fish and wildlife population?

MRS. McCLELLAN: Well, you raise a very interesting point, hon. member. In some cases in irrigation rehabilitation we have incurred considerable dollars expended on clearing these things from irrigation banks because they cause a problem with the structure. Certainly there is a fair amount of work going on in the districts, and I think the districts have a very proud record of co-operating on an environmental and wetlands enhancement in southern Alberta. If you had the opportunity to tour any of the wetlands areas that are a joint venture, we could call it, with the districts and environment, you would have seen evidence of that.

To say that we would have a program that a district would plant shrubs or bushes on every bank would not work, because in some cases it's appropriate and in some cases it certainly isn't. Some areas, as I indicated before, are left, even though there's some seepage, because it does enhance a wetland area or is good for environmental habitat for birds and other forms of wildlife. It is an interesting scenario, and I guess my comment would be that each district manages their canals and waterways the best way for their district. We support that local autonomy, and I would not see that we would have a policy that would direct them to do otherwise.

As I say, I think if you had an opportunity to tour those, or if you have an opportunity to look at some of the programs that have been done jointly with Ducks Unlimited, you would see that there are some tremendous wetlands areas in southern Alberta that are directly a joint venture between the district and, say, Ducks Unlimited and Environment, very nice ones such as Kinbrook. I suggest you take the opportunity, if you haven't had that, to see some of those projects.

11:01

MR. DOYLE: Yes, thank you. I'm pleased to see that Ducks Unlimited are working with the irrigation people. They indeed are

active in my area, which mainly has to do more with too much water on the farms rather than the drought situation of other areas.

A further question on the Oldman River dam is on the spillway at the bottom of the dam, the flue, if you call it that, going down to the bottom. It was noted that several dollars were spent on wind farms. Is there any intent to put a turbine in those spillways to generate electricity for southern Alberta rather than perhaps the wind farms?

MRS. McCLELLAN: I really wouldn't be able to comment on that, because through the irrigation rehabilitation and expansion program we deal with the waterways that deliver water to the farm user, but the headworks and structures of that type are under the mandate of Alberta Environment. Certainly the member would know that there is a small power producers program in this province that allows for the private sector to involve themselves in power development.

MR. DOYLE: Thank you. Mr. Chairman, my final, summation question would be in regards to the rail hopper cars. If my memory serves me right, last year some money was made on those rail hopper cars carrying other commodities. In my riding, of course, I have other farming, which is coal farming. Would the minister know if in fact those grain cars that were paid for by the people of Alberta could be used for the transportation of coal to either the Ontario market or the Pacific Rim?

MR. ISLEY: I would certainly not think so, but I can't answer the question with any degree of certainty. The hopper cars are not under my portfolio.

MR. CHAIRMAN: The Member for Lloydminster.

MR. CHERRY: Thanks, Mr. Chairman. Good morning to the ministers and staff. I can't help but feel somewhat sorry for the minister, Mr. Isley, for the long evening that he put in last night, but I know it was in the interests of the producers of this province.

My question is to the minister, and it has to do with ADC. Each year I compliment the minister on the direction he has taken ADC, because I remember that in 1986 we did do a review of the ADC and found some areas that certainly needed to be looked at. I think, Mr. Minister, you've done an excellent job in that area; you've followed a lot of our recommendations, very good recommendations.

What I would like to look at is the beginner farmers program as far as the interest that we charge the beginner farmer. I notice, doing some reviews in other provinces, that they are down in the 3 percent bracket on interest charged to their beginner farmers. Have there been any thoughts, in view of the situation that we're up against today in agriculture, that your department, sir, will be looking at maybe dropping that interest for the beginner farmer? After all, he is the backbone of the industry. We have to have young people coming along, and if we don't give them some incentive in today's world, then we're going to be losing in agriculture the young fellow that should be out there doing the job.

MR. ISLEY: Mr. Chairman, I would say that the improved direction that ADC is going in is not a credit that I would personally take. I think the credit for that goes primarily to the committee that did the extensive review and to Ag caucus, who selected in their wisdom the best recommendations that came out of that report. I would also give credit to the president and managing director of ADC, who I think has done an excellent job

once given the direction to implement many of those recommendations.

There has been no serious discussion that I'm aware of with regards to reducing the interest rate below the 6 percent. It's come up on occasion and has been brought to my attention by individual producers. It was not an issue that any of the farm leaders raised in their meeting with the Premier and Ag caucus on Friday. There was no request there for revising the program. It is something that certainly could be looked at, but I think if you turn to page 17 of the annual report, you will see that there has been a steady renewal of interest in new entries into farming since we hit bottom in 1987-88. Direct lending, as you'll see, in '87-88 was \$48 million. Direct lending last year was \$111.7 million. You know, we're virtually moving back up toward those pre '86-87 levels, and I would hope that we will never get back to that 1981-82 level, which occurred when we came out with our first beginner farmer program, which in my judgment then and in my judgment now was poorly designed. I think for anyone who says that there are no new people coming into agriculture, all they have to do is look at that graph to know that is not a statement of fact.

MR. CHERRY: Just a supplementary, Mr. Chairman. In your view, how do you think the beginner farmer is getting on today in the agricultural world with prices such as they are? How do you feel with the information that you have coming back to you?

MR. ISLEY: There are many types of beginning farmers out there. There is a beginning farmer who is using off-farm income to help pay for the capital costs of that farm, and the new beginning farmer loan is certainly designed to encourage that type of an entry into the industry. There is a beginning farmer who very often in an intergenerational transfer may be able to become a full-time farmer. I think we've already acknowledged that the grain and oilseed sector is in serious difficulty, but I think if one analyzes the programs that have recently been put in place under the associate minister, farmers are really looking at eventually getting \$4.15 a bushel for their wheat on an area average this year as compared to \$3.15 last year. The overall cash flow, once it reaches them, will probably be as strong as it was last year. If you start making your assessment based on the real price of grain, then it certainly wouldn't be.

We may have to do some other things to assist the grain and oilseed sector through this time of crisis. We heard a number of suggestions in our meeting with the farm leaders on Friday, all of which the Premier has committed us to assess and respond to.

MR. CHAIRMAN: Do you have a supplementary?

MR. CHERRY: Yes. I wanted to turn my attention to the associate minister now, Mrs. McClellan. Madam, I guess I want to look at the irrigation projects. I hear it out in the area a lot that irrigation is taking away from the dryland farmers further north of them such that the whole agricultural feeding area is now switching into the south and it's a direct result of irrigation. I guess my question to you is: are the irrigation districts paying the proper amount of dollars? I can understand the heritage trust fund putting in the infrastructure and all that, but are they paying their share of the operating costs of that enormous project, which has been so beneficial to southern Alberta?

11:11

MRS. McCLELLAN: Thank you, hon. member. Mr. Chairman, it's a very complex discussion, and the member raises some interesting queries on it. In 1984 the Alberta Irrigation Projects

Association determined that irrigation activities directly or indirectly employed 35,000 people and accounted for \$940 million of Alberta's gross domestic product. They also suggested in that report that 14 percent of the funding total should be borne by the irrigation farmer through water rates. That was the basis for their discussion. Why I give you those figures is because it was their conclusion through that report, which was done by an independent group, that that was a direct benefit or indirect benefit included to the province, an 86 percent benefit to the province, 14 percent to the producers. That is the formula, and that is the share that the producers pay.

I would simply say on that point that they have commissioned an updating of this report, and we will certainly look forward to that report when it is finished and would be happy to share it with the members. I should note - Mr. Hartman just reminded me - that the districts pay all of the operating and maintenance costs of those systems, all of them. The money that we are expending is for rehabilitation and improvement of the lines that are there.

The issue of whether irrigation has directly impacted on the movement of an industry from one part of the province to another is an interesting one, and I think that in exploring the whole issue, one finds that there are many factors that enter into where a product is produced or a commodity is grown. Certainly, heat units have a significant factoring in your feeding program, because as you know, when you're finishing an animal, it needs a certain amount of energy, and if you're in a climate that is harsh, I suppose the energy is burned in keeping that animal warm rather than putting it into its carcass. So that's part of it. I would say that the assured forage production for silaging is a factor. However, when I look at the crops that are grown in that area and talk to feedlot operators, a great amount of their barley grain crops come out of central Alberta, which is not an irrigation area. It's a question that has many facets to it, and I don't think there's one simple answer that you could say yes or no, that has not had an impact on where location is.

The other one I would just remind hon. members of is a very difficult problem that we have in northern Alberta that was highlighted earlier, and that's transportation. A great number, particularly, of our beef go into the U.S., and there is obviously transportation ease in that north-south market from southern Alberta. So there are many factors, not just irrigation, that enter into that.

MR. CHAIRMAN: Another supplementary?

MR. CHERRY: No, Mr. Chairman. In closing, I just want to make the correction: if I said "he" in the beginning farmer, I want to correct it to make sure it is "he or she."

MR. CHAIRMAN: Thank you. I'm sure that's a given.

The Member for Calgary-Foothills, followed by the Member for Wainwright.

MRS. BLACK: Thank you, Mr. Chairman. I don't have any farming communities within my riding, but a concern shared by everyone in not only the province but this country is the future of farming and where it rests within our economic stability as a province and as a country. My concern is with the Farming for the Future program. We've been operational for a number of years now, and we've expended \$58 million on this program. Obviously, from the past few months' news of the devastation within the farming community, there has to be a better method. I'm wondering if in the 109 research projects that have been started and/or completed, have we delved into any that would look



at different marketing schemes for farmers that may alleviate the high cost of going from the farm to the marketplace?

MRS. McCLELLAN: Mr. Chairman, certainly the Farming for the Future program has funded a number of projects that look at alternatives, diversification: opportunities for the producers in this province. We have some significant successes in diversification and in doing things that have enabled people, producers or businesspeople, in communities to value add. It's difficult to tie a direct link always to a research project or a program, but we would certainly hope that many of these projects have given farm gate producers opportunities for diversification.

The minister and I had the opportunity to tour a community in southern Alberta and look at a number of diversified operations. Spitz sunflower seeds, where a farmer who was growing sunflower seeds and having some difficulties marketing and some concerns with market costs, is now producing Spitz sunflower seeds I understand very successfully. He certainly has a good product, in my opinion, and has value added for his product and other growers' in the area right there. Another one that we visited was PAN Oils, where producers are growing spearmint, types of mint, and distilling that product right on the farm and then shipping it in the distilled way, which takes away from your bulk transportation costs, into markets. Those are just two of some opportunities that have occurred.

Naturally, looking at uses for canola meal, pelleting for alfalfa, cubing - the compressed hay - which we have done a great amount of work on to have opportunities in the overseas markets for those products, are helping producers all over this province market an alternative crop. Those are certainly some of the things we look at.

11:21

I don't know whether you all have copies of these research reports, but certainly, for anyone that would like to look at them, you'll find some very innovative ones. I'll name just one - I'm looking for volume 5, number 2, November 1990 - commercial adaptability, feasibility, and management practices of selected essential oil and spice crops in Alberta. So there's a diversification. These are public reports, they are available to all of you, and I certainly recommend that the members of the committee look at them and give us feedback. Our committees are comprised of people who are in the primary industry, who are in agribusiness, the processing industry, in the academic side of it, and our research associations, be they provincial or Canada research. So we have a good co-operative basis and, we think, pretty good input, but we'd welcome your input on the attempts that are being made to help farmers with diversification, new markets.

MRS. BLACK: Mr. Chairman, as a supplementary, I guess what I'm getting at is that when you read - as I say, I don't have a farming background - reports of dairy farmers dumping milk down the drain, turkey farmers not being able to market their product, and you go into our Co-ops and Safeway stores in Calgary and see American beef sitting there cheaper than Canadian beef, you look at this kind of concept and begin to wonder: have we got too many middlemen in marketing boards and agencies . . .

AN HON. MEMBER: Middle persons.

MRS. BLACK: Middle persons, excuse me.

. . . middle things that are hindering from production to market. Are we reviewing that kind of concept? Not necessarily the

diversification, but are we building hierarchies and expensive deliveries of our product on top of each other at the various levels of government and missing out on the actual marketplace at the end result? I guess that's what I'm asking. Are we studying that concept in this research of Farming for the Future?

MRS. McCLELLAN: Dr. Christian might want to comment on what we're doing directly through Farming for the Future, but I would just like to mention to members that through the federal/provincial ministers we are looking at those issues: nontariff trade barriers, interprovincial trade barriers, what are things that we perhaps have in place ourselves that inhibit the transfer of goods and opportunities for markets. There has been a great deal of work done on that. I would ask Dr. Christian, who's the director of our research, if he wants to comment on some specific examples of market access that we may have.

DR. CHRISTIAN: Thank you. Mr. Chairman, there is one specific project in the same research report that the associate minister referred you to. It's in the marketing section and refers to a study on the GATT process in section 11, which relates to the marketing boards and their position relative to today's trading situation. Yes we are funding projects in this particular area. It certainly has many facets to it, but we are funding some studies that relate to it.

MR. TAYLOR: Sorry, Mr. Chairman, but I could I get what was the - it's in marketing boards but in what particular area? Did you say gas, or did I mishear?

MRS. McCLELLAN: Sure, and there's another one here.

MR. CHAIRMAN: The member's just asking for clarification; there's no question.

MRS. McCLELLAN: It's right at the top of that page.

DR. CHRISTIAN: The pages unfortunately aren't numbered, but it's four pages in, and you'll see an economic analysis of article 11 of GATT on the right-hand side near the top.

MR. TAYLOR: Oh, article 11; sorry. Dairy, I see.

MR. ISLEY: It's a supply-managed sector.

DR. CHRISTIAN: Yes. It's always supply-managed operations.

MR. TAYLOR: I'm okay. I'm sorry; I just didn't catch that.

MRS. McCLELLAN: There's another one on that.

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

MR. FISCHER: Thank you, Mr. Chairman. I've waited so long that most of my questions, on 'agrigation' anyway, have been answered. But I have one small question, and maybe Mr. Hartman can enlighten me on that. I would like to know how the carp are doing there. Are they growing? If they are, is it illegal to fish them out, and are they doing their job by cleaning out the canals?

MRS. McCLELLAN: Before Mr. Hartman takes on your question on the fishing - and I'm going to leave that one to him, whether you can go down and fish them out - I would say that this same

research report does have some information on the carp project, which is a very interesting project. I believe it's in the last year – is this year three?

MR. HARTMAN: We're going to be beginning that.

MRS. McCLELLAN: We're going into our last year on this project where we've introduced carp into irrigation canals to eat weeds and algae and to cut down on the cost of maintenance. The project is working very well in canals that it can be used in. One of the problems we have when we introduce any fish into an irrigation canal is: where does the water from that canal ultimately go or could it go? They can't be used where they could go into rivers, et cetera, even though these carp are – is the right word "sterile"? But it is a very interesting project. I think it has worked fairly well, and Gerhardt might want to comment on the wintering of them and whether you can, indeed, go out and fish these carp that have grown quite large.

MR. HARTMAN: Mr. Chairman, thank you. The carp project has been reasonably successful. The fish are doing a pretty good job of eating those weeds that exist under the water. In fact, they'll eat the weeds along the edge of the ditch that are above the water level if they really get hungry enough.

It is legal to fish for these things if you use the normal lures, because they will not eat anything but weeds. So it's kind of hard to catch them by normal fishing methods.

MRS. McCLELLAN: You have to net them.

MR. HARTMAN: Yes; they are very hard to catch. In order to get them out of the ditches and place them into ponds for overwintering them in deep enough water, we have to net them, and we use special methods because they're very hard to catch if they're big enough and so on.

The project is in its fourth year now, going into the fifth year next year, the final year. It will be funded, we hope, through the Alberta Agricultural Research Institute and other sources. Whether or not the fish are going to be successful and usable in the irrigation industry or in other areas of the province, like dugouts for weed control in central and northern Alberta, remains to be seen. That kind of availability will have to be controlled by other departments of the provincial and perhaps even federal governments, but the legality of the fish for that use will have to be determined yet. This is still part of a pilot project study under very close scrutiny and control by the authorities, and under the existing legislation these are still considered an exotic species. Everybody we talk to wants to get their hands on a couple of these fish for use in central and northern parts of the province for their dugouts, and it would really be nice to be able to say, "Yes, you can have them tomorrow." So far we aren't able to do that.

For your interest these fish are a reasonably good eating fish. In some parts of Europe they are considered a delicacy. That's where they come from, in fact, and I'm hopeful that these fish will perhaps form part of a small industry in the province someday, whereby we can raise them ourselves, breed them, and sell them to irrigation districts for weed control and to other people in the province, like farmers for dugout weed control and perhaps even golf courses and places like that, where you have wetlands where you want to keep the weeds under control, not necessarily eliminate them.

11:31

MR. FISCHER: How long are they now? We saw them down there when they were . . .

MR. HARTMAN: Yeah, we've got little ones that we brought in last year, and then bigger ones that were brought in the year before. Some of them are eight, 10, 12, 14 inches long. One of the problems we had this year was that the blue herons and other predators who sat on the canal banks didn't understand what we told them, that it was illegal to eat these things. So the smaller fish are easily susceptible to natural predators. Some of them didn't get as big as we thought, but if the water's warm enough and you allow them to eat long enough, they will become very, very large: three and four feet long. They will get up to 40 pounds easily, things like that. So you can have some really large fish if they're old enough.

MR. FISCHER: My other question, Mr. Minister, is with the food processing centre and the \$9 million that we have invested in the centre. I would like you to comment just a little bit on the operation of it, its budget and the fees that are charged, and whether or not the fees offset the operating expense.

MR. ISLEY: My first reaction would be that at this point in time they don't. I'll give you the details of the fees charged as a follow-up in writing.

Use of the centre has been increasing. The feedback I'm getting from the food processing industry as to the value of the centre is certainly positive. As I indicated in my opening remarks, the operating costs are not through the Heritage Savings Trust Fund. They're through the General Revenue Fund, but I'll provide you the details on that and the amount of fees we are collecting relative to the operating costs.

MR. CHAIRMAN: Thank you.  
The Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. It's good to have the ministers here, especially after the welcome they got last night. They're in good shape for this committee today.

I want to go to ADC now. I'm very pleased with the changes. As you mentioned during this session of the committee, there were changes made; we've heard that. We got away from the economical unit and the limitation in off-farm income which were a disaster and should never have been there in the first place. But I want to look at our present program and ask you: how do we assess these loans before we give them out? Are they assessed on the ability of the land base to generate the revenue to retire that debt, or are they on cash flow? I know the banks now have changed from taking equity as a basis for making that loan. The major consideration by banks is the cash flow. Certainly they take the equity position as security, but they will not give that loan no matter how much security you have in land base; they don't want to become landlords. But they look at that cash flow. Are we looking at that cash flow as the number one priority of giving a loan?

MR. ISLEY: The very short, simple answer to that question would be yes. Now, not just the cash flow necessarily from the land base; the total cash flow that that beginning farmer has at his disposal that he's prepared to put into the industry.

MR. MOORE: Now let's look at our failure rate of our loan portfolio. How does it compare with the chartered banks?

MR. ISLEY: At this point in time I would say it's quite comparable. Probably in 1988 it was higher than the normal banks. In the early '80s it was far lower.

[Mr. Jonson in the Chair]

MR. MOORE: The other end of the scale is that we always have arrears, but arrears go from a guy that's missed his loan payment for one year to those that are past the point of no return, who are so far in arrears there's no chance of getting out. What is our percentage of arrears? Because of the economic situation out there, is the bigger percent of arrears getting over into that dangerous area where it's the point of no return for that farmer?

MR. ISLEY: Our arrears are down, as I indicated in my opening remarks, from 11 percent in 1988 to 5 percent as of September of 1991. Let me check that '88 rate; 1988 is correct, yes.

MR. DEPUTY CHAIRMAN: Thank you.  
Westlock-Sturgeon.

MR. TAYLOR: Thank you very much, Mr. Chairman. First just a short question on the ADC, then I would like to jump, so it is not really a supplemental, I trust, with your patience. When the ADC foreclose loans - I believe they still are foreclosing - is there any reason why they cannot put foreclosures out of their method of reaction entirely and just do three- to five-year, preferably five-year, leasebacks? In other words, why can't you just abolish foreclosures of subsequent sales but go through from a foreclosure into a five-year leaseback rather than do a sale, which depresses the market and also passes on a saving to the new person? Why not let the present farmer continue farming it on a leaseback, which keeps the community alive and vibrant? Why not make it a rule rather than an exception, as it is now?

MR. ISLEY: Well, first of all, Mr. Chairman, it's never been the desire of this government or its agency, the Ag Development Corporation, to become a major landholder in the province. Foreclosure is used as a last resort in resolving an account and is only used in the event of lack of co-operation from the client in using any of the other options. Under the partial quitclaim home quarter buy back option, leasebacks are recognized and in some cases do go as long as five years. It's our desire to keep them as short as possible and move that land back into private hands as quickly as possible, but under the partial quitclaim home quarter buy back option, leasebacks are possible if that person can show that over a period of time they will be in a better position to attempt to buy that land back at the open market. They don't get first chance at buying the land back that they've quitclaimed, but they certainly get the right to bid on it in a tendering process or to bid on it in an open auction.

MR. TAYLOR: Of course, the minister must realize that the right to bid on it just after it's been foreclosed doesn't do any good, because the farmer hasn't had a chance to generate any other income. It seems to me that the government has adopted a policy of taking land back and reselling it at a markdown to other farmers rather than trying to keep the farmer on the land under a leaseback. That again can be an election issue, I guess. [interjection] Yeah, we'll take it up.

Let's go on to the research and maybe into irrigation a bit: the use of water meters for the use of water. Is there any research going into how it could be done cheaply? One of the big arguments against it now is the expense of water metering. One of the great advantages of water metering is, I think, the PR work it would do for the city MLAs and city people who feel that water is being wasted. Even if it proves it's not being wasted, it does prove something. One of the things is the high cost of water

metering. Is there any research on trying to cut down the cost of metering?

11:41

MRS. McCLELLAN: I'm not sure that it's the cost alone. I guess the question is: do you impose an additional cost without some basis for doing it? Under the private irrigators program water meters are a part of that program: you must have the metering. Through the delivery of the water to the irrigation districts to the farmers, it is not done. I have said in this committee before and I will say it again, that farmers pay for the use of that water through a water rate to that district. It is costly, and farmers are not going to, in my opinion, use water unnecessarily. The pumping costs are very high. You will, I'm sure, have heard of concerns from irrigation farmers on the costs of pumping that water.

I think we need to continue, on an ongoing basis, to look at ways to more efficiently use the water through improved systems, on which there is work being done all of the time, and certainly the private sector is very involved in improvement of sprinkler systems, drip systems, and so on. I think that's very important. I believe I can say with some assurance that users of water for irrigation of crops are very careful with the amount of water they use for the reasons that I outlined. Districts are very careful about that as well, which is one of the reasons we have supported the program of improvement and rehabilitation of these canals so that the water is efficiently delivered and is not lost through seepage, because water is a very precious resource. All of the districts have to face having enough water to supply their producers throughout the year.

I would also remind all members that irrigation water, or water that comes from the irrigation headworks or systems that are there, does not only support irrigation farmers. It is the source of supply for water for many municipalities and many towns as well as for the agribusiness that exists in those areas. I don't think there's a man-made lake that holds water in southern Alberta. Many of the irrigation reservoirs are the only source of water recreation that exists, and that is not used primarily by the farmers; in fact, I would say they may be the lesser user of the recreation facilities. They're usually fairly busy at that time of year. So it is a broad use and a broad value to the whole area as well as delivering water to farmers.

MR. TAYLOR: Thank you, Mr. Chairman. Thank you, Madam Minister. I agree with you that they are careful users. My point was that I wanted to be able to prove to the rest of Alberta, a large percentage of whom are not irrigating farmers, that there is no wastage. It's more a proof thing.

Let's move on to another thing. On page 30 of the Alberta Heritage Savings Trust Fund annual report it mentions the Lesser Slave Lake outlet.

The perennial problem of flooding in the communities and agricultural lands surrounding Lesser Slave . . . was alleviated in 1983-84 through completion of construction of a weir and outlet channels to help stabilize lake levels.

That's page 30, halfway down the right side. I've just come back from a tour up there - this was the second one in three years - and it is not working. The land is flooded on the west end pretty badly, and yet we run into one of these things where the PhDs with the thick glasses sitting in Edmonton say it's working. When you go out there, the bloody land is flooded. You can see that; you get your hind end wet if you walk on farmland. So something is not right. Has there been any follow-up on that to see whether possibly the weirs have been set too high down at their tail end, or something's not working?

MRS. McCLELLAN: Two things. One, I'm going to draw your attention on your last question to this report that I think we sent out.

MR. TAYLOR: I've seen it, but I haven't had a look at it.

MRS. McCLELLAN: Back to your previous question. On page 16, if you look about the middle of the page under irrigation, there is a project on the evaluation of single delivery flow measurement devices for a project.

On your supplemental question, the answer for that question would have to come through Environment, because Environment is responsible for that part of the projects.

MR. DEPUTY CHAIRMAN: Thank you, Madam Minister. I was just going to draw that to the questioner's attention.

The Member for Clover Bar.

MR. GESELL: My questions have been covered; I really don't want to repeat any of the comments that have already been made.

MR. DEPUTY CHAIRMAN: Thank you.

The Member for Three Hills.

[Mr. Ady in the Chair]

MRS. OSTERMAN: Mr. Chairman, I wanted to touch on the research side, and these questions may have been asked at other times. It was just a bit of a general overview. I realize that we have a chairman and board that govern the research area, and I didn't know whether they got into individual decisions. My comments are based looking at the overview for '90-91 projects. As I look at the headings where the different projects have been grouped together and given a heading, I was looking at processing marketing. I realize that all aspects of research in agriculture are really important, some of them not so obvious to the layperson – it's some background that may eventually prove very valuable through the various processes – but processing marketing is pretty critical right now. I just wondered how direction came about, if at all, to sort of balance the various sectors that are given funding and if that is given any kind of a look at all in the overall scheme of things as to how the dollars for each year or various years, because it's not always just a one-year project, will be given out.

MRS. McCLELLAN: Well, as I indicated earlier – and I know the member understands that – we do have six committees and, I would say, equal weighting on the importance of those committees. Agricultural policy, economics in marketing, is one of the areas. As the minister to whom the research institute reports, certainly I meet with the group at least twice a year, oftener if I can. Also, agricultural caucus committees meet with that group. Early in my responsibilities to this group, in the discussions with them I certainly carried the message that I felt that marketing research was a very important area. I think it has shown, through the number of projects that we are offering in that area, that that is getting the attention I think it requires and deserves in the future.

Dr. Christian may want to comment further on the specifics of what we have done in these recent years and what we're looking at in the next year.

DR. CHRISTIAN: Yes, if I could, Mr. Chairman. The process for trying to do the balancing is one that begins with the call for proposals. For example, this year we have identified both

marketing and processing as priority areas along with some others and put specific points under those headings. So the researchers then respond, knowing that those will get more attention from the committee and the board. In the process of reviewing, the committees will identify and prioritize in a list those projects which are most important to that particular sector. Then the board itself reviews those and decides on the final allocation. So it has, in fact, given more emphasis to certain priorities such as processing and marketing.

MRS. OSTERMAN: I appreciate that.

A supplemental, Mr. Chairman. When the results of these are available or at least the project is concluded – and I'm looking at something very interesting that caught my eye: the very first one under processing marketing, and that is the use of biotechnology to develop innovative systems for preservation of meats. That just opens up all sorts of ideas in terms of what it is that we could do in Canada and where our markets are and the cost if you're able to ship something that doesn't require a great deal of refrigeration or whatever. How is this then transferred to industry? In a specific proposal like this or the information that will flow from the research project, what will happen, just as an example, in this particular area?

11:51

MRS. McCLELLAN: Well, I'll comment first, and Dr. Christian may want to add. All of the projects that we fund, the report does come to us and can be and is disseminated to the industry. Certainly you picked up one that's very key. I should have mentioned in the earlier comments that in the Department of Agriculture the minister has put production and marketing under one sector because of the tie that's very important on the production and the marketing of that project. So we have those together. In the discussions we have on the long-term policies for agriculture, marketing and processing and directions in research are ones that the minister and I have felt that it was very important to carry forward through this process, and I think it's showing there.

Certainly one of the challenges we have in producing cuts of beef or boxed beef into the Asian market is shelf life. They want a long shelf life, so we have to look at ways that we can improve the shelf life on those chilled products. We hope this will come up with some innovative ideas. The other thing, of course, is that they're also very conscious of use of chemicals. They're very health conscious, and I think that's one of the areas that we really have to work hard on in all of our processed areas, whether it's meats, vegetables, or whatever; that we can be ahead of that wave that's out there that wants so-called natural products in preserving and shelf life.

Dr. Christian, you may have some more comment on the way that we transfer the technology. We have, as I said, on-farm demonstrations for certain projects; we have reports that are available; we have a library. You might want to comment specifically on the computer link that we have developed now, where a producer can access information through computers.

DR. CHRISTIAN: Mr. Chairman, if I could, I could add a few points. Our marketing services division of the department has contacts with all of the processors in the province, and so one of our major linkages is to provide the reports to the people in that division. They can then fit that information together with what they already know and make recommendations and advise companies. We do have, certainly, publications arising from the work that's done, whether it's in magazines or in scientific literature, so that people in the industry can pick up those ideas.

We have an electronic data base that anyone who wishes who has a computer with a modem can phone in and search through and pick up whatever information that's available. They can search it through and just access those that he or she is interested in.

One of the professorships that we're funding at the University of Alberta is specifically in food preservation and packaging. Next week there's a series of seminars going on with some experts from the U.S.A. to speak to industry people coming in about these specific concepts and ideas. I would also just mention that the Food Processing and Development Centre is expanding a program of bringing in technologies and inviting companies in to see demonstrations of how they work and might be applied to their own operation.

Thank you.

MRS. OSTERMAN: My last question, Mr. Chairman.

MR. CHAIRMAN: Yes. A final supplementary.

MRS. OSTERMAN: Yes. It has to do with moving it to the marketplace. What role do inspectors or Health and Welfare Canada, whoever speaks to the kinds of things that can happen to food when it's eventually going to the consumer – do they get involved at all in looking at these results and saying that this is okay or that isn't okay in terms of utilization of a process for food for sale here?

MRS. McCLELLAN: Certainly anything that was used would have to pass Agriculture Canada's registration, regulations, and usage.

MR. CHAIRMAN: Thank you.

We only have two minutes left, which really doesn't give us time to entertain another set of questions, so I'd like to thank the ministers and their government officials that have come before us today and for the forthright manner in which they've responded. I'm sure our committee is enlightened by them having been here, and we'll look forward to having them come next year again.

For the benefit of the committee, we'll meet again this afternoon at 2 o'clock, when the Hon. Rick Orman, Minister of Energy, will appear before the committee.

The Chair would entertain a motion for adjournment. The Member for Lacombe.

MR. MOORE: I move that we adjourn.

MR. CHAIRMAN: All in favour? Opposed? Carried. We stand adjourned until 2 p.m.

[The committee adjourned at 11:58 a.m.]

