



Legislative Assembly of Alberta

The 28th Legislature
First Session

Standing Committee
on
Alberta's Economic Future

Ministry of Agriculture and Rural Development
Consideration of Main Estimates

Monday, April 22, 2013
7 p.m.

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First Session**

Standing Committee on Alberta's Economic Future

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Fox, Rodney M., Lacombe-Ponoka (W), Deputy Chair

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Standing Committee on Alberta's Economic Future

Participants

Ministry of Agriculture and Rural Development

Hon. Verlyn Olson, QC, Minister

Anne Halldorson, Senior Financial Officer

Brad Klak, President and Managing Director, Agriculture Financial Services Corporation

John Knapp, Deputy Minister

7 p.m.

Monday, April 22, 2013

[Mr. Amery in the chair]

**Ministry of Agriculture and Rural Development
Consideration of Main Estimates**

The Chair: Good evening, everyone. It's 7 p.m., and we must begin. I would like to call this meeting to order and welcome everyone in attendance this evening.

The committee has under consideration the estimates of the Ministry of Agriculture and Rural Development for the fiscal year ending March 31, 2014.

Just a friendly reminder that the microphones are operated by *Hansard*. I would ask members not to operate their own consoles as it causes technical issues. Also, please do not leave your phone, your BlackBerrys, iPhones on the table.

Now I would like to ask that we go around the table for introductions, and I would like the minister to introduce his staff. If you are substituting for another member, please indicate so.

I am Moe Amery, MLA for Calgary-East and chair of this committee.

Mr. Hale: Jason Hale, MLA for Strathmore-Brooks, and I'm substituting for the deputy chair, Rod Fox.

Mr. Rogers: George Rogers, MLA for Leduc-Beaumont.

Dr. Swann: Good evening, everyone. David Swann, Calgary-Mountain View.

Mr. Bhardwaj: Good evening. Naresh Bhardwaj, Edmonton-Ellerslie.

Mr. Luan: Jason Luan, Calgary-Hawkwood.

Ms Olesen: Good evening. Cathy Olesen, Sherwood Park.

Mr. McDonald: Everett McDonald, Grande Prairie-Smoky.

Mr. Eggen: Good evening. David Eggen, MLA for Edmonton-Calder.

Mr. Dorward: David Dorward, MLA for Edmonton-Gold Bar.

Mr. Olson: Good evening, Mr. Chair. I'm Verlyn Olson, Minister of Agriculture and Rural Development. With me I have my deputy, John Knapp, to my right; to his right Anne Halldorson, a senior financial officer; and to my left Brad Klak, president and managing director of AFSC. Also, behind us I have Jo-Ann Hall, assistant deputy minister, industry and market development; Darryl Kay, vice-president, finance and corporate affairs for AFSC; Gordon Cove, president and CEO of the Alberta Livestock and Meat Agency; my chief of staff, Nick Harsulla; Cathy Housdorff, my press secretary; my special assistant, Julie Crilly; and Katrina Bluetchen, director of communications.

The Chair: Thank you, Minister.

Mr. Donovan: Ian Donovan, MLA, Little Bow.

Mr. Rowe: Bruce Rowe, Olds-Didsbury-Three Hills.

Mr. Strankman: Rick Strankman, Drumheller-Stettler.

Ms Pastoor: Bridget Pastoor, Lethbridge-East.

Mrs. Sarich: Good evening. Janice Sarich, MLA for Edmonton-Decore.

Mr. Quadri: Sohail Quadri, Edmonton-Mill Woods.

Mr. Cao: Wayne Cao, Calgary-Fort.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Thank you.

Dr. Swann, you're substituting for?

Dr. Swann: Kent Hehr.

The Chair: Okay. Thank you all. Thank you very much.

Hon. members, as you know, the Assembly approved amendments to the standing orders that impact consideration of the main estimates. Before we proceed with consideration of the main estimates for the Ministry of Agriculture and Rural Development, I would like to review briefly the standing orders governing the speaking rotation.

As provided for in Standing Order 59.01(6), the rotation is as follows. The minister or the member of the Executive Council acting on the minister's behalf may make opening comments not to exceed seven minutes for a two-hour meeting. For the 40 minutes that follow, members of the Official Opposition and the minister or the member of the Executive Council acting on the minister's behalf may speak. For the next 14 minutes the members of the third party, if any, and the minister or the member of the Executive Council acting on the minister's behalf may speak. For the next 14 minutes the member of the fourth party, if any, and the minister or the member of the Executive Council acting on the minister's behalf may speak. For the next 14 minutes private members of the government caucus and the minister or the member of the Executive Council acting on the minister's behalf may speak. Any member may speak thereafter.

Members may speak more than once, with the speaking time divided equally between the member and the minister. A minister and a member may combine their time for a total of 14 minutes. Members are asked to advise the chair at the beginning of their speech if they plan to combine their time with the minister's time.

Once the specified rotation between caucuses is complete and we move to the portion of the meeting where any member may speak, the speaking times are reduced to five minutes at any one time. Once again, a minister and a member may combine their speaking time for a maximum total of 10 minutes, and members are asked to advise the chair at the beginning of their speech if they wish to combine their time.

Two hours have been scheduled to consider the estimates of the Ministry of Agriculture and Rural Development.

Committee members, ministers, and other members who are not committee members may participate. Members' staff and ministry officials may be present, and at the direction of the minister officials from the ministry may address the committee.

As noted in the Speaker's memorandum of March 22, I would like to remind all members that during main estimates consideration members have seating priority at all times. Should members arrive at a meeting and there are no seats available at the table, any staff seated at the table must relinquish their seat to the member.

If debate is exhausted prior to two hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn; otherwise, we will adjourn at 9 p.m. sharp.

Points of order will be dealt with as they arise, and the clock will continue to run.

Any written material provided in response to questions raised during the main estimates should be tabled in the Assembly for the benefit of all members.

Vote on the estimates is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply this evening, April 22, 2013.

In case we have an amendment, I would like to read the rules and regulations governing any amendments. An amendment to the estimates cannot seek to increase the amount of the estimates being considered, change the destination of a grant, or change the destination or purpose of a subsidy. An amendment may be proposed to reduce an estimate, but the amendment cannot propose to reduce the estimate by its full amount.

Vote on amendments is deferred until Committee of Supply this evening, April 22, 2013.

Written amendments must be reviewed by Parliamentary Counsel prior to the meeting at which they are to be moved. Twenty-five copies of amendments must be provided at the meeting for committee members and staff.

Now I would like to invite the Minister of Agriculture and Rural Development to begin his remarks. Minister.

Mr. Olson: Thank you, and good evening, Mr. Chair. I'm pleased to be here tonight to discuss the 2013-14 budget and three-year business plan for the Ministry of Agriculture and Rural Development. I've already introduced my executive team here with me. I just want to take a moment to thank them for helping me prepare. If there are any deficiencies in my presentation, they are mine and not those of my staff. When I was appointed to this ministry, I had a number of people tell me how lucky I was. I was very fortunate to be Minister of Justice and Attorney General before with a great department. I have an equally great department here, who do fantastic work for Albertans, and I'm really pleased to serve with them.

There's no question that we've had to make some difficult decisions when we were putting together this year's budget. Overall, the Agriculture and Rural Development operational budget has been reduced by about a hundred million dollars, down to about \$937 million. This reduction has challenged us to look very closely at our priorities and the outcomes that we're working to achieve.

We wanted to ensure that our agriculture dollars remained focused on our long-term goals of creating a competitive and sustainable agriculture sector and vibrant rural communities. That's why we're investing in areas like research and innovation, industry development, investment attraction, food safety, and market access. These investments will open new doors for our producers, expand the value-added opportunities in our province, and strengthen our economy.

We're also continuing to invest in rural development, maintaining our support for grassroots organizations like agricultural societies, agricultural service boards, as well as major fairs and exhibitions. These organizations provide valuable services in their communities, organize events like fairs and rodeos, and manage everything from local halls to curling rinks. Our budget invests in the future of our rural communities and in the long-term growth of the agriculture industry that is the lifeblood of so many of them.

With fewer resources focusing our investment in these areas means reducing spending in others. The elimination of the fuel distribution allowance portion of the Alberta farm fuel benefit program and nation-wide changes to agriculture support programs account for the lion's share of the overall \$100 million reduction

in our budget. Alberta producers are well aware of the changes that are being implemented to agriculture support programs such as AgriStability and AgriInvest. There has been extensive communication with producers and agriculture stakeholders, who also had input into the process. These changes are occurring across Canada as part of the new Growing Forward agreement between the federal, provincial, and territorial governments.

The key change to AgriStability is a reduction in coverage from 85 per cent to 70 per cent of a producer's historic margin. In terms of AgriInvest savings accounts the government will now only match contributions up to 1 per cent of a producer's annual net sales to a maximum of \$15,000 annually. Previously government matched up to 1.5 per cent of a producer's annual net sales to a maximum of \$22,500 annually.

7:10

I want to assure you that Alberta producers will continue to have access to a strong and effective suite of business risk management programs. The existing AgriInsurance program will remain unchanged under the Growing Forward 2 agreement. Federal, provincial, and territorial governments have also committed to exploring additional insurance options that will work for all producers. These changes to agriculture support programs will allow us to place greater emphasis on strategic initiatives that will help the agriculture industry realize its full potential. In fact, our government and the federal government will invest a combined total of \$406 million over the next five years in 30 new and enhanced programs focusing on strategic priorities like research, food safety, international market development, agribusiness innovation, farm safety, and environmental management. That's a 50 per cent increase from the previous five-year Growing Forward agreement that expired this past March.

Through Growing Forward 2 we are providing our producers and agricultural entrepreneurs with the tools they need to build their businesses and further diversify Alberta's economy. Again, it's about focusing our resources on our priorities, building a competitive and sustainable agriculture industry and vibrant rural communities.

With that in mind, I want to take a few moments to talk about the other major change to this year's budget, the elimination of the 6-cent-per-litre farm fuel distribution allowance. This measure will result in a cost saving of about \$30 million annually. This was not a decision that was made lightly. We took into consideration the long-term sustainability and competitiveness of the agriculture industry. The fact is that Alberta was the only province offering the fuel allowance to producers in addition to a tax exemption on marked fuel. While this change brings Alberta closer in line to fuel benefits provided to producers in other prairie provinces, Alberta still has the best farm fuel program in the country.

Alberta producers will continue to receive a 9-cent-per-litre tax exemption on all marked gasoline and diesel for farm operations. Producers in Saskatchewan and Manitoba will still pay a portion of the provincial tax on marked gasoline, while Alberta producers do not. Unlike Alberta, farm fuel programs in eastern Canada only apply to off-road use of farming equipment. Given the strength of the Alberta program compared to other provinces, our adjustment to the program is reasonable. At the same time it allows us to maintain support for agricultural societies and other great rural community initiatives. That's what it came down to, a decision to either eliminate the fuel allowance or cut all funding for agricultural societies.

Our belt-tightening measures also included an \$8 million reduction for ALMA and a \$5 million reduction in funding for the irrigation rehabilitation program. I want to assure members that

ALMA and the irrigation system remain important priorities for our ministry, but both of these programs were well positioned to absorb budget adjustments at this time.

The Chair: Thank you, Minister. Thank you very much.

Mr. Donovan, it is my understanding that you'll be speaking on behalf of the Wildrose caucus?

Mr. Donovan: Yes.

The Chair: You have 40 minutes. Would you like to combine your time with the minister's?

Mr. Donovan: I'd like to go back and forth if the minister is okay with that.

The Chair: Okay. We will do it in 10-minute segments.

Mr. Donovan: We have 40 minutes, right?

The Chair: Yeah. You've got 40 minutes. Please proceed.

Mr. Donovan: Thank you. First, I'd like to thank the minister also for making this first year – I'd say that for a learning curve for me it's been good. Your office has been very helpful to work with and your staff also. This budget stuff can be challenging. Also, I'd like to thank our own staff for all the work they've done on it, too.

We have, I guess, quite a few different things to start with. COOL, what's running around that right now. Has your ministry directed any resources to this upcoming year in implementing traceability to help Canada's efforts towards the American law changes? It's affecting our livestock industry hugely. I'll just let you start on that one.

Mr. Olson: You're referring to MCOOL?

Mr. Donovan: Yes.

Mr. Olson: Yes. This is something we're following very closely. As you would understand, the federal government has the lead on these types of negotiations and discussions. I would say that Minister Ritz has been very strong in his response to the disappointing decision of the U.S. government in terms of their response to the World Trade Organization appellate panel's decision and direction. We are very supportive of the federal position. We are in close contact with Minister Ritz's department.

In terms of traceability, you know, going back – and I don't have to tell somebody like you because you're intimately involved with the history of the BSE crisis and so on – that is something that our government and the federal government have spent a lot of time and a lot of resources on. We continue to support any number of initiatives, and I could list them for you if you would like. I would certainly assure you that traceability is something that's top of mind. ALMA has been a great resource for us, and our department works continually on the traceability issues.

Mr. Donovan: Okay. Thank you. If you can get the list to the committee, it would be great to have it on record, I guess, instead of – I'd like to have my valuable time here.

Mr. Olson: Sure.

Mr. Donovan: Thank you for that.

We jumped into ALMA there, so I could probably go into that. Now, I know ALMA has taken a hit in this budget, but just, I guess, for clarification, when we get into ALMA and the surplus, ALMA had assets of \$22,787,000 last year, and there was about a

\$5.5 million operational surplus. Am I reading that right? How do we come up with the \$1.2 million on that? What's our strategy to make sure we're getting our best bang for our dollar with ALMA on what they're doing for us?

Mr. Olson: Well, maybe while my staff here looks at those numbers – I don't have them right in front of me – I can just make some additional general comments about ALMA. You know, we see ALMA as a great resource for us in terms of doing a number of things, including, obviously, marketing and helping with development of markets. There's a significant amount of money that's gone into industry and market development and also into research and development and also into a variety of Growing Forward programs.

Maybe I'll just defer to my deputy here to give you a specific answer to that question.

Mr. Knapp: Minister, I believe what the member is referring to is probably on page 32. ALMA did not really have a large operating surplus at all. That's just their net operating result. ALMA basically comes in close to their budget each and every year. The only reason they wouldn't come in right on budget is because a number of organizations that they're doing contracts with would come in and say, "We're going to spend X" and might come slightly short of X. But the sum of that is just a small amount left over each and every year.

Mr. Donovan: All right. Thank you for that. Since we're on ALMA, too – I get lots of people asking – can we talk a little bit about the governance of ALMA? What's the actual process and criteria for appointing directors to ALMA?

Mr. Olson: Well, we have some legislation on agencies, boards, and commissions, and I believe it's been passed but not actually proclaimed. I think many government agencies are following, basically, the processes set out.

The thing about ALMA that I want to stress is that this is an organization that is there to provide some expert advice to government in a variety of areas. It's different from a commodity type of organization that may be elected by its members. This is a group of people who represent various elements of the supply chain, not one horizontal element of the supply chain. There is a certain amount of recruitment that goes on, but there's advertising for expressions of interest, keeping in mind that we may be looking for specific skill sets or specific types of experience in order to help promote the objectives of ALMA and our government.

7:20

Mr. Donovan: Okay. Thank you for that.

I think ALMA has some positives, too. The more I've been around it, I've thought there's definitely something to it. I guess there's just always the question of the appointing side.

Your government is very proactive – or it seems to be selling that – about being open on everything. The wages and stuff of board members: I've looked quickly a couple of times on the web pages for ALMA specifically and tried to figure out what they're getting paid. Who decides what the wage is for that, whether it's a director or – who assesses that, I guess?

Mr. Knapp: The compensation for board members is, I believe, what the member is referring to. That's set out in a set of government schedules. There's a range of different government schedules, and that's chosen basically on the level of the assignment, you know, the degree of difficulty, and in some cases the difficulty of finding the precise skill. For example, one of the

ALMA board members negotiated Canada's NAFTA deal with the United States and Mexico, so you've got some very high skill levels. The schedule is set out from government compensation schedules in accordance with that.

Mr. Donovan: Okay. Thank you for that. Yes, the skill level is definitely very high. I think that's what our industry needs. There are lots of positives to that.

Does ALMA post expenses, as our government, if we're using the government schedule? Do they post all their expenses, the board members' expenses and all of that? I, again, looked and couldn't find it.

Mr. Olson: Yes, it does, you know, as any government agency is required to these days. I gather that it's on the website.

Mr. Donovan: Okay. Maybe I just need a link sent to me at some point just so I can get all that. I was kind of scattered around it and wasn't having a good look.

Back to ALMA and some of the boards that they have, again back to picking people on it. Now, one of them was the straw man group that's going around and doing some marketing and whatnot on that. That's the same process that's taken to appoint those people as is done with the board members for those subcommittees. The board itself decides who's on the subcommittees?

Mr. Olson: We're looking at each other here. I'm not entirely sure I understood the question, but if you're asking whether, for example, I as minister appointed those people, no, I did not. You know, ALMA certainly has the flexibility to engage people to assist it with projects that it's working on. My assumption would be that that's how those people were selected by ALMA.

Mr. Donovan: Okay. Those are just, again, questions that people ask on stuff.

You know, back on the funding side of that, I guess we answered the capital one there. I guess AFSC is one that I'd also like to get into. Now, I'd assume that when we go to AFSC, the posting of expenses online is also done through there.

Mr. Olson: Yes.

Mr. Donovan: Now, I've been told that there's a bit of a challenge in trying to get some of the numbers out of that. There's some information that's been FOIPed that's in a building that has bad foundations or something and can't be tracked down. I guess it's about trying to find information. As taxpayers people just want to know what's being spent. Some of the stuff that's been FOIPed on that: we've been told we can't get to it. Now, I don't know if there's a better explanation of that than what I've heard.

Mr. Klak: If I might, the challenge in accessing some of our information is that our policy is that we keep three years of information for board and for executive expenses, and then we send anything past that to the Alberta records, to the archive. We're compliant with the policy. It might be the same situation for ALMA as ourselves. If you actually go to our websites, to the ALMA website or to the AFSC website, I think our information is easier to find posted than going through the government of Alberta.

With regard to the information we were as surprised as anyone when we asked to find out if we could access our information, and they told us that due to structural issues in that building, they're not allowing anyone in until they've done a full engineering assessment of it. It's causing us some hardship. Even trying to

access information for previous employees that are now going through job searches: it's being locked up in that records centre right now as well. We've asked what type of a time frame that we can expect, and they told us that they'll know more after they do the initial engineering assessment.

I understand what you're saying. It's just that we're kind of stuck between a rock and a hard place.

Mr. Donovan: Thank you for that. I know that us checking out FOIP inquiries can shake the foundations a little; I just didn't know it actually knocked a building to where it was unsafe to go into.

Just a quick one about the cattle feeder loan guarantee. I think the Alberta Cattle Feeders' Association has met with you a couple of times. My understanding is that they'd like to have that upped a little bit. As far as the loan guarantee itself, it doesn't truly cost the government anything other than that it's on their books as a debt, but it's always been paid in full. I think it's maybe hindering some of the market for some of the up-and-coming farmers and young family ones that are trying to get in. Is there any thought on that in your ministry right now, obviously not for this budget – we can't have that on it – but for future budgets to consider through your department?

Mr. Olson: Well, I'll ask John to supplement my answer, but you're right. We have had a number of meetings with them. My recollection is that this program is something like 70 years old. You're also correct that even though we've been guaranteeing these loans to feeder associations who then in turn assist, you know, local farmers to buy cattle, I think there have only been a couple of instances over the years where those guarantees have actually been called on, so it's been a very, very effective program and done a lot of good helping farmers get into the business and buy stock.

But any program that's that old probably deserves to, you know, have a review done and some consideration as to how the industry has changed, how the marketplace has changed, and we certainly are open to that kind of a discussion. I wouldn't want that interpreted as some sort of a plan to dismantle things. However, it may be that there is a better, more efficient, more productive way of helping that organization in the future.

John, would you like to expand on that?

Mr. Knapp: The feeder association loan guarantee program currently has a cap of \$55 million of government guarantee on it. Alberta's 51 feeder associations hover in the range of \$43 million to \$47 million used up of the \$55 million, so there is still significant room. Often 10 to 15 to 20 per cent of the total room is still there, which would enable them to grow. They want to grow fairly aggressively in the future, so they've sat down with us to say: let's develop a business plan jointly about how we could get there. That's the work-in-progress that the minister has referred to.

Mr. Donovan: Thank you for that.

Just one more. I kind of go off topic a little bit, so I've kind of wandered off here. The George Cuff report on meat safety was done last July. Now, I've had some smaller meat-packing plants, the smaller abattoirs, say that their concern, as I've heard it anyway, is that it was done last July, and it just got released about a month and a half ago out to everybody. I guess: where are you going with this report on what Mr. Cuff has come up with? Are you implementing it? Is it going to be shelved? If possible, where are you going with that?

Mr. Olson: Sure. Thanks for the question. Again I'll ask John to supplement. I find that the level of detail he's able to give on many of these issues is probably a little bit deeper than mine. But I will say that the report has been released. I want to stress that the report was not about food safety as such. It was about organization and process. There were a lot of suggestions in the report as to how we might do things better. We have already undertaken a number of those changes, so it certainly is a living document that we're working with, and we are responding to the specific suggestions in the report.

Maybe I can let John address what some of those suggestions were.

7:30

Mr. Knapp: The Cuff report was one which we asked for, and we specifically asked for George Cuff because we knew he wouldn't be particularly nice to us if we asked him to assess the situation.

Mr. Donovan: He has a track record.

Mr. Knapp: He was very explicit in a number of areas about where improvement in operational procedures, governance relationships, and so on could proceed. We're taking every one of those recommendations very seriously, so what we're doing right now is sitting down with the owners and operators of the 51 red meat plants and trying to work with them on something that will enable them to work in what we call an outcomes environment, where there's maybe a little less direct and explicit and prescriptive regulation and a little bit more latitude that works to food safety outcomes. I think that's what they want. I believe that's what the public wants. They're interested in the safety of food, not so much whether the drain is four feet from the wall, but whether the food is safe. Those are the types of more outcomes-focused directions we're wanting to take. In our first couple of meetings the associations are very much on board with that approach.

Mr. Donovan: Thank you for that. I think you're correct that most of them are. It's best for their industry to have safe food production. It's just that the red tape gets a little hectic sometimes. This ties in a little bit with Alberta Ag, which is, you know, in charge of the abattoirs, I believe, but not on the same rules as Alberta Health, I guess. If you have an abattoir, and you kill the animal there and cut the meat there and sell it there, you fall under different rules than if you just bought a half, took it across the parking lot, opened up store number two, and sold it there. I think they would just like to all be on the same playing field; that's what I get.

Now, I'll just jump back to AFSC. I guess my question is to AFSC. When you make a ruling on whatever the situation is – somebody complains about their process on what AFSC does for a payout or how a number is come up with – do you start making a policy from that, then? Now, if you've ever been audited by Revenue Canada, when they come up with a ruling, those are the rules, and then they make policy off that so that they're always done the same. Does AFSC follow that, too, so once they've made a single ruling, that's kind of a policy going forward for other rulings that would be the same? Or is it kind of open all the time? I've had a couple of producers ask, "Is it always done the same?" because there seems to be some discrepancy in it.

Mr. Olson: Well, I'll certainly defer to Brad on this. Although I'm not entirely sure that you would find anything in the budget on this, Brad may wish to comment just to address your question.

Mr. Klak: From an adjudication standpoint we try to be as consistent as possible. I guess it depends on the program, whether

it be AgriStability or, especially, AgriInsurance. We have an appeals mechanism under AgriInsurance that allows for producers, if they're not satisfied, if they feel that the standards have not been met, or if they feel they've been unfairly dealt with, to appeal that. That goes into an adjudicative process that involves both a local tribunal as well as some of our board members that sit on that appeal. We sort of follow natural law, natural justice to try to find a common-sense solution, not a legalistic solution.

I think that's been one of the biggest changes that I've seen at AFSC. Again, we don't try to codify common sense, but, you know, if there are practical reasons why we need to make exceptions or that some circumstance occurred, we try to be as flexible as possible, recognizing that we're really looking after programs that are supported by the federal government, by the provincial government, and in many cases tripartite with the producer. So a strong level of consistency and explainability in all of our programs is, I guess, the code that we strive for.

The Chair: We're at halftime right now.

Mr. Donovan: Okay. Thank you. We won't switch ends yet. Give me a couple more years.

The Chair: For the next 20 minutes would you please focus on the budget estimates?

Mr. Donovan: Yeah. I can tie that back to the priority initiatives on page 11 of the agricultural business plan, which actually goes into the monitoring and food safety, which ties into: if you can't keep the doors open on the facilities, you're not going to be able to have anybody to monitor. I can tie almost anything back to budget if you give me a long enough time to talk about it.

The Chair: We know you can.

Mr. Donovan: Thank you for that.

The Chair: But we're discussing the budget estimates for 2013-14. The future is not the past.

Mr. Donovan: Yup, we can stick right back to that.

Again, we go back to the loans receivable, like in ALMA. I'd like to know the percentage of expenses that go towards support-staff wages compared to the amount of money that actually goes out to farmers, in their hands. This is on the AFSC side, I guess. Is there a number out there that I can go back to people with?

Mr. Olson: I'm sorry. I think you first referred to ALMA, and then you said AFSC.

Mr. Donovan: I said like ALMA.

Mr. Olson: So the question is about AFSC?

Mr. Donovan: Yeah. What are the percentages that go towards staff and wages? I think the perception is very high that we're a bureaucratically loaded society, I guess. I'm not saying one way or the other; I'm just asking a question. Is there a percentage number in the budget that comes out of that off the top of your head?

Mr. Olson: If I could just make a general comment or two to begin with. Within my department we saw a reduction of 30 positions in this budget, and 10 of those were open positions. They were not currently occupied by employees. Of the other 20, 17 of those were departmental positions, and three of them were positions in Lacombe at AFSC. You know, it's always difficult to

have to say goodbye to people who are doing good work, but that was one of the things that we felt we needed to do in order to reach our budget targets. To answer your specific question, perhaps Brad can offer some detail.

Mr. Klak: It depends, again, on the program because some programs are paid for, like lending, which is a provincial program. Some are tripartite in nature. I understand what you're saying. We get that a lot, too: how much money is going to front-line staff, delivering programs to producers, and what's going on from an administrative burden standpoint?

To give you an example, our salaries to about 120 staff on the lending side work out to just over \$20 million. That lending group will have done \$500 million worth of new lending. They're lending on a book of \$1.8 billion right now, and they're doing it with arrears of under 2 per cent. So they're doing it quite responsibly. We tend to hold ourselves to a bank standard on that one.

With regard to AgriInsurance I would say that if you look at what our forecast expenses are versus where they've been, we would probably be in that 15 to 18 per cent range. That would include AgriStability as well as AgriInsurance. The reason why you could say that's high – but AgriStability is a very tough challenge due to the fact of its specificity. I mean, we've got 25,000 clients, each one of them being different, each one of them having different nuances to their operations.

That said, we benchmark ourselves, and we have to hold ourselves accountable to federal audit as well as provincial audit. We stand very well. I would say that we're probably half as much as the federal government charges in the jurisdictions where they administer the programs. When we look at British Columbia, Saskatchewan, Prince Edward Island, Ontario, that also administer the programs themselves, we would be as low if not the lowest of all of those jurisdictions. We take it really seriously. We take the "Corporation" in our sign very seriously. We want to hold ourselves to the best business principles.

Mr. Olson: If I could also just make another comment generally regarding AFSC. It's a very important resource in the province, in rural Alberta, with 55 locations across the province. I don't think we would apologize for devoting the resources it takes to have a presence in rural Alberta like that. I think it's really important for rural Albertans to have access to these types of resources and not to have to drive a couple of hours to the nearest big city to get the kind of assistance, advice, and service that they are entitled to as rural Albertans.

Mr. Donovan: Great. Thank you, Minister.

I guess we'll jump to the white elephant in the room. When we talk about staffing and positions cut, last year there was a controversial hire in the department. The person that was hired for that: is there a job description that's out for that, what it is? I get lots of people asking that. It is in the budget because it's one of the line items of staffing. I don't know who wants to tackle that one.

7:40

Mr. Olson: Well, you know, I guess we could have a discussion about every one of the almost a thousand employees in the department. The person you're referring to is working in the policy development section of this ministry. I don't have details about a job description. I can tell you the kinds of things that I know that group works on, and I know that he as well as other people in the group work on those things. That would be policy issues like trade, CIDA negotiations, TPP, farm safety, the rat issue and our rat program, water, irrigation, and also working with ESRD, Environment and Sustainable Resource Development, on irrigation,

water, land-use planning, all of those things. If I'm missing anything, John will help, but I think that pretty much summarizes the types of things that all people in that division do.

Mr. Donovan: Thank you for that.

I'll move on, I guess. Were any senior policy advisers let go in this budget of the staff that we had before?

Mr. Olson: No.

Mr. Donovan: No. So this was a position that we felt was needed in this. Okay.

I guess I've got a couple of ones on the importance of irrigation. Now, in my riding alone it's a very large value-added item. I think we can all agree on that one. On page 22 under section 3, agriculture environment and water, line item 3.1, irrigation and farm water, the funds increased by \$568,000. I'm glad to see this, but I'd like to know where the increased funds are directed and what programs are getting a funding increase.

Mr. Olson: Just let us catch up with you here. You said line 3.1 on page . . .

Mr. Donovan: Line item 3.1, irrigation and farm water, on page 22.

Mr. Olson: Growing Forward funding represents the increase.

Mr. Donovan: Okay. Now, I know it falls in there also with Minister McQueen, but are there any new capital irrigation projects for this year?

Mr. Olson: Well, as you know, we provide capital funding to the Irrigation Council, and they then allocate that money to the 13 irrigation districts. We don't actually make a decision as to which irrigation district gets money for whatever project. That comes from the Irrigation Council.

Unfortunately, we did have to reduce the capital grant because of our needing to meet our budget targets. You know, that's something that, obviously, we would have preferred not to do. In fact, on budget day I phoned the Irrigation Council and spoke to the members of the 13 irrigation districts and explained what we were doing. I think the response has been very fair minded. Basically, they were getting \$24 million last year, and this represents a reduction of \$3 million. If you look at it, it says \$5 million for this year and \$3 million for the next two years, but we are going to be able to use \$2 million out of this past year. We had some surplus, and we wanted to mitigate that reduction so it would be \$3 million a year net over the next three years. There's still \$21 million there, so there's a significant amount of money still there to support what we consider to be a very important initiative.

Mr. Donovan: Thank you, Minister.

Now, on page 71 of the financial plan under capital plan details there is \$19 million earmarked for the irrigation rehabilitation program. Are these funds in addition to the funds allocated under irrigation and farm water? The irrigation and farm water, that would be the . . .

Mr. Olson: Sorry to interrupt. Yes, they are. That \$19 million is the net amount for this year, but actually we're adding \$2 million more, so it's going to go up to \$21 million for this year. It doesn't show that on the line you're looking at, but that is different from the irrigation and water line that you were looking at before on page 22, 3.1, which is other programs and the Growing Forward funding.

Mr. Donovan: Thank you for that.

I'm going to jump into rural development here a bit. Taking a look through your business plan, I do not see a whole lot of commitment to enhancing services for rural Albertans. I just have a couple of questions. Under priority 4.3 you mention working with several ministries to support a few projects. I'm wondering why rising population is not a priority in the development of effective strategies with the Health minister, considering the aging population in rural Alberta. Is your department working with Alberta Health on rural development in Alberta that has some of that value-added, I guess, to keep people in rural Alberta?

Mr. Olson: Well, I certainly agree that health care is something that's crucial to rural Albertans. It's of interest to people no matter where they live in the province. When people ask me what rural development really means, my normal response is: well, it means jobs. You know, if you don't have jobs in rural Alberta, then a lot of other things are at risk. Jobs in health care are high-paying jobs, so we certainly like to see people with health care jobs in rural Alberta.

In answer directly to your question, though, about whether we are working with the Department of Health, I can't think of an initiative off the top of my head that is kind of a partnership between my department and Health. However, I also think that rural development is something that can't be left to any one department, and I find myself saying that often, too. In fact, I think you could use the safe communities initiative as a good model for rural development. That's a partnership of nine different government ministries. I don't think there's any one department that can do rural development because it can involve everything from Health, Education, Transportation, Municipal Affairs, ESRD, and on and on it goes. I really think rural development needs to be kind of a full-court press crossministry approach. Depending upon the particular issue in a particular area, it may involve a partnership between my department and Health.

Mr. Donovan: Okay. Thank you for that. I'd say that's one of the challenges we have in rural Alberta. We're losing doctors, health care facilities, seniors' facilities. It's hard to keep rural Alberta vibrant when you don't have those facilities in hand.

You talked in your opening remarks about the farm fuel credit. You took \$32 million out of that by cutting the farm fuel credit, the 6 cents on the delivery side. Now, it used to be an Alberta advantage to have that 6 cents. I guess as a farmer I have to plead the case for that. Have we ever looked at maybe changing some of the numbers? I think some of the numbers are outdated a little bit. The program minimums are to become, quote, classified for a farmer that gets the farm fuel credit. It's a \$10,000 minimum now. These are just my thoughts on how to maybe do a little better with our money on this, but what if we raise that up to \$35,000 or \$40,000 as a minimum to actually be able to classify somebody that applies for the programs? The Growing Forward programs are a \$10,000 minimum. I think they're all kind of set at that. Has your ministry ever looked at maybe going forward on this? I think there could be quite a few changes.

I believe there are about 25,000 people on the farm fuel program because they are classified at \$10,000 and over. Is that something that maybe down the road could be looked at? I think there could be some huge savings in actually taking it to where, I'd say, we classify people who are real agriculturalists. Then instead of there being 25,000 people in that program, you'd drop down to maybe 10,000 or 15,000 active, and you'd kind of separate the wheat from the chaff, so to speak, on that one. Any thoughts on that?

7:50

Mr. Olson: Well, I think it's fair and reasonable for you to raise that, and it is something that has come up from time to time in discussion. I would point out that the 9-cents-a-litre exemption is also based on that same criteria. By the way, that exemption is not administered by my department. That's Finance. That's their program. It is not just for agriculture but for other industries as well.

You know, it could be a broader discussion that could involve a number of those things. I'm a little bit reluctant to make kind of a knee-jerk decision about that because I think there also is a role for small producers. I hear about more and more activity involving farmers' markets and people who are growing local and doing small but important and significant things in agriculture.

I hear you in terms of changing that criteria, especially changing that eligibility threshold, but I'm also advised by the department that with the subscribers we have now, you probably wouldn't be saving more than a million or so dollars, so I don't think it would be as huge an impact, maybe, as we might have thought. Anyway, I think it's reasonable to have the discussion, though.

Mr. Donovan: Yeah. Just on the 6-cents part, I mean, it was always my understanding over the years that that was because the road tax was being taken off it mostly because the fuel was to be used in the field or in taking the crop off, so to speak, or to put the crop in. I understand your thoughts on the smaller markets, the people with farmers' markets, but I think, you know, it's definitely hit a lot of farmers in the pocketbook on that side, where the 6 cents definitely adjusts your costs and where your bottom line is.

I'd say that it's more on the road tax side. That's my understanding from when it first came in, that it was because you weren't actually taking that implement onto the road. We all know how delicate infrastructure is in this province and how we're probably behind the eight ball on it a little bit, so it's that whole challenge there. I guess the reasoning for why it was there: it wasn't for the cheap fuel at that end; it was because there wasn't a road tax on it because it wasn't doing damage to the road other than, say, the trucks actually hauling it to the farmers' places of business to unload the fuel.

I think, looking forward, it might be a way to deal with that because there is about \$70 million in the 9 cents between the gas and diesel. Again, I think that if you've got, probably, the right people, the true agricultural producers in there and made the program more useful that way, that would be positive.

The Chair: Mr. Donovan, you have one minute left.

Mr. Olson: While we've got some dead air, I'll just say that, you know, in eastern Canada, for example, it is just for off-road vehicles.

Mr. Donovan: Not to cut you off, but I just wanted to table my motion here. I do appreciate your input on stuff.

If I can read this into the record. I move that the 2013-14 main estimates of the Ministry of Agriculture and Rural Development be reduced as follows:

- (a) for the minister's office under reference 1.1 at page 22 by \$205,000,
- (b) for the deputy minister's office under reference 1.2 at page 22 by \$54,000,
- (c) for corporate services under reference 1.4 at page 22 by \$1,900,000,
- (d) for communications under reference 1.5 at page 22 by \$36,000,

- (e) for human resources under reference 1.6 at page 22 by \$224,000, and
 - (f) for policy strategy and intergovernmental affairs under reference 2.3 at page 22 by \$120,000
- so that the amount to be voted at page 21 for operational is \$557,021,000.

The Chair: Thank you, Mr. Donovan. Your time is up. Thank you very much.

Now, speaking on behalf of the Liberal caucus, Dr. Swann.

Dr. Swann: Thanks very much.

The Chair: Dr. Swann, would you like to combine your time with the minister or go back and forth?

Dr. Swann: Combine if we can. Sure.

The Chair: Okay. You have 14 minutes.

Dr. Swann: The AgriStability fund was cut by roughly \$2.8 million. Can you explain how this 60-40 arrangement with the feds goes and what happens to money that's not spent, that's been allocated for the budget?

Mr. Olson: Yes. Just a little bit of context. AgriStability is part of the Growing Forward suite of business risk management initiatives, so that's a partnership between the federal government and the provinces and the territories. If you go back a couple of years, ministers across the country made a determination that there should be a changing focus more towards what they call strategic initiatives – research, development, innovation, and so on – and away from ad hoc programming and some of the other programs like AgriStability. When it came time to negotiate the new five-year agreement, which just kicked in April 1 – and those negotiations happened through last summer and into the fall – there was an agreement to reduce that funding, and the way that happened was by changing thresholds and so on.

Dr. Swann: Thank you. That's sufficient.

Animal tracking for cattle. The tagging apparently is only required for animals leaving a property, but my understanding is that there is a lack of information associated with those tags on disease and previous sites of habitation for some animals. There is a problem with trackability of animals still in our current cattle and swine population. I'll ask you to come back to that after I ask just a couple more questions.

I've talked to you about my concerns about antibiotic overuse, hormones, beta-agonists. I don't know if you've put out anything publicly, but I think the public needs to know. I'm getting questions about just how much antibiotic resistance we have and how safe the beta-agonists are and how much hormone is getting into our environment as well as our human system.

I've also talked to you about the safety issues and stress issues associated with public auctions and that there are options to public auctions but that it appears that a few people controlling the feedlot industry do not want to see changes to the open auction market, to the detriment of the health of animals.

Game ranching, I've also mentioned to you, is associated with the spread of disease and CWD, chronic wasting disease, in particular, and there are concerns I've raised along with some scientists across the country and elsewhere. Prions have been found in elk velvet. Prions have been found to be able to spread from cervids to nonhuman primates and to genetically modified mice. There's a concern about cross-species contamination because these prions are so infectious. They're in the environment for years. They are

much more easily transferred from cervid to cervid than BSE was. With BSE you had to eat the contaminated material. In this case, it's contact in the environment, again, up to a 20-year incubation period, a tremendous potential for damaging the cattle industry if it does cross species.

It appears that neither the federal nor the provincial governments are taking CWD seriously in terms of the possibility of damaging that industry as well as the health of human beings if it were possible to jump, as BSE did, to humans. Now I see athletes in the U.S using modified elk velvet spray as a performance enhancement. Some of the NFL football players were seen to be using it. So it's a serious concern that I don't see either level of government addressing in a straightforward way.

It wouldn't be sufficient without commenting a bit on the fact that we have a significant number of children, on average four per year, dying on farms where there are still no child labour standards for hired farm workers, an average of 18 persons per year dying on farms and agricultural operations.

The Chair: Dr. Swann, can I ask you to focus on the budget that's before us, please? The reason I say that is because I haven't heard you mention the word "budget" at all.

Dr. Swann: You bet. I don't see any budget there for changes to the WCB, the Occupational Health and Safety Act, child labour standards. All of those have a budget implication. I don't see any indication. Although they have reassured me every year for the last decade that they're seriously looking at occupational health and safety and workers' compensation, again, I see nothing in this budget to address those key issues that more and more people are expressing concerns about.

I'll just leave those for you to comment on as you wish, Mr. Minister.

8:00

Mr. Olson: Thank you, Dr. Swann. I think I'll go in reverse order. So I'll address some of your comments about farm safety, and then I'll ask Deputy Knapp to speak to some of the other issues that you mentioned, that he would have some good information on.

The Chair: As it relates to the budget, please.

Mr. Olson: Right. In terms of farm safety, you wouldn't find anything in my budget, you know, in terms of legislation for farm safety because the legislation piece is that of Human Services. As I've advised you, I have been speaking regularly to Minister Hancock about the issue of farm safety. There's been considerable discussion going on about it. We are responding to the report of the Farm Safety Advisory Council. They made four recommendations, as you know. They didn't reach any conclusion in terms of legislation, but they had some other good ideas, and we are working on a number of those things.

We do have some things in our budget, including Growing Forward 2, again, this new five-year agreement which will dedicate up to \$500,000 a year for the next five years for farm safety education and awareness. I think we find ourselves saying often that this needs to be a multipronged approach. I don't think just legislation gets us where we want to go, so education – that's certainly what the report stresses, that co-ordination, education, and so on are very important, and we are taking that seriously. We have also in the recent past provided extra money to ag societies to help with farm safety programs. We continue to provide \$120,000 a year to the Farm Safety Centre to ensure the safety smarts program is delivered to rural school-age children. We

provided \$100,000 to Ag for Life to support delivery of farm safety and agriculture education programming.

So there is significant money in our budget for these issues. But as to the legislation piece, Minister Hancock will be handling the legislation if there is any.

Dr. Swann: I presume you'd have some influence on that, though, if you felt strongly about it and were consistent with the Wild Rose Agricultural Producers, which unanimously, twice, called for the government to implement mandatory WCB for injured workers and for some occupational health and safety standards.

Mr. Olson: We've been listening to stakeholders from every end of the political spectrum and to many, many stakeholders out there in the industry, and it is a work-in-progress.

You had a bunch of other questions, and I'm going to let Mr. Knapp deal with them.

Dr. Swann: Go ahead.

Mr. Knapp: Mr. Chair, I'll try and be brief here. I believe the member raised four other issues: traceability, beta-agonists, public auctions and safety issues, and game ranching and prions.

On the traceability file Alberta, in fact, along with Quebec has been the Canadian leader in implementing a system which probably next to Australia is now the world standard. Almost every Alberta farmer, rancher, feedlot operator has a unique premise identification number. Cattle are tagged, as some members would know here, with low frequency ear tags which enable traceability through a number of ranges. Those tags must be inserted in the animal before they leave the farm.

We've consulted with the industry about trying to track on-farm movement. Quite commonsensically the industry has said, "So if we move them across the fence from the north 40 to the south 40, we're supposed to report to you that we moved them," and it became, you know, essentially an utterly unmanageable proposition. But every animal's tag follows it right through to the slaughter process. Every producer can find out where those animals have gone. That is registered through the CLTS, the Canadian Cattle Identification Agency, database. It's there if we need it or if the national government needs it in a disease outbreak. We've got a traceability system that few countries in the world now have, so it's an outstanding system.

On the public auctions issue veterinarians are usually in attendance. Public auctions have standards for animal welfare. We carefully monitor those standards. The rate of injury, you know, any mishandling: we're very carefully monitoring that. In fact, all operators know that it's in their best interest to have the safest, most humane, most wholesome animal handling methods, or people simply will not bring their cattle back. Public auctions are a strong means of price discovery. Until other means of acceptable price discovery come to the cattle industry, we will probably continue to see them for some time.

Dr. Swann: You don't see the Internet, then, as a viable option?

Mr. Knapp: Absolutely. If I could, Mr. Chair, a number of producers are selling with wire auctions now, so we're seeing more of that. Where cattle are a fairly standard type and where repeat buyers and sellers are, you know, fairly steadily in the marketplace, it works. It doesn't work that well for my calves that I bring in once a year off my ranch.

Lastly, on game ranching and the spongiform encephalopathies, of which chronic wasting disease is one, we're very aware of this. ALMA is in fact funding significant prion-based research, which

Alberta is a leader in. As the member might know from his background, prion study and research is a long-term issue. It takes decades to make movement in terms of both understanding and regulatory change.

What we are particularly proud of in Alberta is that we've done a significantly solid job of cleaning up – I will not say eliminating – BSE. Until we're clear 10 years or more, we can't say that we've eliminated it. But, certainly, we've taken the same approach with chronic wasting disease in farmed elk and cervids. In fact, we have no cases from all the testing we've done for over seven years now in farmed elk and cervids.

Dr. Swann: It's a very different disease, of course, than BSE. It's highly infectious and sits in the environment and is transmitted from nasal secretions, urine, stool whereas BSE was embedded in the organ tissue. So a very different level of risk, it would seem to me, if it does ever jump species.

Mr. Knapp: Absolutely. It's a different organism. That's why I know ALMA and other organizations are spending as much as they are funding research. We need to understand this organism better.

On the beta-agonist issue . . .

Dr. Swann: And antibiotics. Antibiotics, in particular.

Mr. Knapp: Okay. Beta-agonists and antibiotics. First of all, the beta-agonists have been approved at a global level by the OIE, the World Organisation for Animal Health, after significant scientific research. I mean, there will always be an argument about their use, but the bottom line is that they're being used as an artificial trade barrier by countries like Russia right now.

On antibiotics, again, there's significant research being funded to be sure that we limit their use so we don't develop resistance over time.

Dr. Swann: But we've already got widespread resistance. Are you taking any steps to try and monitor or enforce any standards in antibiotic use? Or are the feedlots a power unto themselves and just use them as they choose?

Mr. Knapp: The Canadian Food Inspection Agency, in fact, does a significant amount of work assuring that antibiotics are not allowed to be prescribed in situations other than for, you know, where they're needed.

Feedlots are aware of withdrawal periods. Their meat will be rejected at plants if there are traces of antibiotics in the meat. They're all highly aware of withdrawal. They're complying fully with withdrawal periods and use because it's in their best commercial interest, clearly, to do that.

Dr. Swann: It's my understanding that feedlots make their own decisions, they keep their own data, and it's pretty hard to get accurate information about what they're doing in feedlots today in terms of antibiotic use and health of animals.

Mr. Knapp: Actually, the Canadian Food Inspection Agency can gain access to any feedlot at any time to examine their regimes.

Dr. Swann: And are they doing so? What's the evidence that the CFIA is actually intervening in some of these cases where antibiotics might be overused?

Mr. Knapp: Again, that's a question that the federal government could respond to. The bottom line is that the CFIA does do that on

a regular basis, and we could certainly consult with them on what their findings are.

Dr. Swann: Thank you.

8:10

The Chair: No more questions? You have about 20 seconds left. Okay. Thank you.

Speaking on behalf of the NDP caucus, Mr. Eggen. You have 14 minutes. Would you like to go back and forth in your time with the minister?

Mr. Eggen: If that's okay with you, yes.

The Chair: And, please, on the budget.

Mr. Eggen: Which budget would that be, Mr. Chair?

The Chair: Budget 2013-14.

Mr. Eggen: Agriculture.

Thank you very much. Thanks for your time and for all of your staff to be here this evening. I'm going to move fairly quickly. My first question is in regard to section 6, food safety and animal health. Section 6.2, food chain traceability, has been cut by almost \$3 million over forecasted spending for 2012. If the minister or his staff could please explain why and what would be impacted by these cuts and why the ministry feels that this, that implication to food chain traceability, somehow has changed from last year, considering especially the beef recalls at XL Foods, Alberta Livestock and Meat Agency. You know, we've had a lot of problems over these last 12 months, and I was really, quite frankly, surprised that this cut had taken place.

Mr. Olson: What you're referring to – and again I'm going to ask John to supplement my answer – is a program that was a three-year transitional program that has come to an end. The industry knew that that was going to happen. I think that there is an expectation that, you know, when you're in business, you have to take some steps to protect yourself and be part of the whole traceability program. Having said that, even though there has been the reduction because of the ending of that program, there has been more money dedicated through the Growing Forward suite of programs. We can give you some detail on what some of those are that would mitigate the loss of that particular program.

Mr. Knapp: Yeah. The AVIP program, age verification incentive program, as the minister said, was a three-year incentive program to encourage use of the ear tags and to encourage age verification of cattle, which is very important globally. That program has ended. The industry, as the minister said, knew it would end.

It's been offset in part by a \$3 million increase in a food safety program under Growing Forward 2. That food safety programming has a number of elements. One is for actual packing plants to upgrade their HACCP, or their in-plant food safety. Another one is for organizations – for example, like Alberta Pork, Alberta Beef Producers – to do the extension work around food safety with their individual members. The third is direct on-farm food safety. So I on my farm can conduct an audit of all my practices handling live animals, crops, and how they impact the safety of the eventual product produced.

Mr. Eggen: Thank you.

My second question is in regard to investing in family farms and smaller farms. It's clear that the purple gas, the transportation change to this budget, will impact smaller operations more. It

leads me to think about what other initiatives we have in our budget this year that do in fact support local family farms and the products that they produce. Other provinces – well, I guess, the only province that has made investment and has mitigated the decline of the family farm is Nova Scotia, by putting specific investment into local marketing initiatives and so forth. I'm just wondering: where is the line or where can I trace the strategy in our provincial agriculture budget here in Alberta that would suggest that we are in fact making investments in the family farm and trying to mitigate the loss of said family farms?

Mr. Olson: Well, I think the issues of succession and the family farm are issues not only in Alberta but in many, many agricultural jurisdictions around the world, and we have taken a number of steps. This also speaks to rural development, the health of rural communities, and so on. For example, one of my predecessor ministers struck a committee called the Next Generation Advisory Council. That's a group of young producers and people in agribusiness who are meeting regularly and who are scheduled to provide a report to me sometime next fall. I've met with them a couple of times. I've challenged them to think outside the box, to be aggressive in coming up with ideas and potential solutions.

I spent a lot of years as a lawyer doing beginning farmer loans for AFSC, or ADC at the time. You know, I think we've got a great record of supporting farm transitions, generational transitions, through agencies like AFSC and also in a more general sense in terms of supporting communities and agriculture generally.

Ag societies, for example. Every minister is given certain targets that they have to meet. One of the things that we did in our department was the farm fuel rebate that you referred to. Now, had I not done that, if I needed to find \$30 million somewhere else, one possible place would have been ag societies, all of the 295 ag societies across the province from the smallest of the small to Northlands and the Stampede. That would have been roughly equivalent. But when you think of the leverage in terms of volunteer support and the programs that those ag societies provide around the province, it seemed to me that probably it was more defensible to do away with the rebate.

We also have ag service boards, which provide advice to producers small and large. We have an ag initiatives program. You know, we provide support for rural electrification associations and gas co-ops and a final mile rural community program, \$5 million for high-speed Internet. We have just a multiplicity of programs that generally provide support.

To your specific question about succession and the farm family, I mean, the average age of farmers is probably about my age. You know, average farmers are in their 50s, and we need to encourage and incent the next generation. One thing that the Next Generation Advisory Council I referred to has done is that they've maybe changed their focus a little bit to think: you don't necessarily have to be young in terms of your chronological age. You could be somebody who is a little bit older who's thinking you'd like to get into agriculture. Maybe starting small is a way you might do it.

We have seen just an explosion, for example, of activity in farmers' markets. I met recently with the seven regional ag societies – and that would be places like Medicine Hat, Lethbridge, Lloydminster, Camrose, Grande Prairie, Red Deer, and so on – and they all say that there is a huge increase in activity of farmers' markets. I think that speaks to maybe people getting started in a new career, even though they're not 20 years old, that want to get into farming.

Mr. Eggen: Absolutely. The importance, I must say, of having a protected agriculture strategy in proximity to urban areas would

really help to encourage that burgeoning farmers' market industry. It's just so important right now.

The last couple of questions. I'm wondering if you could update me on the status of the livestock manure impact on groundwater quality. It was supposed to be posted online. Excuse my ignorance, but has it been? Is that information available?

Mr. Olson: I'll ask John to speak to that one.

Mr. Knapp: There actually are a number of different research components to the impact of livestock manure and water quality, some of them going on in the Battersea drain area around Lethbridge, most of them looking at the impact of how you can incorporate manure, usually liquid manure from intensive operations, into the soil where it's bound very quickly and doesn't drain.

We've got all kinds of information posted online. We've got a number of brochures on how to manage manure. I can think of three specific free publications, for example, on manure management. It's a very significant part of the work that we do.

Producers are very conscious of their social licence and the management of water in their operations. What we're finding in some of our testing is that if there are contaminants in water, many of them come from other sources: urban contaminants, wildlife. Birds, amazingly, are one of the major contaminant sources in water. So we're getting more sophisticated in understanding this, and as a result of that sophistication, we're getting better at both science and practice.

8:20

Mr. Eggen: Excellent. The attention and the dynamic of intensive agricultural operations, particularly hog operations, and the necessity of having a water treatment plant that's in concert or, you know, in proximity to those intensive operations I think is top of mind to many regions around the province.

My last question is in regard to zero tilling and to the Alberta carbon market. I'd be very interested to know if you're monitoring how many people are using this practice and how we could convert that, you know, the amount of hectares of zero till and how we can do a conversion to show that as a positive account for our carbon offsets here in the province. Do you have any idea about that? Are you guys following that?

Mr. Olson: Well, the program that you're referring to is actually a program of ESRD, but we certainly are working closely with them. It's interesting that you'd mention that because I was at the faculty of agriculture convocation dinner a few weeks back at the U of A. The guest speaker was talking about carbon and CO₂ issues and so on and was making the point about how much a reduction there would mean if you compare – and I don't remember the numbers, but it was a very significant difference. If you think back to, say, the 1960s and how many times a farmer went over a field compared to now with zero tillage, it's a huge difference and a huge positive development. It's a good example of how innovation changes things.

I don't have numbers – I don't know if John does – in terms of how many people are taking advantage of this type of a program, but it certainly is an active file.

Mr. Eggen: Yeah. Okay. It's just important to actively incentivize things like that because, of course, not only are you giving us perhaps a positive thing to put on our carbon ledger, but you know the reduction in water use, irrigation, and so forth. It's just that the benefits are worth it and the financial investment of zero tillage.

Mr. Olson: Irrigation is another one where the technology has changed significantly so that we're accomplishing more with less water, so another good example of science and innovation. I find this ministry generally is very, very heavily science based, and there is a lot of great innovation happening.

Mr. Eggen: Yes. Thank you.

The Chair: Thank you.

Are you done, Mr. Eggen? You have one minute left.

Mr. Eggen: Well, let's keep going, then, shall we?

Mr. Donovan: Do you want to borrow a question?

Mr. Eggen: No, no, no. I have a lifetime worth of questions here. I think for the sake of brevity that I will thank you again for your time. I look forward to seeing you back in the House.

Mr. Olson: Thank you.

The Chair: Thank you, Mr. Eggen.

Speaking on behalf of the PC caucus is Mr. McDonald. You have 14 minutes. Would you like to share your time with the minister and go back and forth?

Mr. McDonald: I would if I could, Minister, share the time.

The Chair: Great.

Mr. McDonald: First, I really want to congratulate your ministry. This is the first ministry in a long time that we seem to have a level of trust with Albertans. After all the things that have gone wrong in agriculture in the last number of years, whether it be the rats this year and with the beef, you know, we seem to really have the trust of Albertans. They want to be engaged. They feel that your ministry is important and that you're really trying to develop rural Alberta. I'm surprised that the members opposite would like to reduce some of the good things that your department is doing.

Could you talk to me a little bit about what you see with next generations? I see you've referenced it, but I don't really see a lot of money there. When we talking about succession planning, looking at rural Albertans and how to keep our family farms viable and alive, where do you see that going? How are we going to incent these young fellows to come out of the oil field in northern Alberta where there is opportunity? I realize there are other areas in Alberta that don't have the same opportunities for employment, but some of the highly competitive areas are highly productive agricultural areas. You know, what does your department see in that area?

Mr. Olson: Well, thanks. Maybe just to comment on your introductory comment about this ministry, you know, one of the things that I was mandated to do was to try to raise the profile of agriculture in Alberta. That's something that we work on every day. I like to think that agriculture, because it's all about food, should be of interest to anybody who likes to eat, so that includes pretty much everybody. We've been very deliberate in trying to take the conversation about agriculture to not only people who live in rural Alberta but also to people who wouldn't necessarily have a reason to think about agriculture every day because they're somewhat distanced from it. That's a reason I certainly would defend the budget that my department has. I feel as though whatever dollars we get, we will use very responsibly and we will use for a good purpose.

On your question about next generation and succession, you know, there's nothing in this budget specifically about an initiative partly because, as I mentioned before, we're waiting for the report from the Next Generation Advisory Council. I'm very much looking forward to what they have to offer. As I said earlier, I've challenged them to think outside the box and be aggressive. They asked me the specific question: is it okay if we're somewhat – I don't know if they used the word "provocative" – aggressive in our recommendations? I said: "Absolutely. That's what I want. I don't want kind of status quo suggestions."

I've had some conversations with people. I can remember a year, a year and a half ago that I was at a meeting down in Hanna and was chatting with some people. They were talking about somebody who's retired, ready to move off the farm, who spent a lifetime building up the farm and had no kids to pass it on to. So what do they do with the thing that's most important to them in their life? They were able to find somebody through some sort of a matchmaking process who had no real prospects in agriculture but desperately wanted to farm and didn't have the kind of money that would get them into a farming operation. Through a lot of work and innovative thinking between accountants and lawyers, they were able to come up with a financing package that worked for both sides.

So I'm thinking there may be some opportunities there for us to do things in a different way. One thing I believe is that we're not going to have a cookie-cutter solution to this issue. It's a complex issue that spans a lot of different jurisdictions, and I think we need to be strategic in our approach and try to find things that will work for a variety of different circumstances.

You know, the numbers are out there. You hear them repeated a lot, that we're about 7 billion people in the world now, and by 2050 there will be about 9 billion people. We have exploding middle classes and populations in developing countries and emerging markets. They are all going to need food. They're going to demand high-quality food and proteins, all of the things that we produce here, so it's a huge opportunity for us. Agriculture is Alberta's biggest renewable resource industry, so I think we need to be taking advantage of this opportunity, and we're going to have to have the producers in place to do that.

Mr. McDonald: Thanks, Minister. You know, speaking of those 9 billion people, where do you see yourself diversifying, for example, for that 9 billion people in the ethnic markets? We continually focus on beef, pork, chicken, the things that we've grown here for the last hundred years. I don't see any programs listed that are showing those types of diversities into the insurance programs and into promoting the export market. The export market now seems to be Vancouver and Toronto.

8:30

Mr. Olson: Well, I'll ask John to supplement my answer, but I know that we certainly are encouraging development of other than just the traditional commodities. For example, I see we have ALMA funding for an Alberta Lamb Producers traceability project. We've got Bouvry Exports, the multispecies slaughter facility in southern Alberta. So we are supporting more than just the beef and pork industry. I think you're right. There are great opportunities there given the nature of some of the emerging markets and what they're going to be looking for.

John, do you want to add anything?

Mr. Knapp: I think the approach that the department, AFSC, and ALMA are working extremely well together on is to go to the world marketplace first and see where the commodity and

individual specific niche marketplace may be and then work our way backwards from that along the investment continuum to the science continuum and then to the product development continuum. We've recently increased significantly the amount of investment we in the department put into trade missions. If the minister, for example, is leading a mission to Kazakhstan along with the federal minister – you know, 10 years ago who would have thought Kazakhstan might be one of our major trading partners? Beef genetics, forage seed, farm machinery, dairy genetics: the list goes on. Every time we lead one of these trade missions, we keep a careful record of the returns. The most recent trade mission was about a \$40 million net sales return for the province. So we're investing more into those because of the clear return.

The other side is investment attraction. We can't get that done unless we're able to attract more than the capital that exists just within the agriculture industry. We've now got globally not just the sovereign wealth funds but pension funds buying up 30 million hectares of productive land. That's, I think, their way of making a statement, through the foresighting they do, that there's a great future in food production. They're now expressing interest in production systems in Alberta. Attracting investment has suddenly turned to whose investment is the best investment versus if we can get any. So we're putting significant resources into that. We can't grow without that investment, and that's an important part of our future.

Mr. McDonald: Thanks, John. Great.

The next question really goes back to – you know, when you talk about Energy, we've been hearing for the last several months about access to tidewater. That is one of the most critical issues that we have in agriculture, and it's so often undersung. I go home, and every time I go to the coffee shop, the conversation always goes to grain delivery, port availability, demurrage. You know, the farmer is always paying. What are we doing to make sure that with transportation we have on-time delivery and we have access to ports? Is your ministry involved in this?

Mr. Olson: Well, this is something that's of great interest to us, but as you would know, there's also a lot of federal involvement in this. The federal government has also been very active.

Myself and Minister Horner were out in Prince Rupert last fall and had the opportunity to tour the grain-handling facility there. One strong impression I had was that here's an example of a great investment by a previous government of ours – I believe it was Premier Lougheed's government – to see that the resources went into building the terminal out there. It's a great facility that can handle a big throughput. I think it could handle more. One thing that we found interesting was that the CN line out there is certainly not at capacity. There's also a coal-handling facility out there that's being expanded. Depending upon which port to the south you're comparing it to – Vancouver, Seattle, and down to California – it's 35 to 52 hours sailing time closer to Asia, an open water port. It's a great opportunity there.

But I know that in the part of the province you come from, one of the issues is: do you have to send everything down to Edmonton to send it out to Prince Rupert? I know that's kind of an ongoing issue, and we continue to discuss that and also discuss it with the federal government. You're absolutely right. We have a great asset out there. We don't own it, but we were kind of the banker for it. It was a great investment, and we're certainly interested in seeing it maximized.

However, having said all of that, I'm also conscious of the fact that what you see rolling out that way are grain cars, and that's our

raw product. I really would like to see us move the yardstick in terms of value-added so that we are also sending product that we have added value to. In particular for rural Alberta, back to the issue of jobs in rural Alberta, I think that's absolutely essential. I think there's a great opportunity there.

I think that pretty much covers my comments.

The Chair: One minute left.

Mr. McDonald: If I can just have one more shot here at the investment into agricultural societies and fairs. As we try to sell rural Alberta to Albertans, especially the urbanites, quite often our opportunity is when we showcase rural Alberta, whether it be Grande Prairie, Camrose exhibitions. You know, there's more than just the Calgary Stampede and Edmonton. I'm wondering: is your ministry going to do a review to try to support some of smaller Alberta to get them more involved in the rural county-type fairs, where we have more involvement with an urban-rural crossflow if that's the right word? Just to comment in the last few seconds.

Mr. Olson: I think we have 284 small primary ag societies.

The Chair: Thank you, Minister. Thank you very much.

Thanks, Mr. McDonald.

Now, colleagues, the specified rotation between caucuses is complete, and we move to the portion of the meeting where the members may speak. The speaking times are reduced to five minutes at any one time. Once again, a minister and a member may combine their speaking time for a total of 10 minutes.

Mr. Donovan, would you like to combine your time with the minister?

Mr. Donovan: If we can go back and forth again. It seems to be working good. Thank you, Mr. Chairman.

I have a couple of questions. AFSC keeps records of min. till for carbon capture per producer for the carbon credit validation. What value do you think this has made for producers in Alberta?

Mr. Olson: I'm advised that the answer is \$30 million.

Mr. Donovan: Thank you.

One of the things in the budget this year that was cut was the crop insurance, hail, AFSC selling at the smaller distribution points. That's one, I guess, that I think a lot of people – it might have looked good on paper because you're not giving out that percentage to the people that sell the insurance. But I'm afraid – just my thoughts here again – you're going to probably have a lot fewer sales of crop insurance or hail insurance because you don't have nearly the sellers to do that. Do you think that's something that might be relooked at? I think you're losing profit by not doing that.

Mr. Olson: I'll ask Brad to supplement my answer, but the number of agents had been continually dropping for a number of years. We were at a point where something like 62 per cent of policies were being sold alternatively either online or in one of those 55 AFSC offices. That was the clear trend. I believe also that there was, like, a 2 per cent discount for buying online. More and more producers, I think, were availing themselves of the online purchase, or while they were doing other things at AFSC offices, they were buying there.

8:40

Again, you know, any kind of change is tough. Any kind of reduction is tough because it affects real people. But I think that in

terms of the overall picture by far most of the people who are still agents were probably earning less than \$5,000 a year in commissions, so it wasn't something that was, you know, taking away a complete livelihood.

Maybe Brad could just expand if I've missed anything.

Mr. Klak: Just briefly, I have nothing but respect, as we should, for our hail agents. They really did get that program going. That program goes back almost 70 years, but it was time for a change. We'd gone from about 70 per cent of our clients using hail agents to about 38 per cent last year.

To your question earlier: 50 per cent of our administrative costs for that program were going to hail agent fees. So what we looked at was: how do we maximize the use of our offices? This was an option that we came up with, and it's going to lead to cheaper premiums for producers because that money won't be loaded back into the producers' premiums.

Mr. Donovan: Okay. Thank you for that.

I see in the blue book of Alberta Finance that the Ministry of Agriculture and Rural Development has given a number of grants to veterinarian clinics across the province. I guess this was something new to me. I thought the veterinarian system would fall under Alberta Ag, but is it Enterprise and Advanced Education it actually falls under or – I was getting conflicting information about what ministry it falls under.

Mr. Knapp: Perhaps I can answer. As part of Rural Development we thought it was important a number of years ago, coming out of the BSE crisis, that we engage our network of rural veterinary practitioners in actually doing the on-the-ground surveillance program. We've had a program for a number of years, which continues to this day, where we will pay veterinarians to collect the obex tissue, that's the BSE sample tissue we need, package it properly like only a veterinarian can, submit it to our central pathology testing laboratory, and as a result of that do the testing that the World Organisation for Animal Health says we must do to maintain our BSE-controlled status. So those are grants to vet clinics for doing specific BSE testing work we asked them to do, and it flows money out to rural Alberta in the process.

Mr. Donovan: Thank you for that. I thought maybe vets should be under Alberta Ag, just a sideline thought. I'm sure you guys can all plan in the backroom one day for that idea. I just think about continuity. I think people tie veterinarian services to agriculture.

Mr. Olson: I'm sorry. I maybe didn't catch that part. Who did you find it under?

Mr. Donovan: I guess I found a couple of different spots. Some places said that it was Human Services or Service Alberta, and somebody else said that the veterinarian act falls under Enterprise and Advanced Education. I just didn't know where it did, so it was just clarification on that, I guess.

Mr. Knapp: I think this is the professions act you're maybe talking about, the registry of professions acts.

Mr. Donovan: But the actual veterinarian comes under Alberta Ag?

Mr. Knapp: Absolutely.

Mr. Donovan: Okay. Just wanted to clarify that. I think there are some positives to that.

With a couple of those, when you look it up and you're, say, a newbie at it – like the minister, I've learned a lot about agriculture in the last year, and I thought I knew something about it. There's definitely lots to it.

When we get into, I guess, the fairs and exhibitions, I think Everett had some great questions there about what that truly does bring. A hundred years ago 50 per cent of the people lived on farms; now we're about 2 per cent. I think we need to get back into teaching people where food comes from. Again, as a primary agricultural producer I think it's key to be able to get that information back out. In your line items here do we have anything for educating in the schools again? Back when I was in school, there used to be a bit of a program to teach kids, I guess, about where food comes from. It's not just off the grocery shelf. Any thoughts on that or where that would be?

Mr. Olson: I think I referred to it in an earlier exchange, and we'll come up with that for you shortly.

I agree with you. Again, it's all about making sure that people know where their food comes from, and that should start in the schools. I've had some very interesting discussions, actually, with our Education minister about that very thing. He's quite passionate about the same thing, so I would really like to pursue that discussion with him.

Mr. Knapp: There may be about five different ways we support what I think you're suggesting. One is training so urban people or high school kids can get into agriculture. That's the green certificate program, which is subsidized in Alberta high schools but which we maintain and develop the curriculum for. A second way that we actually work to support that is by working with the industry that does the ag in the classroom program, or the classroom agriculture program, as they call it. A third way is to work with Alberta Education and develop certified curriculum, where teachers who want to introduce agriculture elements into their curriculum have got something that we've worked with them to produce. In fact, we've got a series of curricula for all the different grades. Another way we work with that is advocacy. Some of the annual grant funding we provide to different organizations must go to education. For example, a recent grant we gave to ag societies was for farm safety and other education.

Those are some of the ways that we work directly through our budget to promote the educational side of the industry.

Mr. Donovan: Thank you for that. I guess I've got a couple quick ones. Now, I'm also learning everything. The IT program Service Alberta runs: does your department run under Service Alberta on that, or is that under your own department? Do you take care of that yourself in your own department?

Mr. Knapp: We essentially take care of it ourselves in the sense that we provide the leadership and the intellect behind what our policies and procedures are, but behind that is a sort of government-wide standard and a government-wide service that is provided by Service Alberta, so you don't get the sum of a whole bunch of different approaches costing more than one sort of standardized approach would cost. Yes, we work very closely with Service Alberta in delivering our IT services.

Mr. Donovan: Okay. Thank you.

This does tie into the budget, Mr. Chairman. In October 2012 the Auditor General's report recommended that the government improve the risk management process to ensure enterprise management factors, economic indicators, industry trends, business

relationships, and fraud error. I'm wondering: does this budget address the Auditor General's report on how we mitigate our risk?

Ms Halldorson: We are currently working on the recommendation. We are planning on implementing our ERM program. We've gone through a process of gathering the information, and we'll have one of our risk reports ready probably in the first quarter of this '13-14 year. Yes.

Mr. Donovan: Okay. Thank you for that.

Mr. Dorward: You've got about 36 seconds, just so you know.

The Chair: Nope. About eight seconds left.

Mr. Donovan: I'm glad you can count. For an accountant I'm quite impressed with you, Mr. Dorward.

The Chair: Well, thank you, Mr. Donovan.
Ms Pastoor.

Ms Pastoor: Thank you very much, Chair.

The Chair: Would you like to combine your time with the minister, back and forth?

Ms Pastoor: Yes, if that's okay. I'm certainly going to follow up. It's a great segue from Mr. McDonald, and Mr. Donovan also referred to it as well. I'm sure that you're going to be surprised beyond surprised to know that I'm going to talk about exhibitions. My mantra also is: oil and gas are great, but food and drink are even better, especially when they are sustainable resources. Of course, when I'm speaking about drink, I'm sure that hops fits in there somewhere.

Anyway, major fair/exhibition/convention grounds really are the heart of our rural communities, as you have mentioned as well. I'd like to just make a comment that's, you know, really strictly an opinion. When we talk about our fairs and exhibitions, I really don't think that Calgary and Edmonton should be considered in our rural exhibitions. They are totally different entities and certainly provide a totally different thing. They bring in a few horses and a few rodeos, but that's not a real exhibition.

One of the things that I would like to make mention of – and I know that you are aware of this as well – is the importance that the buildings, the actual structures, have in terms of the programs that our exhibitions can deliver. I'm just going to go off on a tangent here. Coincidentally, the Lethbridge & District Exhibition is going to be providing within the next week Aggie Days. We don't wait to go to the schools; we bring the schools to us. It usually is anywhere from 800 kids that are bused in and find out that chocolate milk does not come from brown cows.

8:50

The buildings are very, very important. Some of these buildings are so old, and I mean really old. So I'd like your comment. I know that there are capital dollars that have been pulled back for some of our organizations. I'd really like your comments on the future of these poor old buildings that are falling down and how much we really need them. International activity is of prime importance. We need to get our value-added products out. However, we can't forget about Alberta and our little exhibitions. So if I could have a comment on exhibition buildings, I would appreciate that.

Mr. Olson: Well, Bridget, I've never heard that from you before. Just kidding. Bridget has been a fantastic advocate for Lethbridge and their exhibition, as are many others around the province.

I'm going to just push back a little bit to begin with on the issue of the major fairs and exhibitions, the Calgary Stampede and the Edmonton Northlands. We have the two big ones, then we've got the seven regionals, and then we've got the 284, I think it is, primaries. Each one of those is really important to their own community.

When it comes to something like the Calgary Stampede – you know, I've had these discussions with them and with Northlands because I think that they are a vehicle for us to promote agriculture around the world. They also have an economic development aspect to them. I'm told it's something like \$350 million a year that the Stampede has in terms of economic impact. But a small community may be one of those 284 primary ag societies that has a similar kind of impact in its own small community of maybe 500 people. So there are differences in scale, but there is no difference, I think, in the kind of impact that they have on their community and the kind of good they do for their community.

You're right. I don't have money in this budget for anything extraordinary in terms of building new infrastructure for the seven regionals or the primaries or, for that matter, the two large organizations. That's kind of one thing that makes us Albertan, I think, that we know how to make do and get by until we can take the next step. I'm confident that we will be able to do that.

I know that in the case of Lethbridge, for example, if they did have a new building, it would open up new opportunities for them to do more, to bring more people to their community, to create more economic development, a higher profile of agriculture internationally.

So I'm very supportive of the idea, but we are also trying to live within our means.

Ms Pastoor: Okay. I'll reply to that. You're quite right that it would fulfill all of the things that you've talked about: investment opportunities, jobs, certainly international recognition. I think that what I would like to see agriculture do is just have perhaps a broader view, the same as our government does at the upper levels in that – you know what? – you've got to spend money to make money. So maybe we shouldn't be afraid to spend money and fix up our old buildings. You and I are probably going to always disagree on the fact that the big ones always get more money than the little ones.

Other than that, thank you very much. Believe me, I'm very appreciative of the fact that your budget protected our small societies, which are absolutely imperative. If we are going to keep our agricultural land and our rural societies and our rural communities, these are superimportant. Again, thank you for that savings.

Mr. Olson: Thank you.

The Chair: Thank you, Ms Pastoor.
Dr. Swann.

Dr. Swann: Thank you. I'd just like to go back to the animal tracing issue. A veterinarian with some expertise in the area said he was disappointed that we still can't trace animals effectively – he specifically mentioned cows and pigs – in terms of their disease history and even their geographic history. Are there some gaps in your traceability system that we need to strengthen in Alberta, or is it perfect?

Mr. Knapp: First of all, any time you're moving live animals and you've got humans involved and you've got commercial systems involved and truckers and veterinarians and multiple systems overlaid on each other, it's a guarantee the system will never be perfect no matter what you do. Where we're moving and I think

where more mature systems in the world are moving is to things like both higher frequency traceability, higher frequency ear tags, and even DNA and things like retinal scans. Over time technology is going to give us the tools we need to have maybe never perfect but nearer to perfect traceability.

This is what the industry keeps telling us: "We're all for traceability. We realize what it does for us at a trade level. We realize what it does for us at a disease prevention level here at home. But please don't impose huge additional costs on us to get there. We're all for it providing that we can do it in a reasonable cost regime." To kill an industry by overlaying costs that give you a near perfect system, the industry is saying, would make no sense.

We're seeing amazing adaptation in the technology. The higher frequency tags, which are what the folks in both the London and Boston marathons wore as they crossed the finish line, are readable 300 or 400 at a time versus the lower frequency ear tags that we have trouble reading more than one or two at a time. If we can adapt those types of technologies to the temperature variations we see in agriculture, the mud, animal excrement, rough baling, and all those things, we will be able to achieve those breakthroughs. That'll give us much better technology at extremely low cost without being invasive to the management practices of producers.

So, yes, there is a great future as technology moves.

Dr. Swann: What proportion of animals now are participants in that type of monitoring?

Mr. Knapp: Basically, in terms of the actual number of ear tags, you cannot take an animal to an auction market without it being tagged. You cannot take it to a packing plant without it being tagged.

Dr. Swann: But what level of sophistication is the tag?

Mr. Knapp: The tag is low frequency.

Dr. Swann: So that is the tag you're referring to.

Mr. Knapp: Yeah. The tag I'm referring to is a low-frequency ear tag. It's an electronic emitting device – and there are a number of different types – essentially embedded in a round button sort of in the dangle ear tag with a number on it, and that's read by a scanning device either as an animal walks by a set of scanners or in smaller operations with a wand reader. The problem with that is that you have to be reasonably close to the animal. With the higher frequency ear tags you can read multiple animals at a greater distance. We just have to adapt them to the rougher conditions in agriculture.

Dr. Swann: So virtually a hundred per cent of animals have these tags when they leave?

Mr. Knapp: It's the law.

Pigs are different. With pigs you've got large numbers of animals that are kept for a much shorter period of time, so with pigs we use a back tattoo. It's not a tattoo done as we might think of a human tattoo; it's basically a food dye that's just gently slapped on the animal's back.

Dr. Swann: Thanks very much.

A general question, I guess, about Albertans' concern that we're gobbling up good agricultural land with urban development. Clearly, this relates a bit to the failed land-use framework and a real need to protect agricultural farmland. When are we going to

see a priority placed on agricultural farmland to protect it in perpetuity?

Mr. Olson: I'm hard-pressed to come up with a connection to my budget on this, really, but I can give you a little bit of information, Dr. Swann. The information I have is that in the last 14 years less than half of 1 per cent of land has been lost. It tends to be up and down the corridor. At the same time we're adding land up in the north in Mackenzie.

The Chair: Thank you, Minister. Thank you very, very much.

I'd like to thank the minister and his staff for being here tonight.

I'd like to thank all the members for participating. This is the last meeting of this committee debating the budget estimates, and I must advise the committee that the time allotted for this item of business has concluded. Thank you, everyone.

This meeting is adjourned.

[The committee adjourned at 9 p.m.]

