

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2000, 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 7, 2000, 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 7, 2000

Message from the Minister

It is now over a year since I became the Minister of Agriculture, Food and Rural Development. In this time, I have enjoyed tackling the issues affecting all aspects of the agriculture and food industries.

Taking on and learning about these issues has meant a lot of listening. So I have concentrated on spending a great deal of time hearing from the people who live and work in the agriculture and food industries every day. This enables me to take action on their behalf, knowing full well that I listened and responded to their concerns.

A look back

What I have been hearing is that it was a tough year for many producers. A number of commodity prices took a tumble. Some farmers experienced the fourth or fifth dry growing season in a row. Others dealt with the uncertainty of potential trade action from south of the border.

Low farm incomes affected many producers in all areas of the province. As a result, the Ministry moved to enhance the existing farm income support programs and to develop others, such as the Farm Income Assistance Program, to address this problem. Farm income support payments should total over \$300 million for fiscal 1999-2000. The crop insurance program will also be reviewed, so I

can be sure it will continue to meet producer needs into the future.

Despite the production challenges, Alberta agriculture and food industries continue to be aggressive. For the first time in history, valued added product exports exceeded primary goods exports from Alberta in 1999. The value of Alberta's shipments from the food and beverage industries increased over \$266 million from 1998 to 1999 to \$7.8 billion. And a new record was set in farm cash receipts from livestock in 1999, up to \$3.98 billion. These receipts were up by nearly 10 per cent over 1998.

These successes came in spite of trade irritants and disputes. Ministry work in policy, market development and improving trade relationships is all geared to helping Alberta producers and processors succeed. Improvements in quality standards, safe food production systems and addressing consumer needs all contributed to a stronger industry climate.

Issues around environmental sustainability are also being addressed. The land productivity index rose significantly in 1999, well up from the forecast. Ministry work in the irrigation districts, on greenhouse gases and phosphorus loading is all directed at keeping the industries prosperous and the resources protected and sustained. More discussion on these key initiatives appears throughout this annual report.

Despite the production challenges, Alberta agriculture and food industries continue to be aggressive.

The future will bring leading edge services to the agriculture and food industry.

Public concerns and industry-related issues prompted the Ministry to announce Ag Summit 2000. I wanted to hear from Albertans, and especially from our producers and processors, what could be done to support sustainable growth and enhance the sustainability and productivity of Alberta's agriculture and food industry. The Ag Summit dialogue began in February 2000 and will result in a road map for industry, government and other stakeholders to follow toward a successful future.

The financial picture is also discussed in detail in this annual report. In short, because of the need to strengthen income support to producers, expenses rose over revenues. Expenses were \$217 million higher than budget, in large part due to the enhancements to farm income support. Increases in farm income support were partially offset by lower than expected insurance program expenses and revenues that actually exceeded budget in 1999-2000.

A look forward

The Ministry intends to use the findings from the Ag Summit process as a basis for a collaborative effort with industry to address the present day and long term issues. In addition, a review began in the Department late in 1999 to ensure that staff and budget resources are allocated in an effective and efficient manner, consistent with the department's goals and the overall direction of government. The Department also adopted a new goal focused planning process that will bring greater accountability to the business plan and better integration among Department initiatives.

The future will bring leading edge services to the agriculture and food industry. The Agriculture Financial Services Corporation is nearly finished an insurance system project where clients will be able to access the systems and process transactions electronically. The Department's new knowledge management unit will help coordinate the incredible amount of knowledge that staff have, so client needs can be met more efficiently. Other new initiatives begun during the 1999-2000 fiscal year are described in the text of this annual report.

Mapping the way into the future will be a shared initiative between the Ministry and the agriculture and food industries. As we communicate, as we share our knowledge, ideas and direction for the future, we will continue to strengthen the solid working relationship we currently share. And that strength will benefit all Albertans.



Ty Lund

Minister of Agriculture, Food
and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes:

- *Department of Agriculture, Food and Rural Development*
- *Crop Reinsurance Fund of Alberta*
- *Agriculture Financial Services Corporation*
- *Alberta Opportunity Company*
- *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 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, which 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 Cabinet, 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 stylized, cursive script.

Jim Nichols

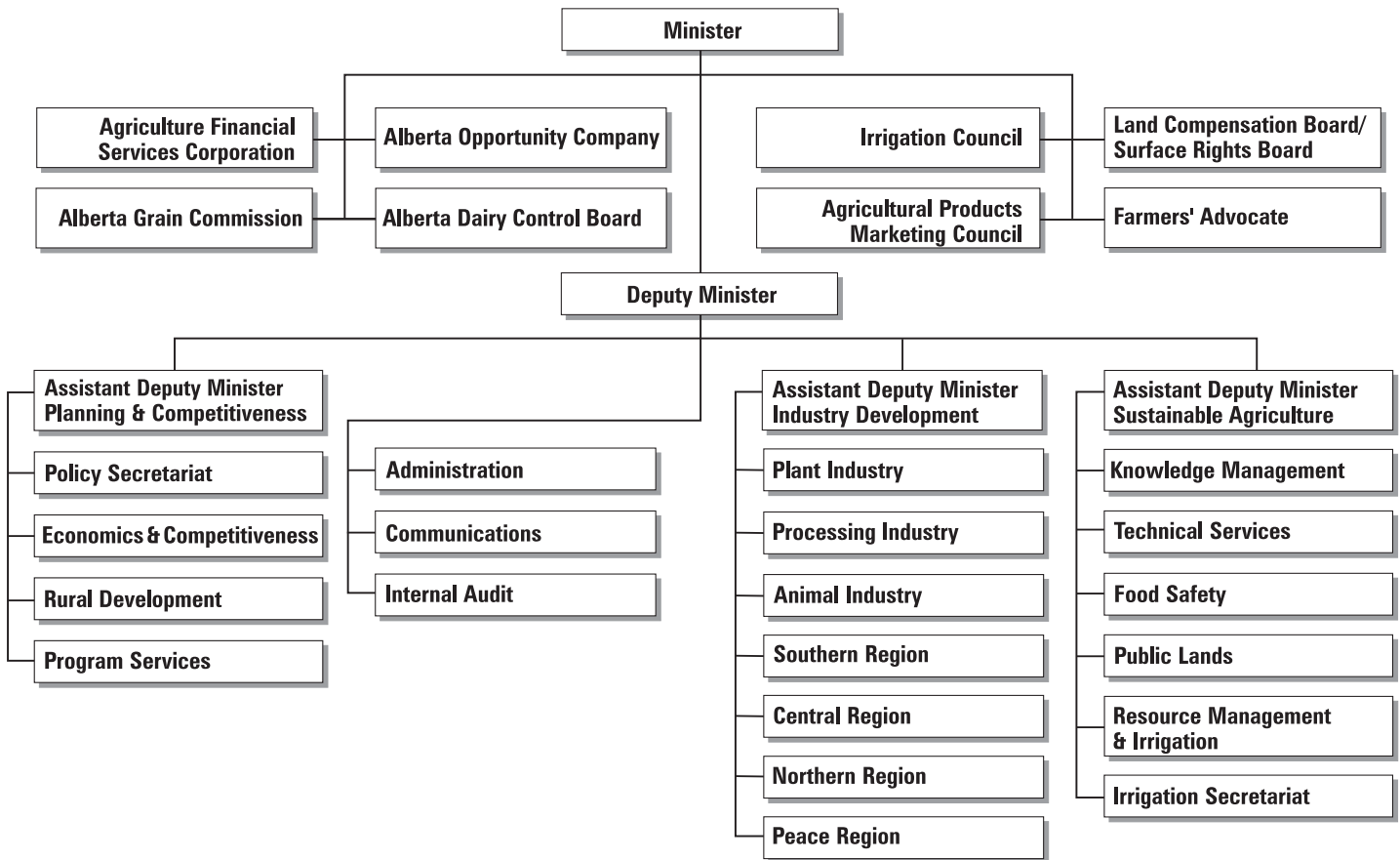
Deputy Minister
Ministry of Agriculture Food and
Rural Development

August 24, 2000

Overview

Chart of Ministry Entities

March 31, 2000



Entities – Ministry of Agriculture, Food and Rural Development

Department

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 the development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities.

Policy Secretariat

#301, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2070

Communicates and interacts with all segments of the Ministry, agriculture industry and other governments to effectively meet the needs of the Department for strategic planning, program planning, policy research, analysis and development in various areas. Coordinates departmental responsibilities on regulatory review, performance measures, environmental and resource planning, among others.

The Secretariat provides ongoing analysis, evaluation and recommendations on national and international trade policy developments and assists industry on trade negotiations, legislation and trade disputes.

Economics and Competitiveness Division

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

Provides economic data and analysis expertise to assist Alberta industry optimize growth opportunities in agricultural products and services. Functions include applied economic business analysis, competitiveness studies, benchmarking/forecasting source data as well as analysis of emerging industry trends. In collaboration with Economic Development, the Division has created a new, enhanced capability to identify opportunities in the global marketplace. Together, the Departments continue to provide timely market information to Alberta exporters, producers and processors.

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.

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.

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. Some of the above functions will be transferred to the new Alberta Corporate Services Centre in 2000-2001.

Communications Division

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

Responsible for the planning, development, organization and evaluation of communications programs including publishing, multi-media, executive communications, corporate communications and freedom of information and protection of privacy. Responsible for library services in fiscal 1999-2000. Also administers the Ministerial Action Request System.

Plant Industry Division

#304, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(789) 427-5341

Directs and coordinates programs 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 the 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.

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.

Regions

Offices in the four regions are responsible for applied research, the delivery of information, technology transfer and skill development.

Services are provided to producers, processors, farm families, industry organizations, commodity groups, municipal authorities, agri-business and the general public. Industry Development sector staff provide a broad range of specialized information services and support services.

Southern Region

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

Central Region

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

Northern Region

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

Peace Region

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

Knowledge Management Unit

#307, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-1821

Coaches, mentors and facilitates Department staff in ways to improve their knowledge and information management practices to enhance the collective ability of staff to provide timely and valuable information, products and services to the Department's clients.

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 and confinement livestock operations as well as communication and liaison related to industry expansion issues.

Food Safety Division

#300, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(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 Hazard Analysis Critical Control Point program 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.

Public Lands Division

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

Responsible for program direction and the day-to-day management of approximately 10 million acres of public land in the settled area of Alberta. Works with Alberta Environment, who administer the *Public Lands Act*. Manages the high demand for the use of public land through integration of multiple use 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.

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.

Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. Also manages the Alberta Environmentally Sustainable Agriculture program.

Irrigation Secretariat

See Irrigation Council under Agencies, Boards and Commissions

Agencies, Boards and Commissions

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 agri-business 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 agri-business financial services include the provision of farm loans and business analysis services for beginning and developing farmers, financial counseling, disaster financing for those facing multiple

years of crop losses, and the facilitation and sourcing of financing for companies in the agri-food and value added industry.

AFSC produces a separate annual report.

Alberta Grain Commission

#305, 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.

Alberta Opportunity Company

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.

Alberta Dairy Control Board

Provincial Building
5201 - 50 Avenue
Wetaskiwin, 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 recommendations, initiates legislative changes and formulates procedures that govern the dairy industry in Alberta and Canada.

Irrigation Council and Irrigation Secretariat

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

Irrigation Council

Makes recommendations to the Minister on irrigation district related matters. Approves expenditures under the Irrigation Rehabilitation Program and monitors irrigation district activities as outlined in the *Irrigation Districts Act* (proclaimed May 2000).

Irrigation Secretariat

Provides administrative support to the Irrigation Council, administers the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts 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 in the areas of research, market development and promotion.

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.

Farmers' Advocate of Alberta

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

Provides the Minister with information on issues concerning rural Albertans. Works closely with agricultural interest groups, Alberta Environment, Resource Development, Municipal Affairs, Infrastructure and other levels of government to formulate policy recommendations and procedures that affect the rural community. Provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that impact rural Albertans. Administers the *Farm Implement Act*.

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 core businesses of the Ministry are reflected in the mission statement:

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

Each of the eight Ministry goals contributes to the achievement of this mission. These achievements constitute the role of Alberta Agriculture, Food and Rural Development (AAFRD) in contributing to the Government of Alberta's 26 core performance measures, as shown in the Results Analysis section in this annual report. Following the discussion of the Ministry's role is a comprehensive discussion of the Ministry Goals and Performance Measures for the fiscal year 1999-2000.

Major Ministry Functions

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

Department Restructuring

In 1999-2000, significant structural changes were made in the Department. Restructuring of the Department brought about the creation of new divisions, such as Food Safety and Technical Services, to meet emerging priorities.

Public Lands became a separate division to concentrate specifically on this valuable resource. A combined Economics and Competitiveness Division was created to strengthen the support the agriculture and food industry receives in these key areas.

The Marketing Services branch was moved to Alberta Economic Development, to consolidate international marketing expertise in one area. The Alberta Agricultural Research Institute moved to the Innovation and Science Ministry. A Knowledge Management unit was established to create innovative ways to capitalize on the collective knowledge within AAFRD to help provide the best service possible to Ministry clients.

In addition, a departmental functional review was begun to ensure that staff and budget resources are allocated in an effective and efficient manner, consistent with the Department's goals and the overall direction

of government. The review and appropriate responses to its findings will continue through the year 2000.

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all the Ministry's entities.

Actual Results Compared to Budget			
	<i>(millions of dollars)</i>		
	1999- 2000 Budget	1999- 2000 Actual	1998- 1999 Actual
Revenues	362	454	363
Expenses	615	832	539
Excess of expenses over revenues	253	378	176

The following two pages provide summary highlights of the Ministry's 1999-2000 results:

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

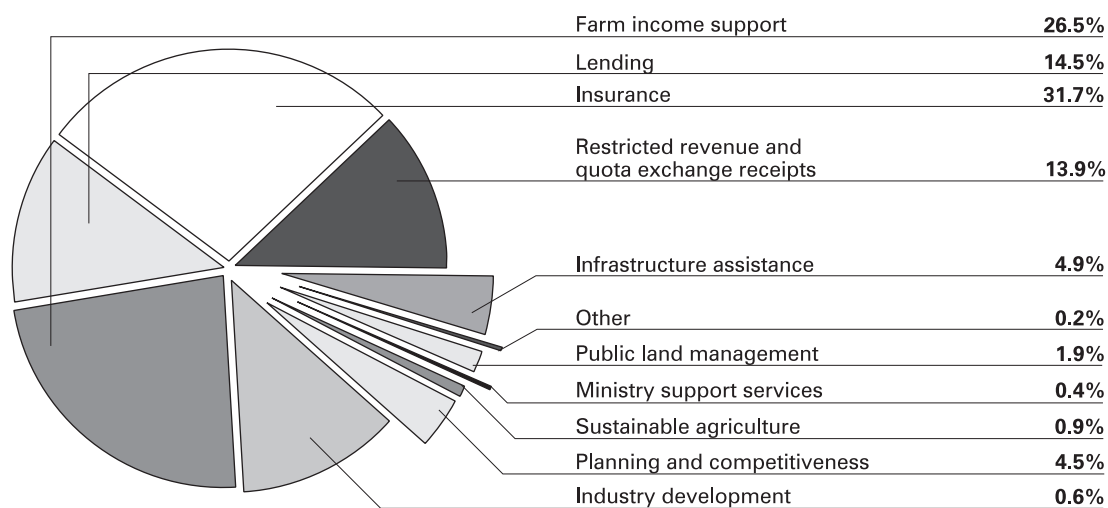
A full discussion of both the financial and performance measures results is presented in the Results Analysis section of this annual report.

Highlights – Financial and Performance Measures

Financial

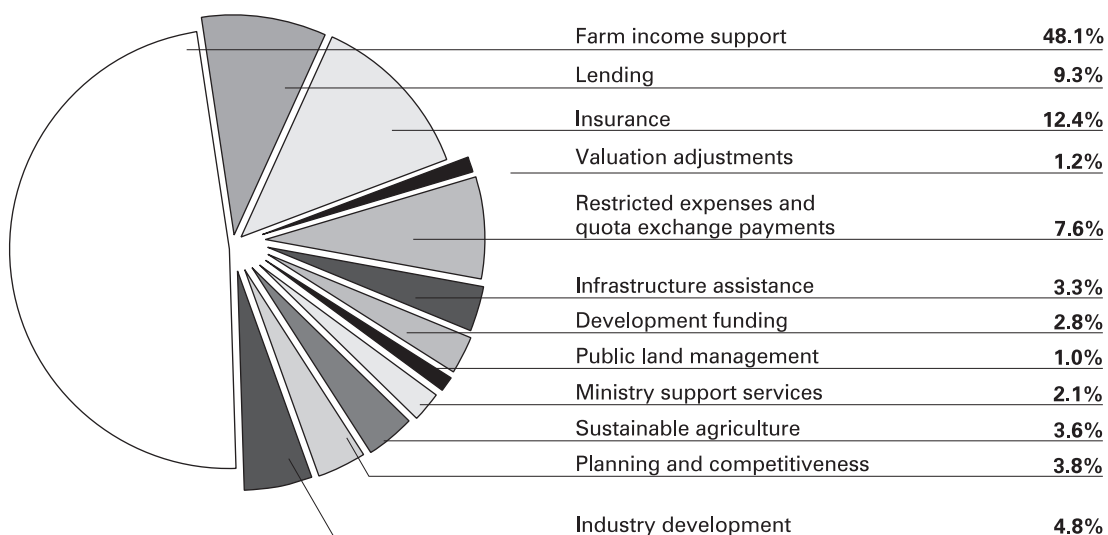
Revenue by program

(percentage)



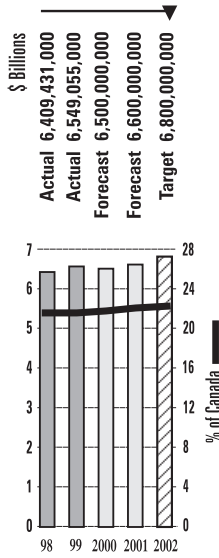
Expenses by program

(percentage)



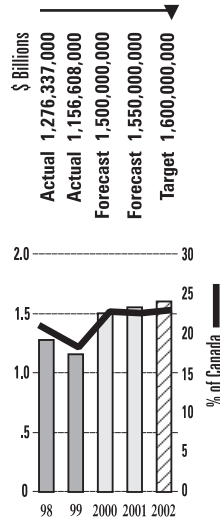
Performance Measures

Alberta Farm Cash Receipts



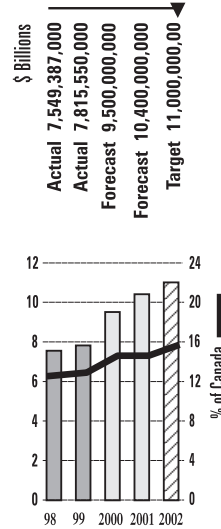
Measure 1

Alberta Net Cash Income

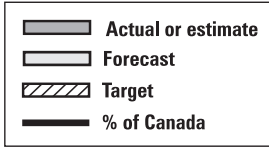


Measure 2

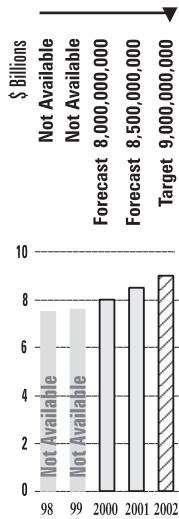
Alberta Food and Beverage Industries' Value of Shipments



Measure 3

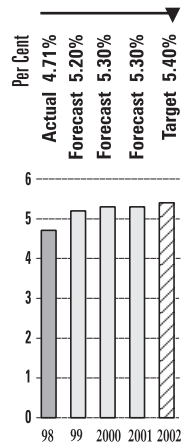


Value of Out-of-Province Shipments of Agriculture & Food Products



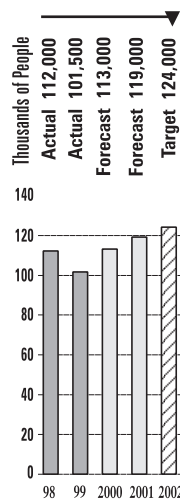
Measure 4

Contribution to Provincial Gross Domestic Product



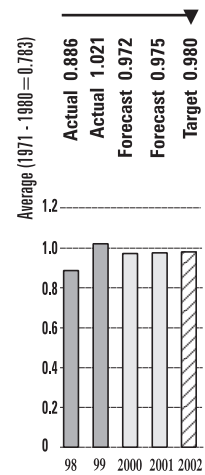
Measure 5

Employment in Agriculture and Food



Measure 6

Alberta Land Productivity



Measure 7

Significant Events Affecting the Agriculture and Food Industries in Alberta

The agriculture and food industries faced a challenging year once again in 1999-2000. Continued low commodity prices and adverse weather had far reaching effects on many rural Alberta communities. International trade issues brought a number of pressures to bear. Global trade pressure and public concerns about food safety were key priorities for the Ministry. Work with the industries on initiatives in value adding, diversification, partnerships and in air, land and water quality were all part of the Ministry's focus in the context of events during the year.

Farm income support and safety nets were high priorities in 1999-2000. Low farm incomes demanded a strong Ministry response. Enhancements to the Farm Income Disaster Program helped reduce the negative impacts of low farm income in 1998 and 1999. The reference period was expanded from three years to the best three out of five years, and the calculation now provides support to expanded farm operations. In addition, application deadlines were extended, and previous applicants were eligible to have claims reprocessed under the new guidelines. Program payments are expected to total more than \$300 million for fiscal 1999-2000. The Farm Income Assistance Program 2000 was introduced on March 14, 2000. This \$130 million initiative provided Alberta farmers with \$4.29 per acre on all cultivated acres farmed in 1999.

Federal/provincial negotiations continued to develop a new, long term safety net agreement to provide an effective package of safety nets to farmers.

A major review of the Crop Insurance Program was initiated to make sure the program will be able to meet the needs of producers in the future. A report and recommendations are expected by October 1, 2000. On March 14, 2000, the Alberta government announced a 30 per cent reduction in the crop insurance premiums farmers will pay in 2000.

Tough international markets meant ongoing work by the Ministry to ensure that Alberta products can reach the global marketplace. Alberta continues to significantly expand its exports through aggressive market access activities including market development, dealing with trade irritants, improving bilateral relations with neighboring states and contributing to a favorable trading environment.

New information was developed in strategically critical areas of competitiveness including investment attraction, biotechnology, organic and natural foods as well as marketing options and costing for numerous agricultural enterprises. These tools will help the Alberta industries compete more effectively.

Farm income support and safety nets were high priorities in 1999-2000.

Important trade dispute irritants and policy issues were successfully dealt with including countervail and anti-dumping challenges in the cattle industry and the development of trade positions for the upcoming World Trade Organization. The Ministry participated in the defense of Canadian cattle industry trading practices against two US trade actions with the result of a cost savings of over \$100 million per year to Canadian cattle exporters. The Ministry's partnership with the Agri-Industry Trade Group led to the development of a Canadian industry trade position for the federal government to pursue in World Trade Organization negotiations on agriculture.

International trade requirements meant food safety and quality standards were enhanced, and new efforts were launched in monitoring and surveillance to address technical barriers to trade. In the past, animal health barriers have arisen as impediments while traditional monetary trade barriers have been reduced. Technical barriers must be scientifically based on good surveillance and monitoring information. Specific Ministry projects addressing bovine spongiform encephalopathy and specific avian diseases are designed to overcome these technical barriers to trade.

An increased global emphasis on safe food production systems resulted in the Ministry's involvement in several education and training programs. The Food Safety Counseling program enhanced the awareness, training and adoption of food safety practices and programs by Alberta food processors. Over 85 companies have been involved with the program, and over half of these have taken the food safety workshops. Alberta food processors have developed safer food handling procedures and good processing practices with the assistance of Ministry staff. These changes benefit both

the consumer and the entire industry by providing a knowledge of effective practices and better quality-controlled products.

The implementation of on-farm production protocols is critical to the establishment of safe food production systems. In partnership with the Ministry, the Alberta beef, pork, poultry and horticulture industries have made excellent progress toward the establishment of programs that assure the supply of safe product to processors. Industry and government have recognized a need to promote equivalence in food safety standards applied to meat production across Alberta.

Along with the **increased emphasis on food safety by consumers**, an increase in the cooperation and coordination of activities between federal and provincial agencies has become vital. Significant progress has been made in the Canada Alberta Partners in Food Safety initiatives. This forum brings together the Canadian Food Inspection Agency, Alberta Health and Wellness as well as the Ministry to determine areas of increased knowledge sharing and service delivery in the provision of education and training, laboratory services, meat inspection and dairy inspection. A multi-agency emergency preparedness and response plan has been drafted.

Alternative business opportunities were the focus of producers, processors, agri-business and the Ministry. The aim was to explore new opportunities to enhance competitiveness. These efforts involved collaborative efforts in workshops on direct marketing and diversification; audits, surveys and tours to identify opportunities; decision-making tools for livestock production, crop production, management and technology to enable stakeholders to work together and to move knowledge and market information out to the industry users.

Alberta food processors have developed safer food handling procedures and good processing practices with the assistance of Ministry staff.

Research funding and the delivery of information and services were joint efforts by both the private sector and the Ministry. In particular, the Department worked with the industry in “train the trainer” activities, which better positioned the private sector to service the industry. This support involved over 5,000 teachers, agronomists, veterinarians, nutritionists, researchers, accountants, management specialists and industry service personnel, many of whom strengthened their skills through various world class national and provincial training events.

Food and beverage industry shipments grew to \$7.8 billion in 1999, an increase of 3.5 per cent or \$266 million. This increase happened despite the decrease in commodity prices; those lower prices significantly lowered the raw material prices and thus the total value of shipments. The Ministry’s goal is to continue attracting new investment to Alberta, so the shipments continue to grow. The significant investment of over \$200 million in two world-scale potato processing facilities shows a major impetus for the development of potato production in southern Alberta. In addition, the Ministry has made a commitment to proceed with a major expansion of the Food Processing Development Centre in Leduc.

The value chain concept is linking producers, processors and the food service industry. The Finding New Markets in Food Service workshops held by the Ministry helped establish some of these links. As a result, several new Alberta meat products are featured in fine restaurants in Edmonton. Chefs and purchasing officers indicated a preference for buying locally-grown and processed products and developing a relationship with the producers and processors. A successful Rural Alberta

Showcase was held featuring exhibitors of Alberta-based independent businesses with a focus on networking – sharing ideas, contacts and value-added product.

Diversification is still a significant initiative in agriculture and food. Ministry staff, the Peace Region Forage Seed Association and others generated funding for forage seed research. The new joint industry/government Bison Centre of Excellence is now operating in Leduc. In support of the growth of the value added potato processing industry, the Ministry and Agriculture and Agri-Food Canada continued a joint program in potato breeding, varietal screening and adaptability testing. Two water/waste water infrastructure projects were approved for funding in support of two municipalities to contribute to value added processing. The condition of 114 rehabilitated projects within the 13 irrigation districts was evaluated to ensure that increasing diversification opportunities can be accommodated.

A new, broad-based industry consultation, Ag Summit 2000, was begun to make sure Ministry and industry efforts are focused on the key issues necessary to ensure sustainable growth in an increasingly competitive environment. To ensure that Alberta’s agriculture and food industries will continue to be viable and competitive in the future global marketplace, this major industry consultation was initiated in February 2000. The process involved consultations with industry stakeholders to develop actions focused on enhancing the productivity, sustainability and profitability of the industry. The process extends into the spring/summer of 2000 and will influence the Ministry’s strategic direction for the future.

A new, broad-based industry consultation, Ag Summit 2000, was begun.

Greenhouse gases, climate change and agriculture were significant issues in 1999-2000. Canada and some 160 industrialized nations have signed an international agreement on climate change aimed at reducing greenhouse gas (GHG) emissions. Under the Kyoto Protocol, Canada has agreed to reduce its emissions to 6 per cent below 1990 levels. This reduction must be done by 2008 to 2012. The Alberta agriculture and agri-food industries' GHG emissions are about 12 per cent of Alberta's total greenhouse gas emissions and 31 per cent of Canada's agriculture and agri-food greenhouse gas emissions.

Alberta's agriculture and food industries are ahead of other provinces in terms of producer awareness and developing management strategies. Some tools are already in use that reduce GHG emissions. These tools include direct seeding, reduced tillage, proper timing and placement of fertilizers, seeding forages and feeding livestock to minimize methane production. The Ministry worked with the industry-led Alberta Environmentally Sustainable Agriculture Council to develop a strategy paper on this topic.

Phosphorous loading and water quality were also key sustainability issues with the public concern about the effects of intensive livestock operations and the proper handling of animal manures. More and more research has identified phosphorus pollution from all sources to be a major threat to water quality. Alberta has a large and growing livestock industry, and manure disposal (containing nutrients) must be properly managed.

Currently, little information exists on maximum phosphorus loading for Alberta's agricultural soils and on its variability for soil type, landscape and climatic conditions. The Livestock Regulatory Stakeholder Advisory Committee (industry-driven) asked the

Ministry to spearhead the development of standards for sustainable phosphorus application rates on agricultural land. This initiative is currently underway, in cooperation with industry stakeholders, and draft figures should be completed by late fall 2001.

Reinvestment funding became a focus. In early 1999, the Ministry was successful in obtaining additional provincial funding to facilitate the long term growth of the agriculture and food sector. Industry was consulted as to how best to invest these dollars, and the Right Honourable Don Mazankowski and the agriculture and rural development delegates to Growth Summit '97 reviewed the input and provided their comments and recommendations. By the end of 1999, some \$43.70 million had been allocated as follows:

- *\$23.75 million to three Industry Development Funds (Crops, Livestock and Diversified Livestock)*
- *\$10.15 million to 10 other worthy projects and programs that do not fit the Industrial Development Fund concept*
- *\$9.8 million for additional program costs and the costs of Ag Summit 2000*

The Ministry expects disbursement early in 2000 and believes the approved projects are a sound investment in the future of the agriculture and food sector.

Alberta has a large and growing livestock industry, and manure disposal (containing nutrients) must be properly managed.

Results Analysis

Ministry Goals

Role of the Ministry

The Ministry of Alberta Agriculture, Food and Rural Development has a direct or indirect affect on 19 of the government's 26 core performance measures, as identified in the 1999-2000 *Measuring Up* document (*Measuring Up: Sixth Annual Report on the Performance of the Government of Alberta*).

- *export trade*
- *resource sustainability*
- *gross domestic product*
- *intergovernmental relations*
- *family income distribution*
- *skill development*
- *provincial credit rating*
- *heritage appreciation*
- *cost of government*
- *taxation load*
- *job growth*
- *land quality*
- *water quality*
- *air quality*
- *net debt (accumulated debt)*
- *business innovation*
- *value added industries*
- *infrastructure capacity*
- *workplace climate*

Ministry Goals

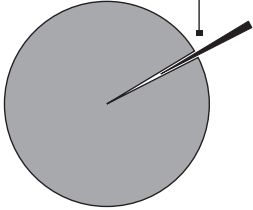
The eight Ministry goals for the 1999-2000 fiscal year show the focus on Alberta Agriculture, Food and Rural Development's (AAFRD) core businesses.

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 markets and industry commodities, products and services.*
5. *Increased capability of industry to manage risk.*
6. *Improved environmental stewardship.*
7. *Continued excellence in food safety.*
8. *Improved management of the Ministry's resources.*

**Goal 1
Percentage of
Ministry operating
expenses**

1.2%



Ministry Goal #1

Improved access to domestic and world market opportunities

Measure #1

Changes made in policy and legislative areas where change is wanted or desired

Strategy

Encourage greater market penetration in priority markets through the provision of strategic market information, including competitive intelligence.**

Results

- Value added product exports have increased 11.8 per cent from 1995 to 1999; for the first time in history, value added exports exceeded primary goods exports from Alberta.
- Exports to key priority markets (US, Mexico, Japan, China, Taiwan, Korea) have increased an average of 4.1 per cent a year since 1994 (benchmark year). Exports to these six countries have increased to \$3.6 billion between 1994 and 1999.
- Broadened industry and department awareness of market threats and opportunities through competitive intelligence studies: investment attraction and biotechnology strategies of competing jurisdictions, the honey industries of China and Argentina, nutraceutical legislation and regulations governing antler velvet in Canada and the US as well as an organics' analysis.
- Industry and Department clients increased their awareness of market opportunities through reported/published information on Canadian and international trade statistics prepared by staff.
- Direct marketing knowledge and opportunities were increased for horticultural crop producers through

seminars, workshops and revised guidelines for the Farmers' Market Program.

- Guided the development of an alliance of snack food manufacturers under the banner of "Canadian Bold."
- Led the development of triticale to increase market access opportunities for Alberta cereals.
- Coordinated a new research project on food barley for the Japanese Shochu market.

** Such activities, in part, contributed to increased value added exports in key markets.

Strategy

Strengthen industry capabilities and skills in responding to international trade disputes and/or help overcome trade constraints.

Results

- Collaborated with other government officials and industry representatives to successfully help defend the trading practices of the Canadian cattle industry from two US trade actions, countervailing and anti-dumping duties. A cost savings of over \$100 million per year to Canadian cattle exporters resulted from the successful defense.
- In partnership with Canadian bison organizations and the federal government, ensured market access, which was threatened by US action.
- The outcome of several forums and exchanges between governments (states-provinces) and agriculture industries on both sides of the Canada-US border facilitated accurate information exchanges that reduced trade tensions on a wide range of economic and technical (health and safety, sanitary and phytosanitary) barriers to trade. The forums were initiated and organized by Ministry staff.

- Improved cattle trade and reduced tension between US and Canada was the result of the output of a multi-disciplinary team that produced a risk assessment study of relaxing the testing requirements for blue tongue and anaplasmosis on cattle entering Canada from the US.
- Significant progress in developing model national meat regulations and code for meat safety and facilities standards for use across Canada resulted from ongoing work between the provinces and the federal government.

Measure #2

Reduction in barriers that limit market access

Strategy

Support industries' work in improving market opportunities through trade negotiations.

Results

- Collaborated with the federal government in its negotiations on market access for China's entry into the World Trade Organization (WTO). Alberta's access to China on its admission to the WTO will enhance market opportunities for grains, canola products, pork and beef, among other agriculture and food products.
- A new agreement has also improved access for beef, pork and seed potatoes together with improved, transparent rules-based access for these products.
- The Alberta Dairy Control Board worked with industry to increase production by 7.5 million liters for the Optional Export Program and, in consultation with industry and the federal government, developed a new export strategy.

Strategy

Support industries' work in improving market opportunities through trade: collect animal health information necessary to support continued access to domestic and international markets.**

Results

- Surveillance generated information that was provided to the Canadian Food Inspection Agency led to the following outcomes:
 1. ensured the continued access by Alberta poultry products into Russia.
 2. verified freedom from bovine spongiform encephalopathy.
 3. provided evidence that Alberta's farmed and wild cervid population is free of chronic wasting disease.
- Ongoing surveillance programs for reportable and emerging diseases:
 1. surveillance for *Salmonella enteritidis* identified one positive flock, and eggs from that flock were diverted away from the retail market and the flock destroyed.
 2. surveillance projects produced baseline data on the prevalence of Johne's disease in beef and dairy cows, *Campylobacter* spp in slaughter hogs and *Salmonella* spp at different levels of the beef production chain and in dairy cattle.

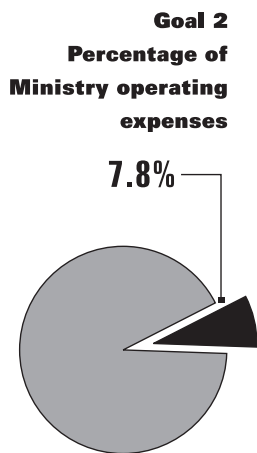
** These results while specific to Goal 7, continued excellence in food safety, are also critical to the maintenance and enhancement of market access given the emerging importance and concern with food safety in international and inter-provincial trade.

A new agreement has also improved access for beef, pork and seed potatoes.

Strategy

Support industries' work in improving market opportunities through trade negotiations.

- In partnership with the Agri-Industry Trade Group (AITG), developed a Western Canadian industry trade position for the federal government to pursue at the World Trade Organization (WTO) negotiations on agriculture. The federal government's negotiating position largely reflected the views of the Western Canadian agri-industry, including the full elimination of export subsidies and a significant reduction in domestic subsidies. AITG participation at the WTO meeting in Seattle was recognized and supported by the federal government. This government-industry partnership initiated and supported by the Ministry has enhanced the influence and probability of improved market access opportunities for a wide range of Alberta agriculture and food products.
- The Ministry study "Effect of Unrestricted Barley Trade on Prices and Production in Canada and the United States" showed that significant benefits would accrue to Alberta farmers under an open border North American barley market scenario. This study strengthened the argument for a dual market and reduced Canada-US trade irritants.



Strategy

Develop and advocate policies that improve market access.

Results

- Collaborated with the Alberta Grain Commission, the Prairie Farm Commodity Coalition and other farm organizations, with support from the Premier and Ministers, to continue on-going efforts through information and advocacy for dual

marketing for wheat and barley and a commercial, competitive transportation and handling regime for these crops. Some success has been achieved in May 2000 through federal transportation legislation, in combination with earlier pricing and payment options drafted by the Canadian Wheat Board.

- Together with other western provinces and Alberta Infrastructure, developed strategies to influence federal transportation policies for grain, which resulted in the Kroeger Implementation Report presented to the federal government.

Ministry Goal #2

Improved competitiveness of industry commodities, products and services

Measure #1

Alberta's market share for priority production in priority markets

Strategy

Improve the transfer of integrated and unbiased technology and knowledge to assist industry to be more competitive and market responsive.

Results

- 1.32 million user sessions on the Ropin' the Web Department website in 1999 (up 32 per cent) compared with 1.01 million in 1998 and 557,000 in 1997. User feedback continues to be very positive and constructive for this information and service channel.
- Veterinarians, nutritionists and feedlot operators strengthened their decision making capabilities by obtaining more than 600 beef technology decision making packages.

- The beef herd audit identified over \$9.5 million in potential gross income improvement on 1,711 farms surveyed.
- The provinces's greenhouse industry registered a 6 per cent growth in overall acreage in 1999.
- Extension and business management information on Internet provided:
 - 4-H clients access to on-line technical project training materials in beef, canine and small engines (first in Canada).
 - new crops and machinery decision making applications including Machinery Cost Calculator, Herbicide Selector and Insecticide Selector Program, farm fertilizer information and recommendation manager.
- In response to client needs expressed in recent surveys, industry competitiveness was improved by:
 - 150 front-line specialists providing integrated or research-based information to the agriculture industry.
 - provided program planning advice and grant support of \$8.6 million to enable 281 Agricultural Societies to operate community facilities, organize agricultural activities and support enhanced rural development leadership.
 - Agricultural Financial Services Corporation authorized 966 beginning farmer loans for a total of \$108.5 million.
 - Alberta Opportunity Company authorized 309 small business loans and guarantees totaling \$42.6 million.
- Irrigation districts, producers, the Prairie Farm Rehabilitation Administration and Alberta Environment improved on-farm water application efficiencies as part of the Year 2000 Review Assessment of Water Allocation in the South Saskatchewan River Basin. An inventory of current on-farm irrigation systems and crops for about 1.3 million acres within the 13 irrigation districts was completed.
- Industry's need for trained agricultural workers was supported through partnering with Alberta Learning, high schools, colleges, universities and industry:
 - Green Certificate Farm Training Program certified 375 young Albertans. Another 539 young rural Albertans entered the training program, and 74 per cent of all trainees entering the program achieved certification.
 - Alberta farmers employed 445 youth aged 15-24 under the Summer Farm Employment Program, veterinarians employed 38 veterinary students under the Veterinary Work Experience Program and processors employed 20 post-secondary students under the Agricultural Processing Industry Employment Program.
- The leadership skills of future agricultural leaders was strengthened by:
 - 415 senior 4-H members and 524 adult volunteer leaders received specialist leadership training at provincial 4-H events.
 - 94 percent of the 2,313 volunteer adult leaders and youth members of 4-H who attended provincial 4-H training events reported a positive change in their level of knowledge and skills.

The provinces's greenhouse industry registered a 6 per cent growth in overall acreage in 1999.

Measure # 2

Production index for priority products

Strategy

Encourage greater private sector involvement in conducting and funding research and in the delivery of information technology and services.

Results

- 250 applied research and demonstration projects were run involving more than \$10 million of multi-source funding.
- 750 private sector professionals (accountants and lawyers) received up-to-date information on taxation and income tax provisions relating to agriculture and farm taxation.
- 1,500 teacher ambassadors delivered Agriculture in the Classroom activities, raising awareness and understanding of the importance of the agricultural industry to the Alberta economy.
- Approximately 1,400 agriculture industry agronomists enhanced their knowledge of agronomic issues and diagnostic capabilities through three Diagnostic Field Schools.
- Industry, universities and other international groups increasingly sought expertise of Ministry staff in the “train the trainer” workshops. Examples include the Australia field diagnostic school, Agrium crop advisors, the China Beef workshop and the Agronomy workshop.
- Veterinarians, nutritionists, researchers and industry service personnel strengthened their skills and knowledge through national class events such as the Banff Pork Seminar (530), the Western Canadian Dairy Seminar (500), the Alberta Horse Industry Conference (520), and the Western Forage Beef Pasture School (60).

Consultation with the industry resulted in over \$40 million in reinvestment in the agriculture and food industry.

- Consultation with the industry resulted in over \$40 million in reinvestment in the agriculture and food industry directed to projects that will provide long term funding to industry:
 - \$23.75 million to three industry development funds (IDF’s).
 - \$10.15 million to 10 projects beyond the IDF concept.
 - \$9.80 million targeted to agriculture programming costs and costs of Ag Summit 2000.
- Private and public research organizations conducted research that will improve crop and livestock production, while sustaining and improving the environment:
 - expansion of the Cows and Fish program into northern Alberta.
 - release of a new semi-dwarf feed barley variety “Niska,” and hullless barley varieties “Jaeger” and “Peregrine.”
 - research trials in northern vigor in medicinals, strawberry crowns and seed potatoes.
 - technology on alternate day feeding and swath grazing that can reduce cow wintering costs by up to \$15,000 within an average-sized herd.
 - a disease forecasting model and control strategies for alternaria blackspot of canola.

Strategy

Develop and administer an improved legislative, regulatory and policy environment that enhances competitiveness.

Results

- Provided project leadership for the development of New Generation Coop legislation.

- Assisted the Alberta Chicken Producers, through an enabling amendment to their regulations, to hold Alberta's first auction for new allocation of quota under the *Marketing of Agricultural Products Act*.
- Amended the *Agricultural Financial Services Act* allowing the Agriculture Financial Services Corporation to market its expertise and services within and outside Alberta.
- The *Irrigation Districts Act* received Royal Assent, draft regulations were prepared and public consultations were conducted with the goal of improving accountability and streamlining administration within the 13 irrigation districts.
- Provided for the development and application of uniform standards in the dairy industry through the *Dairy Industry Amendment Act 1999*.
- Amended the *Agricultural Operations Practices Act*, thereby defining an agricultural nuisance and giving the court the authority to make a complainant liable for costs of a frivolous complaint.
- Established a new minimum base grant for all agricultural service boards of \$44,000. The total operating grants for 68 municipal and 2 First Nation service boards were \$4,635,822, enabling them to deliver programs in soil and water conservation as well as weed and pest control.
- All 172 regulations administered by the Ministry were either reviewed or reviews were in progress by the end of 1999. As a result of the reviews, 31 redundant regulations have been or will be repealed, and remaining regulations are as simple and effective as possible so that better, current and effective regulations are in place. Work is in progress on all the remaining reviews: completion of reviews or repeals of 21 remaining regulations will be completed in 2000.

Strategy

Together with industry, strengthen value chain development.

Results

- Collaborated with the Agriculture and Food Council in the development of the value chain financial assistance program.
- Supported Alberta pork producers participation in the Canadian Quality Pork program – 300 producers representing 40 per cent of Alberta's pork production have been enrolled.

Strategy

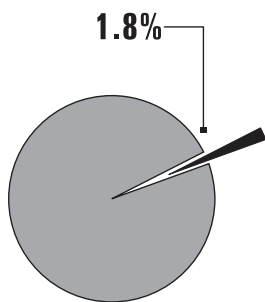
Use competitive intelligence to increase the availability of strategic market information for use by industry.

Results

- Analyzed opportunities in Canadian, US and European jurisdictions for investment attraction opportunities to Alberta.
- Completed analysis on the greenhouse industries of Denmark, the Netherlands and Israel.
- Enhanced the health and safety of farmers, farm families and farm staff through improved attitudes towards health, safety and safe operating practices as evidenced by a 35 per cent decline in farm fatalities from 1998 to 1999.

All 172 regulations administered by the Ministry were either reviewed or reviews were in progress by the end of 1999.

Goal 3
Percentage of
Ministry operating
expenses



Ministry Goal #3
Increased amount of value added to industry commodities, products and services
Measure #1
Dollars invested in value adding in Alberta

Strategy

Encourage investment in value added.

Results

- New investment of \$82 million (mostly expansion of existing industry).
- Six new agri-food processing projects totaling over \$95 million in new capital investments were announced.
- Investment opportunities in Alberta promoted:
 - completed profiles of 15 investment opportunities that are included in a new “Investment Opportunities” publication, in addition to completing opportunity studies on barley fractionation, ethanol and soft wheat.
 - Agriculture Financial Services Corporation (AFSC) facilitated investment of \$64.9 million in 88 projects by leveraging \$12.8 million of its funds with \$52.1 million in private sector debt and equity.
- Through the Food Processing Development Center and Agricultural Value-Added Engineering Center, partnered with industry to conduct research, produce information and encourage the adoption of new or better value added processes.
 - 88 new products developed and marketed.
 - five new food processing companies established.

Measure # 2
Value of shipments of agriculture and food products within and from Alberta to other provinces and countries

Strategy

Partner with industry in further work in non-food uses of agricultural products.

Results

- Alberta Grain Commission is participating in an Interdepartmental Committee to update the Ministry’s ethanol policy by 2000. In 1999-2000, the committee initiated a study to evaluate the benefits of ethanol production in Alberta.
- Four grants to companies/associations working on non-food applications.
- AFSC facilitated investment of \$5.6 million in six projects for which there was non-food use of agricultural products.

Strategy

Work in partnership with others to develop opportunities, reduce constraints and encourage new and expanded value added production in Alberta.

- Conducted a mission to the United Kingdom for Alberta companies to assess opportunities for production of prepared foods in Alberta.
- AFSC worked with other lenders to arrange lending to 52 value added projects.

Strategy

Develop new value added technologies for use by Alberta industries.

Results

- Four new technologies were adopted by Alberta companies.

- Continued 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. AFSC and AVAC jointly funded one project for \$336,000.
- Worked with partners to help new value added processors develop business and marketing plans to support the production of new products. Developed a business planning web site to provide new entrepreneurs with business and marketing information to plan and operate a successful business.
- Taste of Success program worked with 12 new processors in the development of the acceptability and marketability of their product. Two companies reported major growth in the product and markets.
- Partnership with the Alberta Meat Processors Association resulted in the development of an industry business planning guide and training workshop.

Strategy

Expand market expertise and investment knowledge of AFSC Commercial Financial Services to deliver financial products and services efficiently in key market areas.

Results

- AFSC added one new staff person with venture investment background.

Strategy

Continue to press the federal government for changes to policies that discourage value adding, including those in the grain sector (for example, establish trade policy that would support value adding through zero-for-zero tariffs in oilseeds products and other manufactured food products).

Results

- The Kroeger Report was favorable to Alberta interests, providing for limiting the influence and control of the Canadian Wheat Board in transportation matters and providing more choices for farmers, thereby allowing better opportunities for value added industry development in Alberta through greater pricing flexibility.

Ministry Goal # 4

Increased diversity of markets and industry commodities, products and services

Measure #1

Value of production of non-traditional commodities and products

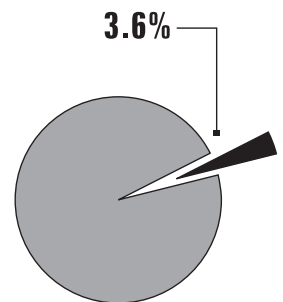
Strategy

Continue to encourage more diverse, commercially sustainable production in Alberta.

Results

- Forage seed production under irrigation increased from 5,000 acres in 1995 to 10,000 acres in 1999.
- Conducted variety trials and agronomy research to support the development of the forage and turf seed industry.
- In partnership with the Peace Region Forage Seed Association, staff hosted the Western Canadian Alfalfa and Grass Seed Conference with 330 delegates attending from provincial, national and international backgrounds.

**Goal 4
Percentage of
Ministry operating
expenses**



In collaboration with industry, completed an extensive analysis of new crops and alternative livestock potential for Alberta.

- Ministry staff and members of the Peace Region Forage Seed Association and others have generated funding that included a \$30,000 per year commitment for three years to Agriculture and Agri-Food Canada in Beaverlodge for forage seed research.
- Continued to carry out and publish research needs for clients on such forage topics as *Endophytes in Grass Seed*, *Selecting Grass Seed Crops Herbicides* and *Creeping Red Fescue Seed Production*.
- More industry focused research undertaken on elk, bison and aquaculture.
- Several research and demonstration projects highlighted the agronomic potential for new crops such as peas, faba and dry beans, lentils, canary seed, spices and sunflowers.
- Applied research continued in the areas of medicinals, hemp and other special crops.
- Special crops work included:
 - completed pea inoculation trials to support the building of a pea agronomic package for southern Alberta.
 - continued work on the developing crop, chick pea, with specific work on planting and harvesting agronomics.
 - suitability and agronomic trials were undertaken looking at Canamaize, a dwarf corn.
 - second year of agronomic and yield trials was completed on a new crop – hemp.
- Testing of 200 new crops resulted in several being identified as having commercial possibilities.
- Generated research and development on black currants, the newest commercial fruit crop in Alberta, in a joint project with Olds College Centre for Innovation.
- Continued a joint program with Agriculture and Agri-Food Canada in potato breeding, varietal screening and adaptability testing; additional project partners include Saskatchewan and Manitoba.
- Staff and C.V. Technologies Inc. established an undergraduate scholarship in the Faculty of Agriculture, Forestry and Home Economics at the University of Alberta. This scholarship is awarded to an undergraduate majoring in Agriculture or Nutrition and Food Science, with an interest in production or utilization of special crops or nutraceuticals and functional foods of plant origin.
- In partnership with Agriculture and Agri-Food Canada, British Columbia Agriculture Ministry staff and the British Columbia Grain Growers, established a three-year research project at Beaverlodge to monitor and research the needed areas of integrated pest management that will lead directly to a more profitable grains industry.
- A new shallow floating bed system of hydroponic lettuce production was developed and adopted by greenhouse growers. This system was also used to grow romaine lettuce and Chinese leafy greens, which represent future crop diversification opportunities.
- In collaboration with industry, completed an extensive analysis of new crops and alternative livestock potential for Alberta.
- The Biotechnology Initiative was established to gather information and assist industry in areas such as:
 - labeling requirements
 - segregation and identity preservation
 - consumer perceptions
 - safety assessment protocols

- In partnership with industry, undertook a study that examined the competitiveness of Alberta's horticulture industry. This is benchmark data used by industry to assist them in examining the potential for crop and product diversification.
- Partnered with Landscape and Nursery Trades Alberta and the Fruit Growers Society of Alberta to research industry structure and marketing benchmark data for fruit and nursery crops.

Strategy

Improve the transfer of integrated and unbiased technology and knowledge to assist industry increase diversity.

Results

- Worked with the Western Canada Forage Seed Team to ensure collaboration between industry, extension and research in the development of the forage seed industry.
- Established a new joint industry/government Bison Centre of Excellence, the first in North America.
- Developed a herb and spice CD Rom; many producers have used this tool to make decisions about alternative crop potentials.
- Developed three web boards for the special crops industry facilitating the interaction between buyers and sellers. These web boards also provide a forum for technical questions and answers.
- 580 people attended diversification seminars at ten locations across the province. Clients gained industry links and learned how to do market research. Individual follow-up requests were completed.
- Produced a new *Guide to Commercial Greenhouse Pepper Production*.

- 75 business operators attended one-day agri-tourism seminars in four locations. As a result, group marketing co-ops are being formed, and a tourism database is being developed, with 300 tourism operations listed.

Measure # 2

Value of processing of non-traditional commodities and products

Strategy

Support the rehabilitation of irrigation infrastructure and optimal use of water resources allocated to irrigation.

Results

- Continued development of computer modeling tools in partnership with the irrigation districts to allow them to accurately assess potential irrigation expansion with acceptable risks.
- In conjunction with the 13 irrigation districts, established a flow monitoring program to accurately determine inflows and losses (seepage, evaporation, return flow back to the rivers) for selected irrigation districts. A total of 87 return flow monitoring sites have now been established within eight irrigation districts. This information will help the districts identify water use requirements and better determine future irrigation expansion.
- Completed the review, approval and monitoring of irrigation rehabilitation projects proposed by irrigation districts under the \$17.2 million Irrigation Rehabilitation Program.

Partnered with Landscape and Nursery Trades Alberta and the Fruit Growers Society of Alberta to research industry structure and marketing benchmark data for fruit and nursery crops.

- Evaluated the condition of 114 rehabilitated projects within the 13 irrigation districts to help Irrigation Council and the irrigation districts ensure that the optimum lifespan of the irrigation infrastructure is achieved. This monitoring is carried out annually on about 10 per cent of the total number of rehabilitated projects completed to date.

Strategy

Encourage development of non-food, nutraceutical and pharmaceutical uses of agricultural products.

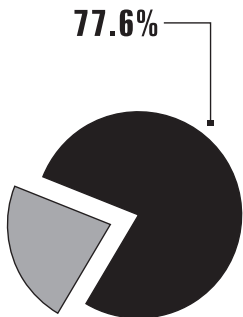
Results

- Completed the second year of testing on 12 new medicinal herbs, looking primarily at agronomic suitability.
- Conducted opportunity analysis of new, value added uses of agriculture inputs including the areas of agriculture-food biotechnology, ethanol, nutraceuticals and strawboard.
- Agriculture Financial Services Corporation facilitated investment of \$1.8 million in two nutraceutical projects.
- Two infrastructure projects were approved for funding of approximately \$2.5 million to support new capital investment of \$31 million in value added processing.

Results

- Developed a Drought Management web page containing information on mitigating drought at the farm level.
- Farm debt publication completed that outlines the legal implications and creditor actions surrounding farm debt.
- Launched the National Council project on operating agreements and tax planning. This project is an advisor’s guide for professional advisors.
- Increased awareness and use of Workers’ Compensation as a risk management tool. As a result of a joint information/awareness program, the Workers’ Compensation Board added 70 new agriculture accounts.
- Increased awareness of tools for assessing financial risk and managing risk in succession planning through seminar with Olds College, Royal Bank and UFA: 575 attendees.

Goal 5
Percentage of
Ministry operating
expenses



Ministry Goal #5
Increased capability of industry to manage risk
Measure #1
Results from risk management survey

Measure #2
Resolution of policies and regulations that increase the risk or constrain industry’s ability to manage risk

Strategy

Encourage increased knowledge and skills that develop independence and self-reliance and minimize risk from adverse events.

Strategy

Advocate changes to remove policies and regulations that increase risk or constrain the industry’s ability to manage risk.

Results

- Provided recommendations to the Minister regarding changes to Section 33 of the *Surface Rights Act* to remove thresholds that constrain landowners who incur off-site energy related damage.

- Improved the capability of irrigation districts to manage water and assess risks associated with potential water shortages. Through the Year 2000 Irrigation Review, designed and developed a computer model that assesses the economic implications of alternative irrigation expansion scenarios at the farm level.
- Evaluated the performance of the Net Income Stabilization Account, the Farm Income Disaster Program and crop insurance as background information for the negotiations of new provincial and federal safety net agreements.
- Continued to develop unique, specialized financial products and services for the commercialization of new value added businesses:
 - Agriculture Financial Services Corporation (AFSC) developed the Potato Storage System Expansion loan initiative to facilitate partnership lending to new and expanding potato growers.
 - developed a publication on venture financing for agri-business.
- Developed a draft of the Alberta Drought Risk Management Plan that outlines a coordinated approach for government, communities and individuals to decrease their risk due to drought.

Measure #3

Reference margins in Farm Income Disaster Program (FIDP) applications compared to program margins plus program payments

Strategy

Offer Alberta farmers effective and efficient whole-farm safety net programs.

Results

- Agriculture Financial Services Corporation (AFSC) projected FIDP payments of \$169 million and has issued over 6,000 payments for \$137 million (as of July 13, 2000) for the 1998 claim year and projects payments of \$163 million for the 1999 claim year.
- Provided approximately \$50,000 in financial assistance to 22 producers suffering from losses due to floods in Central Alberta.
- Changes were made to FIDP during the fiscal year to broaden eligibility, increase payments and eliminate processing and administration fees.
- A low interest loan program, Alberta Farm Income Disaster Loan Program, was implemented in response to disaster situations 1997-1999.

Measure #4

Government program payments as a per cent of farm cash receipts

Strategy

Provide Alberta's agri-industry with unique financial services.

Results

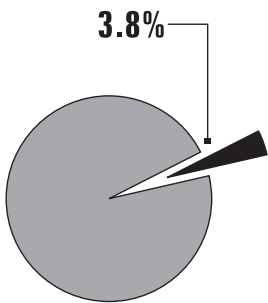
- AFSC authorized \$139 million in loans under the Beginning Farmer, Developing Farmer and Alberta Farm Income Disaster programs.
- AFSC provided financial counseling to producers throughout Alberta, with emphasis on the Peace River and Northeastern Alberta regions affected by drought and to hog producers affected by severe revenue decline and Alberta Farm Income Disaster: 6000 contacts.

Continued to develop unique, specialized financial products and services for the commercialization of new value added businesses.

- AFSC developed and delivered a comprehensive disaster assistance loan program to producers affected by severe weather-related production losses or severe declines in net revenues that financially jeopardize their farming operations. AFSC authorized 300 loans for \$23 million and provided financial counseling to 4,400 producers.
- Loan syndication: AFSC facilitated \$33.9 million in private sector debt financing in 52 projects.
- Education/Information:
 - completed a risk management directory that provides information on risk management concepts to help farmers build an effective risk management plan and maintain it.
 - offered a balanced package of individual consultation and programming to increase the management capability of producers, rural small business operators and the support industry.
 - launched two agriculture fact sheets on custom work and contract hog finishing.

- AFSC completed the largest transfer of risk to the private re-insurance market for agriculture in the world; the risk transferred was \$96 million per year over three years with a \$50.8 million budget saving on reinsurance premiums over three years.
- Research of alternative crop insurance and risk management practices is underway by AFSC to allow customers greater flexibility to customize insurance protection to their business needs.

Goal 6
Percentage of
Ministry operating
expenses



<p>Measure #5 Variation of net cash income</p>

Strategy

Provide Alberta farmers with an effective and efficient crop insurance program.

Results

- Crop insurance review initiated.
- AFSC provided crop, forage and hail insurance coverage on 16.2 million acres and \$1.4 billion of risk.

<p>Ministry Goal #6 Improved environmental stewardship</p>
<p>Measure #1 Land productivity index</p>

Strategy

Increase awareness of potential environmental problems and damages caused by unsound management practices.

Results

- Worked with the Alberta Environmentally Sustainable Agriculture (AESAs) Council to increase awareness of climate change and greenhouse gases. The AESA Council organized a Greenhouse Gas Forum for the agricultural industry and developed a strategy that will provide guidance for greenhouse gas reduction programs.

Strategy

Improve the knowledge and information of the benefits of improving cropping and grazing practices.

Results

- Provided technical and manpower support directly and through regional and provincial groups and partnerships, such as applied research associations, the Alberta Conservation Tillage Society and the Alberta Reduced Tillage Initiative, to improve the understanding and adoption of conservation tillage, riparian management, direct seeding and nutrient management systems.
- Developed resource materials for producers, municipalities, industry and government that will enable improved environmental best management practices including livestock siting, manure management, integrated pest management, grazing/range management and reduced tillage. Similar environmental guidelines and manuals were developed in cooperation with the pork and cattle feeding industry.

Strategy

Improve adoption of management practices consistent with regulation and codes of practice.

Results

- 94 per cent of reclaimed industrial sites on White Area public lands met the standard. This measure exceeded the 90 per cent certification target.
- Collaborated with Alberta Environment to manage White Area public lands in a sustainable, multiple-use fashion. 2500 allocations were made for oil and gas, industrial, commercial, agricultural and recreational uses.

Strategy

Develop and extend technologies and management practices that protect and enhance soil, water, air and natural resources.

Results

- Information on soil quality, water quality, air quality, greenhouse gases and precision farming that will enhance environmental management practices was developed and transferred through extension activities. There were over 60,000 hits on the Department's Environmentally Sustainable Agriculture internet web page to access current information.
- Partnered with industry and other agencies on various environmentally-related research projects, including evaluating the use of municipal solid waste compost for agricultural production, using sulphur by-products from the processing of sour natural gas and the availability of phosphorus contained in wood ash.

Strategy

Monitor the impact of the agriculture and food industry on soil, water and the larger ecosystem.

Results

- 42 soil quality benchmark sites were monitored to assess the state of soil quality and to determine the risk of change under various management practices. Analytical support was provided to enable information development on economically and environmentally sustainable agriculture systems, using a global information system as a database management tool.

Collaborated with Alberta Environment to manage White Area public lands in a sustainable, multiple-use fashion.

Measure #2

Per cent of tests from a network of monitoring sites in representative agricultural water sheds that meet Alberta/Canada Water quality guidelines

Strategy

Improve adoption of management practices consistent with regulation and codes of practices.

Results

- The Livestock Regulations Stakeholder Advisory Group finalized a framework for the proposed Sustainable Livestock Operations Act, Regulations and Standards Document and presented it to the Minister.
- Through the Nutrient Management Initiative, a curriculum for producers to improve beneficial management practices was developed in cooperation with the Alberta Cattle Commission.

Strategy

Develop and extend technologies and management practices that protect and enhance soil, water, air and natural resources.

Results

- An Alberta Feedlot Management Guide was developed that can be used by feedlot and cow/calf operators to meet their production goals while meeting environmental concerns.
- Initiated the development of standards for sustainable phosphorus application rates on agricultural land, which will enable the agriculture and food processing industries to minimize their impact on water quality.

- Developed a global information system and database for livestock operations that will enable proper planning and record keeping. Partners included the Prairie Farm Rehabilitation Administration, Alberta Environment, Ministry staff and several municipalities.
- Information that will improve riparian and grazing management as well as watershed protection was developed and transferred in partnership with various community groups and the Cows and Fish Program.

Strategy

Monitor the impact of the agriculture and food industry on soil, water and the larger ecosystem.

Results

- Continued to monitor 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the impacts of the agricultural industry on surface water quality. This work enabled the development of an Agriculture Water Quality Index, which can be used as a measurement tool.
- Completed the second year of the Oldman River Basin Water Quality Initiative to assess all impacts (urban and rural) on the water quality in the basin. As part of the Initiative, completed a land use map, a groundwater vulnerability map and revisions to the Land Classification Standards for irrigated soils in the watershed.

Information that will improve riparian and grazing management as well as watershed protection was developed.

- Completed, in partnership with several government agencies and producers, the assessment of water quality issues within the Crowfoot Creek Basin. Supported the implementation of beneficial management practices by producers within the Crowfoot and Haynes Creek basins to mitigate the agricultural impacts on surface water quality.
- Continued to monitor groundwater quality in the intensive livestock feeding areas of the County of Lethbridge to assess impacts on water quality.

Measure #3

Range sustainability: average per cent utilization of allocated grazing capacity

Strategy

Manage White Area public lands for the long term benefit of the agriculture industry, other industries and the public by maintaining a balance of development, use and conservation.

Results

- Representative sampling and audits on sustainable grazing practices on White Area public lands determined an 84 per cent utilization rate. This rate was within the acceptable target range of 80 to 100 per cent.
- A survey of 430 livestock producers who have participated in Stockmens' Range Management courses over the years showed positive results on ranch management objectives including improved carrying capacities, improved wildlife habitat and restored range conditions.

- A new grazing reserve allotment policy to ensure continued access to new patrons was developed in cooperation with reserve associations. Reserves will operate at optimum utilization of grazing capacity, at full cost recovery and be managed for multiple use.
- A Rangeland Health Assessment Project was initiated in June 1999 to improve the management of Alberta rangelands.
- A draft regulation document required for the recently passed *Agricultural Dispositions Statutes Amendment Act* was developed and released. MLA Dave Broda was subsequently appointed to facilitate a stakeholder review.
- Supported the government's Special Places Initiative. Over 100,000 acres of rangeland were designated as Special Places on public lands in the White Area. Livestock grazing will continue to be used to maintain the grassland ecology.

Ministry Goal #7

Continued excellence in food safety.

Measure #1

Incidence of food safety problems

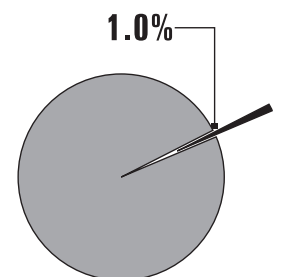
Strategy

Quick response to food safety problems.

Results

- Two food-borne illness outbreaks were successfully dealt with in partnership with the Canadian Food Inspection Agency and Alberta Health and Wellness.
- A draft emergency response plan for food-borne illness outbreaks was presented to Canada Alberta Partners in Food Safety.

Goal 7
Percentage of Ministry operating expenses



- Staff contributed technical expertise at the national and international level through participation on the National Dairy Lab Quality Committee, Meat and Poultry Code and Model Regulations Committee, Canadian Food Inspection System – Implementation Group and the Federal, Provincial, Territorial Agriculture Food Safety Committee.

Measure #2

Per cent of food processing firms that have adopted the Hazard Analysis Critical Control Point (HACCP) program

Strategy

Expand knowledge of food safety.

Results

- 85 companies increased their awareness of HACCP implementation through training delivered by staff and the Alberta Food Processors Association in partnership.
- Enhanced industry knowledge of HACCP principles by training delivered by staff.

Strategy

Develop new knowledge and technology through research and development.

Results

- Conducted research into bacterial (salmonella and campylobacter) rate of colonization in slaughter pigs. Information to be used to develop strategies to reduce prevalence.

Strategy

Promote adoption of “world class” food safety systems throughout the food chain.

Results

- Assisted more than 60 per cent of red meat and poultry plants in the implementation of specific sanitation protocols.
- Assisted meat and horticulture industries with technology and information transfer to implement systems to resolve contamination problems.

Strategy

Communicate standards for food safety to industry and consumers.

Results

- Provided training on sanitation to all provincially inspected red meat and poultry processing plants.
- Ensured the quality and safety of dairy products through routine inspection and monitoring activities at provincially inspected dairy plants.
- Developed information packages/ brochures for processing industry outlining requirements for quality assurance and HACCP, and provided information on further training.
- Provided animal health, contaminant and residue information that promotes quality and consumer confidence in Alberta food products. Examples include information provided to the media on bovine spongiform encephalopathy and antibiotics in meat and milk.
- Staff were trained on the use of quality assurance as a method to improve the competitive advantage for Alberta producers and processors. Information is being passed on to industry to ensure that “gate-to-plate” safe food production systems are implemented.

Assisted meat and horticulture industries with technology and information transfer to implement systems to resolve contamination problems.

Measure #3

Total production from farms that have adopted the HACCP program

Strategy

Promote adoption of “world class” food safety systems throughout the food chain.

Results

- Alberta beef, pork, poultry and horticulture industries, in partnership with the Ministry, have made excellent progress toward the establishment of on-farm quality assurance programs that ensure the supply of safe food to processors.

Strategy

Develop new knowledge and technology through research and development.

Results

- Developed new laboratory methods (DNA fingerprinting and immunological tests) for identifying and tracking disease and disease agents such as salmonella, Johne’s Disease, trichomoniasis and neospora.
- Developed analytic methodology to detect antibiotic residues in animal tissues.
- Developed methods to quantify antibiotic resistance of livestock bacteria that have the potential to cause food-borne illness.
- Adapted the use of immunology and chemical staining techniques to identify exposure to infectious agents. Examples include chronic wasting disease and Johne’s testing.
- Conducted research into salmonella in mature beef cows, feeder animals and retail hamburger to provide information that can be used to reduce its prevalence.

Strategy

Encourage the implementation of the HACCP program on farms producing horticultural and special crops as well as in food processing plants

Results

- Delivered “train the trainer” courses in HACCP to Ministry staff and the horticulture industry.
- Consulted with Canadian Horticulture Council in the development of on-farm food safety guidelines that are based on HACCP.
- Recruited employees with expertise in safe food systems implementation to guide the adoption of Meat Facilities Standards 2002.

Strategy

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

Results

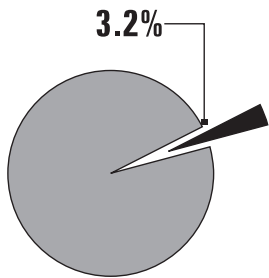
- Promoted safe drug use for production animals through training and certification of approximately 450 employees of 213 Production Animal Medicine Licensees.
- Delivered educational information regarding the correct use of drugs and feed additives in livestock production to producers.

Strategy

Participate with federal, provincial and municipal teams on the development and implementation of an integrated meat inspection system.

Developed methods to quantify antibiotic resistance of livestock bacteria that have the potential to cause food-borne illness.

**Goal 8
Percentage of
Ministry operating
expenses**



Results

- Partnered in federal and provincial food safety initiatives such as the Canadian Food Inspection System Implementation Group and Canada Alberta Partners in Food Safety harmonization of meat and dairy inspection.
- Provided meat inspection services: performed organoleptic inspections on approximately 200,000 beef, hogs and sheep and 3 million poultry at 59 red meat plants and 95 poultry plants.
- Provided dairy farm inspection services: performed inspections on 973 dairy farms and nine provincial dairy plants.
- Provided meat and milk grading services: provincial meat inspectors graded approximately 40 per cent of all hogs and 5 to 10 per cent of all beef slaughtered at provincially licenced plants for Alberta Pork and the Canadian Beef Grading Agency.
- Provided surveillance of animal welfare issues: partnered with the Alberta Society for the Prevention of Cruelty to Animals and Alberta Farm Animal Care Association in surveillance and monitoring of animal welfare issues related to transportation and handling of farm animals.
- Implemented quality assurance programs within the Ministry: international laboratory accreditation programs implemented include:
 - a. US Department of Agriculture certification of Food Safety Division laboratories for testing for Johne’s Disease.
 - b. accreditation of laboratories by Canadian Food Inspection Agency to facilitate honey export by producers.
 - c. accreditation of laboratories for testing of powered eggs and other foodstuffs for listeria.

Ministry Goal #8
Improved management of the Ministry’s resources
Measure #1
Budget targets met

Strategy

Explore partnership alliances for the better integration of human and fiscal resources.

Results

- The Ministry was involved in many partnerships with other ministries and non-government organizations. Some of these partnerships are referenced under the results of other goals. Further examples:
 - conducted a joint review of meat regulations with Alberta Health and Wellness to eliminate inconsistencies in standards and duplication of services.
 - contracted with the Canadian Food Inspection Agency for the enforcement in federally registered dairy plants in Alberta of requirements under Alberta legislation.
 - partnered with the Alberta Environment and the federal government agency, Prairie Farm Rehabilitation Administration, in the production of the publication *Water Wells that Last*.
 - partnered with Alberta Pork Producers Development Corporation and Olds College to coordinate the delivery of programs to the pork industry.

Measure #1 Budget targets met

Measure #2 Training days per FTE (full time equivalent position)

Measure #3 Results from Staffspeak

Strategy

Improve:

- Business planning and implementation.
- Human resource development planning and programming.
- Fiscal responsibility and accountability.

Results

- 72 (1998-1999 was 48) employees participated in the “Leaders in Agriculture” leadership development program developed with the Banff Management Centre. 44 employees participated in the Face-to-Face Leadership program. This figure is lower than participation in 1998 (60) because enrollment was reduced to 15 persons per session at the instructor’s recommendation. 21 employees participated in the Coaching and Mentoring program (1998-1999 was 17).
- 48 employees participated in internal or external developmental secondments (1998-1999 was 50).
- Agriculture Financial Services Corporation recognized staff achievements through its President’s Award Program.
- Six of the 28 teams nominated for the Department’s sixth annual Group Achievement Awards were recognized for their achievements.
- In response to the Department’s work climate survey, 64 per cent (1998-1999 was 62 per cent) of employees said individuals in the department are recognized for product/service innovation and creativity.
- Staff were recipients of two Premier’s Silver Awards of Excellence.
 - the Investment Development Branch received a silver award for its efforts to encourage and attract new investment to the agri-food industry by delivering business information and services to prospective processors and investors, primarily outside Alberta.
 - staff participated on the Water Quality Committee that received a silver award for a report that will have far-reaching implications for Alberta’s agricultural practices. The report was the result of a five-year study aimed at identifying and monitoring the impact of primary agriculture on Alberta’s water resources.
- The Department’s Human Resource Development Fund was fully utilized supporting post graduate education, leadership development, technical training, competency development, coaching and mentoring, succession planning and employee recognition. 1,643 training days were supported from the fund.
- Funding assistance was provided in key areas:
 - 22 employees for postgraduate education at both the Masters and Ph.D. level.
 - 500 employees for technical training
 - 1,000 employees for corporate competency training.
- The Ministry’s operating result was \$67.2 million better than the business plan target adjusted for supplementary appropriations. The Department’s actual expenses were \$5.5 million under the authorized budget. A full discussion of the financial results appears in the Results Analysis section of this annual report.

The Ministry’s operating result was \$67.2 million better than the business plan target adjusted for supplementary appropriations.

*Agriculture
Financial Services
Corporation
leveraged agri-
business lending
funds at a ratio of
four private sector
dollars for every
one Corporation
dollar.*

- Agriculture Financial Services Corporation (AFSC) leveraged agri-business lending funds at a ratio of four private sector dollars for every one Corporation dollar, resulting in 88 value added investment projects in Alberta totaling \$64.9 million.
- AFSC generated \$127,000 additional revenue by contracting crop insurance adjusters to public and private organizations.
- AFSC was contracted by the British Columbia (BC) government to consult on and administer parts of BC's Whole Farm Insurance Program at full cost recovery.
- The Department and AFSC amalgamated an additional four offices to provide one-stop office service to their clients.
- Improved operational efficiency by implementing web-based computer systems. For example, systems for recording publication revenue, processing procurement card transactions, expense account system, inventorying Ministry assets, tracking ministerial and executive documents as well as monitoring revenues and expenses against budget.

Measure # 3
Results from Staffspeak (staff survey)

Strategy

Provide effective corporate communications to staff.

Results

- In response to the Department's work climate survey, 66 per cent of employees said that department-wide communication has improved over the last year through corporate communiques, etc.

- 76 per cent of employees (1998-1999 was also 76 per cent) said they believe that as an organization, we do a good job of sharing information and ideas with each other. The same percentage of employees said they are being asked for input when decisions are being made that affect their work.

Measure #4
Results from client survey

Strategy

Ensure Ministry's priority activities and outputs are met.

Results

- The Farm Income Assistance Program was implemented and changes were made to both the Farm Income Disaster Program and the Alberta Farm Income Disaster Loan Program to provide emergency support to farmers who suffered income losses.
- The project to rewrite and integrate Agriculture Financial Services Corporation insurance systems is nearing completion. When the project is completed, clients will be able to access the systems and process transactions electronically.
- Implemented the Ministry's plan to prevent computer miscalculations or system failures due to the year 2000 issue. The integrity of the Ministry's information technology infrastructure was maintained, and there were no disruptions in services to customers.

- A new, short form application for the Farm Income Disaster Program was introduced that enables farmers to complete their applications without the assistance of an accountant. Processes for verifying applications were streamlined, resulting in reduced processing times and lower administration costs.
- An independently conducted client survey by Alberta Opportunity Company showed a 78 per cent satisfaction rate with the Company's services.
- 95 per cent of farm lending clients who responded to a client survey rated the Agriculture Financial Services Corporation's service as good or excellent.

Strategy

Continue to enhance knowledge and information through knowledge management.

Results

- Established a Knowledge Management unit following the evaluation of a pilot project conducted in the previous year. Two knowledge management computer applications, *Who the Heck Knows* and *Ask the Expert*, are in place that enable staff with questions to quickly identify other staff with specialized knowledge who can help in serving client needs. Over 30 knowledge management project ideas have been proposed since the unit was established.
- Introduced a knowledge and information sharing competency for staff performance evaluations.

Strategy

Integrate planning and program development with other Ministries.

Results

- The Ministry was involved in a number of planning and program development activities with other ministries. For example:
 - in conjunction with the Energy Utilities Board and Alberta Environment, the Farmers' Advocate provided assistance from one source to landowners with operational and reclamation concerns on energy facilities.
 - information technology specialists from the Ministry were chosen to be part of the technology team providing support for the Alberta Pavilion at the 2000 World's Fair in Hanover, Germany.
 - worked with Alberta Environment and Alberta Innovation and Science in the evaluation of the feasibility of implementing a new government-wide computer desktop support system.
 - partnered with Alberta Learning in the delivery of the Green Certificate Farm Training Program.
 - worked with Alberta Environment on the Year 2000 Review Assessment of Water Allocation in the South Saskatchewan River Basin.

An independently conducted client survey by Alberta Opportunity Company showed a 78 per cent satisfaction rate with the Company's services.



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

To the Members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Agriculture, Food and Rural Development's performance measures included in pages 47 to 56 of the *1999-2000 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 that 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 no exceptions. However, these procedures do not constitute an audit of the set of performance measures and therefore I express no opinion on the set of performance measures included in the *1999-2000 Annual Report of the Ministry of Agriculture, Food and Rural Development*.

[Original Signed by Peter Valentine] FCA
Auditor General

Edmonton, Alberta
August 24, 2000

[The official version of this Report of the Auditor General, and the information of the Report covers, is in printed form.]

Ministry Measures

Background

Alberta has continued to enjoy economic prosperity in the last several years. Key contributors to this prosperity are the agriculture and food industries in the province.

Primary agricultural production remains Alberta's largest renewable resource-based industry. The primary agriculture sector generated \$6.55 billion in farm cash receipts in 1999, which represents 21.5 per cent of Canada's primary agricultural output. Alberta farm cash receipts continue to increase relative to other provinces. During the benchmark period 1989 to 1993, Alberta averaged 20.1 per cent of Canada's primary output.

Secondary agricultural processing includes the food and beverage processing industries and is a key segment of Alberta's manufacturing sector. A new record for shipments was set in 1999 at \$7.8 billion in sales. At present, approximately 12.9 per cent of Canadian food and beverage shipments are from Alberta, up from 10.9 per cent over the 1989 to 1993 benchmark period.

Primary agriculture and the food and beverage manufacturing industries combined comprise the third largest goods producing employer in Alberta in 1999. During 1999, employment numbers in the agriculture and food sectors averaged 101,500.

The data shown 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.

Revisions to past years' measures may occur over time as better or more complete data becomes available. For example, every five years a census of agriculture is done. The data from each new census taken may result in revisions to data from the previous census. All data revisions to past years' measures, and to the benchmarks from the 1999-2000 to 2001-2002 Ministry business plan, are included in this report.

Benchmark periods for these performance measures are used for comparative purposes and are averages for 1989 to 1993, unless otherwise specified. This time frame was chosen as it represents the typical agricultural output for Alberta for the last three decades. No major weather or price-related problems affected this period.

Performance Measures

Measure 1.

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

Farmers and ranchers receive income from the sale of agriculture products. This income is called farm cash receipts. Measure 1 shows how well Alberta farmers and ranchers are doing relative to the 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.

Alberta farm cash receipts continue to increase relative to other provinces.

2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.

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 plays a major role in helping Alberta farmers and ranchers stay competitive, not only with other Canadian farmers but also on a world scale.

Benchmark

The average farm cash receipts for 1989 to 1993 form the benchmark for comparative purposes. This time frame represents a period of relatively typical agricultural output for Alberta. Alberta farmers and ranchers averaged 20.1 per cent of Canadian farm cash receipts during the benchmark period. The forecast in the 1999-2000 to 2001-2002 Ministry business plan was that this percentage would increase to 22.3 per cent by 1999.

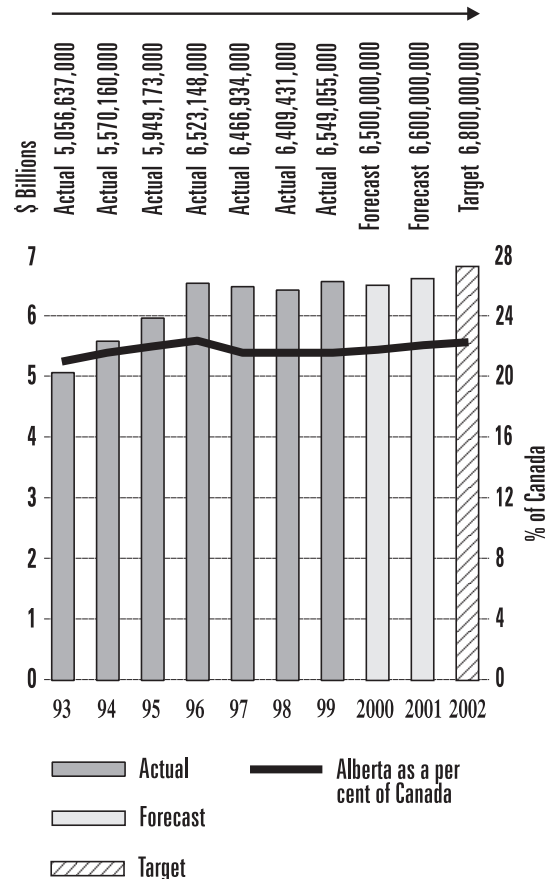
Results

The actual measure for 1999 was 21.5 per cent, and although 1999 was considered typical for crop production, continued poor commodity prices for crops resulted in lower incomes. Cash receipts from the sales of crops in 1999 decreased by \$194 million from 1998, down \$277 million from the five-year period 1994-1998.

Farm cash receipts from livestock in 1999 set a new record at \$3.98 billion. Receipts were up by nearly \$338 million (9.3 per cent) over 1998.

Measure 1

Alberta farm cash receipts



Derived from: Statistics Canada Cat. No. 21-603-UPE; Alberta Agriculture, Food and Rural Development

Measure 2.

Net cash income of Alberta farmers and ranchers*

Net cash income is the amount of cash farmers and ranchers have remaining after their farm cash operating expenses are subtracted from their farm cash receipts. Operating expenses do not include either depreciation or the value of inventory change. Net cash income is the amount of cash remaining that is used to cover the non-interest part of mortgage payments, purchase

capital items, meet living expenses, accumulate savings and cover other non-farm expenses. This measure reflects how well farmers and ranchers are coping with the cost-price squeeze caused by higher input costs and lower returns.

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.
 5. Increased capability of industry to manage risk.

Benchmark

The benchmark for comparative purposes, the average net cash income for 1989 to 1993, represents a period of relatively typical agricultural output for Alberta. Farmers and ranchers in Alberta averaged 19.3 per cent of Canadian net cash income during that period. The forecast in the 1999-2000 to 2001-2002 Ministry business plan was that this percentage would increase to 25.6 per cent by 1999.

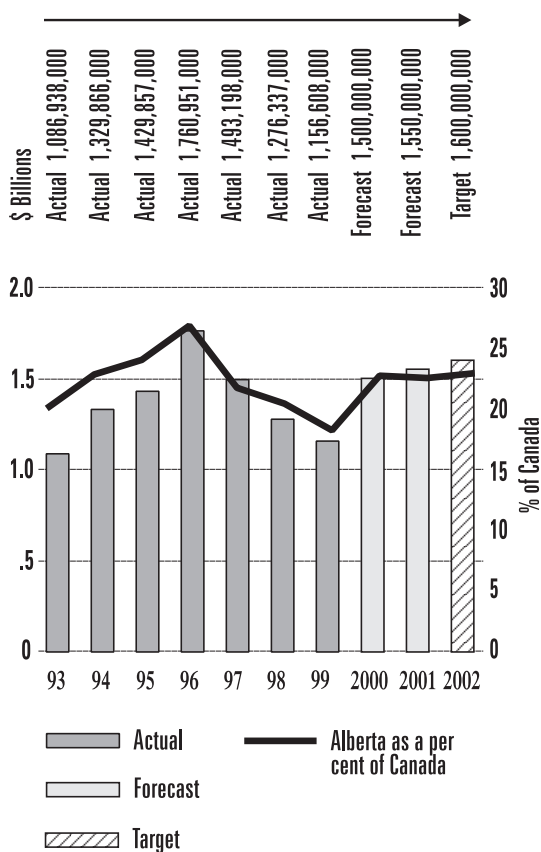
Results

Net cash income at \$1.16 billion was below the 1998 level of \$1.28 billion. Expressed as a per cent of Canada, Alberta net cash income decreased to 18.2 per cent, down from 20.4 per cent in 1998 and significantly below the 1994-1998 average of 23.2 per cent. Continued declines in crop commodity prices and increased input costs (fuel and fuel derivatives such as fertilizers) that have occurred over the past two years were not

forecast by market analysts. Total cash operating costs increased by nearly 5.1 per cent in 1999, compared with 1998.

* **NOTE** – The second macro measure “Government program payments to Alberta farmers and ranchers,” which appears in the 1998-1999 to 2000-2001 Ministry business plan was replaced in the 1999-2000 to 2001-2002 business plan by the macro measure “net income of Alberta farmers and ranchers.” This change was made to better reflect the amount of cash Alberta farmers and ranchers had remaining after they paid cash expenses. Net cash income is defined in the text above. Government program payments became part of the results for Ministry Goal 5, “increased capability of industry to manage risk.”

Measure 2 Alberta net cash income



Derived from: Statistics Canada Cat. No. 21-603-UPE; Alberta Agriculture, Food and Rural Development

Measure 3.

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

Sales revenue received by Alberta's agri-business processing and manufacturing firms is called value of shipments. This measure illustrates how Alberta businesses are doing relative to others across Canada in international markets as well as in Canadian markets.

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 markets and industry commodities, products and services.
 5. Increased capability 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 increase in total value of shipments from Alberta's food and beverage industries relative to those in other provinces is demonstrated by the growth in Alberta's share to 12.9 per cent in 1999, short of the forecast 14.1 per cent.

The value of shipments for the 1989-1993 benchmark period was \$4.87 billion, on average. This period was selected as a

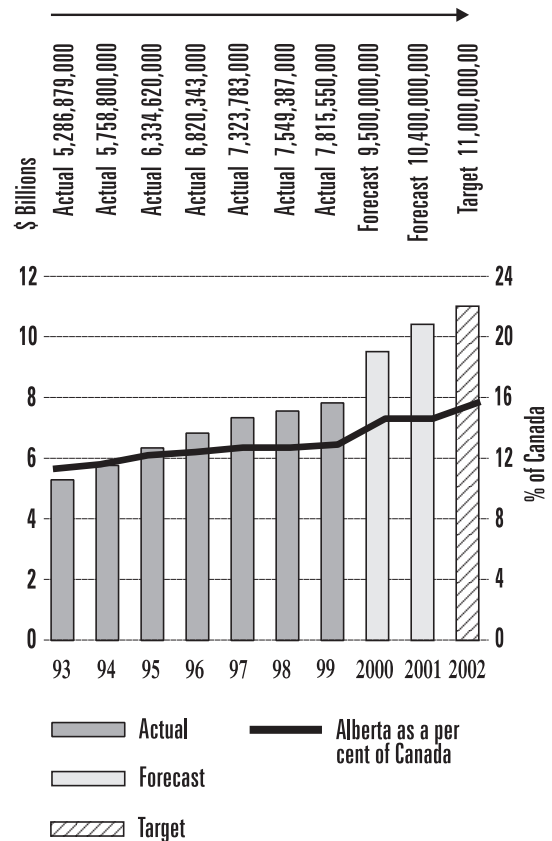
representative period when Alberta's agri-food industry was relatively stable.

Results

Shipments for 1999 were \$7.8 billion, up 60.6 per cent from the benchmark. While 1999 shipments are 5.8 per cent less than the Ministry's forecast of \$8.3 billion, shipments for 1999 exceeded those for 1998 by 3.5 per cent. Generally lower commodity prices on world markets resulted in lower value of shipments from Alberta's food and beverage industries.

Shipments are targeted to reach \$11.0 billion by 2002. This target reflects the forecast for the value of food and beverage shipments for Alberta to increase at an ever growing rate over the next several years.

Measure 3
Food and beverage value of shipments



Derived from: Statistics Canada Cat. No. 31-203-XPB for 1989-1997 and No. 31-001-XPB for 1998 and 1999; Alberta Agriculture, Food and Rural Development

Measure 4.

Value of shipments of agriculture and food products from Alberta

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

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 markets and industry commodities, products and services.
 5. Increased capability of industry to manage risk.
 6. Improved environmental stewardship.

Alberta agriculture and food firms continue their success in marketing agriculture and food products to other provinces and countries. Alberta's relatively small population compared to the size of its agriculture and food production capacity means only a few Alberta firms market their products within the province. The rest of Alberta production must compete in an aggressive world market.

Alberta's food and beverage industries are supported by Ministry staff, whose work involves helping those in the industry remain

competitive in their respective marketplaces. Ministry strategies in this regard include the following:

- increase competitive intelligence, strategic market information and knowledge for use by industry accessing market opportunities
- strengthen industry capabilities and skills in responding to international trade disputes and/or help overcome trade constraints
- support industries' work in improving market opportunities through trade negotiations
- develop and advocate policies that improve market access

Benchmark

The 1989-1993 benchmark period average for these value of shipments to other provinces and countries from Alberta was \$4.16 billion.

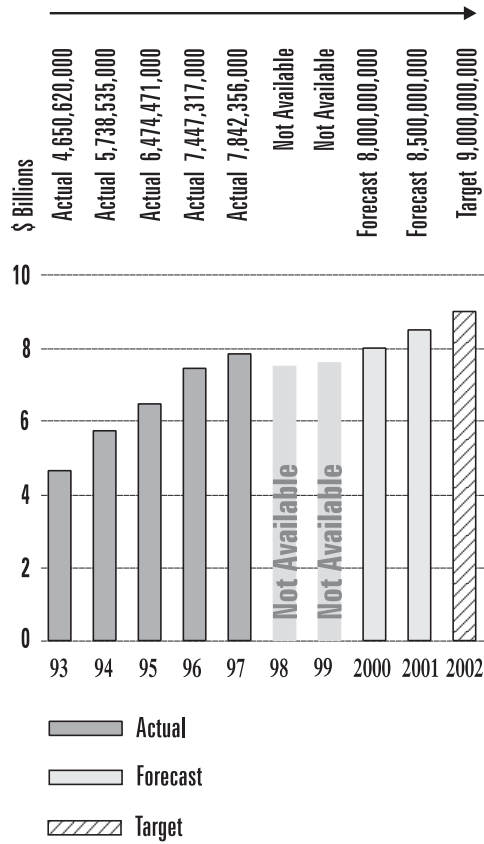
Results

An increase in out-of-province shipments occurred since the benchmark period as a result of the growth in the agriculture and food sector. The benchmark was exceeded by over \$3.68 billion in 1997: the last date these figures were produced. The statistics used to calculate inter-provincial shipments are no longer available.

Out-of-country exports also increased from the benchmark period. Over the period 1989 to 1993, out-of-country shipments of agriculture and food products averaged \$2.7 billion. In 1999, out-of-country shipments equaled \$4.59 billion. Next year's annual report will show forecasts and targets for out-of-country shipments from Alberta.

*In 1999,
out-of-country
shipments equaled
\$4.59 billion.*

Measure 4
Out-of-province shipments



Derived from: Alberta Agriculture, Food and Rural Development

Measure 5.
Importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product

Alberta's largest renewable resources are the agriculture, food and beverage industries. Comparing this industry 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 services.
 3. Increased amount of value added to industry commodities, products and services.
 4. Increased diversity of markets and industry commodities, products and services.
 5. Increased capability of industry to manage risk.
 6. Improved environmental stewardship.

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

This industry sector will continue to grow if policies and programs all have either a neutral or positive effect on the growth of the agri-food industry. Ministry staff have a continuing role in ensuring programs and policies have a positive effect on different aspects of the agri-food industry.

Benchmark

The agri-food industry contributed, on average, 5 per cent of the provincial gross domestic product for Alberta during the period 1994-1998. The benchmark average for the period 1989-1993 was 4.6 per cent.

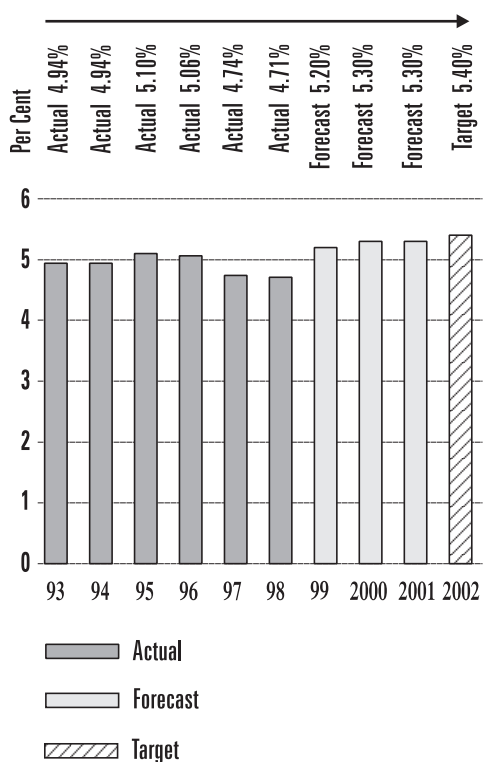
Results

The forecast for 1998 was 5.1 per cent. Preliminary estimates for 1998 suggest the level to be 4.7 per cent, 0.4 percentage points under the forecast. Current figures for 1999 were not available in time for the production of this annual report.

Prices for natural gas and oil have continued strong and have correspondingly increased the total provincial gross domestic product. Continued lower commodity prices for crops have reduced the overall impact agriculture and food industries have 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 2002.

Measure 5 Contribution to provincial gross domestic products



Derived from: "Alberta Economic Accounts 1998," Alberta Treasury; Alberta Agriculture, Food and Rural Development

Measure 6.

Employment in agriculture and food.

Changes in the level of employment in the agriculture, food and beverage manufacturing industries are shown by this measure. This group of industries was the third largest goods producing employer in the province in 1999.

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 sector was 95,700 (revised from last year's figure of 86,200 due to revised codes as to what is considered agri-food/farm industries) while the average employment level for that same benchmark period in the food and beverage sector was 18,100. Benchmark employment for the two sectors totaled 113,800.

Results

Total employment averaged 101,500 during 1999, composed of 82,500 in primary agriculture and 19,000 in the food and beverage industry.

Employment in primary agriculture has continued to vary over the period since 1989. The level peaked at 98,700 in 1991 and dropped back to 89,200 in 1997, increased slightly in 1998 but further decreased to

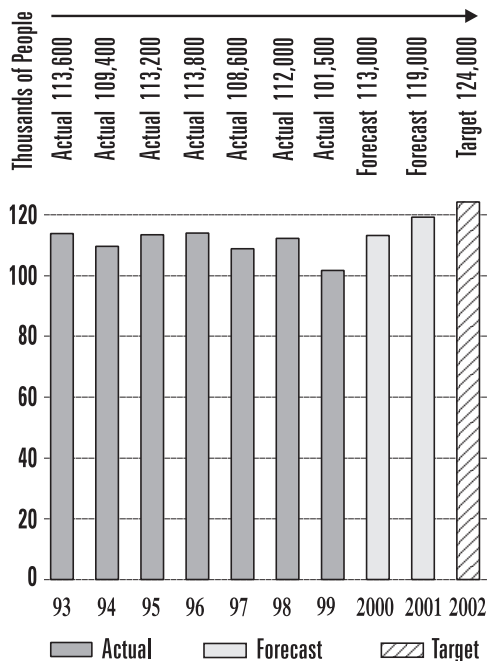
82,500 in 1999. Continued low farmer net incomes significantly affected farm and ranch employment opportunities, and weakened the need to hire additional agriculture workers.

Employment in the food and beverage side did not fluctuate as much. The change has been from a low of 16,800 in 1992 to a high of 20,400 in 1998. Employment in the food and beverage industry in 1999 averaged 19,000, above the benchmark average.

When compared to any other major industry sector in Alberta, the agriculture, food and beverage industries continue to maintain a very low level of unemployment.

The employment targets set for 2002 are 98,000 in agriculture and 26,000 jobs in food and beverage. Over the long term, growth in both sectors will result in additional employment.

Measure 6
Employment in agriculture and food



Derived from: Statistics Canada, Historical Labor Force Survey #71-001; Alberta Treasury

Measure 7.

Alberta land productivity index

Changes in long term land productivity, as recorded in annual crop output, are illustrated by this measure. Although year-to-year changes in productivity occur due to weather, the longer 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.

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

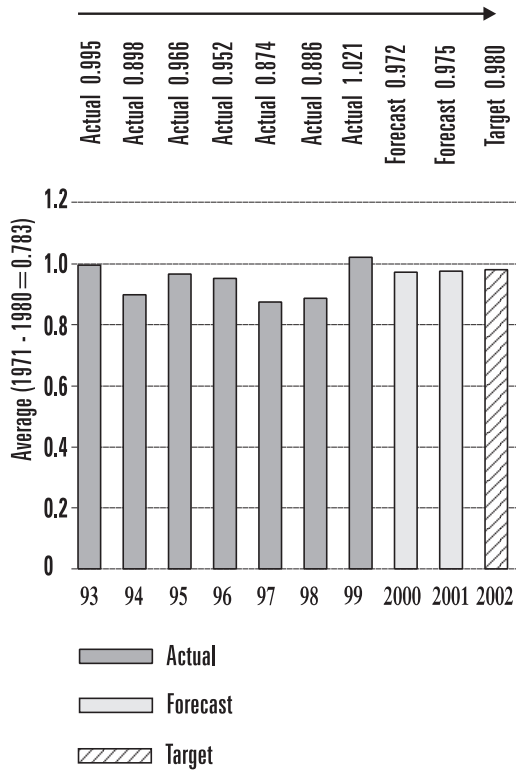
Benchmark

There has been as steady growth in crop production in Alberta over the past 50 years. This index shows the crop production increase relative to the 1971-1980 benchmark.

Results

Ministry work with farmers and ranchers has, in part, contributed to the overall increase in crop output over time. The index for 1999 at 1.021, up significantly from the forecast 0.970, not only recorded this effort, but it also partially recorded the generally favorable crop production year. While weather will continue to affect the year-to-year level, results for 1999 show that total output can exceed the target level anticipated.

Measure 7
Land productivity index



Derived from: Statistics Canada Catalogue
No. 22-002-SPB (data for calculations);
Alberta Agriculture, Food and Rural Development
(calculations)

Future Challenges

The Ministry's macro measures show changes at the industry and Ministry level. As such, these measures record, in part, both the direct and indirect effects the Ministry has on the ongoing development of the agriculture and food industries in Alberta. However, a number of significant influences that affect Alberta's agriculture and food industries remain beyond the role and scope of Ministry programs or staff.

Major influences on Alberta's agriculture and food industries:

Weather

Weather has a major effect on the production of agriculture commodities in Alberta. A look at crop insurance payments to farmers will show the variance this factor can introduce. Back in 1985, widespread drought caused crop insurance pay-outs to increase to \$251 million. However in 1999, pay-outs were \$72.3 million.

The Ministry's macro measures dealing with farm cash receipts and net cash income record these weather impacts. Projections for these measures are based on long term averages based on normal weather conditions.

Federal Government Programs and Policies

Federal government programs and policies continue to affect the future growth of Alberta's agriculture and food industries. Bringing about the reduction or removal of impediments inherent in federal programs and policies requires the ongoing work of Ministry staff in conjunction with their federal counterparts. For example, Alberta farmers marketing their grain continue to be affected by grain transportation and marketing constraints and regulations.

To address some of these joint concerns, federal and provincial safety net programs and policies are currently under review. As part of this review, Alberta will complete a crop insurance review during 2000, and changes to the current program are anticipated.

Crucial to Alberta agriculture and food industries are markets in other countries.

The level of the Canadian dollar relative to the US dollar, while beneficial to international exports leaving Alberta, has meant continued increases in input costs, particularly for those items imported from the US. The majority of the machinery, equipment and agricultural chemicals used on Alberta farms and ranches come from US manufacturers. However, an increase in the value of the Canadian dollar means a concern for Alberta exporters.

Government Programs and Policies of Other Countries

Crucial to Alberta agriculture and food industries are markets in other countries. For this reason, Alberta industries are significantly affected by existing and future programs and policies in other countries. For example, trade wars among the US and European countries will continue to have an adverse effect on the amount and value of Alberta exports.

The international demand for agriculture commodities changes constantly and significantly. These alterations are partially 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 for projected future growth levels will not occur.

Consumer Tastes, Social Norms and/or Standards

Alberta's strong reliance on the exporting of agriculture and food products means that changes in consumer tastes and demand can result in significant challenges for the industry sector. It is not simply a matter of marketing what is grown. Rather, it is knowing what the market is demanding and producing accordingly.

The food product industry faces a special challenge in that changing consumer demands often require significant lead time for research and development. For example, the move from producing rapeseed to canola took more than ten years to complete. Consumer tastes can and do change a lot faster in today's fast-paced society.

Societal norms can drive significant changes in how agriculture and food industries may produce food and animal products, 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 Alberta.

The globalization of agriculture markets puts Alberta producers and manufacturers at greater risk with regard to changing views, concerns and beliefs on what foods are safe and which ones are not. In some cases, science cannot overcome beliefs and values where food safety issues are concerned.

Discussion of Results and Performance

Results of financial operations

For the Ministry, consolidated revenues in 1999-2000 were \$454 million, which is a \$91 million increase from 1998-1999.

Consolidated expenses increased to \$832 million. This is \$293 million higher than in 1998-1999. The net result was an excess of expenses over revenues of \$378 million, which is \$202 million higher than in 1998-1999 and \$125 million higher than budget.

Revenues

Revenues increased by 25 per cent from the previous year. They were up \$91 million from last year and \$92 million higher than budget.

The main reason for revenues exceeding budget was that transfers from the Government of Canada were \$72.8 million higher than anticipated. Transfers were higher because the receipt of contributions resulting from enhancements to the Farm Income Disaster and Agriculture Income Disaster Assistance Programs, retroactive to the 1998 tax year, were not fully anticipated in the budget. Restricted revenue and quota exchange receipts were \$14.6 million higher than budget because anticipated reductions in cash flows associated with the program did not occur. Restricted revenue and quota exchange receipts are offset by restricted expenses and quota exchange payments.

Highlights of the revenue picture include the following:

- Internal government transfers increased by \$31.2 million in 1999-2000. A number of programs funded by the Department (General Revenue Fund) in 1998-1999 were funded via transfers from the Lottery Fund in 1999-2000. Transfers from the Lottery Fund are reported as internal government transfers.
- Interest and investment income was \$3.1 million higher than last year. Investment income was \$1.9 million higher as surplus balances in the Hail and Crop Insurance Funds were higher than anticipated due to lower than budgeted crop losses. Interest income increased by \$1.2 million due to increases in the loan portfolios.
- Premiums from insured persons were \$5.3 million lower than budget and \$4.1 million lower than 1998-1999 premiums. The variance was primarily due to variations in the value and coverage of crops insured.
- Transfers from the Government of Canada were \$56.7 million higher than last year. Transfers for the Farm Income Disaster Program were \$54.9 million higher due to the introduction of enhancements to the provincial and federal programs made retroactive to the 1998 and 1999 tax years. Federal funding for the crop insurance program was \$1.8 million higher than budget.
- Fees, permits, licenses and other income increased by \$0.7 million from the previous year and were \$8.9 million higher than budget. The variance from budget was due to increased publications and surface rights land lease revenue as well as the collection of revenues associated with dedicated revenue initiatives undertaken in partnership with industry sponsors.
- Restricted revenue and quota exchange receipts increased by \$3.5 million from last year. Anticipated reductions in program activities did not materialize. 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 increase in revenue was offset by a corresponding increase in restricted expenses and quota exchange payments.

The main reason for revenues exceeding budget was that transfers from the Government of Canada were \$72.8 million higher than anticipated.

Expenses compared to budget

Expenses were \$217 million higher than budget. Expenses were higher than budget primarily because of the introduction of Farm Income Support Program enhancements and the Farm Income Assistance Program 2000. These increases were offset partially by lower than anticipated expenses of \$33.6 million for insurance programs.

- Farm income support expenses were \$231 million over budget. These expenses included claims paid under the Farm Income Disaster Program (FIDP) and the Farm Income Assistance Program (FIAP) 2000. Payments under FIDP were \$99.6 million over budget due to the implementation of program enhancements retroactive to the 1998 tax year. FIAP expenditures were \$131.4 million. These increases in expenditures were authorized by a supplementary estimate. The overexpenditures were partially offset by underexpenditures in the wildlife damage program.
- Insurance expenses were \$33.6 million lower than budget because of reduced participation in the programs and a reasonable crop year resulting in lower than anticipated indemnities. The budget for indemnities is based on long term averages.
- Anticipated reductions in restricted expenses and quota exchange payments were not achieved. As a result, these expenditures were \$15.2 million greater than budget. However, these increases were offset by a corresponding increase in restricted revenue and quota exchange receipts.
- Industry development and planning and competitiveness expenditures exceeded budget by \$3.5 million, primarily as a result of higher manpower costs for salary increases and achievement awards.

- Farm Fuel Distribution Allowance expenditures were \$0.7 million lower than budget, resulting from slightly lower sales volumes of farm fuel.
- Sustainable agriculture incurred upgrading costs for Livestock Identification Services computer systems and increased manpower costs for salary increases and achievement awards, resulting in expenditures of \$3.3 million more than budget.
- Infrastructure assistance expenditures were \$7.1 million higher than budget as additional funding was provided to support new irrigation projects, partially offset by municipal wastewater project underexpenditures of \$3 million.
- Lending expenses were \$1.3 million greater higher than budget due to increases in the loan portfolios partially offset by lower interest rates.
- Development funding was \$1.9 million lower than budget because expenditures budgeted for the Food Processing Development Centre expansion project and the Ag Summit did not occur prior to March 31, 2000.
- Ministry support services expenditures incurred were \$0.6 million higher than budget as a result of higher than anticipated grant payments to landholders for the *Surface Rights Act*.
- Public Land Management expenditures were \$1.9 million lower than budget. Grazing Reserves program underexpenditures of \$0.4 million were due to a reduced need to address multiple use issues in some regions and the delay of the construction of a creek crossing on the Manning reserve. Remaining underexpenditures were due to miscellaneous savings in the Public Land Management Program.

Expenses were higher than budget primarily because of the introduction of Farm Income Support Program enhancements and the Farm Income Assistance Program 2000.

- Valuation adjustments were \$4.5 million higher than budget due to write-offs resulting from commercial loans defaults and increased provisions associated with Surface Rights receivables, vacation pay and guarantee provisions.
- Debt servicing costs were \$8.1 million lower than budget resulting from decreases in lending rates.

Expenses compared to 1998-1999

Expenses increased in 1999-2000. They were up \$293 million from last year. Highlights of the spending picture for 1999-2000, as compared to 1998-1999, are as follows:

- Farm income support expenses were \$307.7 million higher than those in 1998-1999. These expenses include Farm Income Assistance Program 2000 expenditures of \$131.4 million and Farm Income Disaster Program (FIDP) enhancements totalling \$176.3 million. The FIDP enhancements were retroactive to 1998.
- Insurance expenses were \$41.2 million lower than 1998-1999 because of reduced participation in the programs and lower than anticipated crop losses.
- Restricted expenses and quota exchange payments were \$3.5 million greater than 1998-1999 due to an increase in contributions received for the milk price equalization pool.
- Farm Fuel Distribution Allowance expenditures were \$0.5 million higher than 1998-1999 due to higher sales volumes of farm fuel.
- Sustainable agriculture incurred upgrading costs for Livestock Identification Services computer systems and increased manpower costs for salary increases resulting in expenditures of \$0.6 million more than 1998-1999. These increases were offset by savings in the industry development and planning and competitiveness sectors resulting from program realignment.
- Infrastructure assistance expenditures were \$3.0 million lower than 1998-1999 due to a reduction in the number of municipal wastewater projects in 1999-2000, partially offset by an increase to support new irrigation projects.
- Lending expenses were \$3.3 million higher than 1998-1999 budget due to increases in the loan portfolios partially offset by lower interest rates.
- Development funding was \$14.8 million greater than 1998-1999 due to one-time additional grants in 1999-2000.
- Ministry support services incurred expenditures of \$1.5 million higher than 1998-1999 as a result of higher than anticipated grant payments to landholders for the *Surface Rights Act* and increased manpower costs for salary increases.
- Public Land Management expenditures were \$1.1 million greater than 1998-1999 due to the realignment of resources to deliver protected areas management and range sustainability, as well as to cover volume increases due to increased demand for public land.
- Valuation adjustments were \$9.2 million higher than 1998-1999 reflecting the increased risks related to farm income such as poor crop yields, disaster in the hog industry and low commodity prices.

Farm income support expenses were \$307.7 million higher than those in 1998-1999.

- Debt servicing costs were \$4.4 million lower than 1998-1999 due to lower borrowing rates in 1999-2000.

Performance Measures

Here is a summary discussion of the comparison of actual results against the forecasts for each of the Ministry's seven macro performance measures. The forecasts appeared in the 1999-2000 to 2001-2002 business plan prepared in late summer 1998.

Measure 1

- Alberta's farm cash receipts (FCR) were forecast to be \$6.64 billion for 1999. FCR for 1999 were \$6.55 billion, down close to \$90 million or 1.3 per cent under the forecast. Continued low crop commodity prices resulted in lower than expected crop receipts even though 1999 was, overall, an excellent production year.
- Alberta's FCR were forecast to be 22.3 per cent of the total Canadian FCR in 1999. Lower receipts resulted in Alberta accounting for 21.5 per cent of Canadian FCR, which is 0.8 percentage points below the forecast.

Measure 2

- The forecast for Alberta's net cash income (NCI) at \$1.71 billion for 1999 was \$556 million above actual net cash income for 1999. Lower receipts combined with increased cash operating costs significantly reduced NCI for 1999. Similarly, the forecast that Alberta would account for 25.6 per cent of Canadian net cash income was not met. Alberta accounted for only 18.2 per cent of the Canadian NCI. Those provinces with the predominance of supply managed commodities fared far better in 1999. Most

of the supply managed commodities can receive adjustments to price based on input costs, and as input costs increase, so do farm cash receipts.

Measure 3

- The total value of shipments from Alberta's food and beverage industries for 1999 was \$7.8 billion, which fell 5.8 per cent short of the forecast \$8.3 billion. Lower world commodity prices mean lower export prices, which translates directly into lower revenue. The percentage of Canada's total value of shipments contributed by Alberta's food and beverage industries for 1999 was 12.9 per cent, short of the forecast 14.1 per cent. Although Alberta's food and beverage industries are expanding, they have not been expanding at the rate expected when the forecast was developed. It is noteworthy that the value of Alberta's shipments from food and beverage industries increased over \$266 million from 1998 to 1999.

Measure 4

- The most recent actual data available for the value of shipments of agriculture and food products from Alberta to other provinces and countries is for 1997. The statistics used to calculate inter-provincial shipments are no longer available. However, international export data indicates that Alberta agriculture, food and beverage industries continue to increase their exports, both in the volume of products as well as in the value.

The value of Alberta's shipments from food and beverage industries increased over \$266 million from 1998 to 1999.

Measure 5

- The importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product has remained below 5.0 per cent. While the forecast for 1999 was 5.2 per cent, up from previous levels, the current estimate puts the figure at 4.7 per cent, 0.5 percentage points below the forecast. Overall, world prices for natural gas and oil continue to push Alberta's gross domestic product up faster than any forecasters had projected in 1998, when the estimates for gross domestic product were forecast.

Measure 6

- Alberta agriculture and food industries' employment has not kept pace with expectations. The forecast for 1999 was for the total employment to reach 109,000 Albertans. Significant decreases in employment in primary agriculture combined with a slight decline in employment in food processing resulted in actual employment of only 101,500. Employment in primary agriculture dropped back to 82,500 in 1999, down from 91,600 in 1998 and the high of 98,700 reached in 1991.
- At 19,000 in 1999, the employment level in the food and beverage industries was down from the peak of 20,400 in 1998.

Measure 7

- The Alberta land productivity indicator was forecast to reach 0.970 in 1999. The indicator was 1.021 in 1999, up significantly from the forecast. Generally favorable weather resulted in an overall output increase in most crops. As a result, the 1999 indicator was well above the longer term.

Financial Information

Financial Statements