

# Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 1999, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 3, 1999, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



**Ty Lund**

Minister of Agriculture, Food  
and Rural Development

September 3, 1999



# Message from the Minister

Facing new challenges is something the men and women in the agriculture and food industry do every day. And I am pleased to join them in this work as Minister of Agriculture, Food and Rural Development (AAFRD), a dynamic portfolio. As a third-generation farmer, I continue to share experiences with those who live and work in rural communities, whether it be pulling a calf at three in the morning or riding out the ups and downs of grain production.

## A look back

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And 1998-1999 was certainly a challenging year for those in the industry. Low market prices in grain and livestock, drought conditions in areas of Alberta, the Asian financial crisis and U.S. trade action on Alberta agricultural commodities brought uncertainty to all sectors of the industry. Public concern for the environment and a safe food supply challenged the industry to further enhance its existing high standards for providing healthy, nutritious food in an environmentally sustainable way. The Ministry worked hard in many of these areas to help the industry meet these challenges.

Reviewing the government's performance indicates the effect AAFRD can have on Alberta's prosperity. *Measuring Up: Fifth Annual Report on the Performance of the Government of Alberta* shows that AAFRD directly or indirectly affects 17 of the

Government of Alberta's 25 core performance measures. These key areas involve fundamental aspects of life such as job creation, export trade, adoption of new technologies as well as air, land and water quality.

Significant discussion in this report on the Ministry Goals results provides information on actions AAFRD said it would carry out in its business plan and the actual results. These results cover an entire spectrum, from developing new crop varieties to assisting processors develop and market new products.

The Ministry's seven macro-measures are also presented in detail. These measures show that government program payments to Alberta farmers and ranchers were right on target. An increase in out-of-province shipments, due to the growth in the agriculture and food sector, led to estimated shipments of \$7.5 billion, exceeding the forecast by 7.1 per cent. But these strong results are tempered with lower farm cash receipts, resulting from significantly lower commodity prices in 1998-1999.

The Ministry's financial performance reflects the challenges of fiscal 1998-1999. Consolidated revenues decreased just over \$12 million from 1997-1998. And expenses increased some \$45 million over the previous year. However, the actual excess of expenses over revenues was about \$91 million lower than budget. Detailed discussion in this Annual Report gives more depth about AAFRD's financial picture.

*And 1998-1999 was certainly a challenging year for those in the industry.*

## A look forward

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*I look forward to working with AAFRD staff as we partner with industry to build a strong, successful future for the agriculture and food industry in Alberta.*

Changing times call for changing approaches, so the Ministry took a hard look at its structure in 1998-1999. Emerging issues about marketing, food safety and sustainable agriculture led to a realignment of existing AAFRD resources into a new department structure, announced in March 1999. This new structure will allow for a greater separation between regulatory functions and extension and economic development functions. Ministry agencies, boards and commissions were not affected by the restructuring.

A new Goal, “Continued excellence in food safety,” was added to the 1999-2000 to 2001-2002 business plan to emphasize the importance the Ministry places on a safe food supply. A strong human resource development plan focusing on leadership development and succession planning will ensure that AAFRD continues to have the trained, knowledgeable staff and excellent leaders needed for the challenges yet to come.

I look forward to working with AAFRD staff as we partner with industry to build a strong, successful future for the agriculture and food industry in Alberta.



**Ty Lund**

Minister of Agriculture, Food  
and Rural Development

# Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes the following:

- *Department of Agriculture, Food and Rural Development*
- *Crop Reinsurance Fund of Alberta*
- *Agriculture Financial Services Corporation*
- *Alberta Agricultural Research Institute (for fiscal 1998-1999)*
- *Alberta Dairy Control Board*
- *Alberta Grain Commission*
- *Farmers' Advocate*
- *Irrigation Council*
- *Land Compensation Board*
- *Surface Rights Board*
- *Agricultural Products Marketing Council*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, we ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

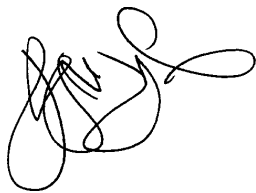
Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry for the year ended March 31, 1999, rests with the Minister of Agriculture, Food and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control that give consideration to costs, benefits and risks that are designed to:

- *provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,*
- *provide information to manage and report on performance,*

- *safeguard the assets and properties of the Province under Ministry administration,*
- *provide Executive Council, Treasury Board, the Provincial Treasurer and the Minister any information needed to fulfil their responsibilities, and*
- *facilitate preparation of Ministry business plans and annual reports required under the Government Accountability Act.*

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

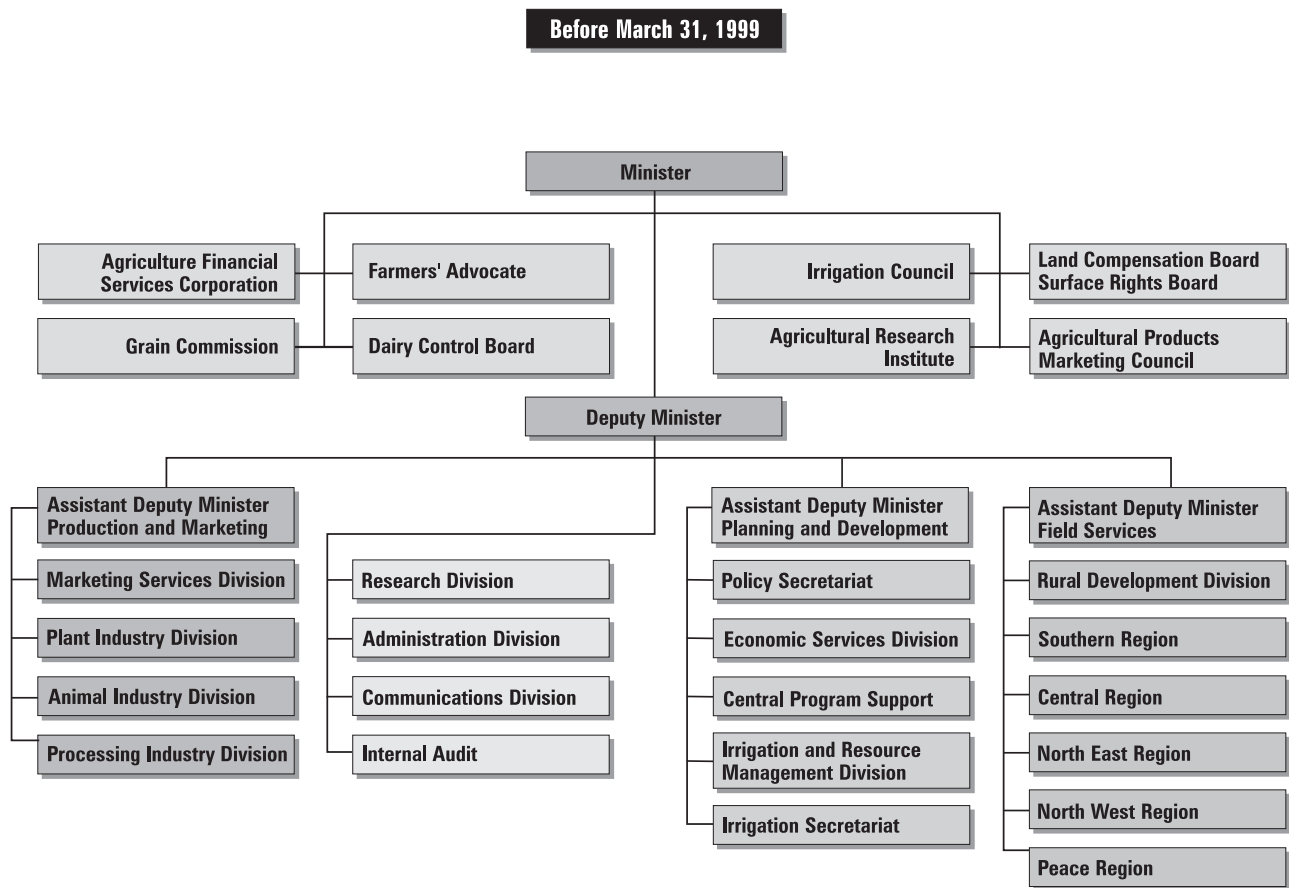
A handwritten signature in black ink, appearing to read 'Jim Nichols', with a large, stylized flourish extending to the right.

**Jim Nichols**

Deputy Minister of Agriculture, Food  
and Rural Development

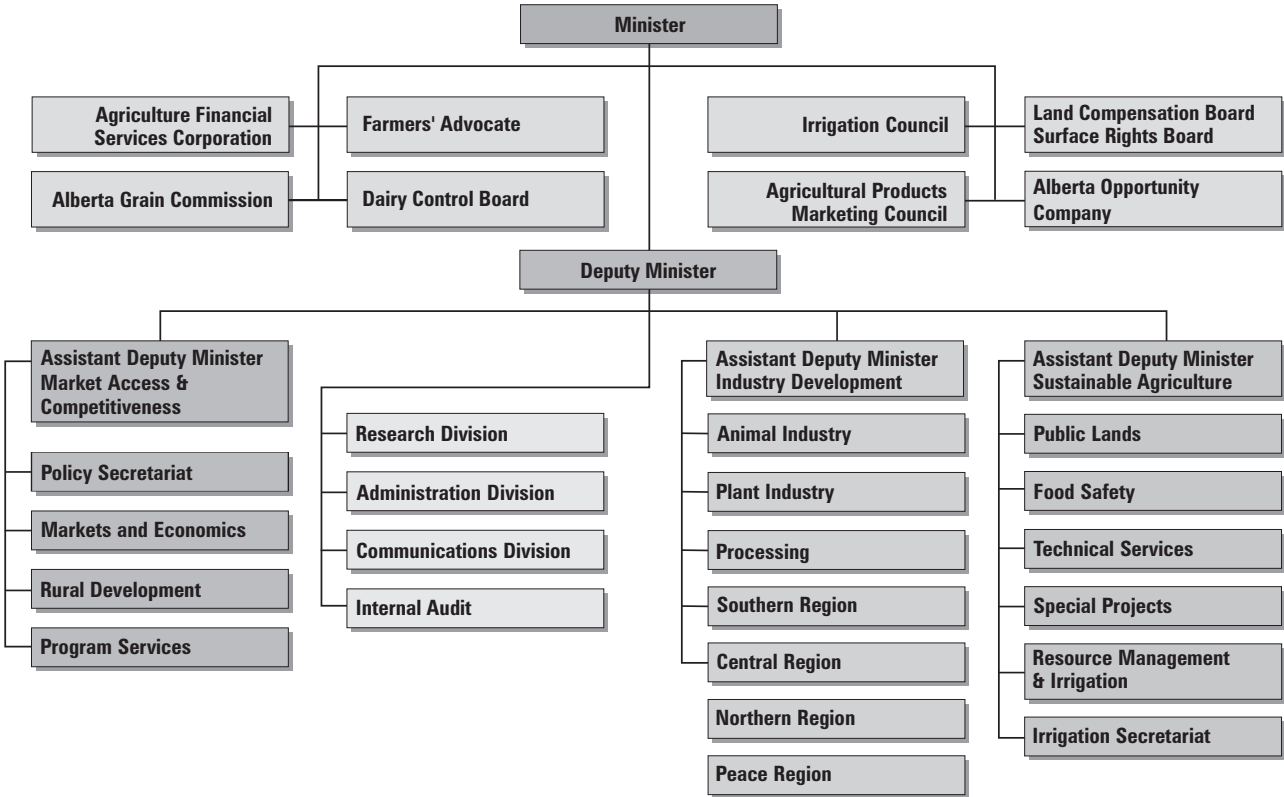
# Overview

## Chart of Ministry Entities



# Ministry Entities

**After March 31, 1999**





# Entities – Ministry of Agriculture, Food and Rural Development

## Department

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The Ministry is divided into the Department of Agriculture, Food and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage development of rural communities.

### **Policy Secretariat**

#301, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 422-2070

Communicates with all segments of the agricultural industry and other governments to effectively meet the needs of the Department for strategic planning, program planning, evaluation, policy analysis and policy development; coordinates departmental strategic planning on water and land use.

Provides an ongoing evaluation of national and international trade developments as they affect the agriculture and food sector of the Alberta economy, develops appropriate trade programs and policies, and provides assistance to industry on trade legislation and litigation.

### **Markets and Economics Division**

#303, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-7311

Develops and implements services and programs to optimize the development of domestic and international markets for agricultural products and services. Also provides applied agricultural economic services such as economic analysis for business, production cost studies, business operation, management advice, economic research, logistics and agricultural statistics.

### **Rural Development Division**

#201, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-2409

Promotes community-based, economically sustainable rural development by directing and coordinating programs and by recommending policy in the following areas: 4-H, Green Certificate, employment experience programs, home study, agriculture in the classroom, agricultural service boards, agricultural societies, agricultural development committees, farm safety, rural development, agricultural business management and risk mitigation.

*Access all entities  
electronically  
through the  
Ministry website:  
[http://  
www.agric.gov.ab.ca](http://www.agric.gov.ab.ca)*

**Program Services Division**

#306, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(403) 422-9167

Responsible for the delivery of the Farm Fuel Benefit Program, Alberta Farm Credit Stability Program, Feeder Association Loan Guarantee and disaster compensation under the federal Disaster Financial Assistance arrangements. Also responsible for negotiating and managing federal cash flow requirements under federal/provincial safety net agreements and managing Alberta's obligations under specific federal/provincial bilateral companion agreements.

**Research Division**

#202, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-1956

Responsible for developing research policy and strategic direction, managing research grant programs, agricultural research planning, evaluating agricultural research programs and projects, disseminating research results, coordinating research activities, and providing administrative support to the Alberta Agricultural Research Institute.

**Administration Division**

#307, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-2151

Responsible for all revenues and expenditures, development and review of financial systems and procedures, coordination of the budgetary process, and

coordination of facilities required for the working environment of departmental staff.

Develops and administers human resource programs (staff and organization development, occupational health and safety, classification and compensation, recruitment and selection, employee relations, and pay and benefits administration) to advise and assist line management in achieving its strategic objectives.

Provides effective support services to the department in the area of electronic data processing development, maintenance and use.

**Communications Division**

#100A, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-2127

Responsible for the development, planning, organization and evaluation of communication programs including publishing, multi-media, library, executive communications, corporate communications and freedom of information and protection of privacy.

**Animal Industry Division**

#204, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-2166

Coordinates and directs the development, administration and delivery of programs and policies to support the sustainable production of animals and animal products including research and technology transfer for livestock, poultry and aquaculture.

### **Plant Industry Division**

#304, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-5341

Directs and coordinates program and policies supporting the development of a viable and sustainable crops industry in Alberta. Through research and technology development and transfer, the Division ensures access to competitive technologies, marketing opportunities, diversification of crops and sustainability of the agricultural resource base.

### **Processing Industry Division**

#304, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-3166

Responsible for developing programs, policies and services to encourage the growth, diversification and competitiveness of the agricultural, food and feed processing industry.

### **Regions**

Offices in the four regions are responsible for applied research, the delivery of information, technology transfer and skill development. Services are provided to farmers, farm families, farm organizations, commodity groups, municipal authorities, agribusiness and the general public. Industry Development sector staff provide a broad range of specialized information services and support services.

### **Peace Region**

Fairview Regional Office  
Provincial Building, Box 159  
Fairview, Alberta T0H 1L0  
(780) 835-2291

### **Northern Region**

Barrhead Regional Office  
Provincial Building, Box 4560  
Barrhead, Alberta T7N 1A4  
(780) 674-8264

### **Central Region**

Red Deer Regional Office  
301 Provincial Building  
4920 - 51 Street  
Red Deer, Alberta T4N 6K8  
(403) 340-7611

### **Southern Region**

Lethbridge Regional Office  
Ag Centre, Bag 3014  
Lethbridge, Alberta T1J 4C7  
(403) 381-5130

### **Public Lands Division**

#200, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-3595

Responsible for policy direction and the day-to-day management of approximately 10 million acres of public land in the settled area of the Province and works closely with Alberta Environment, which administers the *Public Lands Act*. The Division handles the high demand for the use of public land and integrates these multiple uses on public land with the assistance of resource agencies, disposition holders and the public.

Services are delivered from the Public Land Management Branch in Edmonton and regionally through five regional offices and 22 district offices. The majority of the Public Lands offices are amalgamated with other Departmental offices to provide "one-window" service for all the Department's clients.

**Food Safety Division**

5th Floor, O.S. Longman Building  
 6909 - 116th Street  
 Edmonton, Alberta T6H 4P2  
 (780) 427-6159

Provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation.

Includes partnership in food safety emergency response; support for development of on-farm production protocols; assistance with HACCP implementation for slaughter and food processing plants; inspection of provincial slaughter plants; dairy farm inspection; food safety surveillance, animal health surveillance, soil and crop surveillance; research into food safety, animal health, crop and soil issues and provision of essential non-routine diagnostic services.

**Technical Services Division**

#204, 7000 - 113 Street  
 Edmonton, Alberta T6H 5T6  
 (780) 427-0674

Directs and coordinates programs and policies to support the growth of the agriculture industry through research, testing and evaluation of equipment, application of legislation and technical standards to confinement livestock production and assuring an infrastructure is in place to support quality water supplies for domestic and livestock use.

Program areas include animal welfare, engineering services, confinement livestock operations and communication and liaison related to industry expansion issues.

**Special Projects**

#307, J.G. O'Donoghue Building  
 7000 - 113 Street  
 Edmonton, Alberta T6H 5T6  
 (780) 422-5481

Deals with irrigation/environmental sustainability issues that require focused attention.

**Resource Management and Irrigation Division**

#206, J.G. O'Donoghue Building  
 7000 - 113 Street  
 Edmonton, Alberta T6H 5T6  
 (780) 422-4596

Provides policy advice and oversees the planning, delivery and evaluation of irrigation development and environmentally sustainable agriculture programming.

**Irrigation Secretariat**

#328, Provincial Building  
 200 - 5th Avenue South, Bag 3014  
 Lethbridge, Alberta T1J 4C7  
 (403) 381-5176

Provides administrative support to the Irrigation Council (see Agencies, Boards and Commissions), helps to administer the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Act*.

## Agencies, Boards and Commissions

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### **Agriculture Financial Services Corporation**

#### **Lacombe Headquarters**

5718 - 56 Avenue  
Lacombe, Alberta T4L 1B1  
(403) 782-8200

#### **Camrose Headquarters**

4910 - 52 Street  
Camrose, Alberta T4V 4E8  
(780) 679-1311

Agriculture Financial Services Corporation (AFSC) delivers a wide variety of risk management products and financial services to fit the business plans of farmers and agribusiness owners in Alberta. By offering unique financial products and services not provided by others in the industry, AFSC helps with the management of production and income risks associated with agriculture.

AFSC provides crop, forage and hail insurance, plus waterfowl and wildlife damage compensation, to help Alberta farmers protect against production losses on their farms. AFSC also administers the Farm Income Disaster Program, a whole-farm safety net program that compensates for disastrous declines in farm income.

Farm and agribusiness financial services include the provision of farm loans and business analysis services for beginning and developing farmers, disaster financing for those facing multiple years of crop losses, and the facilitation and sourcing of financing for companies in the agrifood and value-added industry.

AFSC produces a separate annual report.

### **Alberta Grain Commission**

#306, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-7329

Provides continuous review of all facets of the grain and oilseeds industry in Alberta for the purposes of recommending policy. Provides a daily grain price information service.

### **Farmers' Advocate of Alberta**

#305, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-2433

Acts as an ombudsman for Alberta agriculture and works closely with agricultural interest groups, Alberta Environment, Energy, Municipal Affairs, Infrastructure and other levels of government to formulate policy and procedures for the rural community. Provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that affect rural Albertans. Also provides information on rural issues to the Minister and administers the *Farm Implement Act*.

**Dairy Control Board**

Provincial Building  
5201 - 50 Avenue  
Westaskiwin, Alberta T9A 0S7  
(780) 361-1231

Administers the *Dairy Board Act* and regulation, hears appeals from the dairy industry, and generally provides an independent sounding board for the dairy industry. Formulates policy, initiates legislative changes and formulates procedures that govern the dairy industry in Alberta and Canada.

**Irrigation Council**

#328 Provincial Building  
200 - 5th Avenue South, Bag 3014  
Lethbridge, Alberta T1J 4C7  
(403) 381-5176

Makes recommendations to the Minister on irrigation district-related matters. Administers the Irrigation Rehabilitation Program and monitors irrigation district activities as outlined in the *Irrigation Act*.

**Agricultural Products Marketing Council**

#305, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 427-2164

Provides assistance, advice and support to marketing boards and commissions. Delegates powers under the *Marketing of Agricultural Products Act* to boards and commissions to accomplish their stated objectives.

**Land Compensation Board/Surface Rights Board**

18th Floor, Phipps Mckinnon Building  
10020 - 101A Avenue  
Edmonton, Alberta T5J 3G2  
(780) 427-2444

**Land Compensation Board**

Responsible for the administration of the *Expropriation Act*. Initiates and implements Board policies, initiates legislative changes and formulates rules of procedure.

**Surface Rights Board**

Responsible for the administration of the *Surface Rights Act* and Part 2 of the *Expropriation Act*; initiates and implements Board policies, initiates legislative changes and formulates rules of procedure.

**Agricultural Research Institute**

– for fiscal 1998-1999

#202, J.G. O'Donoghue Building  
7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
(780) 422-1072

Co-ordinates, supports and promotes research and technology transfer through the operation of such programs as Farming for the Future, Research Co-ordination and the research component of the Beef Industry Development Fund.

**Alberta Opportunity Company (AOC) – for fiscal 1999-2000**

5110 - 49 Avenue (P.O. Box 4040)  
Ponoka, Alberta T4J 1R5  
(403) 783-7011

Provides loans and guarantees up to \$1 million to viable small and medium-sized Alberta businesses unable to obtain financing on reasonable terms and conditions from conventional lenders.

## Funds

The **Crop Reinsurance Fund of Alberta** is under the provisions of the agreement between the Province and the Federal Government, and the Agriculture Financial Services Corporation reinsures the risks. Two separate Reinsurance Funds are set up. One is a provincial reinsurance fund called the Crop Reinsurance Fund of Alberta, and the other is federal, called the Crop Reinsurance Fund of Canada for Alberta. A basic reinsurance premium equal to 15 per cent of the total premiums collected is paid into each of the above two reinsurance funds. Reinsurance funds kick in when there is a deficit in the Crop Insurance Fund at the end of the fiscal year.

## Operational Overview

### Ministry's Core Businesses

The Ministry's mission statement reflects the core businesses:

*We will enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.*

Each of the Ministry goals contributes toward the achievement of this mission. The Results Analysis section in this report outlines the role of Alberta Agriculture, Food and Rural Development (AAFRD) in contributing to the Government of Alberta's 25 core performance measures. A full discussion of the Ministry Goals and Performance Measures follows the discussion of the Ministry's role.

Ministry's major functions:

- *research*
- *technology transfer*
- *regulatory*
- *industry development*
- *risk management*
- *public land management*
- *lending*

### Overall Ministry Operations and Services

Overall Ministry budget and actual operating results for all the Ministry's entities:

<b>Actual Results Compared to Budget</b>			
	<i>(millions of dollars)</i>		
	<b>1998-99 Budget</b>	<b>1998-99 Actual</b>	<b>1997-98 Actual</b>
Revenues	246	343	355
Expenses	525	531	485
<b>Excess of expenses over revenues</b>	<b>279</b>	<b>188</b>	<b>130</b>

The following two pages provide summary highlights of the Ministry's 1998-1999 results:

- *financial highlights showing Ministry revenues and expenses*
- *summary performance measures highlights*

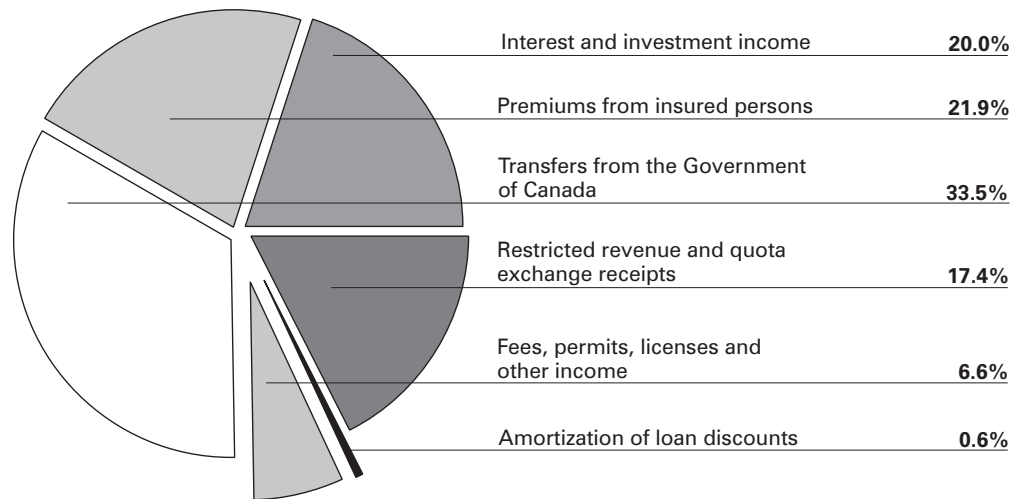
Full discussion of the financial and performance measures results appears in the Results Analysis section of this Annual Report.

# Highlights – Financial and Performance Measures

## Financial

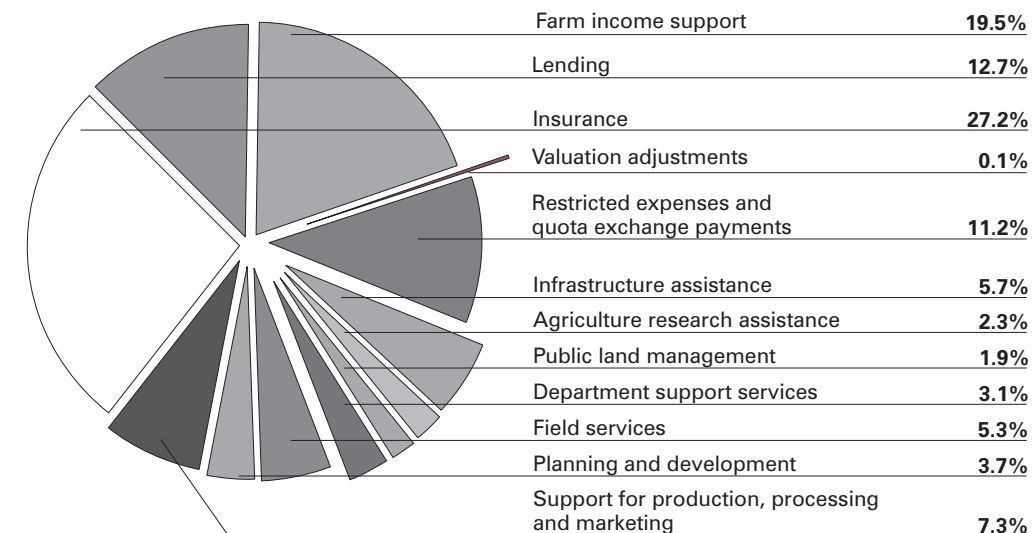
### Revenue by source

(percentage)



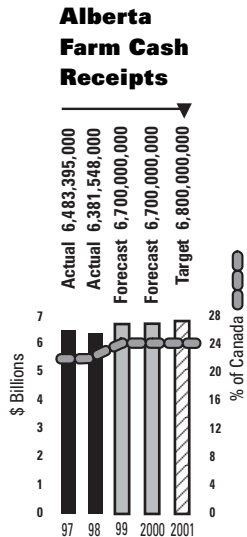
### Expenses by program

(percentage)

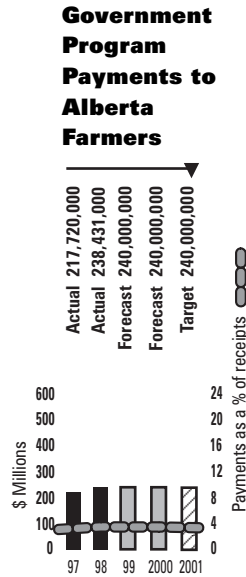




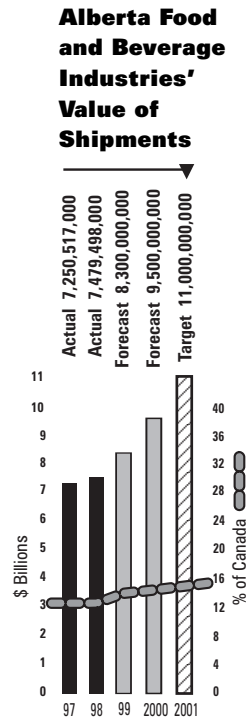
# Performance Measures



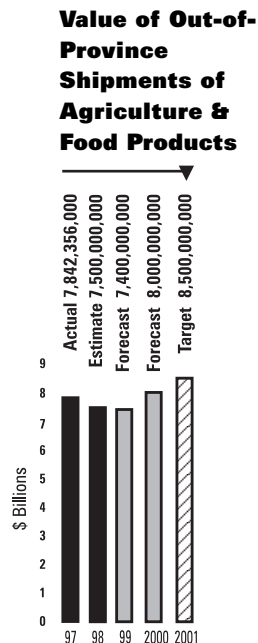
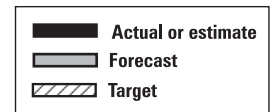
Measure 1



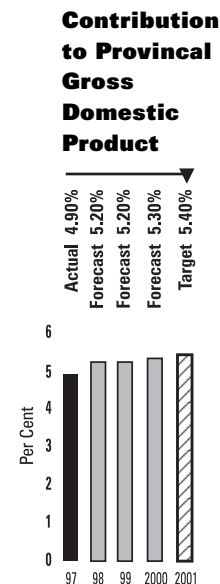
Measure 2



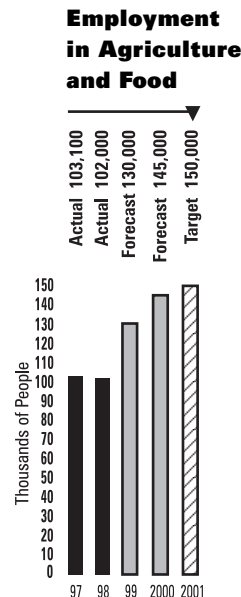
Measure 3



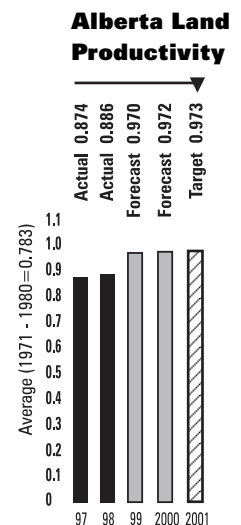
Measure 4



Measure 5



Measure 6



Measure 7

## Significant Events Affecting the Agriculture and Food Industry in Alberta

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Fiscal 1998-1999 was a year of significant events in the agriculture and food sector in Alberta. Events such as low prices and drought, the collapse of the Asian economy and U.S. trade actions all influenced the direction of AAFRD. Additional factors such as the Y2K (year 2000) issue and environmental concerns called for Ministry action. AAFRD responded to these issues to help the agriculture and food industries meet their goals.

*The Ministry responded quickly to ease the cash crunch for farmers.*

**Low market prices in grain and hogs and drought conditions** in several areas of Alberta in the past year affected many producers. The Ministry responded quickly to ease the cash crunch for farmers by modifying existing Agriculture Financial Services Corporation (AFSC) business products without negatively affecting Alberta's critical trade relationships:

- *Farmers most negatively affected received priority processing under the Farm Income Disaster Program (FIDP).*
- *A re-designed Developing Farmer Loan Program included a 'quick injection' provision of up to \$50,000 to restore working capital, plus the option to defer principal and interest payments during the first two years of the loan.*
- *Farmers with insurance claims received priority processing and most claims were settled by the end of December 1998 – well in advance of the previous year.*

- *AFSC loans officers helped many Alberta farmers with intensive consulting sessions to guide them through financial challenges facing their farms in 1998.*

The **Asian financial crisis** eroded the economies of the Asian region, lowering the region's rate of Gross Domestic Product growth in 1998. The crisis affected Canada and the rest of the world as well as the Asian region. In 1998, agri-food exports from Alberta to the major Asian markets dropped some 32 per cent compared to 1997 numbers. Decreased demand from Asian markets also led to severe price reductions in world commodity markets, as was seen in the hog market crisis. Although total exports to Asia declined, value added products were less affected, leading experts to conclude that these markets have high export potential in the long term. As such, the Asian markets will remain a priority for the Ministry's value added activities.

**Trade action on cattle, potatoes and canola** called for a response. Alberta made significant contributions to the preliminary Canadian response to U.S. countervail petition on live cattle imports from Canada. The Canadian position took strong defense against the U.S. trade action. Potential threats of countervail and other trade restrictions continued to impact Alberta's cattle industry, since exports are so critical to the future of these industries. The proposed U.S. mandatory country of origin labeling requirements for beef did not become law and the matter has been sent for further study.

There was intensive involvement by the Alberta Government in conjunction with other interested parties relative to Mexico's trade action on potatoes. After more than six months of negotiation, an agreement with Mexico resulted in resumption of seed potato exports from Alberta. AAFRD worked with the Alberta potato industry and the federal government in drafting the agreement and ensuring renewed market access.

Before August 1998, Taiwan's differential tariff structure had prevented canola oil sales from Alberta. In 1998, Taiwan changed its import tariff regime to provide parity for canola oil with soybean oil. The Government of Canada made this issue a priority at the urging of the Alberta Government and industry.

The **Estey Report**, a comprehensive report of the future shape of Canada's grain transportation system, was released by Judge William Estey. Major parts of Estey's report reflect similar views to those presented in the Ministry's submission, which called for a shift from regulatory to a market force driven system. It is anticipated that work completed by Justice Estey will help shape the Western Canadian agri-industry into the future.

**Marketing choice** for Alberta wheat and barley producers continued to be a significant issue. Alberta pressed hard for change to the existing system. This advocacy, combined with similar pressures from others involved in Canada's grain industry, resulted in the federal government making changes to the *Canadian Wheat Board Act* to allow the Board to offer cash buying and forward contracting options to western farmers. *Canadian Wheat Board Act* changes also resulted in the first-ever election of farmers to the Board of Directors of the Canadian Wheat Board.

**Federal/provincial farm safety nets** received considerable attention in 1998 because of lower farm incomes across the country. AAFRD offered information, knowledge, advice and training to the federal and other provincial governments in the development of the Agricultural Income Disaster Assistance (AIDA) Program. Much of the design of the federal AIDA program is patterned after Alberta's Farm Income Disaster Program (FIDP). Alberta and the federal government agreed that to the extent that FIDP and AIDA are identical, the province will deliver payments for both governments to farmers for both 1998 and 1999 claim years. AAFRD commenced consultations with industry to examine ways that provincial funds freed up by federal AIDA funding could be used to provide lasting benefits to producers.

**Industry consolidations** were an influence in fiscal 1998-1999. To remain competitive and profitable, Alberta's food processors continually adjust to changing market realities. To respond to retailer and consumer demands for high quality, low-priced products, processors have participated in numerous industry consolidations. Also, to sustain operations and improve competitiveness, processors have been actively involved in expanding their activities into other provinces and internationally.

Processors, as an integral link in value-chains between field and plate, continue to monitor consumer expectations that affect not only products, but relationships within the agri-food industry. AAFRD kept in close touch with these industry changes and watched for impacts such activity could have on the producer and processing sectors.

**Food safety** became an issue of strong public concern. The signing of General Agreement on Tariffs and Trade (1995) and other free

*Much of the design of the federal AIDA program is patterned after Alberta's FIDP.*

trade agreements has led to a new global trading environment. The consolidation of the food producing industry so that fewer, larger corporations produce a greater proportion of food means more elaborate food distribution and marketing systems. Within this new global environment, Canada and other countries have adopted more aggressive health and surveillance monitoring to ensure food safety. In 1998-1999, AAFRD responded by forming a Food Safety Initiative Committee. The Committee's work led to the formation of a new food safety goal for AAFRD's next business plan and to the creation of a Food Safety Division as part of the Ministry restructuring effective April 1999.

**The year 2000 (Y2K) issue** is one affecting all Albertans. As described in Note 13 of the Ministry's financial statements, the year 2000 issue is the result of some computer systems using two digits rather than four to define the applicable year. In July 1996, Public Works, Supply and Services (now Infrastructure) in conjunction with the Office of the Chief Information Officer began working with all government ministries to develop a strategy to ensure all government information systems are year 2000 ready. In addition, a Y2K Project Office was established in the Ministry of Public Works, Supply and Services to assist the cross-government Year 2000 Coordinators' Committee. This committee, comprised of representatives for each ministry, meets regularly to discuss and review issues related to ensuring Y2K readiness of government systems.

On April 19, 1999, based on information provided in ministry reports, the Minister of Public Works, Supply and Services and the Chief Information Officer issued an interim status report indicating that 84 per cent of the government's "mission critical" systems are considered Y2K ready. "Mission critical" systems are those deemed by each ministry

to be vital to government business operations. Testing and remediation of remaining government systems is expected to be completed before the end of the year.

Responding to **public concern about the expansion of the livestock industry** and the findings of the Canada Alberta Environmentally Sustainable Agriculture Agreement water quality study, the Ministry moved to address these issues. A ten-member Livestock Regulations Stakeholder Advisory Group was formed in summer 1998. The committee was tasked with developing a legislative framework for livestock operations. Committee membership was comprised of representatives from livestock commodity groups, municipal government associations, health and legal professionals. Discussion under Goal 6 of this Annual Report provides further information about the results achieved in this area.

**Restructuring the Department of Agriculture, Food and Rural Development** within the overall Ministry became a focus as emerging issues concerning marketing, food safety and sustainable agriculture became permanent elements of business. Considerable work was done within the Department to ready itself for an April 1999 restructuring. The new structure will allow for a greater separation between the Department's regulatory functions and its extension and economic development functions. Clearer spheres of responsibility and accountability will result from this new approach.

**Cross Government Initiatives** also became a priority for AAFRD. Greater efficiencies and other benefits accruing from interdepartmental teamwork and shared services led AAFRD to become more active in cross government initiatives such as corporate human resource strategy, capital planning, knowledge and innovation.

*Committee work led to a new food safety goal for AAFRD's next business plan and to the creation of a Food Safety Division as part of the Ministry restructuring.*

# Results Analysis

## Ministry Goals

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### Role of the Ministry

The Ministry directly or indirectly affects 17 of the government's 25 core performance measures as identified in the 1998-1999 *Measuring Up* document (*Measuring Up: Fifth Annual Report on the Performance of the Government of Alberta*).

- *export trade*
- *resource sustainability*
- *adoption of new technologies*
- *gross domestic product*
- *intergovernmental relations*
- *family income distribution*
- *resource wealth*
- *skill development*
- *provincial credit rating*
- *heritage appreciation*
- *cost of government*
- *taxation load*
- *job creation*
- *land quality*
- *water quality*
- *air quality*
- *net debt*

The Ministry's seven overall performance measures reflect changes at the industry and Ministry level. These macro measures, with related benchmarks, forecasts and targets, appear following the discussion on Ministry Goals.

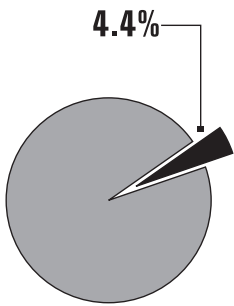
### Ministry Goals

The seven Ministry goals for the 1998-1999 fiscal year reflect a focus on Alberta Agriculture, Food and Rural Development's (AAFRD) core businesses.

#### Goals –

1. *Improved access to domestic and world market opportunities.*
2. *Improved competitiveness of industry commodities, products and services.*
3. *Increased amount of value added to industry commodities, products and services.*
4. *Increased diversity of industry commodities, products and services.*
5. *Increased responsibility of industry to manage risk.*
6. *Improved environmental stewardship.*
7. *Improved management of the Ministry's resources.*

**Goal 1  
Percentage of  
Ministry operating  
expenses**



<b>Ministry Goal #1</b>
Improved access to domestic and world market opportunities
<b>Key Result #1</b>
Improved ability of Alberta's agri-food industry to access and respond to market opportunities

**Specific Business Plan Actions**

**Action** – Increase marketing choices for Alberta farmers by:

- introducing diversity in marketing alternatives

**Results** – Debate during passage of Bill C-4, the *Canadian Wheat Board Act*, increased awareness and understanding of Alberta's position regarding marketing choice. Alberta farmers continued the trend of producing and marketing grain for markets other than the Canadian Wheat Board (CWB).

- providing choices in the marketing of grain

**Results** – Alberta continued to advocate for more marketing choice for wheat and barley producers.

- building on and supporting the new open marketing system for hogs

**Results** – The recommendation that the Alberta hog industry continue to operate under open marketing for hogs in Alberta was put forward after a producer plebiscite conducted by the Marketing Council.

**Action** – Support improved quality and safety of Alberta's food products to increase consumer acceptance.

**Results** – Worked with the Canadian Food Inspection Agency and individual plants to ensure all Alberta federally inspected meat processing facilities met new U.S. Department of Agriculture requirements for shipments to the U.S.

21 animal health surveillance projects contributing to ensured food safety were put in place.

**Action** – Advocate trade liberalization for agriculture and food commodities.

**Results** – Completion of a comprehensive Trade Liberalization Study of the net benefits of trade liberalization. Study results used as part of the substantive progress over the reporting period towards a comprehensive industry trade position for the next round of World Trade Organization (WTO) negotiations.

The resumption of seed potatoes exports from Alberta to Mexico was agreed to.

**Action** – Continue to enhance Ministry capabilities in economic and market research, opportunity identification and competitive intelligence.

**Results** – Client ease and speed of access to information were improved by changes to the "Ropin' the Web" internet site. Site usage increased 82 per cent from the previous year, with over one million visits to the site in 1998.

An "Ask the Expert" web page added to Ropin' the Web allowed clients to access Department specialists when clients have a question but do not know who in the Ministry may have an answer. This page had 150,000 hits, enhancing the Ministry's capability to provide more timely and focused responses.

Ministry's competitive intelligence and market research were enhanced through:

- study of Mexican Seed Potato Market
- Hong Kong and Southern China Food Market Study
- Taiwan Food Distribution Study (phase 2)

- evaluation of the availability, accessibility and appropriateness of venture capital to facilitate growth of value added processing in Alberta

### Other Significant Results

- *recommendations of the Ministry’s Snack Food Study resulted in an alliance within the Alberta snack food industry in the form of a marketing and sales company “Canadian Bold,” producing a new line of snack food targeted at the Pacific Northwest U.S. market. The introduction of the Canadian Bold line offers future opportunities to broaden the product line to other segments of the Alberta food industry.*
- *successful in removing three regulatory impediments to elk production:*
  - *addition of a new farmable species (Altai elk)*
  - *expansion of businesses able to process semen and sales for the game farming industry*
  - *addition of analgesia as an option for velvet antler removal*
- *“Going Global” conference, organized in conjunction with Alberta Agri-Industry Trade Group, successfully helped 175 delegates appreciate the importance of the upcoming WTO negotiations and the need to have a strong Western Canadian position and voice so as to appropriately influence federal negotiating positions.*
- *with Ministry input, key industry stakeholders in Western Canada agreed that the full elimination of export subsidies should be a primary goal for the federal government to pursue in the next round of WTO negotiations.*

### Key Result #2

Increased market share in new and existing markets

### Specific Business Plan Actions

**Action** – Facilitate feeder cattle movement between the U.S. and Canada.

**Results** – Reworking the Northwest Project protocol resulted in improved feeder cattle movement between the U.S. and Canada.

Contributed to a preliminary successful Canadian response to U.S. countervail petition on live cattle imports from Canada. The Canadian position took a strong defense against the U.S. trade action on cattle.

**Action** – Focus on Alberta/Canada beef achieving improved Chinese market penetration.

**Results** – Partnered with Agriculture Canada, World Bank and the Chinese Ministry of Agriculture in support of a World Bank beef project in Central China, which resulted in increased Alberta beef sales to China.

### Other Significant Results

- *the Optional Export Program, a policy change that permitted milk and milk products exports from Alberta, resulted in two million additional liters of milk processed to ice cream, and eight million liters of milk processed for cheddar cheese export to Japan, and the use of 100,000 kilograms of skim-off butterfat for value added products exported to Asia and Europe.*
- *the China Food Market Seminar provided Alberta’s agri-food industry with direct market knowledge and perspectives on the food markets in Guangzhou and Shanghai areas.*

*The Canadian position took a strong defense against the U.S. trade action on cattle.*

- *Canada/U.S. Record of Understanding on agriculture, formalized on December 4, 1998, dealt with 17 specific trade irritants. A number have been resolved, for example:*
  - *Northwest Project regulation changed enabling more than 51,000 head of feeder cattle to be imported into Canada – just over 45,000 into Alberta*
  - *more than 150,000 tonnes of U.S. grain have been shipped on the Canadian rail system to get to port*

**Results** – *Additional content added and updated daily.* New content examples:

- farmers are able to access the Alberta Grain Commission site that has CWB Pool Return Outlooks, open market prices and canola basis level data, so they can make better marketing decisions
- access to a “herbicide selector” program on the Internet
- subscribe to and receive a bi-weekly e-mail listing of new information and postings
- a “breaking news” section whereby staff can post information directly to the site without time delay

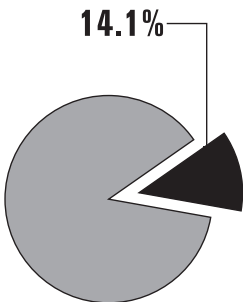
**Action** – In response to client needs, as expressed in the results of the highly positive 1997 survey of district offices’ services, continue to provide unbiased, integrated extension services to the agricultural industry through a network of front-line specialists.

**Results** – Approximately 1,600 agricultural producers benefitted from the financial counseling services provided by Agriculture Financial Services Corporation (AFSC) during the income crisis caused by low commodity prices and record low hog prices.

A 1998-1999 survey of Farm Business Management Program participants showed that 80 per cent of those surveyed were “satisfied” or “more than satisfied” with the usefulness of information provided through the program.

The state-of-the-art cereal breeding and research facility (the James H. Helm Cereal Research Centre) in partnership with Alberta Barley Commission opened in Lacombe.

**Goal 2**  
Percentage of  
Ministry operating  
expenses



<b>Ministry Goal #2</b>
Improved competitiveness of industry commodities, products and services
<b>Key Result #1</b>
Improved ability of Alberta’s industry to meet its customers’ needs

**Specific Business Plan Actions**

**Action** – Advocate changes to marketing, handling and transportation to achieve a more competitive system and cost reduction to farmers.

**Results** – Ministry’s submission to the Estey Review on grain handling and transportation recommended a shift from regulatory to market factors driven system.

Requested the federal Minister of Agriculture to conduct a thorough review to ensure that both the *Canada Grains Act* and the Canadian Grain Commission are able to meet the needs of the ever-changing grains industry.

**Action** – Expand the delivery of the Ministry’s extension and business management information on the Internet.



Green Certificate Program continued to provide training for Alberta farm staff and high school students. During 1998-1999, there were 535 registrants under the program and 265 certificates were issued.

**Action** – Foster the implementation of quality assurance programs from production to retailing.

**Results** – Completed research projects on the effect of packaging systems on ground beef safety and the effect of processing operations on the safety of bovine blood fractions destined for further processing. This research will benefit food processing firms in making more effective and efficient use of products previously considered as by-products.

210 pork producers representing 35 per cent of Alberta's pork production were enrolled on a certified on-farm quality assurance program.

On-farm quality assurance program for chicken production was implemented.

#### Other Significant Results

- *results of processing plant consolidation: the majority of Western Canada's ice cream, yogurt and sour cream is now processed in Alberta.*
- *major issues within a global economy the industry can expect (and thereby begin to react) were identified at the Management Challenges for Alberta's Farming Industry to the Year 2005.*
- *Alberta Agricultural Research Institute managed 290 research and demonstration projects to improve the competitiveness of industry commodities, products and services. Total cost for these projects was over \$8 million.*

#### Key Result #2

Improved industry cost structures

#### Specific Business Plan Actions

**Action** – Strengthen supply chain development through initiatives such as Pork Quality Assurance Program and Pork Alta Fund.

**Results** – A partnership between Alberta Pork Producers Development Corporation, AAFRD and pork processors established an industry-wide on-farm pork quality assurance program.

The Seiyu Exchange Program, one in partnership with the University of Alberta, will enhance Alberta's industry knowledge and expertise relative to pork in the Japanese market.

AFSC facilitated capitalization of \$31.4 million to the hog industry.

Accessed \$900,000 of Western Economic Development funding for food safety research over the next three years.

**Action** – Investigate crop insurance alternatives like:

- premium based whole farm insurance

**Results** – AFSC and Agri-Food Canada completed the first and are into the second phase of the four-phase project to determine the feasibility and long-term cost of providing premium based insurance for whole farm enterprises.

- weather based coverage

**Results** – Placed weather equipment strategically to support a weather-based crop insurance system.

*This research will benefit food processing firms in making more effective and efficient use of products previously considered as by-products.*

- non-subsidized private sector insurance

**Results** – Farmers/advisors concluded that non-subsidized private sector price insurance was not a priority for the immediate future.

- private sector reinsurance initiatives

**Results** – The private reinsurance arrangement to cover multiple losses under crop and hail insurance remained. A decision for future reinsurance possibilities of the “Adjusting Services” and “Waterfowl and Wildlife Damage Compensation” will be forthcoming at the conclusion of the investigation that took place during the review period.

For the first time, private sector re-insurance was acquired for crop insurance, resulting in the private sector assuming \$93 million of the risk.

**Action** – Help industry bridge the gap between research and industry adoption.

**Results** – Cooperation between the University of Alberta, Alberta producers associations, Agriculture and Agri-Food Canada and AAFRD resulted in the following:

- University of Alberta Swine Research Centre
- University of Alberta Poultry Centre
- University of Alberta Dairy Technology Centre
- Western Beef Forage Group – Lacombe

Potential losses in the order of \$100 million were prevented through cooperation with industry in control of the lygus bug, which invaded more than one million acres of Alberta canola during 1998.

The potential increase of Fusarium Head Blight in wheat in Alberta prompted additional efforts in informing and educating people in government and industry about the possible consequences of this disease.

Combined efforts with Prairie Farm Rehabilitation Association and AWARE Engineering (private sector) to produce an environmental audit system for cattle feedlots in Alberta.

**Action** – Encourage and conduct research that will improve crop and livestock production while sustaining and improving resources.

**Results** – Farmers benefitted from Alberta Farm Machinery Research Centre research (examples):

- improved sprayer efficiencies and reduced chemical drift
- new openers for seeding equipment and management practices for those openers give production efficiencies, reduction in costs, less soil disturbance and less potential weed growth
- replacing existing tires or new tires for 4WD tractors with high floatation tires can result in cost saving (as much as \$15,000) and result in overall better performance of the tractor

Research partnerships with federal and university scientists developed decision support systems and evaluated feeding alternatives for cattle that could bring benefits worth about \$100 million per year to Alberta beef producers.

Increased contracting for export of bluegrass was the outcome of bluegrass trials completed in partnership with a European Forage Seed Company.

Examples of some of the 211 research projects completed:

- canola varieties with increased oil content
- new spring wheat cultivars for specific markets

*Potential losses in the order of \$100 million were prevented through cooperation with industry in control of the lygus bug.*

- effects of environmental factors such as dust, oxygen, feed restriction and lighting on the incidence of ascites disease in chickens

Released eight new crop varieties adapted to Alberta conditions.

**Action** – Encourage private industry to increase its delivery of information services.

**Results** – Appropriate training by Ministry staff allowed private sector companies to assist producers improve on-farm irrigation water management.

**Action** – Continue to implement the Ministry’s Regulatory Reform Work by:

- reviewing the *Irrigation Act*

**Results** – Extensive consultation with the irrigation districts and the public went into draft legislation relative to the governance of irrigation districts. Bill 21, *The Irrigation Districts Act*, received first reading in March 1999.

- reviewing all Ministry Acts to update penalties for offences

**Results** – The *Agriculture Statutes (Penalties) Amendment Act* was enabled in early 1998.

- reviewing all remaining Ministry regulations, including the Marketing Plans and Regulations of all 16 Marketing Boards and Commissions.

**Results** – Of the 54 regulations scheduled for a 1998 review, 18 have been re-enacted (with amendments), a further 8 are to be re-enacted (with amendments or will be consolidated with other regulations), 27 were deferred to 1999, and 1 was transferred to another department. Deferrals arose from the need for prior legislative change, in some instances, to ensuring that sufficient consultation to a needed level of consensus was achieved on others. In addition to the

review already scheduled for 1998, another 10 regulations affected by the privatization of brand inspection service were either reviewed or enacted as new enabling regulations.

The outcome of the regulatory review was 13 out of 16 Board and Commission Marketing Plans and Regulations have been reviewed and either amended or reconfirmed. Amendments made to Marketing Plans and Regulations improved competitiveness of the industry.

- updating operating procedures to reduce the cost of regulatory compliance by Albertans and to improve internal operating efficiency

**Results** – A regulatory system is now in place that does not disadvantage Alberta industry relative to other provinces.

#### Other Significant Results

- *Alberta producers can now compare their operation to the data contained in the report “Measuring Up: A Benchmarking and Analysis of the Factors Affecting Chicken Production in Alberta and the SE United States.”*
- *Agriculture Initiatives Program with grants totaling \$2.9 million combined with local contributions of \$2.1 million to provide assistance to non-profit organizations to improve the agricultural industry and the quality of life in agricultural communities.*
- *Agriculture in the Classroom, and industry partnering program provided more than \$375,000 “in kind” participation and advice to provide substantial free resource materials about agriculture for use by Alberta teachers.*
- *Marketing Council completed six regulatory amendments aimed at increasing profitability for the industry by providing greater efficiency in the regulatory system.*

*Amendments made to Marketing Plans and Regulations improved competitiveness of the industry.*

*Examples of these changes include amendments to the Alberta Chicken Producers Marketing Regulation to provide a more market driven method of quota allocation and an increase in the Alberta Cattle Commission's levy to allow for continued investment in research and market development initiatives.*

- *results from research in varying levels of phosphorus supplementation to typical feed for pigs show how cost saving could be achieved.*
- *through a program called "Management Insights," nearly 20,000 farmers received an analysis of their crop production compared to similar groups of producers.*
- *Ministry staff cooperated with the Alberta Pork Producers Development Corporation to provide current and potential hog producers with new information on facility designs, building construction standards, best management practices and development guides or manuals. Use of this latest information enhances competitiveness through improved efficiencies while, at the same time, delivering a higher quality product to the marketplace.*

**Specific Business Plan Actions**

**Action** – Continue to work with the management of Alberta Value Added Corporation (AVAC) Ltd. to encourage the long-term growth and development of the agri-food and fiber sector.

**Results** – Worked with AVAC management to introduce new clients and provide information to industry clients to access AVAC funding.

**Action** – Increase industry's ability to attract equity capital by promoting investment opportunities and identifying sources of capital in new markets.

**Results** – Prepared and distributed promotional material on investment opportunities and the advantages of investing in Alberta's agri-food industry.

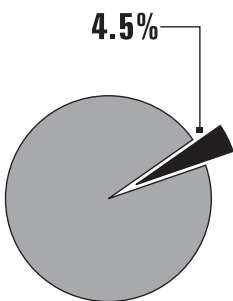
Introduced a number of new companies to Alberta sources of equity capital and investors.

An evaluation of the availability, accessibility and appropriateness of venture capital to facilitate growth of value-adding agriculture in Alberta was completed, providing information for industry and government decision making.

**Action** – Work with investors to provide expanding value added businesses with investment capital.

**Results** – Entrepreneurs were helped to get started and to grow their businesses with financing (worth \$68 million for 55 projects and 72 loans) from AFSC. Food processors, farm service companies and processors of other products sourced from agriculture all benefitted from financing, ranging from around \$15,000 to over \$20 million.

**Goal 3**  
**Percentage of**  
**Ministry operating**  
**expenses**



<b>Ministry Goal #3</b>
Increased amount of value added to industry commodities, products and services
<b>Key Result #1</b>
Increased quantity of marketable products processed in Alberta
<b>Key Result #2</b>
Growth and development of the value added sector

**Action** – Assist existing processors and out-of-province processors/investors to pursue business opportunities.

**Results** – Worked with 8 new agri-food processors in locating/expanding in Alberta resulting in over \$239 million in new capital investment in the value added sector. More than \$77 million in new capital investment announced with over 35 existing companies.

Worked with over 100 processors in resolving issues impacting on their businesses including support in business planning, addressing regulatory concerns, dealing with labeling issues, etc.

Alberta Agricultural Research Institute continued to use funds provided under the Canadian Adaptation and Rural Development Fund to support value added technology transfer. During 1998-1999, 11 technology transfer projects were funded, including the design of a fully automated specialty cake base production line as well as work on bovine trachea and echinacea.

In its first year of operation on a province-wide basis, the Taste of Success program helped 27 emerging food processors in the areas of product development, packaging, labeling and marketing strategy.

A joint venture with the Alberta Meat Processors Association assisted over 300 members (small meat processors) plan changes to their facilities to meet the proposed standards.

**Action** – Through the Agriculture Value-Added Engineering Centre and the Food Processing Development Centre, partner with industry to conduct research, produce information and encourage the adoption of new or better value added processes.

**Results** – Agriculture and Food Council's Canadian Adaptation and Rural Development Fund and Ministry resources were used to fund the Agriculture Value-Added Engineering Centre to address the engineering needs in the value-added processing. Over 20 research projects were initiated and nine projects completed. One example was the development of better materials handling and dust control systems for the dehy industry, resulting in an improvement of the overall quality of the product as well as addressing an environmental concern of particle emissions from the plants.

Food Processing Development Centre (FPDC) staff continued to increase industry's ability to diversify and add value to commodities.

- completed 128 new projects, which resulted in over 75 new products reaching markets.  
Examples:
  - various condiments
  - canned beef jerky
  - poultry dressing rolls
  - marinated turkey breasts
  - formed steaks
  - bakery products
  - medicinal herbs
- FPDC staff participated in 17 research projects, such as:
  - use of UV light to bleach beeswax
  - the extraction of chondroitin from beef trachea for use as a nutraceutical
  - extending the shelf life of shredded cheese
  - incorporation of functional ingredients into pasta products (a cooperative project with a research station in Wageningen, The Netherlands)

*Worked with over 100 processors in resolving issues impacting on their businesses.*

- The Centre expanded its consumer sensory program to evaluate acceptability of new products and minimize the risk to industry in marketing new products. Over 60 sensory panels were conducted.

The Food Processing Development Centre was the first to acquire twin screw extrusion equipment in Western Canada and has become recognized as a pioneer of this technology in North America.

**Other Significant Results**

- *Launched a provincial program to support the development of municipal industrial wastewater infrastructure to accommodate agricultural processing investment. During its first year, the program supported two significant municipal projects related to potato processing investment in Southern Alberta.*

**Action** – Conduct industry-driven analytical research to identify nutraceutical opportunities for potential Alberta products.

**Results** –

- food quality researchers commercialized a process to extract a nutraceutical product from beef trachea
- a Nutraceutical Centre established at the University of Alberta (U of A), which in turn led to the development of a National Nutraceutical Network, located at the U of A
- a barley fractionation study initiated to examine market opportunities for barley based products including non-food products

**Action** – Facilitate the development and commercialization of plant biotechnology in Alberta.

**Results** – The “Biotechnology, Fundamentally Re-shaping the Agriculture, Food and Fiber Industries” study was commissioned to create a solid intellectual and operational resource base as a prerequisite to proceeding with the development and commercialization of biotechnology in the Alberta context.

**Action** – Conduct and fund research and development into diversified crops, livestock and food products.

**Results** –

- cluster tomatoes and green beans were shown to be viable commercial crops
- 1200 new varieties or experimental lines of special crops were tested for their ability to adapt to Alberta conditions

<p><b>Ministry Goal #4</b></p> <p>Increased diversity of industry commodities, products and services</p> <p><b>Key Result #1</b></p> <p>Increased number of marketable commodities grown, raised and processed in Alberta.</p>
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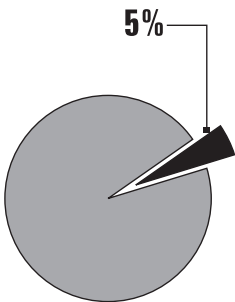
**Specific Business Plan Actions**

**Action** – Identify and support opportunities for the development of new ways to use agricultural products.

**Results** –

- 77 new products were introduced to the marketplace as a result of development work at the Food Processing Development Centre
- new information on nutraceuticals, strawboard and agri-food biotechnology

**Goal 4**  
**Percentage of**  
**Ministry operating**  
**expenses**



A risk assessment model developed for evaluating the appropriateness of introducing new aquaculture species into Alberta. Three new species (Gulf White Shrimp, Silver Carp and Big Mouth Buffalo Fish) were approved for introduction under this protocol.

**Key Result #2**

Growth in the production and sales of non-traditional commodities, products and services

**Action** – Conduct industry-driven analytical research to identify nutraceutical opportunities for potential Alberta products.

**Results** –

- new information developed on the handling of echinacea root after harvest and on the extraction of nutraceutical material from echinacea root

**Action** – Facilitate the development and commercialization of plant biotechnology in Alberta.

**Results** – The J. H. Helm Cereal Research Centre, which includes a haploid laboratory to advance the breeding of cereal crops, was opened in Lacombe. DNA studies of scald resistance in barley were expanded and a molecular biologist was recruited to start the development of a bio-tech laboratory and research thrust.

A biotechnology laboratory for greenhouse crops program was established at the Crop Development Centre South in Brooks.

**Action** – Conduct and fund research and development into diversified crops, livestock and food products.

**Results** –

- 27 research projects and 35 on-farm demonstration projects for an expenditure of nearly \$800,000 were managed by Alberta Agricultural Research Institute
- a set of National Organic Standards were developed that will assist organic growers to establish credibility for their product in the marketplace
- a deer research herd was established in cooperation with the industry, Alberta Environment and the University of Alberta
- continued support for research to find a reliable test for brainworm in deer and elk, which is necessary to expand trade in these species

**Action** – Continue to develop unique, specialized financial products and services for the commercialization of new value added businesses.

**Results** – A business plan consulting service to the agri-food industry and an agri-food business plan development website were put in place.

**Action** – Develop crop insurance for new and emerging crops.

**Results** – Coverage for field peas in south eastern Alberta was offered for the first time.

**Action** – Continue applied research on the potential for grass carp in the province.

**Results** – The feasibility of raising grass carp in northern dugouts was confirmed, which will increase the expansion of grass carp production in Alberta. Research on the management of breeding grass carp continues at the Lethbridge Community College.

*A biotechnology laboratory for greenhouse crops program was established.*

**Action** – In conjunction with Alberta’s irrigation districts, develop a comprehensive set of maintenance guidelines to ensure the investment in irrigation infrastructure is protected for the long term.

**Results** – Irrigation Works Condition Evaluation Guidelines were developed in collaboration with the irrigation districts. Irrigation Council adopted a Maintenance Policy that will help maximize the life of the infrastructure rehabilitated with cost-shared funds. Participation in the Irrigation Rehabilitation Program is contingent on the irrigation district complying with the Maintenance Policy.

**Other Significant Results**

- *With the support of the \$17.2 million budgeted for the Irrigation Rehabilitation Program, irrigation districts increased area served to 1.28 million acres (0.5 per cent increase). Eighty-five kilometres of pipeline were installed and 38 kilometres of canal were rehabilitated. This expansion of irrigated land and increased reliability of service will support increased diversification within the irrigation districts.*

**Results** – A lower, fixed interest rate of 7.5 per cent and improvements to the flexibility of the Beginning Farmer Loan resulted in 791 new farmers entering agriculture, an increase of 30 per cent over the previous year. Loans totaled \$83.3 million, or an average of \$105,310 per applicant.

**Action** – Develop and evaluate crop insurance coverage concepts to allow customers to customize insurance protection to their business needs.

**Results** – Farmers bought crop insurance on one million more acres in 1998, for a total of 9.5 million acres insured in the province. Crop Insurance program improvements included new premium discounts and better flexibility in coverage options. This, plus a dry spring of 1998, contributed to the increase in participation.

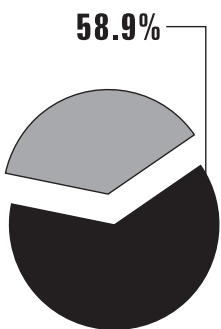
To help cattle producers through the extremely dry spring of 1998, a pasture claim advance for Forage Insurance was paid for the first time so that producers could replace feed or purchase seed. In total, 269 cattle producers received just over \$3 million of the total \$14.5 million in claims paid to forage producers in 1998.

Successful administration of the Hail Insurance program, and a surplus after claims were paid, resulted in a \$6.2 million rebate paid back to Hail Insurance customers in 1998.

**Action** – In partnership with others, implement provincial and national farm safety programs.

**Results** – The Farm Safety Program continued its initiative of increasing awareness of farm safety practices through an innovative mass media campaign executed in partnership with several private sector

**Goal 5**  
Percentage of  
Ministry operating  
expenses



<b>Ministry Goal #5</b>
Increased responsibility of industry to manage risk
<b>Key Result #1</b>
Increased use of new and existing marketing, processing, production and financial risk management information and tools by the industry

**Specific Business Plan Actions**

**Action** – Use the Beginning Farmer Program to assist more new farmers to enter the industry, become viable and increase primary production in Alberta.



companies. These alliances resulted in an eight-fold increase over the original investment, with the government contributing \$25,000 and company partners providing services totaling \$215,000.

Two awards recognized the innovative approach taken by government and industry to promote farm safety: the “Win with Farm Safety Campaign” received the prestigious Canadian Association of Broadcasters’ Golden Ribbon Award, and the “Job Safety Skills for Young Workers” initiative received the 1999 Alberta Chamber of Commerce Award of Distinction.

**Action** – Modify the provincial rural business management program to respond to the federal downloading of farm management training programs.

**Results** – The Canada-Alberta Farm Business Management Program implemented several new training options for farmers: short courses and conferences, additional publications and factsheets and a virtual Internet farm community (*Agri-ville*) for the sharing of ideas and information.

Internet site averaged 170,000 hits a month in 1998, plus an increase in membership to 1,800 farmers, a three-fold increase over the previous year. Cost-recovery from participants for all training programs increased to 50 per cent, up from 30 per cent the previous year, indicating continued satisfaction from farmers willing to pay more for these valuable services.

**Action** – Examine alternative means of delivering the Farm Fuel Distribution Allowance in 1998-1999, including a review of potential misuse of the program.

**Results** – An examination of alternative means of delivering the Alberta Farm Fuel Benefit Program (where farmers purchase

gasoline, diesel and propane at reduced rates to help them remain globally competitive) was introduced in 1998-1999. A number of effective registration checks were introduced to ensure farmers met eligibility requirements under the *Fuel Tax Act*. Some 55,000 farmers were eligible under new guidelines, while 11,000 were not. The examination of alternatives and related issues will be completed in 1999-2000.

#### **Other Significant Results**

- *An Alberta Risk Management Survey established benchmarks for the level of understanding of, use of and satisfaction with available risk management tools. The information will be used to measure and assess performance of various programs and will help with delivery improvements.*
- *A Drought Preparedness Webpage was launched as the first in a series of Disaster Preparedness Webpages designed to make industry more capable of handling risk and to address shortcomings in industry awareness of risk management tools as identified in the Risk Management Survey. The page received good initial interest by Alberta farmers, averaging 427 hits per quarter since its launch.*
- *Improvements to one-stop provincial price information on the Alberta Grain Commission (AGC) Internet site allowed farmers and industry to better assess product value and price risk. Usage of AGC’s Daily Price Report grew from 20,232 visits in 1997-1998 to 27,031 in 1998-1999, an increase of 34 per cent in one year. Use of the Weekly Feed Grain Prices Report also grew, with 40 weeks in the top 50 pages on “Ropin’ the Web” in 1998-1999, up from 4 weeks the year before. The information also provides governments and private industry with historical price data for market analysis in policy, industrial development and investment decisions.*

*A Drought Preparedness Webpage was launched as the first in a series of Disaster Preparedness Webpages.*

*In 1998, more than 3,100 farmers with disastrous declines in income were paid about \$55 million, or an average of \$17,740 per applicant.*

- *To increase awareness of a new zero-tolerance policy for barley cleanliness (regarding deer excreta in the grain handling system), the Ministry worked with the Canadian Grain Commission and other provinces to produce a brochure that details preventative actions to reduce the risk of damage from wildlife.*
- *The Year 2000 Irrigation Review produced important new data and analytical tools on water supply and demand that will assist irrigation districts to manage expansion of their serviced acreage to full potential without increasing the risk of water shortages.*
- *The Canada-Alberta Farm Business Management Program's "Right Now!" magazine focused on risk management strategies in the Fall 1998 issue – distributed to 75,000 Alberta farmers. Recent survey showed 10 per cent reader recall after only two issues, and a per-issue average of 200 reader requests for more information – good results when compared to magazine industry standards.*

#### **Key Result #2**

Effective safety net programs compatible with international trade obligations

#### **Specific Business Plan Actions**

**Action** – Conduct an evaluation of the Farm Income Disaster Program pilot project.

**Results** – After an evaluation of the Farm Income Disaster Program (FIDP), the Alberta Government made the pilot FIDP program a permanent safety net in the province. The evaluation showed most claims were paid in geographically-concentrated areas (due to weather-related losses) and/or in a particular sector of the industry (e.g. cattle) indicating that FIDP is appropriately targeted to those who need it most.

FIDP meets the criteria of the World Trade Organization agreement and has not resulted in any countervail trade actions since its introduction.

In 1998, more than 3,100 farmers with disastrous declines in income were paid about \$55 million, or an average of \$17,740 per applicant (for the 1997 tax year). Producers most negatively affected received priority service for claims processing.

**Action** – Develop and implement a new set of Canada-Alberta safety net agreements.

**Results** – The current Canada-Alberta safety net framework and program agreement has been extended by one year. The Ministry is working with the Federal Government and other provincial governments to finalize a new set of agreements.

The federal Agricultural Income Disaster Assistance Program (AIDA) was modeled after FIDP, with Ministry staff participating in the design of the program.

Ministry staff continue to be recognized for their expertise in implementing farm safety net programs. The B.C. Government and Agriculture Financial Services Corporation (AFSC) signed a consulting contract for AFSC to provide expertise and applications claims processing for B.C.'s Whole Farm Insurance Program.

#### **Other Significant Results**

- *Changes were made to the Developing Farmer and Disaster Loan programs to respond to the hog price crisis and severe drought in the province. Producers were offered a "quick injection" provision to restore working capital, and principal and interest deferral during early years of the loan. 316 producers took out loans totaling \$18.2 million, and most producers had their money in 7 days or less. This modification of*

*an existing business product solved an industry challenge with very little financial risk to government and taxpayers and will not affect Alberta's critical trade relationships.*

- *Three disaster recovery programs were completed in 1998-1999, with \$811,985 disbursed in the fiscal year, for a total of \$2,004,769 over the course of the recovery period. The Alberta Disaster Recovery Program, the Southwestern Alberta Fire Disaster Recovery Program and the Lesser Slave Lake Disaster Recovery Program helped 543 farmers recover from the effects of overland flooding and devastating grass fires. A "disaster" designation in these areas meant there were no trade implications.*

<b>Ministry Goal #6</b>
Improved environmental stewardship
<b>Key Result #1</b>
Improved and sustainable soil and water resources

**Specific Business Plan Actions**

**Action** – Work with the Alberta Environmentally Sustainable Agriculture (AESA) Council to promote improved stewardship in the industry.

**Results** – Coordinated delivery of the second year of the AESA Program with AESA Council guidance through four components:

- Farm Based – supported over 589 projects to demonstrate practices that maintain soil quality, water quality, air quality and biodiversity
- Processing Based – supported 43 processing facilities for cost-shared projects addressing education and training, environmental awareness, wastewater and atmospheric emissions

- Research – made grants to nine research projects to develop environmentally sustainable practices
- Resource Monitoring: Soil Quality and Water Quality – established soil quality monitoring network and index to track agricultural impacts on water quality

**Action** – Develop and implement a Livestock Expansion and Development (LEAD) team to assist the livestock industry to expand in an environmentally responsible manner.

**Results** – LEAD team completed and distributed the Livestock Development Guide for farmers and municipalities to assist with the development process for new and expanding livestock operations. Assisted in the process for reaching consensus on difficult issues with intensive livestock.

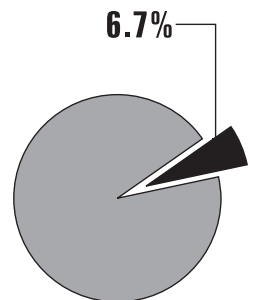
LEAD team participated in drafting new legislation, regulations and standards for livestock operations.

**Action** – In partnership with Alberta Environment and industry, develop and implement a Wellsite Reclamation Audit Program.

**Results** – In response to stakeholder concerns at ten public meetings, both Ministries agreed not to implement a self-directed (audit) Wellsite Reclamation Program at this time. The Ministries agreed to continue the review to look for efficiencies. A Steering Committee of farmers, government and oil and gas industry representatives was formed to review the other concerns and suggestions that came up at the meetings and to provide recommendations for change.

**Action** – Identify and recommend changes to proposed federal and provincial environmental legislation (e.g. *Alberta Environmental Protection and Enhancement*

**Goal 6  
Percentage of  
Ministry operating  
expenses**



*Consultations on a new regulatory approach for the intensive livestock industry continued.*

Act and endangered species legislation) where the legislation has the potential to adversely affect agricultural production and the property rights of Alberta farmers.

**Results** – Worked closely with Alberta Environment and a broad-based industry coalition to provide input into the federal government’s development of endangered species legislation. Anticipate that the outcome will be a less punitive, more cooperative approach to species and habitat protection and enhancement.

**Action** – Develop a Peer Review Board to help resolve nuisance and environmental disputes arising from intensive livestock operations under the *Agriculture Operations Practices Act* (Alberta’s right-to-farm legislation).

**Results** – This initiative was deferred pending the review of the intensive livestock operations regulatory process.

**Action** – Develop options, in consultation with stakeholders, for a new regulatory approach to intensive livestock operations.

**Results** – Consultations on a new regulatory approach for the intensive livestock industry continued. A stakeholder advisory group representing 10 interest groups (farmers, municipalities and environment) was formed to develop recommendations for a regulatory system. An expert committee was also established to develop regulation standards for manure storage facilities and the application of manure to land. Two discussion papers were released for industry and public input. Meetings with producer groups, municipalities and the public were held in conjunction with the discussion papers on the regulatory framework.

## Other Significant Results

- *200 producers attending 18 nutrient management workshops learned about managing nutrients (manure and fertilizers) for optimal crop production and protection of the natural resource base. 450 producers attending regional conferences increased their awareness of manure management issues.*
- *database on manure-related research, demonstration projects, resource materials contacts and events in Alberta was created by a cooperative effort of industry, government and environmental agencies. An up-to-date, searchable database is available on the Internet.*
- *resource protection and improvement indicated by two thirds of Intensive Livestock Operations Permit applications showing proactive use of the Developer’s Guide and the Code of Practice, and over 75 per cent of municipalities have adopted the Code of Practice as part of their land use bylaws.*
- *developed a strategy to assist in becoming recognized as a leader in environmental sustainability. Environmental Strategy Support Team created to improve the Ministry’s ability to proactively address environmental issues by increasing the integration of environmental content into programming and staff training.*
- *established soil quality monitoring program with 41 benchmark sites to assess the current state of soil quality across Alberta.*
- *established 24 long-term water quality measuring sites and developed an agricultural water quality index to track the effect of agriculture.*
- *developed province-wide databases – including daily climate, topography and soil fertility – needed to project agricultural effects on environmental quality.*

- *launched a soils database (Agricultural Region of Alberta Soil Inventory Database – AGRASID) of Alberta’s agricultural lands on CD Rom for resource management and planning. The database standardizes 70 years of soil survey information into geographic digital format; the launch included training sessions on database use.*
- *Oldman Water Quality initiative completed its first year and was endorsed by 150 urban/environmental/agricultural stakeholders who participated in the annual workshop.*
- *initiated a major research project to identify sources of two waterborne parasites (Giardia and Cryptosporidium) in the North Saskatchewan River basin west of Edmonton. This research is essential to developing recommendations for farmers, municipalities and others to reduce parasite levels in surface waters.*
- *initiated the development of information on greenhouse gas emissions by the agriculture and food sector in Alberta and an assessment of technology and policy options to respond to the Kyoto Protocol on this emerging environmental priority.*
- *in partnership with Alberta Environment, established a user-friendly process to help producers register their traditional use of water under the new Water Act. Producers can secure the right to continue using surface and groundwater sources into the future under the new legislative framework established by the Act.*
- *new information generated from 41 research and 12 on-farm demo projects for \$1.59 million on projects such as on hydrology of small agricultural watersheds, nitrous oxide losses under annual crops and manure composting.*

- *recent research showing the suitability of some solonetzic soils for irrigation led to the updating of the Standards for Classification of Land for Irrigation, which will expand the land base available for irrigation.*

**Key Result #2**

Maintenance and improvement in the quality of the public land resource

**Specific Business Plan Actions**

**Action** – Continue to work with patrons’ associations to convert all provincial grazing reserves to grazing management agreements by December 31, 1998.

**Results** – Agreements were negotiated with each of the 32 grazing reserve associations whereby the associations assumed responsibility for the livestock management component, maintenance of the pastures and other assets.

**Action** – Work with partners, customers and the public to deliver the Special Places Program.

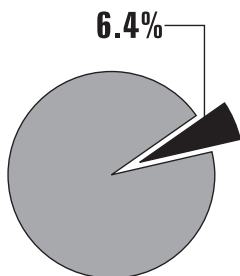
**Results** – Worked in partnership with Alberta Environment to fulfill the commitment to deliver the Special Places Program. Candidate Special Places sites were managed on interim measures so as to protect the integrity of the sites during the review process.

**Other Significant Results**

- *Livestock utilization of forage on public rangelands was measured as a method to determine range sustainability. Livestock used an average 86 per cent of the forage allocated to domestic grazing (safe grazing level), which was within the 80 to 100 per cent utilization target.*

*In partnership with Alberta Environment, established a user-friendly process to help producers register their traditional use of water under the new Water Act.*

**Goal 7  
Percentage of  
Ministry operating  
expenses**



- *Results of a survey of 430 livestock producers who participated in Stockmen's Range Management courses showed positive impacts on a number of livestock and range management practices. These changes in practices contributed to the sustainability of public rangelands.*

**Key Result #3**

Increased sustainable use of public lands by agriculture, other industries, the public and wildlife

**Specific Business Plan Actions**

**Action** – Participate in the implementation of government policy resulting from the Agricultural Lease Review Committee's recommendations.

**Results** – Assisted the Committee with the drafting of Bill 31, the *Agricultural Dispositions Statutes Amendment Act*, which implements the provisions of the Agricultural Lease Review report released in November 1998. Bill 31 resulted from almost two years of public consultation and proposed changes to seven Acts.

**Other Significant Results**

- *The number of land use agreements for the development or use of public land increased by 1.44 per cent, exceeding the target of 1 per cent. Agreements were issued in partnership with Alberta Environment and included specific land and resource management conditions that ensure proper restoration and the long term sustainability of resources.*

**Ministry Goal #7**

Improved management of Ministry's resources

**Key Result #1**

Competent, versatile employees

**Significant Results**

**Action** – Continue to coordinate employee training and development initiatives.

**Results** – Funding assistance provided in key areas:

- 26 employees for postgraduate education at both the Masters and Ph.D. level
- 200 employees for technical training
- 300 employees for corporate competency training

There were 48 (1997-1998 was 50) employee participants in the "Leaders in Agriculture" – leadership development program developed with Banff Management Centre. Sixty (1997-1998 was 30) employees participated in Face-to-Face Leadership and seventeen participated in Coaching and Mentoring programs.

In response to the Department's 1998 work climate survey, 73 per cent of employees said they are getting the corporate competency training (e.g. communication and team building) they need to perform well in their jobs. In a similar Agriculture Financial Services Corporation (AFSC) survey, 69 per cent of staff surveyed said they were satisfied with general job training.

Fifty employees participated in internal or external secondments.

**Key Result #2**

Optimal use of financial and capital resources

**Specific Business Plan Actions**

**Action** – Implement an integrated electronic information management system that increases the quality of public land use decision-making and improves client service.

**Results** – The Geographic Land Information Management and Planning System was developed to enhance the efficiency of the storage and retrieval of the information used in the public land management decision-making process.

**Action** – Implement a new performance-based funding formula for agricultural societies.

**Results** – A new, streamlined performance-based funding formula for agricultural societies achieved a 99 per cent satisfaction level from the societies themselves and reduced administrative time to deliver the program.

**Action** – Initiate a pilot project in knowledge management to strengthen the Ministry's efficiency and capability in harvesting, storing, managing and sharing information with the objective of providing better customer service.

**Results** – The Knowledge Management (KM) initiative grew through learning about KM, sharing information about KM, conducting two pilot projects and developing an intranet discussion database, to allow and encourage cross-Ministry queries by staff to share information efficiently. Some 200 staff contribute directly to this discussion database, which averages 1,000 accesses per month.

**Action** – Replace or enhance computer systems to improve customer service and to make them year 2000 compliant.

**Results** – AFSC's insurance, lending and accounting systems are being replaced or rewritten to make them year 2000 compliant. A year 2000 compliance audit of the Department's systems did not identify any significant issues that would seriously impact the Department. As a follow-up to the audit, an inventory was taken of devices that require work to make them year 2000 compliant, and a plan was put in place to complete the work by September 1999.

**Action** – Maintain the lowest administrative delivery costs for crop insurance of any jurisdiction in North America.

**Results** – In 1998-1999, AFSC was in a building phase as many enhancements to computer systems and internal processes were made that are expected to result in future efficiencies and improvements in customer service. The cost of these enhancements resulted in higher-than-normal administrative delivery costs for 1998-1999. Notwithstanding this, AFSC had the second lowest administrative delivery costs in North America.

**Action** – Continue to amalgamate AFSC Lending and Insurance offices.

**Results** – To improve administrative efficiency and provide integrated services for customers from one location, AFSC amalgamated five Lending and Insurance offices. The final amalgamation of the Barrhead and Vermilion regions into the Camrose region was also completed.

**Action** – Implement the government's new financial and human resource system (IMAGIS) to improve financial and management information reporting.

*A year 2000 compliance audit of the department's systems did not identify any significant issues that would seriously impact the Department.*

**Results** – During the year, four new IMAGIS modules were implemented: pay and benefits, staffing and training, budgets and billing. The Department also designed and implemented an online financial analysis and reporting system that uses data from the IMAGIS financial modules. AFSC implemented the general ledger and accounts payable modules of a new accounting system, paving the way for future modules to be added efficiently.

**Action** – Explore with industry ways to privatize brand inspection.

**Results** – The delegation of specific regulatory, enforcement and operating responsibilities of the Alberta Brand Inspection Service was transferred from the Ministry to the Livestock Identification Services Ltd. (a not-for-profit company) effective November 1, 1998. The Ministry reduced its staff complement by 65 employees as a result of this initiative.

**Action** – Privatize the direct delivery of fee-for-service programs for irrigation management, on-farm irrigation systems evaluation, water licensing application support and drainage.

**Results** – The irrigation management, drainage and on-farm irrigation systems evaluation programs were privatized as planned. Final privatization of the water licensing application program is scheduled for fall 1999.

**Action** – Encourage farmers to make use of Environment Canada's weather forecasting services as a replacement for the Ministry's Farm Weather Line Service, scheduled to be discontinued March 1999.

**Results** – The Farm Weather Line Service was discontinued with little adverse client reaction. Access to weather forecasts and

other services, through a variety of sources and media, is meeting client information needs.

**Action** – Evaluate the pilot project for privatized insurance adjusting services in central Alberta.

**Results** – As a result of the evaluation, a decision was made to adopt business process improvements achieved during the pilot project but to retain the delivery of these services in-house.

### Other Significant Results

- *the 4-H program was delivered cost effectively in partnership with public and more than 70 private sponsors. Contributions from sponsors and client user fees enable the program to operate on a nearly dollar-for-dollar ratio between government spending (approximately \$1 million) and outside funding.*
- *immediate improvements in information technology performance and a reduction in monthly costs were achieved by a shared service initiative between the Ministry and Public Works Supply and Services. The two ministries also gained efficiencies through sharing mail and human resources services.*
- *Call of the Land agricultural radio show reached more listeners as shown by independent broadcast research company ratings information. The Bureau of Broadcast Measurement ratings for Call of the Land exceeded the Ministry target set for in and out-of-home radio listening.*
- *team accomplishments were recognized. The Department's 1998 work climate survey indicated that 76 per cent of employees said that Department teams were recognized for their accomplishments. Seventy-four employees on six teams were recognized with Group Achievement Awards.*

*The 4-H program was delivered cost effectively in partnership with public and more than 70 private sponsors.*



- *in response to the Department's 1998 work climate survey, 90 per cent (1997 - 84 per cent) of employees said they have adequate resources, such as equipment, to do their jobs.*
- *revenue from cost-recovery publications exceeded target by 49 per cent, allowing existing projects to be completed and additional communication materials to be developed for Ministry clients.*

**Key Result #3**

Client satisfaction with Department services and products

**Significant Results**

**Action** – Continue to incorporate customer feedback in the preparation of the plans and policies of the Ministry.

**Results** – As part of an evaluation of the Farm Income Disaster Program (FIDP), a customer survey was conducted that showed program payments helped 88 per cent of those who received a FIDP payment to recover from an income disaster. The program was shown to respond quickly to cash flow needs as 63 per cent of survey respondents said they agreed or strongly agreed that the turnaround time between the date of application and the FIDP payment was reasonable.

A Customer Satisfaction Survey for AFSC insurance and farm lending products showed 89.6 per cent of customers were “very satisfied” or “satisfied,” based on staff’s ability to perform the promised service dependably and accurately.

AFSC Board of Directors conducted tours to meet with farm customers twice during the year. Also, almost 50 customer focus groups, customer satisfaction surveys and public information sessions on AFSC products and services were conducted.

Results of a Marketing Services Division survey showed a 92 per cent satisfaction level among clients with services.

*A Customer Satisfaction Survey for AFSC insurance and farm lending products showed 89.6 per cent of customers were “very satisfied” or “satisfied.”*



## REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDIT PROCEDURES TO PERFORMANCE MEASURES

### To the Minister of Agriculture, Food and Rural Development

I have performed the following procedures in connection with the Ministry of Agriculture, Food and Rural Development's performance measures, stated as such in the *1998-99 Annual Report of the Ministry of Agriculture, Food and Rural Development*.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found the following exception. There was inadequate supporting documentation for one measure, value of out-of-province shipments of agriculture and food products.

Therefore, for this measure, I was not able to complete the three procedures outlined above.

The above procedures completed for the remaining performance measures do not constitute an audit and therefore I express no opinion on the set of performance measures included in the *1998-99 Annual Report of the Ministry of Agriculture, Food and Rural Development*.

Peter Valentine  
FCA  
Auditor General

Edmonton, Alberta  
September 9, 1999

# Ministry Measures

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## Background

Agriculture is a key contributor to the Alberta Advantage and to the continued economic prosperity the province has experienced over the past several years.

**Primary agricultural production** is still Alberta's largest renewable resource-based industry. In 1998, the primary sector generated \$6.38 billion in farm cash receipts, representing 21.7 per cent of Canada's primary agricultural output. Alberta farmers continue to increase their farm cash receipts relative to other provinces. Alberta averaged only 20.1 per cent of Canada's primary output during the benchmark period 1989 to 1993.

**Secondary agricultural processing**, including the food and beverage processing industries, remains Alberta's largest manufacturing sector. Shipments set a new record for output in 1998 at \$7.5 billion in sales. Alberta shipments now represent 12.6 per cent of Canadian food and beverage shipments, up from 10.9 per cent over the benchmark period 1989 to 1993.

Primary agriculture combined with the food and beverage manufacturing industry was the third largest employer in the province in 1998. Employment in agriculture and food averaged 102,000 during 1998.

Data presented in the following performance measures is the most current available. Some level of uncertainty exists in each of the measures since the data represented primarily reflects results from sample surveys.

Over time, revisions to past years' measures may occur as better or more complete data becomes available. For example, every five years a census of agriculture is conducted. The data from each new census may result in revisions to data from the previous census. All data revisions to past years' measures, and to the benchmarks from the 1998-1999 to 2000-2001 Ministry business plan, are included in this report.

The benchmarks for performance measures used for comparative purposes are averages for 1989 to 1993 unless otherwise specified. This time frame was selected as it represents the typical agricultural output for Alberta over the past three decades. There were no major weather or price-related problems.

## Performance Measures

### Measure 1.

Percentage of Canadian farm cash receipts Alberta farmers and ranchers account for

Income received by farmers and ranchers from the sales of agriculture products is called farm cash receipts. This measure shows how well Alberta farmers and ranchers are doing relative to other Canadian farmers and ranchers they have to compete against.

### Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
1. Improved access to domestic and world market opportunities.
  2. Improved competitiveness of industry commodities, products and service.
  3. Increased amount of value added to industry commodities, products and services.

*Alberta farmers and ranchers have to stay competitive.*

Alberta farmers and ranchers have to stay competitive. Because Alberta farmers and ranchers operate within the same general rules and regulations as most other Canadian farmers, the measure of Alberta's share of Canadian farm cash receipts shows, by comparison, how competitive Alberta farmers and ranchers are relative to other Canadian farmers. Alberta Agriculture, Food and Rural Development (AAFRD) plays a major role in helping them stay competitive.

**Benchmark**

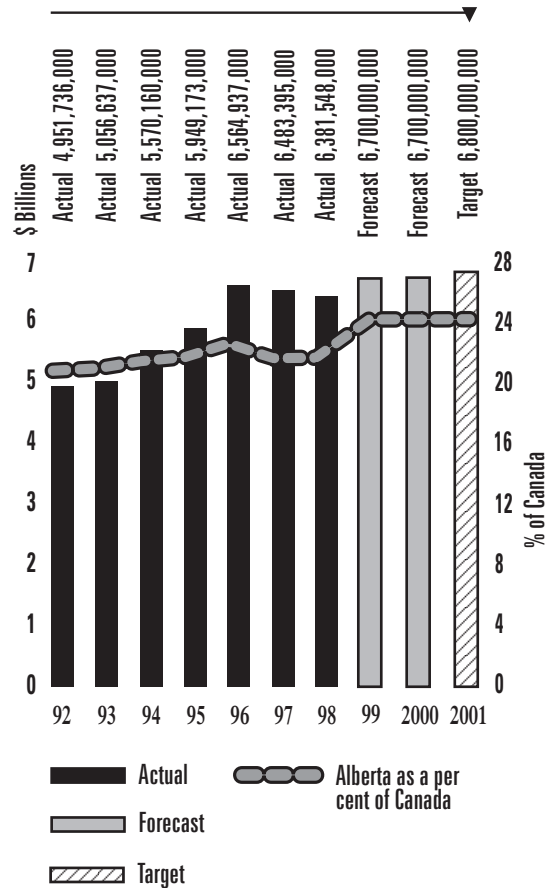
The benchmark for comparative purposes, the average for 1989 to 1993, represents a period of relatively typical agricultural output year for Alberta. Alberta farmers and ranchers averaged 20.1 per cent of Canadian farm cash receipts during that period. The forecast in the 1998-1999 to 2000-2001 Ministry business plan was that this percentage would increase to 24.0 per cent by 1998.

**Results**

The actual measure for 1998 was in fact 21.7 per cent, and even though 1998 was considered a typical year for crop production, significantly lower commodity prices resulted in lower incomes. Cash receipts from the sale of crops in 1998 decreased by \$168 million from 1997.

In 1998, farm cash receipts from livestock at \$3.67 billion set a new record. Receipts were up by \$45 million (1.2 per cent increase) over 1997.

**Measure 1**  
**Alberta farm cash receipts**



Source: Statistics Canada Cat. No. 21-001-XIB

**Measure 2.**  
**Government program payments to Alberta farmers**

Government programs are in place to help farmers cope with the many risks inherent to agriculture. This measure reflects the overall level of support provided.

### Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
1. Improved access to domestic and world market opportunities.
  2. Improved competitiveness of industry commodities, products and services.
  4. Increased diversity of industry commodities, products and services.
  5. Increased responsibility of industry to manage risk.
  6. Improved environmental stewardship.

Four major government programs make up the majority of direct program payments in Alberta during 1998: Crop Insurance, Farm Income Disaster Program (FIDP), Net Income Stabilization Account (NISA) and the federal dairy subsidy (in order of magnitude of payments).

### Benchmark

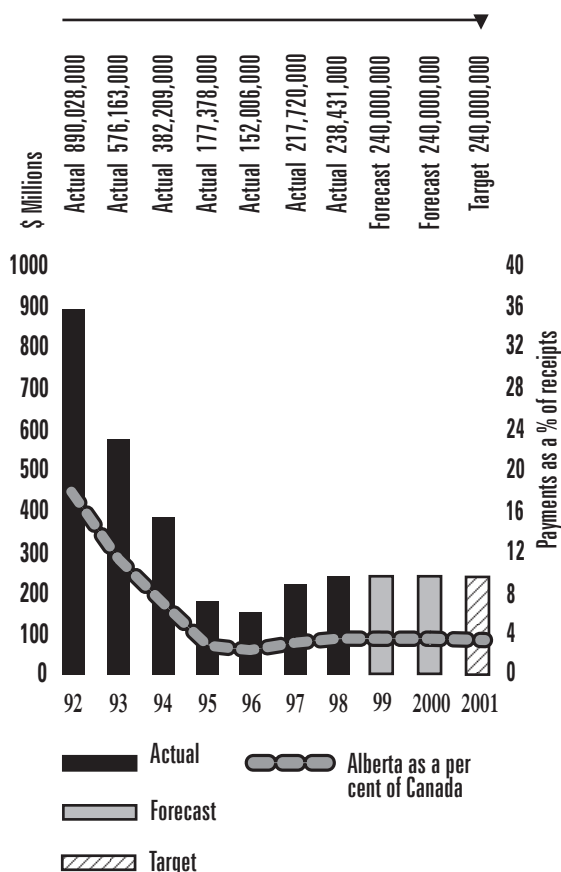
Direct payments to farmers have been significantly reduced. The 1989-1993 benchmark was \$557 million. The provincial government refocused its support to Alberta farmers and ranchers from commodity-specific programs to whole farm safety net programs.

### Results

The forecast for 1998 was that payments would reach \$240 million. Actual payments for 1998 were just over \$238.4 million. Slightly lower than expected payments for FIDP and crop insurance reduced the payment amount.

### Measure 2

#### Government program payments



Source: Statistics Canada Cat. No. 21-001-XIB

**NOTE** – Many countries provide direct subsidies to agriculture. However, Alberta considers these subsidies to be trade and production distorting, so Alberta farmers and ranchers compete in the world marketplace without them. But, AAFRD continues to work with farmers and the federal government to build and implement programs that help Alberta farmers and ranchers yet, at the same time, are considered “green” under the World Trade Organization (WTO). “Green” status means a program is considered free from providing any unfair trading advantage on the world market and, therefore, cannot be subject to trade action by other countries.

An important program like crop insurance is generally considered “green.” FIDP, which provides direct payments to farmers whose gross margins dropped below seventy per cent of their long term average gross margin, has been reviewed by the WTO and is also considered as “green.”

Alberta stopped funding NISA with the start-up of FIDP in 1995. The FIDP program is considered to be a better program because it was developed with significant input from Alberta's agriculture industry to meet their specific needs while complying as a "green" program according to WTO criteria. FIDP is more cost effective and offers truly "whole farm" coverage. It requires farmers to cover the first 30 per cent reduction in their gross margins before they are eligible under the FIDP program.

Alberta farmers can still participate in NISA if they wish. Those participating contribute to their NISA accounts based on their eligible net income. They receive matching funding from the government of Canada. A further three per cent bonus is paid on the eligible fund balance. NISA has not been reviewed, nor has it been accorded "green" status.

### Measure 3.

Percentage contributed by Alberta's food and beverage industry to Canada's total value of shipments

Income received by Alberta's agri-business firms is called value of shipments. The purpose of this measure is to show how Alberta businesses are doing relative to other Canadian businesses. Alberta processors have to compete with other firms across Canada both in the international marketplace as well as within Canada.

This measure reflects, in part, the work done by AAFRD to support Alberta's food and beverage industries, helping them remain competitive in their respective marketplaces. This support is provided through several strategies: making strategic market information available for use by industry in assessing opportunities, encouraging industry to take advantage of available opportunities in the global market place, and developing and advocating policies that improve market access.

### Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
1. Improved access to domestic and world market opportunities.
  2. Improved competitiveness of industry commodities, products and services.
  3. Increased amount of value added to industry commodities, products and services.
  4. Increased diversity of industry commodities, products and services.
  5. Increased responsibility of industry to manage risk.

### Benchmark

During the benchmark period 1989-1993, Alberta averaged 10.9 per cent of Canada's food and beverage shipments. The continued increases in total value of shipments from Alberta food and beverage industries relative to those in other provinces are demonstrated by the growth in Alberta's share to 12.6 per cent in 1998.

The value of shipments for the 1989-1993 benchmark period was \$4.867 billion, on average. This period represents a good comparative period when Alberta's agri-food industry was relatively stable.

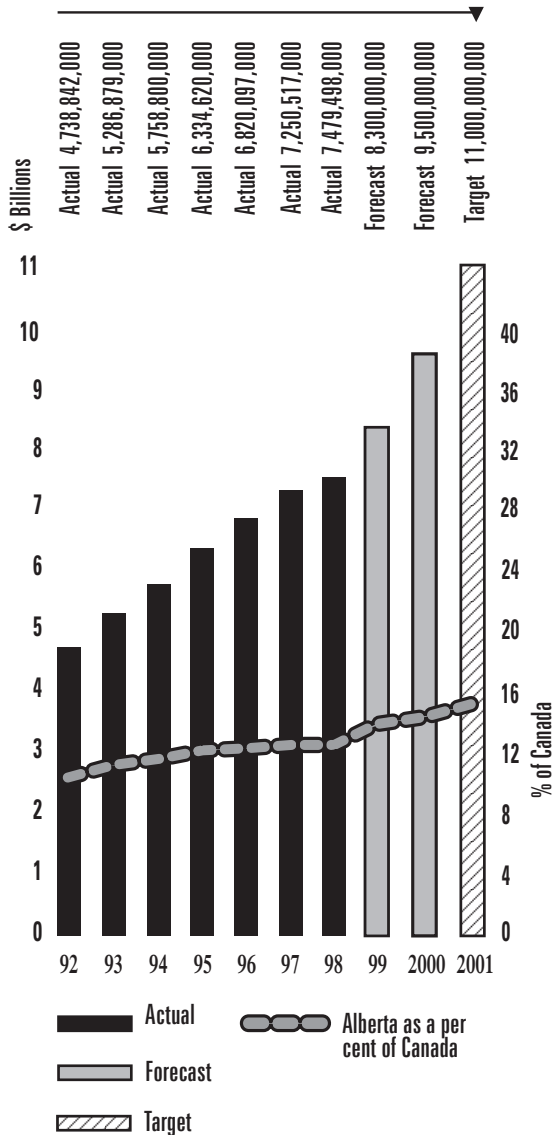
### Results

Shipments for 1998 are \$7.5 billion, up 54.1 per cent from the benchmark. This amount is less than the Ministry's forecasts of \$7.76 billion. Generally lower commodity prices on world markets resulted in lower value of shipments from Alberta's food and beverage industries.

*Alberta processors have to compete with other firms across Canada both in the international marketplace as well as within Canada.*

The forecast for the value of food and beverage shipments for Alberta indicates an increase at an ever growing rate over the next several years. By the year 2001, shipments are targeted to reach \$11.0 billion.

**Measure 3**  
Food and beverage value of shipments



Source: Statistics Canada Cat. No. 31-203-XPB for 1989-1996 and No. 31-001-XPB for 1997 and 1998

**Measure 4.**

Value of out-of-province shipments of agriculture and food products

This measure shows Alberta agriculture and food firms' success in trade, that is shipping agriculture and food products out of Alberta to other provinces and other countries.

**Affects Ministry Goals**

- records, in part, successes in achieving Ministry goals:
1. Improved access to domestic and world market opportunities.
  2. Improved competitiveness of industry commodities, products and services.
  3. Increased amount of value added to industry commodities, products and services.
  4. Increased diversity of industry commodities, products and services.
  5. Increased responsibility of industry to manage risk.
  6. Improved environmental stewardship.

Alberta agriculture and food firms continue to be very successful in shipping agriculture and food products to other provinces and countries. This measure reflects Alberta's success in this trade. The relatively small population compared to the size of the Alberta's agriculture and food production capacity means only a few Alberta firms market their products within the province. Competition in the world market is intense, so Alberta firms fight for their place in this arena.

Alberta's food and beverage industries are supported by AAFRD staff who help those in the industry remain competitive in their respective marketplaces. Strategies, noted by AAFRD include the following:

- increase the availability of strategic market information for use by industry in assessing opportunities
- encouraging industry to take advantage of available opportunities in the global market place
- developing and advocating policies that improve market access

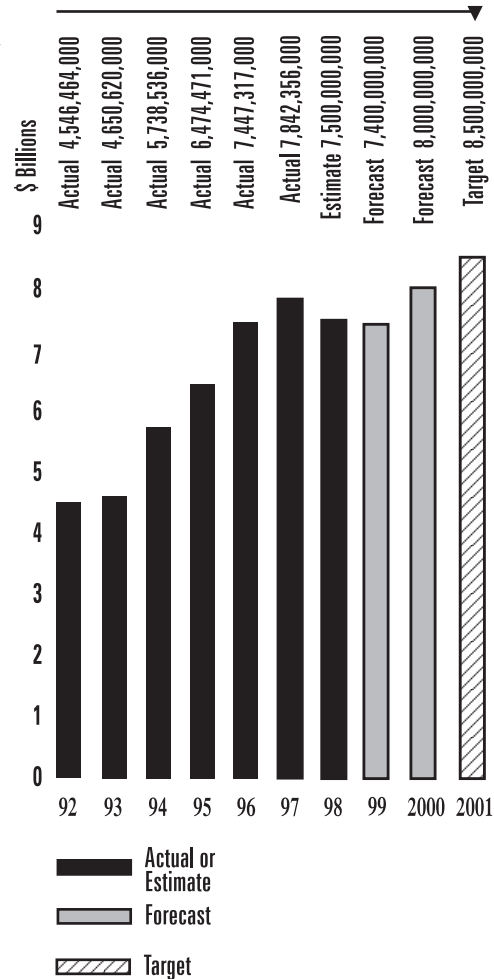
**Benchmark**

The average for the 1989-1993 benchmark period was \$4.16 billion.

**Results**

An increase in out-of-province shipments occurred because of the growth in the agriculture and food sector. The benchmark was exceeded by nearly \$3.36 billion in 1998. Estimated shipments of \$7.5 billion for 1998 exceeded the forecast of \$7.0 billion by 7.1 per cent. Increased products shipped offset lower unit prices in many cases.

**Measure 4**  
**Out-of-province shipments**



Source: Alberta Agriculture, Food and Rural Development projections and Statistics Canada

**Measure 5.**

Agriculture, food and beverage as a per cent of gross provincial product

Agriculture and food industries are the largest of Alberta's renewable resources. The comparison of this sector to other sectors in the Alberta economy illustrates its growth and potential.



**Affects Ministry Goals**

- records, in part, successes in achieving Ministry goals:
1. Improved access to domestic and world market opportunities.
  2. Improved competitiveness of industry commodities, products and service.
  4. Increased diversity of industry commodities, products and services.
  5. Increased responsibility of industry to manage risk.
  6. Improved environmental stewardship.

The multiplier effect of the agriculture, food and beverage industries is dramatic. Approximately one out of every three jobs in Alberta is either directly or indirectly affected by these industries. As such, the per cent of gross provincial product contributed by these industries helps, in part, to illustrate the effectiveness of policies and programs that affect these industries.

This industry may grow faster than the rest of the Alberta economy if policies and programs all have either a neutral or positive effect on growth of the agri-food industry. Part of the continuing role for AAFRD staff is to ensure programs and policies affecting different aspects of the agri-food industry do so in a positive way.

**Benchmark**

The agri-food industry contributed, on average, 5.1 per cent of the provincial gross domestic product for Alberta during the period 1993-1997. The average for the period 1989-1993 was 4.6 per cent.

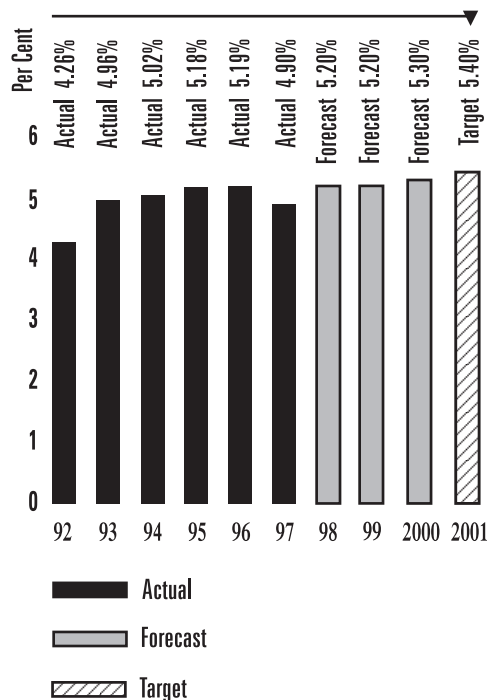
**Results**

The forecast for 1998 was 5.2 per cent. Preliminary estimates for 1998 suggest the level to be 5.1 per cent, slightly under the forecast.

Continued strong prices for natural gas and, in part, oil resulted in an above average increase to the provincial gross domestic product. The decrease in farm cash receipts due, in part, to lower commodity prices reduced the effect the agriculture and food industries had on the Alberta economy.

The projection is that the agri-food industry will account for 5.4 per cent of the provincial gross domestic product by 2001.

**Measure 5**  
Contribution to provincial gross domestic product



Source: Alberta Treasury, Alberta Economic Accounts 1997

## Measure 6.

### Employment in agriculture and food

This measure illustrates changes in the level of employment. The agriculture, food and beverage manufacturing industry was the third largest employer in the province in 1998.

#### Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
1. Improved access to domestic and world market opportunities.
  2. Improved competitiveness of industry commodities, products and services.
  3. Increased amount of value added to industry commodities, products and services.

#### Benchmark

The benchmark average (1989-1993) for employment in the primary agriculture sector was 86,200 while the average employment level for that same benchmark period in the food and beverage sector was 18,100.

#### Results

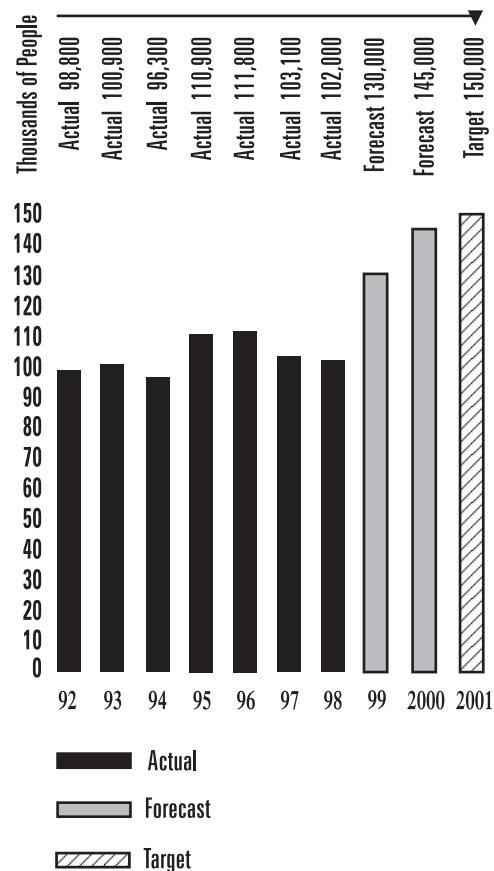
Total employment averaged 102,000 during 1998. Employment in primary agriculture, which has been increasing at a steady rate over the past several years, took a sudden drop in 1997 and continued a further decline in 1998. That total increased to 92,600 jobs in 1995, but dropped to 83,100 jobs in 1997 and still further to 82,200 in 1998. Lower farm incomes continued to impact farm and ranch employment opportunities and further weakened the need to hire agriculture workers.

Employment in the food and beverage side fluctuates more and has changed from a low of 16,500 in 1992 to a high of 20,400 in 1996. Employment in this sector declined to 20,000 in 1997 and further to 19,800 in 1998. Alberta's agri-food industry continues to maintain a very low level of unemployment when compared to any of the other major industries in Alberta.

The employment targets set for 2001 are 120,000 jobs in agriculture and 30,000 jobs in food and beverage. Longer term continued growth in both industries is anticipated.

#### Measure 6

### Employment in agriculture and food



Source: Statistics Canada, Historical Labour Force Survey 1998

## Measure 7.

### Alberta Land Productivity Index

This measure records changes in long-term land productivity as recorded in annual crop output. Although year-to-year changes in productivity occur due to weather, the long-term average is used to show trends.

#### Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
2. Improved competitiveness of industry commodities, products and services.
  6. Improved environmental stewardship.

Land productivity and the sustainability of agriculture in Alberta are ensured by the balance between nutrients removed by crops and replaced by fertilizers and manure. Long term crop production is an excellent proxy for land productivity.

#### Benchmark

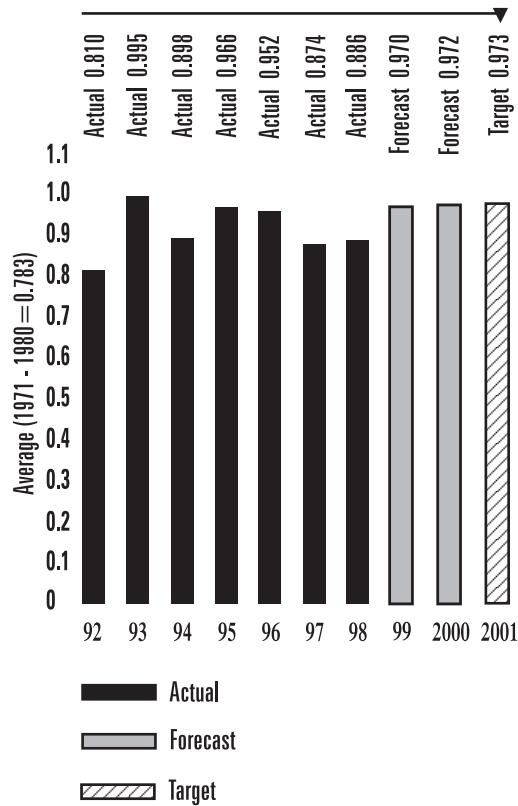
Over the last 45 years, there has been a steady growth in crop production in Alberta. This index shows the crop production increases relative to the 1971-1980 benchmark.

#### Results

AAFRD will work with Alberta farmers and ranchers so that the index increases to 0.973 by the year 2001. Current results show that the indicator reached only 0.886 in 1998, down significantly from the forecast. Changes in acreage seeded and decreases in overall production contributed to this result.

## Measure 7

### Land productivity index



Source: Statistics Canada Cat. 22-002-XPB (data) and Alberta Agriculture, Food and Rural Development (calculations)

**NOTE** – This indicator is the best available proxy for long-term land productivity. Crop production per acre for the various crops grown in the province was converted to a standard base – tonnes per acre of wheat. This conversion allows for the difference in yields of the various crops. Although soil degradation is still a concern on some lands, most producers use sound management practices that continue to ensure long-term sustainability of agriculture in Alberta.

#### Future Challenges

Changes at the industry and Ministry level are shown by AAFRD's macro measures. As such, they record, in part, both direct and indirect impacts the Ministry has on the ongoing development of the agriculture and food industry in Alberta. Significant

influences that affect Alberta's agriculture and food industries remain outside the role or scope of Ministry programs or staff.

### **Major influences on Alberta's agriculture and food industries:**

#### **Weather**

Weather is a major factor affecting the production of agriculture commodities in Alberta. Crop insurance payments to farmers illustrate the variance this factor can introduce. Back in 1985, widespread drought caused crop insurance payments to soar to over \$251 million. However in 1998, crop insurance payments were just under \$125 million.

The Ministry's macro measures dealing with farm cash receipts and direct program payments record weather impacts. Projections for these measures are based on long-term averages based on normal weather. The effects of adverse growing conditions in 1997 and again in 1998 have shown up in projected targets not being met.

#### **Federal Government Programs and Policies**

The programs and policies of the Federal Government continue to impact the future growth of Alberta's agriculture and food industries. The reduction or removal of impediments inherent in federal programs and policies require the ongoing work of Ministry staff in conjunction with their federal counterparts.

Grain transportation and marketing constraints and regulations continue to affect the way Alberta farmers must market their grain. Federal and provincial safety net programs and policies need resolution. The relative position of the Canadian dollar relative to the U.S. dollar and other world currencies, while beneficial to international

exports leaving Alberta, has meant continued increases in input costs, particularly for those items imported from the U.S.

Much of the machinery and equipment used on Alberta farms and ranches comes from U.S. manufacturers. In addition, many agricultural chemicals used in the industry are also manufactured in the U.S.

#### **Governments Programs and Policies of Other Countries**

Markets in other countries are crucial to Alberta agriculture and food industries. As such, Alberta industries can be and are significantly affected by existing and future programs and policies in other countries. For example, trade wars among the U.S. and European countries have and will continue to adversely affect the amount and value of Alberta exports.

World demand for agriculture commodities changes constantly and significantly. In part these alterations are due to changes in government programs and policies in other countries. As a result, Albertans representing agriculture and food industries must continue to search for new markets. Without new markets, the forecast potential growth will not occur at the levels projected.

#### **Consumer Tastes, Societal Norms and/or Standards**

Because of the high reliance on exports by Alberta's agriculture and food industries, changes in consumer tastes and the consumption of different products mean significant challenges in changing to products that markets are demanding.

Food products face a special challenge in that changing consumer demands often require significant lead time for research and development. For example, the move from

*World demand for agriculture commodities changes constantly and significantly.*

producing rapeseed to canola took more than ten years to complete. Consumer tastes can change a lot in that time.

Significant changes in how agriculture and food industries may produce food and animal products can be driven by societal norms both in Canada and around the world. Issues around animal welfare, the environment, biotechnology and additional resource issues such as air, land and/or water will continue to affect the future direction of agriculture and food in this province.

The globalization of agriculture markets puts Alberta producers and manufacturers more at risk with regard to changing views, concerns and beliefs on what foods are safe and which are not. Science, in some cases, cannot overcome beliefs.

## Discussion of Results and Performance

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### Results of operations

Consolidated revenues in 1998-1999 were \$342.9 million, which is a \$12.4 million decrease from 1997-1998. Consolidated expenses increased to \$530.9 million. This is \$45.6 million higher than in 1997-1998. The net result was an excess of expenses over revenues of \$188 million, which is \$58.2 million higher than 1997-1998 and \$90.8 million lower than budget.

### Revenues

Revenues dropped 3.5 per cent from the previous year. They were down \$12.4 million from last year, but \$96.6 million higher than budget. After adjusting revenues by \$59.7 million for restricted revenue and quota exchange receipts, which were not budgeted, revenues were \$36.9 million higher than

budget. As explained below, restricted revenue and quota exchange receipts are offset by restricted expenses and quota exchange payments.

The main reason for revenues exceeding budget was that transfers from the Government of Canada were \$35.9 million higher than anticipated. Transfers were higher because the receipt of a contribution under the new federal farm aid program was not fully anticipated in the budget.

Interest and investment income was \$8 million higher than the budget estimate, but this increase was offset by an \$8 million decrease in premiums from insured persons.

Highlights of the revenue picture include the following:

- Interest and investment income was \$9.5 million lower than last year. Interest income decreased by \$12.1 million due to the reduction of the interest rate on beginning farmer loans from 9 per cent to 7.5 per cent. Investment income increased by \$2.6 million primarily because of a higher surplus in insurance funds than in the previous year.
- Premiums from insured persons increased by \$3.2 million to \$74.8 million in 1998-1999. Crop insurance premiums were \$4.4 million higher due to higher farmer participation in the program, while hail insurance premiums were \$1.2 million lower due to lower participation and refunds of premiums.
- Transfers from the Government of Canada were \$14.1 million higher than last year. Transfers for the farm income disaster program were \$22.2 million higher due to the introduction of a federal farm aid program. This increase was partly offset by a decrease of about \$8.1 million in transfers for the crop insurance program.

*The main reason for revenues exceeding budget was that transfers from the Government of Canada were \$35.9 million higher than anticipated.*

*Expenses were lower than budget primarily because of lower than anticipated expenses.*

- Fees, permits, licenses and other income decreased by \$15.7 million from the previous year. The decrease was mainly due to a reduction of \$4 million in brand inspection and registration fees and the inclusion of \$11.6 million in last year's revenue for the reversal of over accruals of expenses in previous years, which are reported as revenues by the Department.
- Amortization of loan discounts decreased by \$1.8 million because loans outstanding with concessionary terms were lower than in the previous year. Loans made by the Agriculture Financial Services Corporation under the Canada – Alberta partnership on Agri-food Program and amounts previously deferred under the Indexed Deferral Plan have been discounted because they involve significant concessionary elements. The amounts discounted are being amortized to revenues over the lives of the concessionary terms.
- Restricted revenue and quota exchange receipts declined by \$2.8 million. These revenues are funds collected in the operation of price equalization pools or under various agreements and are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. The decline in revenue was offset by a corresponding decline in restricted expenses and quota exchange payments.

### **Expenses**

Expenses were \$5.7 million higher than budget. After adjusting expenses by \$59.7 million for restricted expenses, which were not budgeted, expenses were \$54 million lower than budget. As noted under revenue highlights, restricted revenues offset restricted expenses.

Expenses were lower than budget primarily because of lower than anticipated expenses of \$8.2 million for lending and \$58.5 million for insurance. These decreases were offset by higher than anticipated expenses of \$13 million for infrastructure assistance.

- Lending expenses were \$8.2 million lower than budget due to lower interest rates and lower borrowing.
- Insurance expenses were \$58.5 million lower than budget mainly because a better than average crop year in 1998 resulted in lower than anticipated indemnities. The budget for indemnities is based on long-term averages.
- Infrastructure expenses were \$13 million higher than budget because of grants paid under the Municipal Industrial Wastewater Infrastructure program, which was announced in July 1998.
- Farm income support expenses were \$500,000 over budget. These expenses included claims paid under the Farm Income Support program. Payments under the program were \$8.1 million under budget, due to the better than average crop year in 1998. The under expenditure for the Farm Income Support program was more than offset by an unbudgeted expenditure of \$8.8 million for industry development grants. These grants were authorized by a supplementary estimate.

Expenses increased in 1998-1999. They were up \$45.6 million from last year. Highlights of the spending picture for 1998-1999 are as follows:

- Farm income support expenses were \$16.1 million higher than in 1997-1998. The increase was mainly because of two areas: payments under the Farm Income Disaster Program were \$6.8 million higher than in the previous year and the

\$8.8 million in new industry development grants that were authorized by a supplementary estimate.

- Lower interest rates and lower farm loan incentives were the primary reasons for the decrease of \$12.2 million in lending expenses in 1998-1999.
- Insurance expenses were \$21.7 million higher than in the previous year. Most of the increase is due to higher crop insurance indemnities. The higher crop insurance indemnities were partly offset by lower wildlife compensation payments of about \$3.6 million. In the 1997-1998 fiscal year, early snow cover in parts of the province meant many farmers had difficulty getting their crops off the field. Difficult access to natural feed sources increased wildlife depredation on agricultural crops that could not be harvested, resulting in a record increase in claims for the program in 1998.
- Spending on agricultural research assistance was \$1.1 million higher in 1998-1999 than in 1997-1998.
- Infrastructure spending increased by \$15.5 million in 1998-1999. There were two main reasons for the increase in 1999. Grants under the new Municipal Industrial Wastewater Infrastructure program accounted for \$12.6 million of the increase. The other reason is that in 1997, accelerated payments of \$2.5 million were made to four irrigation districts. Accordingly, 1998 grants to the four districts were reduced. Grants in 1999 were back to previous levels.
- Restricted expenses and quota exchange payments declined by \$2.8 million. As noted above, the decline in expenses was offset by a corresponding decline in restricted revenue and quota exchange receipts.

- Valuation adjustments were up \$4.7 million compared to last year. The main reason for the increase was a change in the provision for doubtful accounts and losses to reflect the risks associated with the downturn in commodity prices that affected the income of borrowers.

## **Performance Measures**

The following discussion outlines the comparison of actual results versus forecasts for each of the Ministry's seven macro-measures. The forecasts are those that appeared in the 1998-1999 to 2000-2001 business plan prepared in late summer 1997.

1. Alberta's farm cash receipts (FCR) were forecast to be \$6.6 billion for 1998. Current results for 1998 are only \$6.381 billion or 3.3 per cent under forecast. Significantly lower commodity prices resulted in lower than expected total cash receipts. Alberta's FCR were forecast to be 24.0 per cent of total Canadian FCR in 1998. Lower receipts resulted in Alberta accounting for 21.7 per cent of Canadian FCR, which is 2.3 percentage points below the forecast.
2. The forecast for government program payments to Alberta farmers and ranchers was \$240 million. Actual payments equaled \$238.4 million, right on target. Payments were forecast to be 3.6 per cent of Alberta's FCR. Actual payments represent 3.7 per cent of FCR, 0.1 percentage point more than expected.

*Spending on agricultural research assistance was \$1.1 million higher in 1998-1999 than in 1997-1998.*

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and food  
industries have  
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and export  
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3. Total value of shipments from Alberta's food and beverage industries for 1998 are \$7.479 billion, which fell short of the forecast of \$7.76 billion by \$281 million. Lower export prices meant less revenue. The percentage contributed by Alberta's food and beverage industries of Canada's total value of shipments for 1998 at 12.6 per cent fell short of the forecast 13.3 per cent. Alberta's food and beverage industries have been expanding at a slower rate over the past couple of years, compared to the early nineties.
4. Value of shipments of agriculture and food products from Alberta to other provinces and countries for 1998 is estimated to have reached \$7.5 billion. This figure exceeds the forecast of \$7.0 billion by \$500 million. Alberta agriculture and food industries have remained competitive in both the domestic and export markets.
5. Importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product continues to hover near the 5.0 per cent. While the forecast for 1998 was 5.2 per cent, up over previous levels, the current estimate puts the figure at 5.1 per cent, 0.1 percentage points below the forecast.
6. Employment in Alberta's agriculture and food industries has not kept pace with expectations. The forecast for 1998 was for total employment to reach 123,000 Albertans. Significant decreases in employment in primary agriculture combined with a slight decline in employment in food processing resulted in actual employment of only 102,000. Employment in the primary agriculture dropped back to 82,200 in 1998, down from 83,100 in 1997 and the high of 92,600 reached in 1995.

Employment in the food and beverage industries in 1998 at 19,800 was down from 20,000 in 1997 and 20,400, the peak, in 1996.

7. Alberta land productivity indicator was forecast to reach 0.969 in 1998. The indicator only reached 0.886 in 1998, down significantly from the forecast. Changes in acreage seeded and decreases in overall production resulted in a "blip" in the long-term increase in overall land productivity in Alberta.



# Financial Information

Financial Statements