

Agriculture and Food

BUSINESS PLAN 2007-10



ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2007 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 26, 2007 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

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

original signed by

George Groeneveld, *Minister of Agriculture and Food*
March 28, 2007

THE MINISTRY

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

VISION

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

MISSION

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

CORE BUSINESSES

Core Business 1: Facilitate Sustainable Industry Growth

Core Business 2: Support and Strengthen Rural Sustainability

Core Business 3: Strengthen Business Risk Management

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

In striving to achieve its mission, Agriculture and Food contributes to Goal 1: Alberta will have a prosperous economy. The Ministry contributes to this goal by enhancing industry competitiveness and growth through key initiatives such as the Agriculture Growth Strategy and the Agri-Environmental Strategy.

Agriculture and Food also contributes to Goal 4: Alberta will have a financially stable, open and accountable government and maintain its strong position nationally and internationally.

Agriculture and Food contributes to the Government Priority: Manage Growth Pressures. This contribution is made by leading the establishment of a new Institute for Agriculture, Forestry and the Environment to identify market-based solutions to increase environmentally sound practices in the renewable resource sectors.

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

Like many other industries, agriculture continues to see significant opportunities and challenges as a result of several international drivers and domestic trends. The big opportunities lie outside Canada's borders where populations and incomes are rising and lifestyles changing. This reality accompanies the fact that Canada is already a significant net exporter of agri-food products as the third largest exporter in the world.

This external orientation is much more pronounced for Alberta and is not unique to the agri-food sector. Generally speaking, Alberta is a trading jurisdiction and growth essentially equates to growing exports. Reliance on outside markets creates unique challenges. Many factors are outside the direct control of exporting countries. Further, policy decisions made by outside jurisdictions can affect markets and trade opportunities.

Heavy reliance on outside markets also amplifies some fundamental factors in driving growth - competitiveness and comparative advantage. For the bulk of Alberta products, growth entails capturing market share from multiple competitors. An associated feature for economies like Alberta is that it is increasingly difficult to compete internationally against emerging low-cost shippers of raw and semi-processed commodities. This has unique implications, for example in terms of factors that may inhibit increases in domestic usage of raw materials or impact negatively on competitiveness in upstream activities.

The Ministry is responding by continuing to work with industry and other governments to enable industry to compete globally and take advantage of significant opportunities and challenges. Key responses include equipping producers with

the right tools and information to take full advantage of opportunities and make effective risk management decisions, removing unnecessary regulation and continued focus on improving overall market access for Alberta goods and services.

Competing land use interests, water and environmental considerations are all issues that will require ongoing focus of the Ministry, industry and other government agencies in allowing the industry to prosper while maintaining the province's natural advantage and preserving Alberta's environment.

The Ministry can further enhance industry competitiveness by working with the Canadian Food Inspection Agency, Health Canada, Alberta Health and Wellness, and the Regional Health Authorities in developing an overall provincial food safety strategy by September 2007. Agriculture and Food also continues to participate in the development of a national strategy for food safety, Canada's Strategy for Safe Food at the federal/provincial/territorial level.

The Institute of Food and Agriculture Sciences, Alberta; a collaboration of Agriculture and Agri-Food Canada, the Alberta Research Council, the University of Alberta and Agriculture and Food continues to be of increasing importance in delivering internationally recognized, multidisciplinary programs, which have critical mass, strengthening Alberta's applied research and technology commercialization capacity.

The Ministry will partner with industry to address the challenges and opportunities in order to achieve industry competitiveness and growth, while respecting environmentally sound practices.

STRATEGIC PRIORITIES 2007-10

Through the Ministry's review of external and internal challenges, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the Ministry. The Strategic Priorities of the Agriculture and Food Ministry contribute to competitiveness of the Agriculture industry. Agriculture and Food works to achieve these priorities with respect to sound environmental practices that allows for sustainable growth of the industry.

GOVERNMENT PRIORITY – MANAGE GROWTH PRESSURES

- 1. Establish a New Institute of Agriculture, Forestry and the Environment** Lead the establishment of a new Institute for Agriculture, Forestry and the Environment to identify market-based solutions to increase environmentally sound practices in the renewable resource sectors.

Linkage:
Goals 1 and 3

GOVERNMENT PRIORITY – IMPROVE ALBERTANS' QUALITY OF LIFE

- 2. The Agri-Environmental Strategy** The Ministry will work collaboratively with industry to develop an agri-environmental strategy that will result in increased industry competitiveness and sustainable growth, increased public confidence in the agriculture sector and continued and enhanced environmental responsibility. Industry and government priorities will be identified and action plans will be established that support linkages to the Water for Life Strategy, Rural Development Strategy and the Agriculture Growth Strategy.

GOVERNMENT PRIORITY – BUILD A STRONGER ALBERTA

- 3. Animal Health and Food Safety Surveillance**
Linkage: Goal 2
The Ministry and the provinces livestock industries are committed to implementing processes that will help maintain Canada's status as a minimal risk country and promote Alberta's safe food practices as among the best in the world helping to continue and grow the livestock industry.
- 4. Agriculture Policy Framework**
Linkage: Goals 1, 2, 3, 5 and 6
Renewal of the Agriculture Policy Framework is of key importance to Agriculture and Food. Agriculture Policy Framework is a five-year, federal-provincial-territorial agreement on agriculture that came into force in 2003. Currently, Agriculture Policy Framework programming falls under five integrated pillars: Food Safety and Quality, Science and Innovation, Environment, Renewal, and Business Risk Management. The framework also supports action in the international arena to help the sector capitalize on domestic strengths and success.
- 5. Support Rural Alberta**
Linkage: Goal 4
Agriculture and Food will work in partnership with other ministries to strengthen and support rural Alberta. This will be accomplished by providing technical assistance and educational information to the agriculture community. The Ministry will continue to partner with rural businesses, support networks and organizations that allow rural businesses to achieve sustainable growth.
- 6. Support Industry Competitiveness and Growth**
Linkage: Goals 1 and 6
Support industry competitiveness and growth by developing a new World Trade Organization Transition Assistance Program for Agriculture, and granting better access to capital for farmers through the Alberta Treasury Branches and Agriculture Financial Services Corporation.
- 7. The Agriculture Growth Strategy**
Linkage: Goals 1 and 4
The industry opportunity to sustainably grow primary agricultural production to \$10 billion and value added to \$20 billion will be achieved through the implementation of the growth strategy by industry. The Ministry will continue to work in partnership with industry to address labour shortages through an Agriculture Workforce Strategy, generate greater value from products, encourage development of new industries and facilitate long-term, sustainable growth in established sectors.

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: Facilitate Sustainable Industry Growth

GOAL ONE

1

Sustainable growth of the food and non-food* agriculture industry

- What it means** This goal recognizes that sustainable growth creates opportunities and wealth for all segments of the food and non-food agriculture industry, and contributes to the diversification and prosperity of the province. The Ministry contributes to this goal by working with industry to focus on consumer driven market opportunities that increase long-term profitability and industry competitiveness.

To achieve this goal, the Ministry will incorporate the objectives of the following initiatives into the appropriate division operating plans:

- Alberta's Agriculture Growth Strategy;
- Securing Tomorrow's Prosperity (A Strategy for Sustaining the Alberta Advantage);
- Alberta's Agriculture Research and Innovation Strategic Framework;
- Agriculture Workforce Strategy;
- Agricultural Policy Framework; and
- provide continued support for A Place to Grow – Alberta's Rural Development Strategy.

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

Strategies

- 1.1 Encourage development of new products, processes and services that respond to new market opportunities and enhance diversity.
- 1.2 Facilitate capital investment by industry and grant better access to capital for farmers through opportunity identification, evaluation and lending products.
- 1.3 Advocate policies, develop and deliver programs or initiatives (such as the World Trade Organization Transition Assistance Program), and develop networks that facilitate market access, human resource development and industry competitiveness.
- 1.4 Develop and administer essential policy, legislation and regulations.
- 1.5 Deliver and/or support targeted research, technology, information and services to enhance sustainability, competitiveness and market access.
- 1.6 Work with partners to ensure investment in essential physical infrastructure.
- 1.7 Address the current labour shortage for the agriculture and food industry for Alberta by developing an Agriculture Workforce Strategy.

Performance Measures	Last Actual (2005-06)	Target 2007-08	Target 2008-09	Target 2009-10
1.a Number of value added products developed and successfully introduced to market with assistance from Agriculture and Food	42	90	105	105
1.b Research and development investment by collaborators leveraged through ministry resources (\$ million)	7.6	10	12	12
1.c Total leveraged investment in agri-industry businesses (farm-business and agri-business) facilitated by Agriculture Financial Services Corporation lending services (\$ million)	244	360	374	388

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

The Ministry contributes to this goal by promoting or directing implementation of food safety systems in the production of food. This is achieved through essential food safety legislation, regulations, policy and education, and through surveillance systems that support consumer confidence and market access. These initiatives support the development of a national approach to food safety as identified in the Agricultural Policy Framework.

Strategies

- 2.1 Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.
- 2.2 Maintain a continually improving surveillance system that validates and identifies opportunities for enhancing the safety of Alberta's agriculture and food products.
- 2.3 Ensure Alberta's interests are reflected in national, provincial and industry food safety and traceability initiatives.
- 2.4 Enhance food traceability systems to reduce risks to Alberta's agriculture and agri-food industry, enhance consumer confidence and market access for Alberta agri-food products.
- 2.5 Review and administer essential policy, legislation and regulation, and facilitate emergency response.
- 2.6 Develop and transfer knowledge and technology in support of safe food production and processing.
- 2.7 Deliver information and programs that enhance Alberta's reputation for safe food production and support access to domestic and international markets.

Performance Measures	Last Actual (2005-06)	Target 2007-08	Target 2008-09	Target 2009-10
2.a Number of surveillance and monitoring initiatives designed to measure hazards in food production	24	18	20	22
2.b Percentage of Alberta production produced under On Farm Food Safety Programs ¹				
• chicken farms	100%	98%	98%	98%
• hog farms	91.6%	98%	98%	98%
2.c Number of On Farm Food Safety (cumulative)				
• trained beef feedlot and cow/calf operators	1700	2700	3700	4700
• certified beef feedlot and cow/calf operations	14	41	65	100
2.d Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system ²				
Red meat – Meat Facilities Standard	22%	45%	75%	95%
2.e Number of Alberta food processing facilities participating in the Alberta HACCP ³ Advantage Program (cumulative)	0 ⁴	80	160	240

Notes:

- 1 Federal Agriculture Policy Framework funding originally designated for On Farm Food Safety programs has been withdrawn and re-directed entirely toward Post Farm level operations. This has severely limited Agriculture and Food's involvement with On Farm Food Safety implementation in Alberta.
- 2 The 2005-2006 last actual result reported here follows a different definition of "Added a preventative system" than will be used in 2006-2007 and subsequent years.
- 3 HACCP is an acronym, which means Hazard Analysis Critical Control Point. HACCP is a system which identifies, evaluates, and controls hazards, which are significant for food safety.
- 4 The last actual for 2005-2006 is reported here as "0" because this program began in April 2006. The first payment issued to a participant in the AHA program was issued in December 2006. Cheques are issued upon the completion of a work plan, which is developed as part of the funding process. Work plans may take up to a year to complete.

Core Business Two: Support and Strengthen Rural Sustainability

GOAL THREE  **Improved environmental stewardship**

What it means This goal recognizes it is the role of the Ministry to assist the agriculture and food industry to maintain or improve management systems that reduce environmental risks and support competitiveness of the industry regarding Alberta's air, water and land for the well being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to water quality, air quality, climate change and biodiversity.

To achieve this goal the Ministry will incorporate the objectives of the Environment Chapter of the Agricultural Policy Framework, *Water for Life: Alberta's Strategy for Sustainability*, the Agriculture Growth Strategy, the Rural Development Strategy and the agricultural components of the provincial Climate Change Strategy into appropriate division operating plans.

Strategies

- 3.1 Support and conduct applied/adaptive research and evaluations to develop economically sound, environmentally friendly, beneficial management practices for relevant areas of crop and livestock production and agricultural processing.
- 3.2 Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable, including provision of support for adoption of environmental farm plans.
- 3.3 In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.
- 3.4 Monitor the effect of the agricultural production and processing industry on soil and water quality.
- 3.5 Lead the establishment of an institute to identify market-based solutions to increase environmentally sound practices in the renewable resource sectors.

Performance Measures	Last Actual (2005-06)	Target 2007-08	Target 2008-09	Target 2009-10
3.a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices ¹	53 (2003-04)	n/a	n/a	63
3.b Number of producers provided with specific training and technical support to enable development of environmental farm plans ²	5,056	6,500	8,000	9,500

Notes:

- 1 A formal evaluation is completed every three years, with the next surveys to be conducted in 2009-10 and reported in June 2010.
- 2 Targets for this measure reflect a cumulative growth of 1500 per year.

GOAL FOUR **4** Support strengthened rural communities

What it means This goal recognizes that a vibrant rural Alberta with increased capability contribute to a prosperous province. The Ministry contributes to this goal by working to strengthen rural communities through facilitating agri-business growth and development. The Ministry will also achieve this goal by supporting the priorities of the Rural Development Strategy in collaboration with other ministries and stakeholders.

To achieve this goal it is essential to strengthen the capacity of producers and agri-food businesses to meet opportunities and challenges. Strengthening the business aspect and providing support for networks and organizations will contribute to a vibrant rural Alberta.

Strategies

- 4.1 Support the development of rural organizations and infrastructure.
- 4.2 Provide leadership and skill development for youth and adults actively engaged in or able to contribute to the agriculture industry.
- 4.3 Facilitate the growth and development of diverse agricultural and rural businesses and their networks.
- 4.4 Support a collaborative, cross-Ministry approach that responds to the priorities of the Rural Development Strategy.

Performance Measures	Last Actual (2005-06)	Target 2007-08	Target 2008-09	Target 2009-10
4.a Total investment leveraged in rural businesses ¹ facilitated through Agriculture Financial Services Corporation lending services ² (\$ million)	246	455	473	492
4.b Percentage of ministry-supported, agriculture related community activities that focus on leadership development	31	30	30	30
4.c Percentage of rural youth and adults participating in ministry-supported programs that report effective learning from those programs	93	90	90	90

Notes:

- 1 In reporting the last actual and target figures for 2006-09, rural businesses refers to all businesses outside Edmonton and Calgary including primary and secondary agriculture businesses, as well as other rural businesses.
- 2 The figures presented in the targets represent all investment in rural businesses, including Agriculture Financial Services Corporation direct assistance, other partnered lending sources and borrower equity.

Core Business Three: Strengthen Business Risk Management

GOAL FIVE

5

Effective risk management decisions by agricultural business managers

What it means This goal recognizes the business-level risk associated with operating an agri-business. Risk arises from a broad range of sources, including:

- Production, as affected by weather extremes, disease epidemics, and other factors; and
- Product pricing, as affected by unforeseen shifts in local and global markets.

Cooperative efforts by service providers will target business risk management training and information dissemination, allowing managers to adopt effective risk management practices to grow their businesses in a profitable, sustainable fashion.

"Agricultural business manager" is an inclusive term indicating the breadth of businesses in the agriculture sector, from primary to value added, using risk management processes and tools in decision making.

This goal is manager driven. The manager makes the decisions, not government on behalf of the manager.

Strategies

- 5.1 Determine risk management information needs of business managers in the primary and value added sectors.
- 5.2 Collect, develop and distribute data and information to support business risk management decisions in the primary and value added sectors.
- 5.3 Facilitate development and use of analytical tools to proactively identify, measure and manage business risk in the primary and value added sectors.
- 5.4 In collaboration with the private sector, provide information and training on business risk management tools and strategies in the primary and value added sectors.

Performance Measures	Last Actual (2005-06)	Target 2007-08	Target 2008-09	Target 2009-10
5.a Percentage of managers surveyed indicating the use of risk management tools for improved decision making ¹	22.1%	n/a	30%	n/a

Note:

- 1 A formal evaluation is conducted every 3 years. The next survey will be conducted in 2008-09 and reported in June 2009. (Targets for this measure have been restated based on last actual results and to remain consistent with Government of Alberta reporting practices.)

6

Effective programs for long-term industry stability

What it means This goal recognizes the need for proactive financial risk management programming and disaster support in the absence of effective private sector tools when natural and market events occur that are beyond agri-business managers' control. Industry stability is desirable from a Ministry perspective as it helps agri-businesses recover from disaster events and facilitates overall industry growth.

The Ministry contributes to this goal by continuously improving appropriate programs such as the Canadian Agricultural Income Stabilization Program, Production Insurance and disaster recovery initiatives.

Strategies

- 6.1 Design and deliver production risk and income stabilization programs through the Agriculture Policy Framework Agreement.
- 6.2 Develop and deliver specific programs that increase industry competitiveness.
- 6.3 Develop programs, where appropriate, that respond to significant events that impact business sustainability.

Performance Measures	Last Actual (2005-06)	Target 2007-08	Target 2008-09	Target 2009-10
6.a Percent of eligible seeded acres for major crop categories insured under Production Insurance				
• Annual Crops	64	64	64	64
• Perennial Crops	29	25	25	25
6.b Percent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program	76	70 – 75	70 – 75	70 – 75

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable			2007-08 Estimate	2008-09 Target	2009-10 Target
	2005-06 Actual	2006-07 Budget	2006-07 Forecast			
Facilitate Sustainable Industry Growth	276,440	257,653	261,366	251,287	256,765	257,067
Support and Strengthen Rural Sustainability	62,839	60,797	63,065	70,697	69,367	64,947
Strengthen Business Risk Management	759,729	722,231	779,263	754,740	731,130	737,172
MINISTRY EXPENSE	1,099,008	1,040,681	1,103,694	1,076,724	1,057,262	1,059,186

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2007-08 Estimate	2008-09 Target	2009-10 Target
	2005-06 Actual	2006-07 Budget	2006-07 Forecast			
REVENUE						
Internal Government Transfers	22,220	22,220	22,220	22,220	22,220	22,220
Transfers from Government of Canada	299,091	303,354	226,428	328,795	316,998	312,850
Investment Income	82,686	85,688	94,955	100,703	109,252	114,694
Premiums, Fees and Licences	142,719	125,046	134,124	181,935	168,840	173,857
Other Revenue	29,148	10,411	29,925	25,246	25,256	24,656
MINISTRY REVENUE	575,864	546,719	507,652	658,899	642,566	648,277
EXPENSE						
Program						
Agriculture Income Support	487,725	335,928	551,928	363,262	363,822	364,485
Lending	26,923	27,147	26,448	25,413	25,456	25,274
Insurance	255,599	374,282	215,354	378,313	354,934	360,321
Planning and Competitiveness	67,503	48,597	48,055	52,610	49,201	49,553
Rural Services	34,910	36,216	36,545	37,065	36,664	36,908
Industry Development	81,896	46,793	46,890	51,694	50,093	50,567
Environment and Food Safety	57,704	78,325	63,175	82,028	79,760	66,755
Infrastructure Assistance	29,441	29,000	52,048	17,355	22,400	29,000
Ministry Support Services	14,632	13,687	15,175	15,114	15,372	15,645
Valuation Adjustments and Other Provisions	(2,174)	2,359	2,359	2,745	1,868	1,837
Program Expense	1,054,159	992,334	1,057,977	1,025,599	999,570	1,000,345
Debt Servicing Costs						
Agriculture Financial Services Corporation	44,849	48,347	45,717	51,125	57,692	58,841
MINISTRY EXPENSE	1,099,008	1,040,681	1,103,694	1,076,724	1,057,262	1,059,186
Gain (Loss) on Disposal of Capital Assets	(21)	-	-	-	-	-
NET OPERATING RESULT	(523,165)	(493,962)	(596,042)	(417,825)	(414,696)	(410,909)

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable			2007-08 Estimate	2008-09 Target	2009-10 Target
	2005-06 Actual	2006-07 Budget	2006-07 Forecast			
Ministry Revenue	575,864	546,719	507,652	658,899	642,566	648,277
<i>Inter-ministry consolidation adjustments</i>	(23,029)	(22,220)	(22,220)	(22,220)	(22,220)	(22,220)
Consolidated Revenue	552,835	524,499	485,432	636,679	620,346	626,057
Ministry Program Expense	1,054,159	992,334	1,057,977	1,025,599	999,570	1,000,345
<i>Inter-ministry consolidation adjustments</i>	(809)	-	-	-	-	-
Consolidated Program Expense	1,053,350	992,334	1,057,977	1,025,599	999,570	1,000,345
Ministry Debt Servicing Costs	44,849	48,347	45,717	51,125	57,692	58,841
Consolidated Expense	1,098,199	1,040,681	1,103,694	1,076,724	1,057,262	1,059,186
Gain (Loss) on Disposal of Capital Assets	(21)	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	(545,385)	(516,182)	(618,262)	(440,045)	(436,916)	(433,129)