

Agriculture and Rural Development

BUSINESS PLAN 2008-11



ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2008 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 of March 18, 2008 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The Ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

George Groeneveld, *Minister of Agriculture and Rural Development*
April 3, 2008

THE MINISTRY

The Ministry of Agriculture and Rural Development consists of the Department of Agriculture and Rural Development and Agriculture Financial Services Corporation (AFSC). The Ministry is also responsible for the Office of the Farmers' Advocate; Irrigation Council; Agricultural Products Marketing Council; and Alberta Grain Commission.

VISION

Growing Alberta farms, processors, and all other agricultural businesses in support of a vibrant rural Alberta.

MISSION

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

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

In striving to achieve its mission Agriculture and Rural Development contributes to Goal 1: *Alberta will have a prosperous economy.* The Ministry contributes to this goal by enhancing industry competitiveness and growth through several of its key initiatives including the Agriculture Workforce Strategy and the Competitiveness Initiative; and by developing and implementing strategies that focus on opportunities and building capacity in rural Alberta.

Agriculture and Rural Development also contributes to Goal 4: *Alberta will have a financially stable, open and accountable government and maintain its strong position nationally and internationally.* This contribution is made by servicing the debt incurred by Agriculture Financial Services Corporation (AFSC) in providing service to their clients.

Government of Alberta Priority

Agriculture and Rural Development also works with the Ministry of Advanced Education and Technology to achieve the following government priority:

- *Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy.*

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

Today's agriculture and food industry operates in a complex, competitive global market. The Ministry of Agriculture and Rural Development works closely with producers, processors and other stakeholders to support strong sector development and assess emerging risks in this rapidly changing environment. Additionally, the Ministry works with rural communities and organizations to ensure strategies are in place that focus on building capacity in rural Alberta to sustain prosperity over the long term in all parts of the province. With a wide range of research and strategic information, the Ministry identifies key opportunities and challenges and strives to develop responsive strategies and plans while allocating government resources effectively.

Globalization, Competitiveness and Growth

The agriculture sector operates in a globalized business environment, where technological advancements and rapidly changing consumer demands are creating new opportunities while at the same time increasing challenges to all market participants. Lower labour costs and improved productivity in other markets are placing profit margin pressures on Alberta producers and processors. Added challenges include increases in the value of Canadian currency and demands relating to unprecedented growth in the province. Potential opportunities exist to gain a competitive advantage by identifying markets for verified, high quality goods while ensuring Alberta's agri-food industry can continue to compete and grow in this new global environment.

Policies that support trade liberalization are crucial in improving access to foreign markets. Continuing the liberalization of agricultural trade through multilateral, regional and bilateral engagements is one important strategy in achieving this goal. A new World Trade Organization agreement has potential to reduce trade barriers while, unfortunately, the United States Farm Bill and Country of Origin Labeling may increase protectionism in what is a

key market for the province. Alberta producers/processors can successfully compete globally if foreign markets are more open, trade is less distorted by subsidies and our domestic policies and regulations do not reduce our competitiveness.

Entrepreneurial spirit and effective business risk management strategies are necessary in today's constantly changing, competitive environment. The Ministry recognizes this is a critical component of building capacity to enable industry growth and profitability, and is responding with innovative programs, initiatives and services. Additionally, Alberta's youth present the agriculture industry with optimism, fresh ideas and an opportunity to build strengthened agri-businesses and rural communities.

Food Safety and Traceability

Consumers and the public are becoming more informed and concerned about food safety and animal welfare. The Ministry and industry are working towards implementing traceability systems that promote both food safety assurance and animal health status that in turn increases market access based on promoting Alberta's safe food practices as among the best in the world. In addition, the Ministry is working with industry on prevention, preparedness, response and recovery to emergencies and other challenges related to foreign animal disease and risk management.

Research, Development and Commercialization

Research, development and commercialization are powerful tools for improving competitiveness, profitability and growth. Advances in science and innovation create opportunities for enhancing industry productivity and product offerings. As a result of these efforts, agriculture is now poised to meet consumer demand for conventional foods and new bio-products. In collaboration with leading research and development organizations, the Ministry is able to assist the agriculture industry to innovate and advance.

Demographics and Labour Shortages

Increasing average ages of primary producers combined with the current labour shortage in Alberta is putting a heavy strain on the agriculture industry. A number of challenges exist related to attracting workers to all facets of the agri-products industry including transitioning from an older to younger generation of farmers. The Ministry is addressing this through the implementation of the Agriculture Workforce Strategy, which aims to attract and retain workers, facilitate succession planning and improve labour force productivity. Additionally, the Ministry is implementing the next phase of *A Place to Grow*, Alberta's Rural Development Strategy, with a focus on local and regional opportunities and rural community capacity building.

Legislation/Regulations

Effective policies, legislation and regulations are essential in enabling the growth of a globally competitive, sustainable agriculture and food industry while safeguarding the public interest. Many stakeholders are affected by agriculture's diverse legislative and regulatory framework that ranges from promoting market development to maintaining the public's interest. The Ministry works with other governments and the industry to enable innovation and growth by ensuring that the legislative framework reduces duplication and inconsistency, and that regulatory impediments are eliminated or minimized.

Environment

Public awareness and pressure for the effective management of air, land and water resources is increasing. The Ministry is continuing to work with partners within industry and across government to address these pressures. In addition, the Ministry is researching environmentally responsive solutions that enable producers and promote competitiveness. An opportunity exists to create competitive advantage through the development and implementation of agricultural practices and systems that manage environmental risks, improve efficiencies, and meet consumer and public expectations.

Partnering with Stakeholders Internal and External to Government

Albertans and other stakeholders want to be more involved in shaping policy and in developing programs. The Ministry continues to engage stakeholders and gather input as evidenced in the current Marketing Council Governance Consultations and recently with Agricultural Policy Framework II (also known as *Growing Forward*) and the Grains and Oilseeds Consultations. Ongoing stakeholder engagement with the primary and value added sectors is critical to developing agriculture policies, strategies and initiatives that achieve competitiveness and sustainable growth while promoting environmentally sound practices.

STRATEGIC PRIORITIES 2008-11

Through the Ministry's review of opportunities and challenges, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the Ministry. The federal/provincial/territorial Agricultural Policy Framework II touches on many of the elements identified below and guides the Ministry in addressing these priorities and achieving the results in this business plan.

CREATING AND PROTECTING OUR OPPORTUNITIES

- 1. Innovation and Rural Development**
Linkage:
Goals 1, 2, 3, 4 and 5

The Ministry will facilitate strengthening and diversification of the agricultural sector by working with industry to increase the market value of differentiated and value-added agricultural products and expanding into new markets and products. The Ministry will continue to support research and development partnering with industry and other key stakeholders to build an innovative and competitive sector that will develop new knowledge and transform it into marketable products or services. The Ministry will also develop new strategies focusing on capacity building and sustainability in rural Alberta.
- 2. Industry Competitiveness and Growth**
Linkage:
Goals 1, 2, 3, 4 and 5

The Ministry's support for industry competitiveness and sustainable growth remains a priority and is demonstrated through several strategies and key initiatives. New World Trade Organization (WTO) and Agricultural Policy Framework II agreements lead to the existence of and the need to transition to a new policy environment. The Competitiveness Initiative is assisting industry and the Ministry in assessing and responding to fundamental changes in the agriculture sector and global markets. Implementation of the Agriculture Growth Strategy and the Agriculture Workforce Strategy will focus on consumer driven market opportunities and better enable industry to respond to pressures with labour recruitment, retention and productivity. The Ministry will also remain focused on enhancing domestic and international market access and work with industry to provide better access to capital for farmers, agri-businesses and value added industries.
- 3. Managing Risk**
Linkage:
Goals 1, 2, 3, 4 and 5

The Ministry is committed to providing effective risk management tools, information and programs supporting events beyond the agri-business manager's control. This will improve management skills and adoption of effective risk management practices enabling the competitiveness and growth of the industry. Additionally, the Ministry is committed to establishing and enhancing internal frameworks and plans such as a comprehensive Enterprise Risk Management Framework that includes Emergency Management plans as stipulated under the *Emergency Management Act* and regulations.

GREENING OUR GROWTH

4. Stewardship of the Environment

Linkage:
Goals 1, 2, 3, 4 and 5

Production systems that manage environmental risks and improve efficiencies will benefit both the industry and the environment. The Ministry is focused on working collaboratively with industry and other stakeholders to identify market based solutions enabling the industry to take advantage of new markets and create a competitive advantage based on meeting consumer and public expectations for the environment. This will be supported through the Institute of Agriculture, Forestry and the Environment. Additionally, creating a competitive advantage and managing public expectations for the environment includes engaging with agriculture industry stakeholders and representing industry interests to assist in advancing key Government of Alberta initiatives including the Land-use Framework, Alberta's Climate Change Strategy and the Water for Life Strategy.

5. Food Safety and Traceability

Linkage:
Goals 1 and 2

Along with an ongoing focus on overall animal health and food safety surveillance within Alberta, the Ministry will continue to work collaboratively with industry and other governments in implementing a traceability system. This will promote further food safety assurance which will help gain and enhance market access through promotion of Alberta's world-class safe food practices and aid in prevention, preparedness, response and recovery in the event of emergencies, foreign animal disease and risk management challenges.

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: Facilitate Sustainable Industry Growth

GOAL ONE **1** Sustainable growth of the food and non-food* agriculture industry

What it means This goal recognizes that sustainable growth creates opportunities and wealth for all segments of the food and non-food agriculture industry, and contributes to the diversification and prosperity of the province. The Ministry contributes to this goal by working with industry and supporting key initiatives that focus on consumer driven market opportunities that increase long-term profitability and industry competitiveness. The Ministry will also develop policies and establish partnerships that enable flexibility in responding to changing markets.

*Non-food refers to agricultural services and industrial products manufactured from agricultural inputs.

Strategies

- 1.1 Encourage innovation and diversification by facilitating the development of new business models, value-added products and agricultural services that respond to market opportunities.
- 1.2 Increase capital investment by industry through opportunity identification and evaluation and granting better access to capital for farmers, agri-businesses and value added industries.
- 1.3 Optimize industry's capability to compete by delivering information and services, collaborating with partners on targeted research, supporting technology adoption and ensuring investment in essential physical infrastructure.

- 1.4 Enhance domestic and international market access and differentiation through policy direction and analysis and targeted programming.
- 1.5 Address workforce pressures by implementing programs and services to increase worker recruitment, retention and productivity as identified in the workforce strategy.

Performance Measures	Last Actual (2006-07)	Target 2008-09	Target 2009-10	Target 2010-11
1.a Number of value added products developed and successfully introduced to market with assistance from Agriculture and Rural Development	89	90	105	105
1.b Research and development investment by collaborators leveraged through Ministry resources (\$ million)	4.2	5	6	6
1.c Total leveraged investment in agri-industry businesses (farm-business and agri-business) facilitated by AFSC lending services (\$ million) ¹	273 ²	323	333	342

Notes:

- 1 Values reported for investments are a proxy measure based on loans approved. Not all approved loans are disbursed, and in some cases there may be timing differences between approval and disbursements of loans.
- 2 Last actual result differs from result reported in the Ministry's 2006-07 annual report as this measure has been expanded to include both urban and rural agri-businesses.

GOAL TWO

2

Continued excellence in food safety

What it means This goal recognizes that a verifiable reputation for excellence in food safety is essential to maintain, restore and expand domestic and international markets.

Excellence in Food Safety is facilitated through surveillance and the enforcement of legislation, regulation and policy as well as research, education and extension. The Ministry also supports the adoption of science-based food safety and traceability systems by industry. The Ministry's initiatives support the development of intergovernmental approaches to food safety in collaboration with Health Canada, Canadian Food Inspection Agency, Agriculture and Agri-Food Canada, Alberta Health and Wellness and the Regional Health Authorities.

Strategies

- 2.1 Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.
- 2.2 Maintain a surveillance system that validates the safety of Alberta's agriculture and food products and identifies opportunities for enhancement.
- 2.3 Develop, administer and review essential policy, legislation and regulation to ensure the safety of Alberta's agriculture and food products.
- 2.4 Develop and communicate information, share knowledge and transfer technology to enable safe food production and processing, traceability and market access.

Performance Measures	Last Actual (2006-07)	Target 2008-09	Target 2009-10	Target 2010-11
2.a Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system; Red Meat-Meat Facility Standard	21.8%	75%	95%	98%
2.b Number of Alberta food processing facilities participating in the Alberta HACCP ¹ Advantage Program (cumulative)	0	90	120	140

Performance Measure Under Development:

Per cent of Alberta cattle production facilities that meet the Alberta traceability plan requirement for registration of premise identification.

Note:

- 1 HACCP is an acronym, that means Hazard Analysis Critical Control Point. HACCP is a system, which identifies, evaluates, and controls hazards, which are significant for food safety.

GOAL THREE

3

The agriculture industry's competitive capacity is advanced through stewardship initiatives and systems

What it means

This goal recognizes it is the role of the Ministry to enable the industry to innovate, create and capture value, and build competitive capacity by meeting consumer and public expectations around the environment and animal welfare. The agriculture, food and agri-products industry will build on opportunities to realize the benefits associated with production systems that manage risks, address public concerns, and improve efficiencies while stewarding Alberta's air, water, and land for the well being of current and future generations.

To achieve this goal, the Ministry will align with the objectives of the Agriculture Policy Framework II, Water for Life Strategy, the Agriculture Growth Strategy, the Rural Development Strategy, the Land-use Framework, and the agricultural components of Alberta's Climate Change Strategy.

Strategies

- 3.1 Enable the agriculture, food and agri-products industry to take actions that increase consumer and public confidence.
- 3.2 Work with industry to facilitate innovation and build capacity through the development of targeted science and technology.
- 3.3 Work in partnership with the industry and other stakeholders to develop and implement policy, guidelines, and strategies to achieve agreed upon performance standards.
- 3.4 Develop indicators of success to communicate progress toward environmental health, animal welfare and competitiveness.
- 3.5 Provide a framework for development and implementation of market-based solutions that support a competitive advantage through the use of environmentally sound management systems.

Performance Measures	Last Actual (2006-07)	Target 2008-09	Target 2009-10	Target 2010-11
3.a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices ¹	58% ²	n/a	n/a	60%
3.b Number of producers provided with specific training and technical support to enable development of environmental farm plans	8,573	9,000	10,500	12,000

Notes:

- 1 A formal evaluation is completed every three years, with the next surveys to be conducted in 2010-11 and reported in June 2011.
- 2 This figure is based on the un-audited results of a survey completed in June 2007.

Core Business Two: Building Capacity and Managing Risk

GOAL FOUR **4** Strengthened rural communities

What it means This Goal recognizes that vibrant and sustainable rural Alberta communities with increased human and business capacity contributes to a prosperous province. The Ministry will achieve this goal by working with various organizations such as 4-H, Agricultural Societies, Agricultural Service Boards and with industry to strengthen individual skills, facilitate development of necessary supportive community infrastructure and networks, and nurture business and leadership skills for rural businesses and community organizations. Achievements in these areas will enable rural Albertans to be more responsive to meet opportunities and challenges in changing market environments.

The Ministry will also achieve this goal through providing support to Rural Alberta's Development Fund and by implementing the priorities of *A Place to Grow*, Alberta's Rural Development Strategy in collaboration with other Ministries and stakeholders.

Strategies

- 4.1 Support the development of rural organizations and facilitate partnerships among industry, government and stakeholders through providing guidance, governance training and financial assistance.
- 4.2 Support the development of essential utility and community infrastructure best practices to enhance community capacity through the administration of grant programs, compliance frameworks, and educational programs.
- 4.3 Provide skill development and leadership training for youth and adults actively engaged in agriculture, community organizations and rural businesses.
- 4.4 Facilitate the growth and development of diverse agricultural and rural businesses and their networks.
- 4.5 Coordinate and lead the implementation of the next phase of *A Place to Grow*, Alberta's Rural Development Strategy with a focus on opportunities and community capacity building in rural Alberta.

Performance Measures	Last Actual (2006-07)	Target 2008-09	Target 2009-10	Target 2010-11
4.a Total investment leveraged in rural businesses ¹ facilitated through AFSC lending services ² (\$ million) ³	399	434	450	466
4.b Number and percentage of ministry-supported, agricultural-related community activities that focus on leadership development	598 32%	550 30%	550 30%	550 30%
4.c Number and percentage of rural youth and adults participating in ministry-supported programs that report effective learning from those programs	3,277 92%	3,400 ⁴ 90%	3,400 90%	3,400 90%

Performance Measure Under Development:

Total capital investment leveraged in community infrastructure (includes Agricultural Societies, Agriculture Initiatives and Rural Utilities).

Notes:

- 1 In reporting the last actual and target figures for 2007-10, rural businesses refers to all businesses outside Edmonton and Calgary including primary and secondary agriculture businesses, as well as other rural businesses.
- 2 The figures presented in the targets represent all investment in rural businesses, including AFSC direct assistance, other partnered lending sources and borrower equity.
- 3 Values reported for investments are a proxy measure based on loans approved. Not all approved loans are disbursed, and in some cases there may be timing differences between approval and disbursements of loans.
- 4 The number of participants enrolled in these programs has been declining for the past few years. Target figures for 2008-11 reflect the Ministry's objective to stem the decline and stabilize enrolment.

GOAL FIVE

5

Effective risk management

What it means This goal recognizes that risk is inherent at the individual business level and can impact overall industry performance and growth. This goal addresses risk arising from a broad range of sources including production, as affected by weather extremes, pests and diseases; product pricing, as affected by unforeseen shifts in local and global markets; and technical, regulatory and competitiveness issues. The Ministry will achieve this goal by providing information, programs and services to business managers within the agricultural industry in the area of risk management and emergency preparedness.

Strategies

- 5.1 Support business risk management decisions in the primary and value-added sectors by determining information needs and collecting, developing, and disseminating data and information.
- 5.2 Assist the primary and value-added sectors with the identification, measurement and management of risk through the provision of information and training and encouraging the use of analytical tools and programs.
- 5.3 Design and deliver Business Risk Management programs through the Agricultural Policy Framework II Agreement.

- 5.4 Develop programs, when appropriate, that respond to significant events impacting business sustainability.
- 5.5 Ensure that the Ministry has plans in place to fulfill its obligations under the *Emergency Management Act* and regulations.

Performance Measures	Last Actual (2006-07)	Target 2008-09	Target 2009-10	Target 2010-11
5.a Percentage of agricultural business managers surveyed, indicating the use of risk management tools for improved decision-making ¹	22%	30%	n/a	n/a
5.b Percentage of eligible seeded acres for major crop categories insured under Production Insurance				
• Annual Crops	65%	64%	64%	64%
• Perennial Crops	23%	25%	25%	25%
5.c Percentage of Alberta farm cash receipts represented by Alberta participants in AgriStability Program ²	76%	70% – 75%	70% – 75%	70% – 75%

Notes:

- 1 A formal evaluation is conducted every three years. The next survey will be conducted in 2008-09 and reported in June 2009. Targets for this measure have been restated based on last actual results.
- 2 The AgriStability Program is the successor to the Canadian Agricultural Income Stabilization Program (CAIS).

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable			2008-09 Estimate	2009-10 Target	2010-11 Target
	2006-07 Actual	2007-08 Budget	2007-08 Forecast			
Facilitate Sustainable Industry Growth	244,569	244,725	273,635	256,654	270,542	273,853
Building Capacity and Managing Risk	970,704	832,200	636,209	806,428	818,200	808,199
MINISTRY EXPENSE	1,215,273	1,076,925	909,844	1,063,082	1,088,742	1,082,052

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2008-09 Estimate	2009-10 Target	2010-11 Target
	2006-07 Actual	2007-08 Budget	2007-08 Forecast			
REVENUE						
Internal Government Transfers	22,220	22,220	22,220	22,220	22,220	22,220
Transfers from Government of Canada	250,625	328,795	194,884	332,577	329,013	330,186
Investment Income	96,791	100,703	104,590	110,812	126,716	140,374
Premiums, Fees and Licences	155,245	199,897	159,699	185,467	188,330	186,537
Other Revenue	6,547	7,284	8,530	6,323	6,732	6,792
MINISTRY REVENUE	531,428	658,899	489,923	657,399	673,011	686,109
EXPENSE						
Program						
Agriculture Income Support	570,289	363,262	189,462	334,904	338,218	341,289
Lending	25,243	25,413	25,714	26,688	27,595	28,060
Insurance	217,397	378,313	342,355	385,271	392,436	378,381
Planning and Competitiveness	46,451	52,489	54,142	48,492	48,957	49,565
Rural Development	137,479	38,638	47,189	38,945	39,696	40,170
Industry Development	45,318	51,290	93,276	47,777	51,136	53,126
Environment and Food Safety	62,202	81,879	75,867	82,482	65,708	67,587
Infrastructure Assistance	50,515	17,355	15,087	24,083	38,400	29,000
Ministry Support Services	12,512	14,416	14,240	15,116	15,498	16,050
Valuation Adjustments and Other Provisions	2,732	2,745	6,245	6,062	7,059	6,757
Program Expense	1,170,138	1,025,800	863,577	1,009,820	1,024,703	1,009,985
Debt Servicing Costs						
Agriculture Financial Services Corporation	45,135	51,125	46,267	53,262	64,039	72,067
MINISTRY EXPENSE	1,215,273	1,076,925	909,844	1,063,082	1,088,742	1,082,052
Gain (Loss) on Disposal of Capital Assets	269	-	-	-	-	-
NET OPERATING RESULT	(683,576)	(418,026)	(419,921)	(405,683)	(415,731)	(395,943)

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable			2008-09 Estimate	2009-10 Target	2010-11 Target
	2006-07 Actual	2007-08 Budget	2007-08 Forecast			
Ministry Revenue	531,428	658,899	489,923	657,399	673,011	686,109
<i>Inter-ministry consolidation adjustments</i>	(22,428)	(22,220)	(22,220)	(22,220)	(22,220)	(22,220)
Consolidated Revenue	509,000	636,679	467,703	635,179	650,791	663,889
Ministry Program Expense	1,170,138	1,025,800	863,577	1,009,820	1,024,703	1,009,985
<i>Inter-ministry consolidation adjustments</i>	(208)	-	-	-	-	-
Consolidated Program Expense	1,169,930	1,025,800	863,577	1,009,820	1,024,703	1,009,985
Ministry Debt Servicing Costs	45,135	51,125	46,267	53,262	64,039	72,067
Consolidated Expense	1,215,065	1,076,925	909,844	1,063,082	1,088,742	1,082,052
Gain (Loss) on Disposal of Capital Assets	269	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	(705,796)	(440,246)	(442,141)	(427,903)	(437,951)	(418,163)