

Standing Committee on the Alberta Heritage Savings Trust Fund Act

10:02 a.m.

[Chairman: Mr. Ady]

MR. CHAIRMAN: Order. We'd like to welcome before the committee this morning the Hon. Ernie Isley, the Minister of Agriculture, and the associate minister, the Hon. Shirley McClellan. They have with them some people from their department. We'll ask them to introduce them when they make their opening remarks.

We appreciate the ministers and their government officials appearing before our committee to give us an overview and to answer questions from the committee. We would invite the ministers to make some opening remarks if they choose, and then we'll move to the question portion of our committee.

MR. ISLEY: Thank you, Mr. Chairman, and good morning, ladies and gentlemen. I'll just make a few background comments, and then after Madam Minister makes her comments, we'll accept questions in any of the areas that we have to account to this committee for.

ADC provides loans and guarantees to farmers and agribusiness in Alberta. The Ag Development Corporation provides financial services through various programs, including both direct loans and indirectly through guarantees of private-sector loans. During 1991-92 ADC approved \$147 million in direct loans and \$85 million in loan guarantees. This includes \$63 million in disaster assistance loans. Since its inception ADC has made loans and guarantees totaling \$3.5 billion. In 1991-92 ADC borrowed a hundred million dollars from the Alberta heritage savings trust fund and repaid \$42 million. Since its inception the corporation has borrowed \$1.35 billion from the fund and repaid \$290 million, leaving \$1.06 billion outstanding as of March 31, 1992. The corporation oversees a portfolio of \$1.2 billion.

During 1991-92 ADC has further improved its efficiency and productivity. Direct farm loan arrears over one year have been steadily decreasing over the past few years. These arrears were 4.8 percent of the loans outstanding at the end of fiscal year '91-92, down from 11 percent in 1987-88. ADC's commercial financial services portfolio continues to increase as more diversification and development takes place in Alberta.

A new federal/provincial program under the western economic partnership agreement was introduced this year. This Canada/Alberta partnership on agrifood, known as CAPA, is encouraging new development in the agrifood sector.

The carrying costs of properties returned to ADC are expensive. ADC's objective is to put the land back into private ownership and production as quickly as possible, and the goal is to avoid carrying any property longer than six months. Quarters available for sale at year end were 146 compared to 207 the previous year. Staff productivity has improved. The value of assets administered per ADC employee was \$5.8 million in 1991-92 compared to \$5.6 million in 1990-91. ADC handles the largest loan volume per employee of any major government farm lending agency in Canada.

ADC emphasizes value-added service to serve the financial needs of its clients. This is coupled with efficient use of government funds, fiscal responsibility, and an efficient organization. I'm confident that ADC's contribution will continue to grow to serve agriculture for a long time to come.

With those opening comments, I would turn it over to Mrs. McClellan, and we'll proceed from there.

MR. CHAIRMAN: Madam Minister, would you introduce your...

MRS. McCLELLAN: Yes, I will.

MR. CHAIRMAN: Thank you.

MRS. McCLELLAN: Thank you very much. Mr. Minister, Mr. Chairman, members of the committee, I'm really pleased to have the opportunity this morning to appear before your committee and discuss and review the fiscal year 1991-92 under the irrigation rehabilitation and expansion program, the Alberta private irrigators development assistance program, and the Farming for the Future program, three very important programs funded by the heritage fund.

I would like to take this opportunity to introduce to you staff from Alberta Agriculture that have joined us today. Beside me are Dr. Ralph Christian, executive director of the Alberta Agricultural Research Institute; Gerhardt Hartman, manager of the Irrigation Secretariat in Lethbridge; and Brian Colgan, director of the irrigation and resource management division. I certainly want to commend these individuals and their staff for their dedication in delivering these very important programs and other services to Albertans.

I'd like to touch briefly on the three programs that are in this area, and I would begin with the irrigation rehabilitation and expansion program. In 1991-92 the irrigation rehabilitation and expansion program completed the first year of its new five-year mandate. During that year \$20 million was invested by the Alberta heritage savings trust fund in the water delivery infrastructure of the 13 irrigation districts. As indicated in the annual report, which I know you all have received copies of, 98 kilometres of pipeline were installed and 16 kilometres of canals were lined. A further 43 kilometres of earth canals were rehabilitated. As of March 31, 1992, a total of \$332 million has been invested in irrigation rehabilitation and expansion. The 13 irrigation districts during that same period have provided an additional \$52.7 million to this program. Irrigated land in Alberta has increased 35 percent since the program began in 1975. As of December 31, 1991, a total of 1,212,141 acres were under irrigation within the irrigation districts.

Water is a precious resource. For that reason the program continues to strive to make water delivery systems more efficient. While it seeks to increase irrigation efficiency and ultimately farm production, the program also addresses the environmental consequences of irrigation and endeavours to reduce land lost to seepage and to reclaim salinized land.

According to a 1984 report by the Alberta Irrigation Projects Association, irrigation activities account for \$940 million of Alberta's gross domestic product and provide employment for 35,000 people directly or indirectly. I should say that the AIPA is currently updating this report, and I look forward to sharing it with members once it's complete.

The current mandate includes provisions for an endowment fund. This is administered by the Provincial Treasurer to support future rehabilitation of the irrigation delivery systems. As members know, the Irrigation District Rehabilitation Endowment Fund Act, assented to June 26, 1992, creates the administrative vehicle for this new fund. A total of \$10 million from the 1992-93 budget has now been deposited into that fund.

I would move from that program to the Alberta private irrigation development assistance program. The Alberta private irrigation development assistance program helps farmers develop private irrigation systems to protect their farms from drought and to diversify or intensify their operations. This program covers up to 50 percent of the cost of capital works constructed by private irrigators to bring water from a source to their fields. It does not provide support for the acquisition of on-farm equipment such as pivots and sprinklers. The program complements the irrigation and rehabilitation program, which in its mandate provides funding for

capital works within the districts. Over the first three years of the program 89 applications were received, from which 58 have become operational and eligible for assistance. Total expenditures during that time were \$816,000. To date over 7,500 acres of new private irrigation development has been supported by the program. During the 1991-92 fiscal year 18 new projects were developed with expenditures of \$370,388. You would note that expenditures were substantially less than budgeted. Over the past three years the number of applications to the program have been consistently less than were originally projected. However, economics in the crop sectors and the continued moratoria on licensing new projects in many parts of the South Saskatchewan River basin certainly have contributed to that situation.

Since I last reported to the committee, the mandate for the program has been extended for another three years commencing April 1, 1992. Two changes were made in the guidelines. The \$30,000 limit has been established on a per farm unit basis rather than a per project basis, and all grant payments are made in one lump sum. A total of \$2.6 million is targeted to support this three-year extension. We believe that there will be use of this program in the next three years.

10:12

I would move from that to Farming for the Future. Mr. Chairman, since April of 1991, Farming for the Future has been managed by the Alberta Agricultural Research Institute. Over the past 13 years Farming for the Future has supported nearly 1,600 research and demonstration projects involving the major commodities and resources important to food and agriculture. These projects have produced new crop varieties, improved livestock production methods, developed new soil conservation techniques and better marketing information, as well as improved food processing technology.

Farming for the Future is a leader in fostering innovation in agriculture. Program funds have allowed agriculture and food researchers working in the private sector, academic institutions, and government research stations to apply their talents and skills to the improvement of our industry. The program has also created a conducive atmosphere for more co-operative and co-ordinated efforts among professionals involved in agricultural research and extension. Researchers, farmers, processors, and extension staff work closely together on many projects. Alberta Agriculture's extension professionals are important links in the research and demonstration process. They effectively transfer the knowledge gained through research projects to producers and processors.

Farming for the Future substantially benefits our agriculture and food economy. A consultant's report completed in 1991 suggests that over the next 25 years the aggregate return to the provincial economy from investment in the program may exceed \$900 million.

Mr. Chairman, agriculture production and food processing are important contributors to the provincial economy. Our welfare is tied in part to their continued growth and success. Growth requires increased efficiency and productivity. Research and technology transfer are indispensable components of an efficient and competitive agricultural system. Farming for the Future has made invaluable contributions to the advancement of Alberta's agriculture and food industries. I am confident that we will witness even greater achievements in agriculture and food research in the years ahead.

In conclusion, I would say that each of these programs is committed to investing in high quality, long-term projects that benefit agriculture in Alberta. These benefits are tangible and continue to help Alberta maintain its reputation as a world leader in the agriculture industry. Mr. Chairman, I and the minister certainly

welcome any comments or questions regarding the programs we've outlined.

MR. CHAIRMAN: Thank you. I'd now like to entertain questions from the committee. I recognize the Member for Stony Plain, followed by the Member for Lloydminster.

MR. WOLOSHTYN: Thank you very much, Mr. Chairman. I'd like to extend a very sincere and warm welcome to the two ministers and their employees or colleagues from the department.

I'd like to focus for a moment on the Alberta Agricultural Development Corporation. It's no secret that farming has not been a very lucrative business in a good part of Alberta, yet from the information I have, farm foreclosures continue. In view of the fact that in industry the heritage trust fund ties these moneys forwarded to things like cash flow -- and it is really money that belongs to Albertans, for the future -- why is there not a position on putting a moratorium on foreclosures?

MR. ISLEY: Well, in response to that, I would say to the hon. member that the number of foreclosures has not gone up significantly. Many other work-out options have been used and have worked quite successfully. One of the problems with putting moratoriums on foreclosures is the messages that you're sending to those that could possibly be paying their loans back and decide to use that money for other purposes, also the messages you start sending to the private-sector financial institutions who still play a significant role in financing the year-to-year operating costs of the industry. I think it is fair to say that cash flow last year to the total industry met at least the five-year average.

It's also interesting to note that with 60 percent of the arable acres in Alberta that there are in our sister province of Saskatchewan, the gross receipts to Alberta farmers for the third year running exceeded that to the Saskatchewan industry. Agriculture in Alberta is now the largest industry on the prairies, and that is to a large extent due to the diversification that our farmers have done away from only raising grain for that export market, which is the depressing part of the industry. Other sectors are doing much better, and those people that have diversified into other sectors are meeting their commitments, making their land payments, and enjoying a life-style. The beef sector, for instance, is probably as bright this fall as it's ever been in your lifetime or mine.

We brought in through the gross revenue insurance program what I consider an effective bridging program to a post-GATT era that is providing cash flow into that sector of the industry and allowing most of them to meet their commitments. I don't see any signals out there that would indicate we should even be talking debt moratorium.

MR. WOLOSHTYN: If you listen to your own response, you gave the signal yourself, with all due respect. The foreclosures are going up, not down, not staying the same, and that tells me quite clearly that there are individual farmers in there who are being unfairly treated. I don't give a hoot what kind of message you perceive might be sent to the private sector, because I don't see them going in there to bail them out either. However, having said that, there is another problem that helps grow foreclosures: you have a fixed interest rate, and that interest rate was fixed at a time when the feeling was that the interest rates were going up. However, again my information indicates that now that the interest rates have dropped significantly, the corporation is not willing to rewrite -- restructure, if you will -- the loans and rewrite the interest rates downward to reflect the marketplace. Is that correct?

MR. ISLEY: It is correct to state that our interest rates remain fixed at 9 percent with a 3 percent rebate in the first five years of a beginner farmer loan. There is still no money in the private sector banks which will match the benefits the agricultural community is getting from the Ag Development Corporation on the long-term 9 percent money or through the farm credit stability program, which still has roughly \$2 billion of guaranteed 9 percent money out there. If a farmer or any businessman that is dealing with ADC -- because we have a variety of agribusiness loans as well -- feels in working his financial plan that, "Hey, I can get a better deal from the private-sector institutions," there is no penalty for paying out an ADC loan.

Backing up to your point on foreclosures going up, my information would indicate that up to September 1991-92 from the year beginning there were 18 foreclosures in the Ag Development Corporation portfolio. From the beginning of the year to September 1992 there were 13. So I've got no evidence of foreclosures going up as far as the ADC portfolio is concerned.

MR. CHAIRMAN: Final supplementary.

MR. WOLOSHYN: Okay. Thank you very much. I still would have to not totally agree with you; however, a question on the Farming for the Future program. This is just one for information, nothing more. I notice quite a number of projects with significant numbers attached to them that are assigned to some sort of domain of Agriculture Canada. Now, the question that is in the back of my mind, and I'm sure you can read that, is: if we are giving Ag Canada money to do research on our behalf, should it not be going the other way?

10:22

MRS. McCLELLAN: Okay. I'm going to get Dr. Christian to give you the technical way we manage it, but I want to answer what I think is in your question on the Ag Canada/Alberta Agriculture research question. I suppose I want to impart to you my belief and philosophy in this area. It is simply this: that there is a great need in today's fiscal realities for partnerships and for working together. I would say to the committee, and I think it's demonstrated in our reports, that certainly we'd be happy to discuss further the gains we've made in partnerships where Ag Canada has research stations where we do research and it's complimentary back and forth. The other partners in this that are so important to make the best use of the research dollars we have are the private sector, who are involving themselves in research in co-operative ventures, and certainly our academic institutions, where we have a great number of partnerships. I know the hon. member would appreciate and encourage that type of partnership so that we're not duplicating the research we do, so that we're sharing resources, whether they be physical or researchers.

The actual question that you have on why it appears we are funding Ag Canada comes down to a methodology that we have of handling dollars between governments, and Dr. Christian is better able to do those intricacies on the technical side than I.

DR. CHRISTIAN: Thank you. Mr. Chairman, the process in funding projects at Agriculture Canada -- really we are transferring money by a grant to a specified-purpose account, so it's only used for that project on that farm and is directly accountable. We certainly are taking advantage of Agriculture Canada's facilities and researchers' capabilities in ensuring the best value for our dollar in research so that we can add on and expand and make projects go faster by simply funding those at the stations. So in our view it's a very effective use of resources.

MR. CHAIRMAN: Thank you. The Member for Lloydminster, followed by the Member for Edmonton-Calder.

MR. CHERRY: Thanks, Mr. Chairman, and good morning to you all. I guess I want to start out with the Agricultural Development Corporation. I know that in the report called Options and Opportunities that was put out in 1987 -- probably one of the best reports I think I've read -- there were certain areas which have recommended certain things. One of the recommendations was to reduce the arrears in the system itself. I guess, Mr. Minister, what I want to ask you is: has this been accomplished a great deal now?

MR. ISLEY: Well, might I share with the committee that one of the reasons the hon. Member for Lloydminster feels it's one of the best reports he's ever read is that he was one of the authors of the report and certainly deserves to be commended on the work he and the committee he was on did.

I think many of the recommendations in that report were very well thought out, and I think a large number of them have been implemented. It was the work of that committee, I would say, that gave the Ag Development Corporation the tools to use a variety of methods to work out stressed accounts, and I think it was the work of that committee that set the stage for ADC to re-emerge as a leaner, more efficient organization with decision-making delegated down to the field level. I know from my office that I get far, far fewer complaints from farmers about ADC than I was hearing back in '87-'88 as a member of this government. So I would say that if one of the goals was to reduce arrears, we've seen arrears in excess of one year drop from 11 percent of the portfolio in '87-'88 to, I believe, 4.7 percent in the latest figures that I was giving you tied in with these annual reports to just slightly under 4 percent today. I was talking to a loans officer out in the field last night at one of our agricultural consultation Creating Tomorrow functions who took some pride in informing me that in his particular office his arrears in excess of one year were zero percent.

MR. CHERRY: Good. That seems a real goal that they're working towards.

My other question to that would be: are we finding today that the loans are smaller than they were at one time, where they gave \$200,000 out without any problem at all? In other words, is the producer possibly taking a second look at it and saying, "Well, I can get away with X number of dollars"?

MR. ISLEY: Well, you must remember, as you well know, that when the program started in the early 1980s it was really a once-at-the-well program. You could apply once, and whenever you got up to your maximum of \$200,000, that was it. You will also recall that in the early program there was discouraging of off-farm income. You weren't allowed to work off the farm more than six months a year or you stood the risk of losing your incentive rebate. As a result of the recommendations from the Options and Opportunities report, we now have a much more flexible beginner farmers program, where over a 10-year period a beginning farmer can access as many times as they want up to that maximum of \$200,000. You have a program now that can respond to a farmer that wants to start in farming without necessarily having a deeded land base. You have a program now that will allow a young farmer to start in farming with a full-time off-farm job and start small, take a smaller debt, prove that he can handle that debt, and then expand from there.

So again as a result of the recommendations of Options and Opportunities, I think we have a far, far more positive program. As a result of that, initial loans on the average tend to be lower than they used to be. You can see from page 17 of the 1990-91 annual

report that lending, after reaching a low in '87-88, is now moving up in a positive direction as far as the number of loans are concerned, and we're back at probably close to the '85-86, '84-85 levels.

MR. CHERRY: Mr. Chairman, I think I'll stop there. I'd certainly like to ask the Associate Minister of Agriculture a question, but I want to make sure everyone here gets an opportunity to ask their questions. So I will say that I'm temporarily completed. Thank you.

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

MS MJOLSNESS: Thank you, Mr. Chairman, and welcome to everyone this morning.

I'd like to just follow up a little bit on the interest loans through ADC to young farmers. If I understand, what the minister was saying earlier was that if a young farmer can find a better rate of interest going to the private-sector financial institutions, they're certainly welcome to do that. However, my question would be to the minister. If that is the case, is the purpose of ADC simply to compete with the private-sector banks, or are they there to support our farmers? Because if they keep the rate constant at 9 percent after the five years, it would seem to me you really have to question whether or not that is support for the farmers, if they can match that interest rate at a private-sector bank.

MR. ISLEY: I suppose the point I'm trying to emphasize when I say that is that they can't match that rate at a private-sector bank. If they could, they would. I mean, most of our farmers are businessmen. You have to remember that the money that ADC, let's say, loaned to a farmer three years ago was taken as a debenture from the Alberta heritage savings trust fund, which you people are the watchdog for, at a long-term debenture interest rate.

Now, if your committee is prepared to recommend that you will reduce the interest on those debentures to the development corporation, I for one would be only too pleased to allow those benefits to flow through to the farmers. But if you want that fund to earn the investment money you're apparently sitting here to protect and you're not going to give us a break on the debenture rate we're paying you, all you're suggesting that I do is go back to general revenue to find some additional money from the Alberta taxpayer to soften that interest rate. Because if you look at the cost to the province of running ADC, a lot of that cost is going in the interest reductions. You can't run a business if you're locked in here on a 20-year debenture at maybe 10 and a half percent -- which some of ours will be, some even higher than that -- and you're reloading it at 9 and in some cases 6 percent. Somebody's got to make up the difference, and so far that's been general revenue.

10:32

MS MJOLSNESS: All right. I understand that, and I think it's an important investment to make as well.

I would like to know, then, if there has been any consideration given, in terms of paying back the loans to ADC, that they be adjusted to reflect what the farmer's cash flow is in any particular year as opposed to just making a certain payment.

MR. ISLEY: One of the other workout solutions and advantages to the producers that came out of Options and Opportunities was what's called the indexed deferral program. That program was introduced about 1988-89 and is still in place until March 31 of this coming year. It may be reviewed and extended depending on circumstances. Under that program a farmer can pick his primary commodity that he sells and tie his payments to how that commodity responds in the marketplace relative to the 10-year average. So if he's primarily a

producer of cereal grains, he can tie his indexed deferral to the price of wheat, or if he's primarily a beef producer, he can tie it to the price of beef. If the return from the marketplace and the commodity drops below the 10-year average to the point where, let's say, it's 85 percent of the 10-year average, then he's only required to make 85 percent of his loan payment. The other 15 percent drops into a deferral pot at the end of his loan and is interest free. If it jumps up to 110 percent of market next year, then he will be expected to make 110 percent of his loan: the regular loan payment and 10 percent coming back out of that deferral pot. So there is that option for farmers that are tied to a specific commodity to get a variable payment schedule.

MS MJOLSNESS: Okay. Thank you. I appreciate the explanation. I'm not sure if that would include his expenses, but I'm not going to waste my last supplementary on that question.

I just want to get into the comment made, then, that farmers that are struggling with just strictly cereal grains, or grain farmers, could always diversify. I've heard that from the minister before and also from the Premier, and I know it's not that easy to simply diversify into various areas. The comment I've heard from various farmers is that if everyone went into beef, for example, the price of beef would drop, or if everyone all of a sudden went into legumes, then there would be problems there. I'm just wondering if ADC evaluates or assesses in any way, say five years into the future, what would happen if so many farmers went into certain areas. Is there any assessment or evaluation done on that?

MR. ISLEY: Well, there are continual assessments, but it's never been the goal of ADC or the goal of these ministers to tell a farmer what they should produce. It's certainly been our goal to try to get the farmer closer to the marketplace and let him or her read that marketplace. No one is suggesting that everyone should be producing beef just because beef happens to be commanding a pretty good return at this point in time or that everyone should be raising pork or that everyone should be into honey or market gardening. I think what we are advocating is that the farmer should be exposed to the marketplace and should make decisions responsive to that marketplace. This is where it becomes difficult to relate to my ag critic from your party and my friends across the fourth meridian when we're dealing with such things as bringing the Canadian Wheat Board into the 21st century. I mean, it's not right that it's insulating people from the real market signals. It's not right that it's preventing farmers from marketing their own products when they can find markets for them.

The other difficulty is trying to rationalize the transportation system in western Canada, a system that we've been protecting with federal taxpayer dollars and not letting it respond to the new technologies, not letting our grain handling companies respond to the new technologies, making our value-added sector in the prairies compete with a product that we're delivering to the Vancouver port to sell to the Japanese so they can value add as opposed to us. I mean, we have to get back to a user-pay transportation system, and we have to expose our producers to the true market signals, and then they will make the decisions as to what they should produce on their land.

MR. CHAIRMAN: Thank you.

The Member for Wainwright, followed by Westlock-Sturgeon.

MR. FISCHER: Thank you, Mr. Chairman, and good morning to Mr. and Mrs. Ministers of Agriculture and your staff. I would like to begin with the agribusiness portfolio of ADC. Certainly value adding and diversification is a goal of the future for our agriculture

industry. Sometimes we question quite a little bit whether or not we're moving ahead fast enough. Maybe I should ask you the questions: can you name some projects that we are helping with, and do you feel we are doing enough in that area or can ADC play a better role in reaching those goals?

MR. ISLEY: In commercial lending for '91-92 we completed 27 direct commercial loans. For the first six months of the current fiscal year we have done 25. The significant loans under that portfolio in the first lending sector would be our involvement with the Westcan Malting plant at Alix, which was opened last Saturday and which will provide some significant more value adding on the prairies. The other significant one that ADC is involved in in a truly commercial way is the new Lakeside slaughter facility at Brooks, which again is adding substantive value in the red meat sector in our province. Between the two new modern plants we have in southern Alberta, we now slaughter in excess of 55 percent of the cattle slaughtered in Canada.

Another industry that we've been quite active in in the field of direct loans and loan guarantees on the commercial basis is the value adding to our hay forage, the pelleting plants, the double compressed hay plants that are having a fair degree of success penetrating the Japanese marketplace. Mind you, some of them were hurt rather dramatically this year and last year with poor quality hay caused by too much rain on irrigated land, God bless, but we're hoping they can overcome those quality problems in the future.

So I think we're doing some things in that field. I'm not suggesting that we're doing enough yet. It's interesting to note that I believe for the last two years gross revenue to the province's industry and value added in the agrifood sector has hit \$5 billion and has surpassed the gross receipts at the primary level, which are about \$4 billion. That activity in our economy is occurring with less than 25 percent of our primary production being value added. So if we can set up the right policies, if we can get the right markets developed, we have the potential in agrifood value adding in this province of a \$20 billion industry.

10:42

MR. FISCHER: Thank you.

There is a very vibrant industry in the U.S., Saskatchewan, and Manitoba which Alberta is noticeably absent from. It's called an ethanol industry. I'm wondering if ADC has any plans in helping that particular industry get off the ground.

MR. ISLEY: I would say that ADC is open to any commercially viable proposal that comes forward and would be prepared to talk to anyone as far as getting involved on a commercial rate basis with adequate security and demonstrated repayability. As the hon. member is well aware, the ethanol industry in Saskatchewan is operating on a direct 40 cent a litre subsidy from the taxpayer of Saskatchewan on any ethanol sold in Saskatchewan. The ethanol industry in Manitoba is operating on a direct taxpayer subsidy of 35 cents a litre on any ethanol sold in Manitoba. To the best of my research the ethanol industry in the United States only exists where the state in addition to the federal government is offering a subsidy. When the technology is developed where we can get a commercially viable industry without adding any direct taxpayer subsidies and can borrow money at a commercial rate, I can assure you that ADC will be there to lend support to the industry.

MR. FISCHER: Well, thank you. I wasn't looking at any specific projects but the industry itself. You mentioned in your last statement "when the technology" and so on is here. Some of these other places have shown that it is here, and I just would hope the

industry itself can be developed here in this province because it can become a very big industry and use up much of the grain we send out now.

I have another question, and it's related to the vendor mortgage fund of ADC. Has that program been very active, and is it doing its job?

MR. ISLEY: It hasn't been as active as I would like to see. I believe we now have about 25 vendor mortgage loans out there. I would have hoped that that would have been, you know, a more highly used program. We may have to, shall we say, apply a little more pressure on the vendor, especially on the intergenerational transfer, to stay in the financing. I think there's still this tendency: "Hey, I'd sooner have my cash out of it and do something else." We may have to restructure the program in some cases and say, "Okay, if it's \$150,000 you need, young man, we'll loan you \$80,000, but we would expect your uncle or your father who you're buying that land from to hold the vendor mortgage for the other \$70,000." Now, we've encouraged that, but we haven't really set that as a condition to this point in time.

MR. FISCHER: Well, it would appear to me that . . .

MR. CHAIRMAN: Hon. member, you've used all your questions.

MR. FISCHER: Well, what about my supplementaries?

MR. CHAIRMAN: That's the ones I'm talking about.

The Member for Westlock-Sturgeon, followed by Bow Valley.

MR. TAYLOR: I hate to cut in and stop a member that is asking such penetrating, tough questions, but anyhow I'll do so.

First of all, good morning to the ministers, and I'm sorry I'm a little late this morning. You're ahead of me again. It could have been that I was celebrating Three Hills.

MR. CHAIRMAN: Does the member have any questions at all for the ministers?

MR. TAYLOR: I have a number of them. I'm just wondering where to attack first. I'm just lulling them into a sense of false security, Mr. Chairman.

MR. CHAIRMAN: Would the member have the Chair come back to him later, when he's prepared?

MR. TAYLOR: I'm prepared all right. Mr. Chairman, you don't have to try to butt in to defend him. You're sounding more like the Speaker every day. Let me get at him.

MR. CHAIRMAN: Good idea.

MR. TAYLOR: The question here is with respect to the loan deferrals, the 10-year average. You're allowed to defer the interest on ADC loans if the 10-year average of crop receipts are down, an interest-free deferral. Because I think the crop has been beneath the 10-year average, I was wondering what percentage of ADC loans are taking advantage of the interest-free deferral.

MR. ISLEY: I'd have to do a little research to give you the exact number, but I would say that probably 75 percent of the eligible loans have registered under the indexed deferral program. Whether they're getting a deferral or not depends upon the commodity price they select. There were a significant number who selected grain and

general farm until gross revenue insurance came in who were benefiting each year they were under it by getting a deferral. When you plug in the revenue from gross revenue insurance, it puts the grain and oil seed producer in a much healthier position.

MR. TAYLOR: My second question, Mr. Chairman, to either minister probably. This is a policy one. At the time you put in the 9 percent, 20-year loans, 20-year loans were at a market value of 12 or 13 percent. It was quite a move, and you should be congratulated on it. Obviously you felt that there was a priming mechanism at work that warranted that farmers should be 4 percent under the current rate. The current rate now, of course, for 9 percent loans, as you have just mentioned, is around 8 or 9 percent, maybe 10 percent. What's caused the department to change their mind and not drop to 3 to 4 percent under what the current rates are, as it was when it was first put in?

MR. CHAIRMAN: Could the Chair interrupt for just a moment. With the indulgence of both the hon. Member for Westlock-Sturgeon and the minister, the Chair would like to recognize the Member for Edmonton-Beverly for an introduction.

The Member for Edmonton-Beverly.

MR. EWASIUKE: Thank you, Mr. Chairman. It's a pleasure for me this morning to introduce to the committee students from St. Bonaventure school who are touring the Legislature as part of their studies on government in social studies. They're also accompanied by their teacher and four parents. I wonder if they'd like to rise and be acknowledged by the committee.

MR. CHAIRMAN: Thank you.
Hon. minister.

MR. ISLEY: Well, let me say, first of all, Mr. Chairman, that after all the preamble of the hon. Member for Westlock-Sturgeon as to how he was going to come on the attack, he hasn't found a vulnerable point yet.

The farm credit stability program, which I'm sure you're alluding to, that was brought in in 1986 and restructured initially a lot of farm debt at 9 percent over 20 years I think did a tremendous job. It then got into farm expansions and acquisitions, which probably went a little beyond its original intent. The point the hon. member continually misses is that there is really no 20-year fixed rate loan to the agricultural industry from the private-sector banking institutions unless you're going to them with a tremendous amount of assets that you're giving them as security. That is the basic reason why we went in with the loan guarantee: to allow the industry to restructure its debt so that it could be manageable. We deemed at the time that the industry could probably live with a 9 percent interest rate, as long as they knew it wasn't going to fluctuate up and down. I think that was also the main reason why the privatization of the programs of the Ag Development Corporation that was recommended by Options and Opportunities was turned down by this government: because the track record of our private-sector banks for a variety of reasons, most of them government intervention, has not been good as far as providing long-term financing to the industry.

10:52

MR. TAYLOR: It's not the answer. After all, 20-year loans weren't available then either. You picked 9 percent. I wanted to know why we couldn't be under the current rate as far today as we were last time.

Let's go on to another one. This is something that hails in from California, Oregon, and that, and the problems they have irri-

gationwise. Maybe the associate minister, or the other, may work at it. Down there they're freeing water rights as being salable distinct from the land. In other words, the farmer's right to irrigate, or water, is a right that can be sold separate from the land. I don't like the idea; nevertheless, it seems to be spreading through the western U.S. Is there any thinking or research being done on that as far as our irrigation is concerned?

MRS. McCLELLAN: Hon. member, on the issue of water rights, certainly, as you know, the water rights are under the jurisdiction of Alberta Environment. I think it would be reasonable to say that at least at the ministerial level there has been no contemplation of water rights being a salable item. There is a review -- I think it's ongoing -- that may be more specific on the water management policy in our province. I think that's important, because I think all of us in Alberta recognize that water is probably the most important resource that we have in this province. The management of that resource to the total good of the consuming public in Alberta -- that being municipal, domestic, business, agribusiness, production -- has to be very, very carefully managed for all of the stakeholders who have such a vested interest in that very important resource. Unless one of my staff has something they're not telling me, I don't think . . .

MR. TAYLOR: He just told you something.

MRS. McCLELLAN: Yeah, he did. He didn't tell me anything different than I told you, inasmuch as the water licences are granted through Environment. While they are reviewing the water management policy and, of course, the new environmental protection Act contains provisions, we are not involved in that business. In Alberta Agriculture our management of the water comes into effect after a person receives a licence for the use of that water from Alberta Environment.

MR. MUSGROVE: Mr. Chairman, I'd like to go back to the private irrigation water supply. A couple of questions. One of them is that if you are within an irrigation district, you are ineligible for that private irrigation assistance. Now, I'm wondering how that works if you are irrigating outside of an irrigation district but your only water supply is within an irrigation district. Does that still render them ineligible for the assistance?

MRS. McCLELLAN: Now, if I have you clear, if you are receiving your water from a district canal or supply but your land is outside of a district, can you qualify to bring the water from the supply of the district to your land? Sir? Gerhardt or Brian, whichever.

MR. COLGAN: Mr. Chairman, to my knowledge, anyone that's receiving water from an irrigation district canal is paying water rates to the district and is therefore a member of the district, is a water user of the district. He benefits from the two other programs that this government has in place to support the infrastructure, both the headworks program of Alberta Environment and the irrigation rehabilitation and expansion program. So I'm not knowledgeable at this time of any person that's receiving water from a district who isn't also a member of the district.

MRS. McCLELLAN: I don't think we've faced this issue: if the source of the water is within a canal, can the private individual receive it from there by doing a conveyance off the canal to their land, which is what ultimately . . . So I think the question is if the water comes out of a canal, but you're delivering it to private land outside of a district. I don't think we've run into that question. Nobody's requested it, if we haven't dealt with that.

MR. MUSGROVE: I have run into it, so I'll have to deal with that later.

The second question. When this project was developed -- i.e., private irrigation -- it seemed to be felt that that would mostly take place in central and northern Alberta, mostly for market gardens and that sort of thing. Has that happened, or is this still in southern Alberta?

MRS. McCLELLAN: There are projects across the province. The numbers of projects are not, obviously, as extensive as we had anticipated for the reasons, I think, that I outlined. About the time the program came into place, much of the grain sector in particular suffered some economic hardships, and as you know, being from an irrigation area, the capital cost of irrigation is very high. This program simply assists in bringing the water from a source to the edge of your field. I'm not sure if I have with me the exact -- but there are projects in the north and in the central and certainly to some extent in the south where there aren't irrigation districts. I'd be happy to give that to you. [interjection] We don't know the number of projects. I'll get the information for you, because we do have that.

MR. MUSGROVE: Thank you. I note that only approximately 50 percent of the authorized expenditure was used in the last year. Does that have some significance on whether or not the people in other parts of Alberta are interested?

MRS. McCLELLAN: I don't think it's a lack of interest. Certainly that is not indicated to us, that it's a lack of interest. It is economics that really are driving the use or the non-use of the program, and of course I think that was the reason for expanding the program, understanding that the years that it operated were probably the toughest times in the grain sector in economics. So we wanted to keep that opportunity open to people who do not have the use of an irrigation district and to offer the ability to continue to diversify.

I wanted to speak to that question when the Member for Edmonton-Calder was discussing diversification, because I think too often we consider diversification and it says, "Everybody move into cattle," that we're advocating that. I think it's important for members to understand that we have some 22 crops, I think it is, under our gross revenue insurance program. That is quite a ways from just simply wheat, barley, oats, and canola. One of the things that has really occurred through our research and our technology transfer and the support programs is the opportunity for our producers to diversify. So while you may be diversifying out of traditional grains, you may still be in a grain operation. You're right; it's very difficult to change the substance of an operation. They are capital intensive to the type of operation they are. But we do have producers that are going into things like lentils, safflower. There are many varieties of oilseed beyond flax and canola, and there's some real potential for that.

Some of that potential certainly is in the irrigation districts, because of their heat units and because of the availability of water, but research has allowed us to develop new varieties that will grow well in other climates, and our province is very climatically diverse as well. So when we think of diversification, we should think about the important specialty crop programs that we have in this province and the diversity impacting livestock that has grown. We are one of the provinces that had a significant reduction in straight grain farms in the last census, which speaks well, I think, to the strength of our industry.

11:02

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Beverly.

Prior to the Member for Edmonton-Beverly putting his question, the Minister of Agriculture has asked the Chair for permission to supplement information to Westlock-Sturgeon. This would just be on the basis of the information going from the minister to the member without comment from the member. Then we'll go on to the question from Edmonton-Beverly. If the committee has no objection to that, we'll allow the minister to do that.

MR. ISLEY: The Member for Westlock-Sturgeon was asking some questions about the numbers involved in the indexed deferral program. I indicated I'd have to do a little research, but I did go on and say that, off the top of my head, I thought percentagewise the participation was high. I've now done the research, and I'm going to have to correct that statement in the event the hon. member did understand it, because, you know, if this member ever starts understanding the industry, he's going to be dangerous. There are eligible accounts for indexed deferral programs. In other words, the number of people that could take advantage of it is 10,900. To date 4,001 have registered, roughly 40 percent, and there is currently \$43.8 million in the interest free indexed deferral pool.

AN HON. MEMBER: Did you say 20 percent?

MR. ISLEY: Forty percent.

MR. CHAIRMAN: Edmonton-Beverly.

MR. EWASIUK: Thank you, Mr. Chairman. I think all of us must recognize that agriculture is still a very important component in the provincial economy, and so I'm kind of pleased, actually, to see that we are investing heritage trust fund money in the Farming for the Future program. The question I have is relative to that area, and I think the associate minister was addressing it just in the previous question. The need for the diversification of agriculture in the province of Alberta I think is becoming more and more relevant or more and more important. I say that in light of the climatic changes that we've been experiencing in the province. I think the drought situation in northeast Alberta is not a five-year phenomenon; I think it's been there for about 20 years. It's become more progressive more recently. So my question to the minister would be this: in light of what's transpiring and in light of the moneys we're spending from the heritage trust fund on Farming for the Future, what areas can you tell us about that we are now active in in attempting to diversify the economy? I'm suggesting perhaps more towards vegetable farming, those kinds of things, in northeastern Alberta in light of the drought situation and perhaps also the implementation of some form of irrigation into that part of the province.

MRS. McCLELLAN: Just to give you an example of some of the types of programs we do that are aimed towards diversification, the one that we talked about in the last question was in cereal and oilseed varieties, and we're doing some on-farm demonstration, which I think is a very good means for our producers to follow, with the emphasis on adaptation to soil and climatic changes. One of the other areas that's really important in crop diversification and the ability to produce it in different areas is certainly the control of problem weeds and so on, because as we all know, certain weeds are harder to control under certain climate and soil conditions. So I think that's important. One that comes to your mind immediately is canola and the work that we've done on virulent blackleg, which could be a real threat to our canola industry and is more difficult to control, I think, in some areas. Many things like that we attempt to do, as obviously we're looking at shorter growing times for crops, to adapt to climatic changes. That has enabled us in this province to

grow crops in northern Alberta that we necessarily weren't growing some time ago.

That doesn't extend strictly, though, to the cropping area; it also goes into the livestock area. We do research on housing, on economical conversion of feed into your poultry, your dairy, your swine as affected by climatic changes and so on in the province. I think that has been a very positive part of research, to enable us to diversify there.

Probably the biggest area is the extension of the traditional -- and I mentioned oilseeds and going into different crops within oilseeds. We think of canola and flax. Sunflower is a specialty crop, a marketed crop, a value-added crop in this province which is important to us. Safflower is a crop of great interest, interest to our producers here and interest for technology transfer into other countries. Mustard is another crop where a lot of work has been done, both in yellow and brown mustard. The export potentials for that crop are great, too, and looking at it as a value-added crop here rather than just exporting the seed for the oil.

So those are some of the things we're doing. I encourage members, if they have the opportunity, to read the reports. I should mention the conference -- Dr. Christian just gave you the brochure -- that will be held in Red Deer in November, and the theme of the conference is agrifood diversification. So the research component of Alberta Agriculture is certainly challenged by this area and looking for input into it.

That's a long answer.

MR. EWASIUK: Thank you, Madam Minister. Just following up on your answer in terms of going into different types of production and wanting to process some of the material rather than exporting it in its raw stage. We do have this Food Processing Development Centre in Leduc. Could you tell us about that? Are we in fact developing some good processes where we can in fact utilize the raw material and develop the process itself to have more dollar value, better than what we've had? Have we only been selling it as raw material?

MRS. McCLELLAN: The Leduc processing centre was funded initially by the heritage savings trust fund and now is funded by private-sector and Alberta Agriculture research. The minister may want to comment on some of the product development, but the really neat thing about it beyond -- certainly it helps us on a research side as well. But the product development, some of the really interesting products that have been developed like potato products in a processed form instead of in a raw form, has opened up a whole new market potential for us in countries like Asia, for example. The Pacific Rim countries are very big users of processed food by virtue of their very type of existence. They have a small land base. They do not have deep freezers and big storage cupboards like we do and tend to market on a daily basis, so they're looking at processing.

I think the minister would have some comments in relationship to his trade mission, where we were looking at sales of processed products.

11:12

MR. ISLEY: I might add to that. The Leduc food processing centre is one of only two world-class centres of its type in Canada that the agrifood industry can use for developing new processes, for research, for developing new ways of packaging materials. I would certainly invite members of this committee, if they get the chance, to go out and take a tour of it. I'm sure the staff would welcome you, and you would get some firsthand feel for what goes on there. The last time I was out there, there was a firm in from Holland doing some rather interesting work on blood plasma where they're pulling certain proteins from the blood to use as a meat binder so that they

could really create any size of steak you wanted from meat scraps and this type of thing, which could be a revolutionary change in our industry. The agrifood industry in this province speaks very highly in support of the centre. At this point in time it's not getting the level of use that we would like it to get, but that use I'm sure will grow as we set the right policies and the right programs in place to allow our agrifood industry to hit its potential.

MR. EWASIUK: Mr. Chairman, coming back to my first question -- I may not have spoken to it well enough -- I'm interested in the possibility of some expansion of our irrigation systems into northeastern Alberta in some form. Has any consideration been given in that area?

MRS. McCLELLAN: Well, I think the expansion has been dealt with or we're attempting to deal with the opportunities for producers to utilize irrigation in the north through the private irrigators program, which is complementary in its nature to the irrigation rehab program. It is designed to assist producers to bring water from a source to the edge of their fields on an individual per farm basis. That is really how the canal system is utilized in the south. The producers have that assistance; they are still responsible for all of the capital investment on their actual fields once it gets there. So it's an opportunity for use, and it has been -- I believe that were the economics of agriculture different today, it would have been taken up more. But it came into existence about the time that grain prices suffered greatly, and there wasn't the revenue protection that there is today. Farmers today, with the revenue protection plan, now do have a bottom line, and they can decide whether they can include that in their management decisions as to how to operate their operations. So we will see what it does. There is not a lot of room for large expansion in the south because the water and the acreages are fairly matched up.

MR. CHAIRMAN: Thank you.

The Member for Stony Plain.

MR. WOLOSHYN: Thank you, Mr. Chairman. I'd like to go on to the deemed assets for a moment. I'm glad to hear the Food Processing Development Centre in Leduc is perking right along. The other one, though, is that in 1980 and '82 a thousand hopper cars were acquired by the government of this province. I'd like to know how much rent has been collected for the use of those cars from the rail companies, since to the best of my understanding we haven't gone into the rail business yet.

MR. ISLEY: I didn't catch the last part.

MR. WOLOSHYN: How much rent has been collected by the government, by Alberta Agriculture, for the use of the thousand rail cars which the railways are using to transport grain?

MR. ISLEY: Well, first of all, Mr. Chairman, Alberta Agriculture was not the department or the arm involved in the railway hopper car program; I believe it was Economic Development and Trade. The ownership of those cars, as far as I understand, remains with Public Works, Supply and Services. The recent refurbishing of the cars is being carried out by Public Works, Supply and Services. I'd have to check to be sure, but I don't believe that when we put those into the system, we demanded a rental for them. I believe we put them into the system to assist our producers in getting grain to market. Am I wrong there?

MRS. McCLELLAN: No, I think you're correct. The governments of Saskatchewan, Canada, and Alberta . . .

MR. ISLEY: It got to the point where the railways weren't prepared to make the investment in hopper cars to replace the old boxcars, and the three governments -- Saskatchewan, Canada, and Alberta -- developed a program where they actually provided the rolling stock to the railways for the benefit of the farmers. If we could change our method of payment and rationalize that system, we could probably, if we could cut the turnaround time down on grain to the point it is on sulphur and coal, move the same amount of grain with one-third the cars. It's one of the savings, just one of them.

MR. CHAIRMAN: The Member for Stony Plain with a supplementary, bearing in mind that the information given to you indicates the question probably should be developed from another department.

MR. WOLOSHTYN: I can appreciate that. I asked it here because under the deemed assets it was listed under Agriculture. The answer I appreciate, and I find it rather interesting.

Just one quick supplementary on the Farming for the Future program. Your 1990-91 annual report, which I think was very interesting, alluded to a bit of research done on nutrition for elk. The question I would have is: what was the nature of that research? Was that a statistical program done across the numerous producers in the province, or does Alberta Agriculture now own an elk herd?

MRS. McCLELLAN: Well, I'll be looking for the answer to it. Do you have the page in the report?

MR. WOLOSHTYN: Yes, page 10. At the bottom there's a nice picture of the wapiti. They call them wapiti in there.

MRS. McCLELLAN: Ruminant research: he wants to know if we own the elk herd.

DR. CHRISTIAN: But the University of Alberta does, through this project where we funded research at the University of Alberta. They do have an elk herd at Ministik, just east of Edmonton, and used that herd for their research.

MR. WOLOSHTYN: So you don't have any more other than this? This was a program that was funded at the University of Alberta.

DR. CHRISTIAN: Yes. The province doesn't have a herd of elk.

MR. WOLOSHTYN: Thanks.

My last supplementary. It's maybe too early, but if there in fact has been data generated on whatever they've been trying to do there dealing with nutrition, has that been circulated amongst the growers at this point, or would you have an answer to that?

MRS. McCLELLAN: Any of the information on the projects that we contribute to is available. As you know, we put out a research report -- I don't know whether I have a copy -- on a periodic basis, and it outlines research. There's also a full listing of all the projects within the area.

The other thing, rather than just putting these out in paper, we now have almost all of our research projects on computer so that people can access these reports and this research information, which I think is a really good move in dissemination of information. To me, research itself does not help a lot if it is not transferred to the user in an effective way. Also, I should say just on the subject of game farming that it will be a subject for discussion at the research conference in Red Deer.

DR. CHRISTIAN: Could I add one thing?

MRS. McCLELLAN: Dr. Christian wants to add something.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MRS. McCLELLAN: Oh, we just have one bit of supplemental information.

MR. CHAIRMAN: Sorry. Go ahead.

DR. CHRISTIAN: Mr. Chairman, the information on these projects has been transferred to the different people involved in elk ranching. They have workshops and meetings regularly, and the researchers as well as specialists in our department work with them and provide information as it's available and on a regular basis.

MR. CHAIRMAN: Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. I'd like to build on Edmonton-Beverly's question on irrigation. As the minister also mentioned, the profitability of what crop grows off the land is one of the reasons you put more and more water on the land. Yet vegetables, for instance, are not in the GRIP program. Vegetable raisers are left more or less on their own. That's probably one of the highest uses you can make of irrigated land. Has the minister or ministers contemplated bringing vegetable raisers in under GRIP and when?

MRS. McCLELLAN: Well, this question probably does not apply to this committee, but I would say just very briefly that the corporation responsible for administration of the gross revenue insurance program is in discussions with the industry to design a program that would be compatible to their industry. It's not an easy industry to address because of the intensive side of it. We don't have a lot of crops at this point to include, but they are working closely together.

11:22

MR. TAYLOR: I'm glad to hear that.

The second question. The AADC administers disaster programs. In the northwest I think it was flood and in the southwest drought. The minister has repeatedly postponed this, but does he intend on having a disaster program for the northeast drought area added to this?

MR. ISLEY: It's very true that ADC administers the northwestern, western, and southeastern disaster assistance programs, a total of 4,192 loans, which I indicated in my opening remarks, that you missed, unfortunately, because they were very excellent remarks, at a cost of \$63 million. The simple answer to your question is no. The minister does not intend on ever again recommending a disaster loan program for the simple reason that I think we have now expanded our safety net programs to the point where they can respond to virtually any problem out there, be it climatic or be it marketplace.

With the addition of the gross revenue insurance program, the grain farmer and the oilseed producer for the first time had the price protection that our red meat sector and other sectors have had for some time through tripartite programs. We did it on a general assessment last year. We did it on individual assessments when people kept coming back saying: declare us a disaster area and give us interest free loans. We analyzed individual accounts in the worst drought areas, and when you factored in gross revenue insurance and crop insurance as a response, it put them back in a nonloss position.

I think we still have a bit of a weakness in the way in which forage and pasture and hay insurance respond. I don't think they respond quite as, shall we say, strongly as gross revenue and crop insurance do to the grain sector. That's why I've been indicating that the jury is still out on whether there will be any type of a feed assistance program in the northeast and part of the northwest. I would share with the committee, as I've been sharing with producers recently, that my input from the region is still running 2 to 1 against doing anything.

MR. TAYLOR: Two to 1 against what?

MR. ISLEY: Doing anything to assist with feed. The people that are saying no are obviously those that have forage for sale and don't want to lose that market opportunity by us paying the transportation so that someone with hay down south or out southwest of Edmonton, you know, can unfairly come in and undercut their marketplace. I would have to say that the minister has a tendency to listen to people that say: stay out of our marketplace.

MR. TAYLOR: I'm afraid I don't agree with the minister. I think it's still an emergency. I think you're going in the right direction, but you haven't reached there yet.

The next question -- I'm jumping all over because I have about three or four of them here, Mr. Chairman -- is the question of water again and irrigation. In your study of delivering water onto the land, has there been any work done on how much will come out of aquifers in the future, or are you just looking at delivering water from dams and surface water to irrigable land rather than using aquifers?

MRS. McCLELLAN: Do you want to comment?

MR. COLGAN: Mr. Chairman, our understanding of the aquifers in Alberta is that they don't have the potential that exists in the States. Perhaps you're thinking of the Ogallala aquifer. That's not the situation in Alberta in terms of the groundwater resources we have available. The groundwater resources are adequate to support domestic and livestock production, but they're not of sufficient volume to support irrigation use, or if there is sufficient volume, the quality is not acceptable to be put on land. It would cause the land to become degraded. In the Alberta condition we really do have to depend on surface water supplies to support irrigation development in this province.

MR. TAYLOR: Thank you for the answer. Of course, one of the reasons I asked -- that's my occupation when I'm not an MLA, and we really know very little. You're right to now, but that's because we have been . . .

MR. CHAIRMAN: Hon. member, your questions have been expended. Do you have another series of questions?

MR. TAYLOR: I wish you'd stop rumbling, Mr. Chairman. I'm trying to ask some questions here. Now, have you got something important to say?

MR. CHAIRMAN: Yes. Do you have another series of questions?

MR. TAYLOR: I've got some more questions, yes.

MR. CHAIRMAN: Fine. If you have another series of questions, please proceed.

MR. TAYLOR: The other question, Mr. Chairman and through to the other members here, is back again on irrigated water. In the northwest U.S. they have an envelope of use of water. We're using about 85 percent on irrigation now, but we don't have an envelope. If there's an increase in domestic or commercial use, it chips back at farm irrigation. What are we doing to assure that the land we are now irrigating will always have that amount of water in the future and not be chipped away by other uses?

MRS. McCLELLAN: Well, of course, there's a number of initiatives that we have taken to ensure that we do have a source of water -- and I know that members opposite certainly support those -- such as the Oldman dam, which is a very large reservoir which ensures supply of water to the municipalities for domestic use, for agricultural use, and indeed for the fish to swim in on a regular basis. So we do have a reservoir system which is not just in southern Alberta. There's a number of dams and reservoirs on each of our river systems.

When water is allocated, it is not allocated with the idea of utilizing the most that would come down. It is looked at more in the minimal supply that you might have so that you have the opportunity to service all of the commitments that you have. So while the management of the water resource again is in the Department of the Environment's bailiwick, I think it is being managed in that way to ensure that we do have a supply at all times to meet the demands on the system. The other side of that is that you then have to look at the demands and whether you have to control the demands on the system. Certainly those of us who live in southern Alberta understand management of water, looking after a supply of water, and certainly not wasting water, because it is a precious commodity.

MR. CHAIRMAN: Supplementary.

MR. TAYLOR: Yes. It leads from the one that said that you understand using water and you don't want to waste it. Every irrigation system outside Alberta in western North America now uses a metering system. Is there any intention of using a metering system here now, or are we still going to be, I was going to say, the odd person out?

MRS. McCLELLAN: Well, I'm going to answer this question as I do every year for the hon. member, because he asks it every year. We do have a system of metering water, although it's perhaps not on an individual farm basis. It is allocated through a headworks system, and we know very well what the flow is through and where it goes.

Private irrigators are required to have a meter, and there is a reason for that: we do not have the other management tools on that system. I would remind the hon. member that the irrigator pays for the acre-feet of water they use in water rates which are not inexpensive, so it is in their best interest to manage the amount of water they use and to use it to the best of their ability. I guess if I have a concern: on one hand, yes, it is good management of water but on the other hand is incurring a cost on the back of the producer if indeed it is not necessary. The jury, in my opinion, is still out on that. I think we are managing it efficiently on our farms.

MR. CHAIRMAN: Just so the member is clear, he's on his second supplementary of his second set of questions.

MR. TAYLOR: I have a second, yeah.

MR. CHAIRMAN: You have a final supplementary on this set of questions. Please go ahead.

MR. TAYLOR: Okay. I have about three more questions, but I'll wait for my next round. [interjections]

Okay. The next one is with respect to Farming for the Future research. Are there any programs going on to determine whether or not the Peace River country can have a feed industry developed? As you know, the cattle and pork industry have almost died up there. Is there any research going on in that area to develop feeder industries in the Peace River? Because it is not too far from the Pacific market.

MRS. McCLELLAN: Well, programs under Farming for the Future are certainly identified by the on-farm demonstrations, and others are requested by producers or producer groups or agribusiness. A committee goes through the number of projects and sets priorities, checks for duplication, et cetera, and then assigns them. I did mention that there has been an amount of research done on housing, on feed and feed conversion, more effective use of feed, and so on. I'm not sure beyond that whether there have been any requests for research. I think it's well known that the cow/calf industry operates very, very well in northern Alberta.

MR. CHAIRMAN: Does the member have a new series of questions?

MR. TAYLOR: I've only got one more left on my sheet here, if I may. I'm not putting anybody out because I hear Lacombe burping back there.

MR. CHAIRMAN: Go right ahead with your questions, hon. member.

MR. TAYLOR: Well, Lacombe sometimes gets stomach trouble.

MR. CHAIRMAN: Please proceed with your question. [interjections] Go ahead with your question, or we'll adjourn the meeting.

MR. TAYLOR: I'm just waiting for silence to descend.

This is with respect to Farming for the Future again. Why is it administered by a separate organization rather than saving money by letting it be administered by the universities and colleges?

MR. MOORE: Point of order, Mr. Chairman.

MR. CHAIRMAN: Point of order from the hon. Member for Lacombe.

MR. MOORE: Is the heritage trust fund involved with that question? That's all I wanted to know. I just wanted to be clear where the heritage trust fund is involved.

MR. CHAIRMAN: Well, the member's been very clever in phrasing his question within the Farming for the Future program, which comes under this department, so the Chair decided to allow the question. Please proceed.

MRS. McCLELLAN: Okay. I have the question. The Farming for the Future program is under the management of the Alberta Agricultural Research Institute, which is the co-ordinating arm for all agricultural research in the province. As I mentioned earlier, we have a very good partnership with Agriculture Canada, with our academic institutions, which are our universities, and others. I think that's the important way to continue to fund research, in a co-operative partnership but certainly with a focus on the agricultural research important to our industry which comes from this entity.

MR. TAYLOR: That wasn't an answer.

MRS. McCLELLAN: Yes, it was.

MR. CHAIRMAN: Does the member have a further question?

MR. TAYLOR: That's it.

MR. CHAIRMAN: Thank you.

That concludes the questions from the members of the committee. Thank you very much to the ministers and their officials for being here today and for the information that they gave to the committee.

The committee will reconvene this afternoon at 2, when the Hon. Don Sparrow, the Minister of Tourism, Parks and Recreation, will appear before the committee.

The hon. Member for Westlock-Sturgeon would like to move adjournment. Thank you. All those in favour?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: The meeting stands adjourned. Thank you.

[The committee adjourned at 11:36 a.m.]

