

GOVERNMENT OF ALBERTA

Annual Report

Agriculture and Forestry

2019-2020

Agriculture and Forestry, Government of Alberta | Agriculture and Forestry 2019–2020 Annual Report

©2020 Government of Alberta | Published: August 2020

ISBN: 978-1-4601-4739-9

ISSN: 2371-2228

Note to Readers: Copies of the annual report are available on the Alberta Open Government Portal website www.alberta.ca

Table of Contents

Preface	3
Minister's Accountability Statement	4
Message from the Minister	5
Management's Responsibility for Reporting	7
Results Analysis	9
Ministry Overview	10
Discussion and Analysis of Results	20
Performance Measure and Indicator Methodology	66
Financial Information	79
Reporting Entity and Method Consolidation	80
Ministry Financial Highlights	81
Supplemental Financial Information	88
Financial Statements of Other Reporting Entities	90
Other Financial Information	143
Annual Report Extracts and Other Statutory Reports	148

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and the Measuring Up report, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Agriculture and Forestry contains the minister's accountability statement, the financial information of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. The ministry annual report also includes:

- the financial statements of entities making up the ministry including the regulated funds, and provincial agencies for which the minister is responsible;
- other financial information as required by the *Financial Administration Act* and *Fiscal Planning and Transparency Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and
- financial information relating to trust funds.

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2020, was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government's accounting policies. All of the government's policy decisions as at June 30, 2020 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Honourable Devin Dreeshen
Minister of Agriculture and Forestry

Message from the Minister



This year reminded us all just how unpredictable the agriculture and forest sectors can be. The 2019 growing season was not easy for Alberta producers, as weather, trade disruptions and other challenges had a serious impact on farming operations across the province. Likewise, wildfires, mountain pine beetle, and the softwood lumber dispute continued to challenge the forest sector.

Our ministry rose to face these challenges while continuing to focus on important core programs. Our annual report highlights the tremendous work the ministry undertook during the year to achieve the outcomes laid out in our business plan. We worked hard to support the growth and sustainability of Alberta's agriculture and forest sectors, focusing on public health and safety, responsible resource management, and building thriving rural communities.

Growth and Sustainability

The *Farm Freedom and Safety Act* received royal assent in December 2019 and was another important commitment the government delivered on this year. Grassroots conversations with farmers and ranchers, industry meetings, engagement sessions, and an online survey were just some of the ways we received input, allowing us to build common-sense farm workplace legislation for industry.

Another example of how our ministry supports the agriculture sector is the Efficient Grain Dryer Program, a new grant program to help grain farmers upgrade their grain handling systems. Through this and other Canadian Agriculture Partnership grant programs, Agriculture and Forestry invested in business development, innovative sustainable approaches, and value-added processing.

Agriculture and Forestry also took action to cut red tape and reduce regulatory burdens for Albertans. We have accomplished a lot in the past year, streamlining the *Weed Control Act* appeal process and revising the *Forests Act* to speed up the process to enter into new or renew existing forest management agreements, while maintaining regulatory oversight.

Public Health and Safety

Agriculture and Forestry is committed to protecting Albertans and their communities from the negative impacts of wildfires. We're continually learning and improving our wildfire management practices and preparedness and investing in FireSmart initiatives.

I am proud of the work Alberta Wildfire does to prevent, manage and suppress wildfires. Our staff are so effective that, in 2019, we were 95 per cent successful in containing all wildfires by 10 a.m. the day after they were detected, even as the province experienced one of its most extreme wildfire seasons on record. A wildfire season of this magnitude would challenge any wildfire management organization. The severity of the 2019 wildfire season has given us the opportunity to seek and address feedback from those impacted by the wildfires and examine our practices to ensure we continue to adapt, improve where necessary and come back stronger than ever.

We also do essential work in food safety and security, supporting Alberta's value-added food processing sector. With sales surpassing \$15 billion last year, food and beverage has become the second largest manufacturing industry in Alberta.

Responsible Resource Management

Agriculture and Forestry invests in the delivery of programs, research, and extension aimed at supporting environmental stewardship and increasing awareness of sustainable practices by the agriculture and forest sectors.

Our ministry held engagement sessions in 2020 to gather feedback about the future of agriculture research in Alberta and to pave the way for the creation of Results Driven Agriculture Research (RDAR) in 2020, a non-profit arm's-length agriculture research organization. The ministry's research budget is significant at \$37 million in research funding.

Our commitment to responsible forest management includes increasing funding for mountain pine beetle by \$5 million to \$30 million annually for the next four years.

Thriving Rural Communities

Budget 2019 saw maintained funding for rural utilities, irrigation districts, and agricultural societies that provide essential services and contribute to a high quality of life in rural Alberta.

Alberta's local food sector creates opportunities for producers and processors, connects rural and urban communities, and is a vital contributor to Alberta's economy. Local food sales from farmers' markets and through direct-to-consumer channels have more than doubled since 2008 and now exceed \$1 billion.

Alberta's agriculture, food, and forest industries are cornerstones of our economy, and will be essential contributors to the diversification and rebuilding of our economy as we recover from the effects of the COVID-19 pandemic. I look forward to working with these sectors and ministry staff to face challenges and seize opportunities that lie ahead.

[original signed by]

Honourable Devin Dreeshen
Minister of Agriculture and Forestry

Management's Responsibility for Reporting

The Ministry of Agriculture and Forestry includes:

- Department of Agriculture and Forestry
- Agriculture Financial Services Corporation
- Farmers' Advocate Office
- Irrigation Council
- Alberta Agricultural Products Marketing Council

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

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

Responsibility for the integrity and objectivity of the accompanying ministry financial information and performance results for the ministry rests with the Minister of Agriculture and Forestry. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, including the financial information and performance results. The financial information and performance results, of necessity, include amounts that are based on estimates and judgments. The financial information is prepared using the government's stated accounting policies, which are based on Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – Information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- Understandability – The performance measure methodologies and results are presented clearly.
- Comparability – The methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – Outcomes, performance measures and related targets match those included in the ministry's Budget 2019.

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

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;

- provide Executive Council, the President of Treasury Board and Minister of Finance, and the Minister of Agriculture and Forestry the information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Planning and Transparency Act*.

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

[Original signed by]

Andre Tremblay
Deputy Minister of Agriculture and Forestry
June 30, 2020

Results Analysis

Table of Contents

Ministry Overview	10
Organizational Structure	11
Organizational Chart	14
Key Highlights in the Past Year	16
Discussion and Analysis of Results	20
Red Tape Reduction	20
Outcome One: Growth and Sustainability of Alberta's Agriculture and Forest Sectors	23
Outcome Two: Public Health and Safety	39
Outcome Three: Responsible Resource Management	49
Outcome Four: Thriving Rural Communities	59
Performance Measure and Indicator Methodology	66
Appendix A: Agriculture and Forestry Statistics	74

Ministry Overview

The Ministry of Agriculture and Forestry is responsible for the policies, legislation, regulations, programs, and services that enable Alberta's agriculture, food, and forest sectors to grow, prosper, and diversify. The ministry's role is diverse, ranging from wildfire and forest management to food safety and sustainable agriculture. Agriculture and Forestry also works to help support the quality of life in Alberta's rural communities.

The ministry focuses on the following:

- **Growth and Sustainability** – Innovation, diversification and competitiveness of Alberta's agriculture and forest sectors are critical pillars of the ministry's strategic priorities. Agriculture and Forestry aspires to enhance access to domestic and international markets, while boosting its capacity to attract investment. The ministry also supports value-added production and commercialization of agriculture and forest products and adopts innovative processes to drive growth, sustainability, economic diversification, and job creation.
- **Public Health and Safety** – Agriculture and Forestry aims to develop and enhance the effectiveness of its assurance systems, particularly within the spheres of food safety and wildfire management. Through effective wildfire prevention and suppression, and the adoption of science-based food safety and biosecurity practices, the ministry prioritizes public health and safety and fosters the confidence of Albertans.
- **Responsible Resource Development** – The ministry uses evidence-based decision making to drive sustainable resource management. Areas of focus include energy efficiency and climate change, water-use, and sustainable forestry practices. Agriculture and Forestry contributes to the responsible use of natural resources in a way that preserves the environment for the benefit of all Albertans.
- **Rural Communities** – Agriculture and Forestry contributes to the rural communities at the heart of the forestry and agriculture industries. The ministry funds local agricultural societies, supports programs for youth, invests in rural business development, and helps address the affordability of living in remote rural areas.

In 2019-20, the ministry worked to achieve the following outcomes:

- **Outcome One:** Growth And Sustainability of Alberta's Agriculture and Forest Sectors
- **Outcome Two:** Public Health and Safety
- **Outcome Three:** Responsible Resource Management
- **Outcome Four:** Thriving Rural Communities

Organizational Structure

Department of Agriculture and Forestry

Forestry Division

The Forestry Division includes:

- Wildfire Management Branch; and
- Forest Stewardship and Trade Branch.

The division is entrusted with ensuring the province's forests remain healthy and vibrant. It supports sustainable forest management practices, protects forest health from the threats of pests and diseases, and works to prevent and suppress wildfires. The division provides the programs and services necessary for Alberta's forest sector to be positioned for increased growth, competitiveness, and diversification and protects Albertans, communities, the province's forest resources, and other values at risk from wildfires.

Primary Agriculture Division

The Primary Agriculture Division includes:

- Animal Health and Assurance Branch;
- Crop Health and Assurance Branch;
- Environmental Stewardship Branch;
- Irrigation and Farm Water Branch;
- Livestock and Crop Research Branch; and
- Marketing Council and Research Coordination Branch.

The division supports the sustainable development and competitiveness of the livestock and crops industries through innovation, technology transfer, surveillance, business development, and extension policies and programs. It supports businesses by identifying new opportunities, supporting innovation, focusing on growth and diversification of Alberta's livestock and crops industries, and development of solutions for industry to succeed. The division fosters industry growth and sustainability by enhancing industry leadership, governance practices, and approaches that aim for a thriving agricultural sector. The division also enables regulatory frameworks to advance and protect animal health and cropping systems, as well as the production and marketing of agricultural products.

Processing, Trade and Intergovernmental Relations Division

The Processing, Trade and Intergovernmental Relations Division includes:

- Business Development and Programs Branch;
- Food and Bio-Processing Branch;
- Food Safety Branch; and
- Intergovernmental Relations and Trade Branch.

The division focuses on development and growth of the agriculture and food industry through value-added processing development, business development, investment attraction, international

relations and market access, and trade. It supports businesses by identifying new opportunities, supporting innovation, focusing on growth and diversification of Alberta's agri-processing industry, and development of market opportunities and solutions for industry to succeed. The division plays a leading role in supporting provincial food assurance systems with a focus on building a strong culture of food safety and proactively identifying and mitigating food safety risks. It supports the growth of new and emerging food and bio-based companies with access to expertise, equipment and facilities for product/process development, processing, and commercial scale up. The division also promotes investment in the agriculture and agri-food sector, monitors trade agreements that have significant implications for Alberta's agri-food industry, interfaces with other departments and agencies on international market development, and fosters market access for agriculture and agri-food products.

Strategy, Planning and Governance Division

The Strategy, Planning and Governance Division includes:

- Change Management Branch;
- Economics and Competitiveness Branch;
- Financial Services Branch;
- Rural Programming, Facilities and Emergency Services Branch; and
- Strategy, Policy and Extension Services Branch.

The division provides leadership in establishing ministry strategic direction and priorities, policy development, fiscal management, legislative planning, and solutions to support ministry operations. The division is the primary lead on cross-ministry initiatives on business planning, data analysis, budget, emergency management, and accommodations. The division supports rural programming through the provision of grants, and provides leadership on implementing the Government of Alberta's transformation initiatives within Agriculture and Forestry.

Other Entities

Agriculture Financial Services Corporation (AFSC)

Agriculture Financial Services Corporation (AFSC) is a provincial Crown corporation that provides producers, agribusinesses and other small businesses with financing, crop insurance and farm income disaster assistance. AFSC has served Alberta farmers for over 80 years, and has grown into a diverse corporation with several core business areas, including crop insurance, livestock price insurance, farm loans, commercial loans, and farm income disaster assistance. The Corporation's unique role allows it to deliver services to assist its valued clients across the province to manage the risks associated in the agriculture industry.

Alberta Agricultural Products Marketing Council

The Alberta Agricultural Products Marketing Council (Marketing Council) is the oversight body for Alberta's 20 agricultural marketing boards and commissions and provides advice to the Minister on matters related to the establishment, operation and management of the marketing boards and commissions established under the *Marketing of Agricultural Products Act* (MAPA). The Marketing Council also provides strategic support to marketing boards and commissions on board governance, leadership development, strategic and business planning, and regulatory and policy matters. The Executive Director of the Marketing Council and Research Coordination Branch serves as the General Manager of the Marketing Council.

Farmers' Advocate Office

The Farmers' Advocate works to ensure Alberta farmers and ranchers have a voice of advocacy, consumer protection, surface rights, land and energy expertise, resolution of rural disputes, and fair process. The Farmers' Advocate Office (FAO) administers the *Farm Implement Act* and the *Farm Implement Dealerships Act*, which provide consumer protection through warranty, parts availability, and licensing of all Alberta farm implement dealers and distributors, including inspection services to assist in Farm Implement Board hearings.

Farm Implement Board

The Farm Implement Board reports to the Minister of Agriculture and Forestry and advises the Minister about matters arising from the operation of the *Farm Implement Act* and *Farm Implement Dealerships Act*. The Board hears applications for compensation and other issues that cannot be resolved with the FAO Farm Implement Inspector.

Forest Resource Improvement Association of Alberta

The Forest Resource Improvement Association of Alberta (FRIAA) is a not-for-profit association with delegated authority. The association's mandate is to enhance forest resources consistent with the Forest Resource Improvement Regulation and bylaws. FRIAA delivers programs aimed at resource sustainability, public and environmental protection, and climate change adaptation under certain grant agreements with the Province.

Irrigation Council

The Irrigation Council, established under the *Irrigation Districts Act*, makes recommendations to the Minister on any matter under the Act, particularly issues related to maintaining a strong, efficient and sustainable irrigation industry. The Council acts as an appeal body in accordance with the Act, establishes policies, and approves annual rolling three-year plans and projects submitted by the irrigation districts to ensure accountability of the public's ongoing cost-shared investment in irrigation district water conveyance infrastructure.

Livestock Identification Services Ltd.

Livestock Identification Services Ltd. (LIS) provides inspection services to livestock producers in Alberta. The brand registry and the inspection system offer protection to all livestock owners against strayed or stolen livestock. Alberta's livestock associations are represented on LIS' Board of Directors to give equal voice to all parts of the livestock industry.

Marketing of Agricultural Products Act Appeal Tribunal

The *Marketing of Agricultural Products Act* Appeal Tribunal (Appeal Tribunal) hears appeals related to orders, directions or decisions made by a regulated marketing board or commission in Alberta. Marketing Council staff provide support to the Appeal Tribunal throughout the year, when required. In the event of an appeal hearing request, a Marketing Council staff member is assigned to serve as administrator to the appeal.

Organizational Chart

In 2019-20, the ministry's organizational structure underwent significant updating to allow for better delivery of government priorities and commitments, and to help ensure effective and efficient organization of divisions and branches. Updates included:

Division Level:

- The former Food and Value-Added Processing and Intergovernmental Relations, Trade and Environment divisions were amalgamated to form the new Processing, Trade and Intergovernmental Relations Division.
- The environment-related functions within the former Intergovernmental Relations, Trade and Environment Division were moved to the former Livestock and Crops Division. The expanded Division became the Primary Agriculture Division.

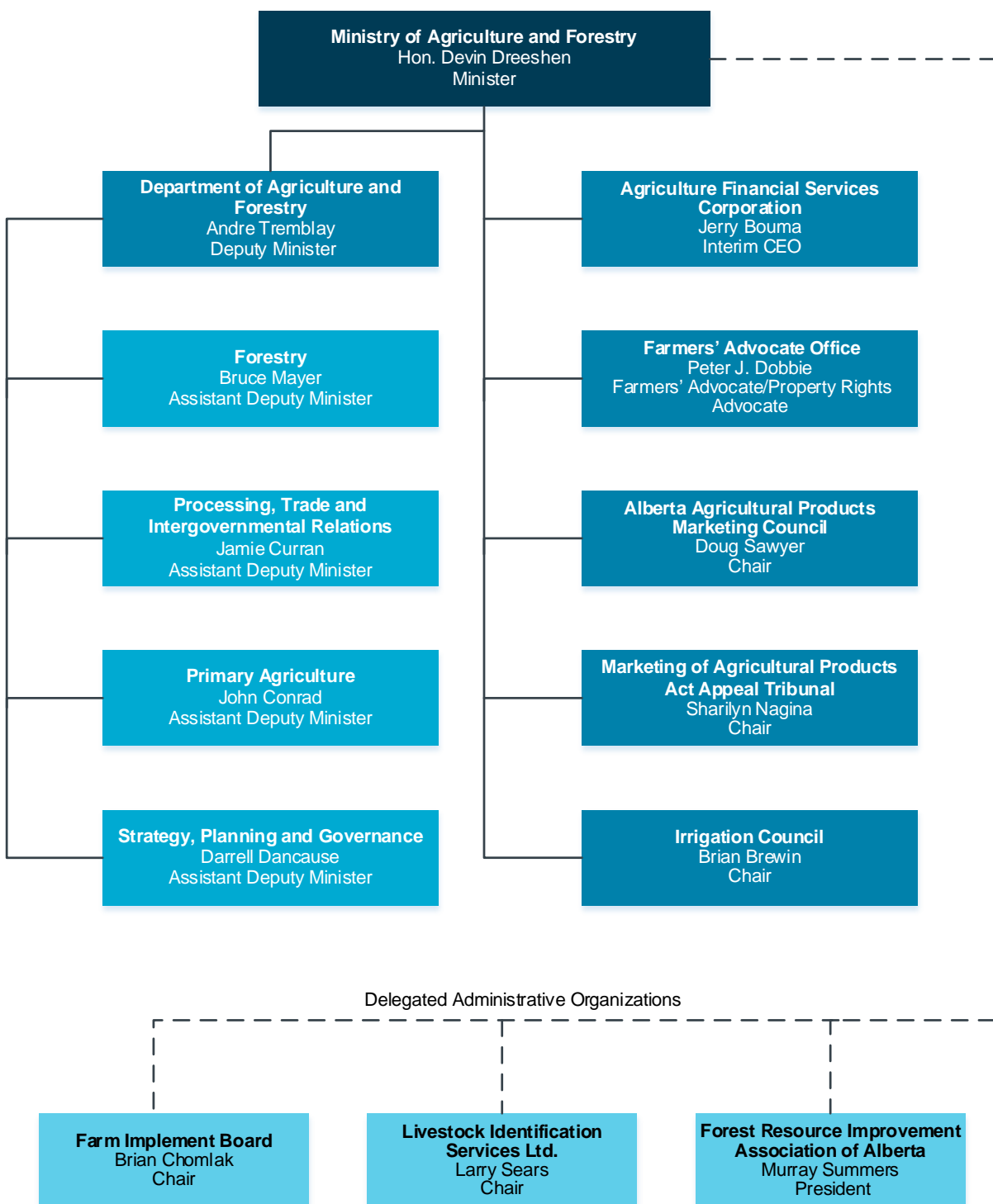
Branch Level:

- The Policy and Programs Branch was rebranded as the Business Development and Programs Branch.
- The Industry Governance and Research Coordination Branch was rebranded as the Marketing Council and Research Coordination Branch.
- The Rural Development Branch was rebranded as the Rural Programming, Facilities and Emergency Services Branch.
- The Economics and Competitiveness Branch was moved from the Processing, Trade and Intergovernmental Relations Division to the Strategy, Planning and Governance Division.
- The Food and Bio-Processing, Food Safety, and Business Development and Programs branches were added to the Processing, Trade and Intergovernmental Relations Division.
- The former Forest Management and Forest Tenure, Trade and Policy branches were amalgamated to form the Forest Stewardship and Trade Branch.
- The Environmental Stewardship and Irrigation and Farm Water branches were moved from the Processing, Trade and Intergovernmental Relations Division to the Primary Agriculture Division.

Entities:

- The Environmental Enhancement and Protection Fund was disestablished on December 5, 2019.
- The Farmers' Advocate was cross-appointed as the Property Rights Advocate.

Division-level updates are reflected in the following organizational chart:



Key Highlights in the Past Year

The following table represents Agriculture and Forestry's significant initiatives and events for 2019-20, including progress towards government commitments.

Supporting Economic Development and Job Creation

Investment, Value-Added and Export Growth

- The ministry began development of an Agri-Food Sector Investment and Growth Strategy in fall 2019 as part of a broader government investment and growth strategy to support continued investment and diversification, and increase Alberta's agri-food exports.
- In 2019-20, AFSC lending services directly lent \$537.2 million to eligible primary agriculture, agribusinesses, and value-added agri-processors, resulting in a total leveraged investment of \$596 million in agriculture and rural business ventures.
- In 2019-20, the ministry investment attraction, product development, and business development services contributed to the creation of 284 full-time and part-time jobs and an additional 738 potential jobs to be created in Alberta-based agri-processing and forest product manufacturing industries when related investment projects are completed.

Red Tape Reduction

- In 2019-20, the ministry commenced targeted work in three activity streams to help meet the Government of Alberta's Red Tape Reduction goals.
 - Agriculture and Forestry is striving to provide better services for business by streamlining and simplifying ministry programs and services. This includes improving information to help farmers, agribusiness, and forest businesses grow their operations.
 - The ministry is reviewing legislation and working to implement regulatory reform to reduce the burden of ineffective regulation on the agriculture and forest industries.
 - Agriculture and Forestry conducted a baseline count of regulatory requirements faced by agriculture and forest industries. Over the next three years, the ministry will work to reduce this regulatory burden and to meet the Government of Alberta's baseline count reduction target of one-third by 2023.

Championing Alberta's Agriculture and Forest Sectors

- In fall 2019, the Minister met with ambassadors for the agriculture and forest sectors to determine how to work together to share industry stories, improve market access, and strengthen public confidence.
- Development work on strategies for the agriculture and forest sectors began in 2019-20. Strategy implementation, including the announcement of an advisory committee and governance structure, occurred in May 2020 for the agriculture sector. Implementation of the forest sector strategy will take place later in 2020-21.
- The ministry has developed a Forest Jobs Action Plan following through on the government's commitments to ensure continued access to timber resources.

Fibre Security

Forest Management Agreements

- Targeted consultation with the forest sector is underway to amend the *Forests Act* to enhance secure fibre supply.
- Completed negotiations for one new Forest Management Agreement, and started renewal of several existing ones to ensure continued access to timber resources, and the creation and maintenance of forest jobs.

Forest Jobs Action Plan

- A Forest Jobs Action Plan was announced in May 2020 to signify government's commitment to sustainable, long-term fibre access for forest companies. An action plan has been identified with immediate actions and future steps. Examples of short-term actions include:
 - Ensuring the expedient return of wildfire burned areas to productive forests;
 - Awarding unallocated portions of annual allowable cut through an open and competitive process; and
 - Working with companies to ensure the best utilization of allocated timber in their forest management plans.

Transforming the Delivery of Agricultural Research

Farmer-Led Research

- In January 2020, the ministry consulted with farmers, ranchers, and other industry stakeholders on government's commitment to farmer-led research.
- Feedback from the public sessions and online survey was used to inform a new research framework and delivery model. This new delivery model, Results Driven Agriculture Research (RDAR), was announced on March 30, 2020 and is a non-profit, arm's length agriculture research organization that will ensure agricultural research reflects the priorities of farmers and ranchers.
- RDAR's transformative research model funds both pure and applied research for the crop and livestock sectors in Alberta. It will provide the province with a stable foundation for scientific agricultural research and ensure Alberta's agriculture industry has more financial flexibility and autonomy to fund longer-term projects.
- Under RDAR, agricultural research in Alberta will lead to tangible benefits for farmers, including higher profits, a more abundant food supply – at lower cost – for consumers, and ultimately a higher quality of life in rural communities.

Farm Safety

Farm Freedom and Safety Act

- Throughout summer 2019, the ministry conducted grassroots conversations, industry meetings, engagement sessions and an online survey to gather input from Alberta's farmers and ranchers to inform the development of practical safety legislation.
- The consultations included an average of 32 participants at the 25 engagement sessions and more than 1,200 completed submissions.
- The *Farm Freedom and Safety Act* received royal assent on December 5, 2019 and came into effect on January 31, 2020.

Trespassing Fines

- New trespassing legislation (*Trespass Statutes (Protecting Law-Abiding Property Owners) Amendment Act*) received royal assent on December 5, 2019.
- Through this legislation, the government took action to protect farmers from illegal protest activities.
 - Fines up to \$10,000 for a first offence and up to \$25,000 for subsequent offences for individuals and up to \$200,000 for organizations, and imprisonment of up to one year.
 - In addition to these penalties, a farmer can ask the court to award compensation to cover damages from trespassing.

Managing Risk for Natural Resources, Farming, and Food

Business Risk Management

- The Agriculture Financial Services Corporation continued to coordinate industry feedback for consideration by the Business Risk Management review team.
- Federal-Provincial-Territorial (FPT) priorities in 2019-20 included enhancing the business risk management (BRM) suite of programs to simplify and improve coverage.
- To address this priority, the BRM review team conducted an assessment focused on making the BRM programs more effective, agile, timely, and equitable for farmers across Canada.
- As a result of recommendations made during the BRM review, an amendment will be made to AgriStability for the 2020 program year removing private sector insurance payments from eligible income to encourage the development of, and participation in, private sector BRM products for mitigating agricultural disasters.

Mountain Pine Beetle

- Budget 2019 increased funding by \$5 million to manage the spread of mountain pine beetle, reversing four years of spending reductions. The additional \$5 million invested increased the number of infested trees controlled by 28,000.

Food Safety

- Between May and June 2019, Alberta Health Services identified two *E. coli* O157:H7 foodborne illness outbreaks that were traced to contaminated pork products produced and distributed in Alberta.
- Significant resources were redirected from day-to-day operational activities to support the foodborne illness investigations and follow-up with provincially licensed meat facilities until August 2019.

Efficient Grain Dryer Program

- In February 2020, the Efficient Grain Dryer Program was established under the Canadian Agricultural Partnership (CAP) to assist producers with reducing the overall energy use on their operations. The program is retroactive to April 1, 2018, and will be available throughout the duration of the province's CAP commitment – to March 31, 2023.

Reducing Duplication of Roles and Operations

Merging the Property Rights and Farmers' Advocate Offices

- In January 2020, the Farmers' Advocate, Peter Dobbie, was cross-appointed to the role of Property Rights Advocate as a first step in creating a combined Property Rights and Farmers' Advocate Office.

Managing Key Challenges

Coronavirus Disease (COVID-19)

- The World Health Organization declared COVID-19 a global pandemic in March 2020.
- The impact of the pandemic on world trade has been significant. Demand for commodities, including lumber, wood panels, and oil has collapsed, and global stock markets have experienced significant losses.
- The risk for global trade will continue for some time until the market sees noticeable results in controlling the spread of the virus.
- Demand for agricultural products has shifted due to the closure of restaurants and other food service establishments. This has reduced the demand for some commodities and changed the product mix for others. Transportation factors such as transportation worker illness or a shortage of shipping containers may exacerbate this situation.
- Demand for forest pulp remains stable, however with any reduction in sawmill capacity, the supply of wood chips for pulp producers will be strained.

Spring 2019 Wildfires

- In spring 2019, four major wildfires occurred in northwest Alberta, which burned a total of 753,690 hectares. These fires threatened over 20 communities, and negatively impacted human health and safety, and critical infrastructure. By June 2019, 15,000 people had been evacuated and many hundreds more living in surrounding areas experienced reduced services.

Discussion and Analysis of Results

Red Tape Reduction

The Ministry of Agriculture and Forestry is committed to the ongoing review of programs and services to ensure that the best possible outcomes are being achieved for Albertans. As part of this ongoing review, the ministry is committed to reducing red tape to make life easier for hard-working Albertans and businesses. This includes reducing regulatory burden and unnecessary process to encourage economic growth and job creation; and make Alberta one of the freest and fastest growing economies in the world.

In 2019–20, the ministry worked to reduce red tape through three activities:

1. **Better services and information for business:** This activity consists of initiatives intended to improve program and service delivery by streamlining and simplifying ministry services and programs. This includes providing information to assist farmers, agribusiness, and forest businesses grow their operations.
2. **Regulatory reform and functions:** This activity consists of initiatives that are intended to reduce the burden of ineffective regulation on agriculture and forest industries by implementing regulatory reform across all levels of government.
3. **Regulatory baseline count:** This work quantified a baseline count of regulatory requirements (including policies, forms, and processes) faced by agriculture and forest industries for which the ministry has oversight responsibility. Agriculture and Forestry will monitor its annual performance expectation as it works to reduce regulatory burden, and meet the Government of Alberta's baseline count reduction target of one-third by 2023.

Examples of ministry accomplishments on red tape reduction initiatives are presented in the following table.

Initiative	Status	2019-20 Result
Simplifying Access to Business Lending	Completed	<p>In June 2019, the Agricultural Financial Services Corporation (AFSC) made system enhancements to its lending management platforms to make it easier and faster for farmers and agribusinesses to apply for and receive loans.</p> <p>These system enhancements enabled AFSC to introduce a quick loan option for up to \$100,000 for existing insurance clients and \$150,000 for existing lending clients, providing access to capital in roughly 20 minutes compared to the previous average approval time of approximately seven hours. A total of 155 loans were processed for farmers, saving an estimated total of 930 hours.</p> <p>AFSC revitalized the Express Processing Option for loans up to \$3 million, reducing turnaround time by up to 30 per cent from several days to as little as one day. This processing option provides clients with quicker access business capital and reducing costs for AFSC.</p> <p>From April 1, 2019 through March 31, 2020, AFSC approved \$537.2 million for 1,535 farmers and agribusinesses in new lending support across all loan programs, which is expected to fuel economic growth and job creation.</p>

Initiative	Status	2019-20 Result
Improving Client Services	Completed	AFSC established AgriBusiness Lending Centres in Lethbridge, Calgary, and Leduc to serve the food and value-added processing sectors and build relationships with small- to medium-sized businesses. The centres are located in agribusiness clusters, making it easier for AFSC to provide information and advice in support of farming and farming-related commercial activities.
Improving Regulatory Policy	Completed	<p>The ministry collaborated with the Alberta Forest Products Association and forest companies to identify opportunities to reduce red tape in the forest sector. This included addressing concerns expressed by forest companies regarding the length of time required to obtain Cabinet decision on Forest Management Agreements (FMA) renewal application requests. Delays in the FMA renewal application process create uncertainty around access to wood fibre, which underpins forest companies' decisions on investment and job creation.</p> <p>In 2019-20, the authority for renewal of FMAs vested in Cabinet was transferred to the Minister of Agriculture and Forestry. This new process has significantly reduced the average turnaround time for decisions on FMA renewal applications, from approximately six months to two months. The increased government responsiveness through this commitment will provide forest companies with continued access to wood fibre resources, and ensure their long-term strategies to go uninterrupted.</p>
Reforming Dispute Resolution Process	Completed	In 2019-20, the ministry streamlined the <i>Weed Control Act</i> appeal process by implementing an in person hearing regime. Prior to this initiative, considerable time was invested reviewing written documentation from all impacted parties. As such, Ministerial Reviews under the Act required over 300 days to complete. By moving to a new process wherein reviews are conducted in person, by an independent adjudicator with delegated authority, the ministry was able to significantly shorten process wait times from over 300 days to 30-40 days, and improve communication for all impacted parties. Landowners, particularly those who rely on the availability of their land for their livelihood, will benefit from the decreased turnaround time. The appeal process adjustments will also allow enforcement partners to better control weed issues, as follow up action is stayed until the Ministerial Review is complete and a decision is rendered.
Developing and Implementing the <i>Farm Freedom and Safety Act</i>	Completed	Following extensive consultation to address the unique needs of the Alberta farm and ranch sector, the ministry worked to support Labour and Immigration to develop the <i>Farm Freedom and Safety Act</i> . Provisions in the Act offering the farm and ranch sector greater flexibility, enhanced red tape reduction of undue regulatory burden and complexity, and less prescriptive language, will enable farm businesses to become more cost-competitive, and as such, improve their ability to create jobs and attract skilled workers through better wages. The <i>Farm Freedom and Safety Act</i> received

Initiative	Status	2019-20 Result
		royal assent on December 5, 2019 and came into effect on January 31, 2020.
Reviewing Regulations	Ongoing	<p>The ministry has initiated reviews of several regulations for which Agriculture and Forestry has an oversight responsibility to reduce compliance costs to agriculture and forest industries in Alberta. Regulations under review include Meat Inspection Regulation (MIR), as well as regulations under the <i>Forests Act</i> and the <i>Agricultural Pests Act</i>.</p> <p>For example, the review of MIR aims to reduce time and effort required for ministry-licensed meat facilities to comply with animal slaughter and meat processing requirements by shifting to an outcome-based regime from a process-based regime without compromising food safety or animal welfare. In addition, the review will address opportunities for increased market access. Results for this initiative will be reported following completion of the review.</p>
Reducing the Regulatory burden on Alberta's Agriculture and Forest Industries	Ongoing	<p>In 2019-20, all ministries across the Government of Alberta were asked to conduct a baseline count of the regulatory requirements for which they have oversight responsibility. This process established the baseline by which ministries will measure progress toward the achievement of a one-third reduction in regulatory burden by 2023.</p> <p>Agriculture and Forestry has completed a baseline count of regulatory requirements faced by agriculture and forest industries. The total baseline count of regulatory requirements as of May 1, 2019 was 61,086, which included the Department of Agriculture and Forestry, Agriculture Financial Services Corporation, Irrigation Council, Farmers' Advocate Office, and the <i>Marketing of Agricultural Products Act</i>.</p> <p>The ministry will monitor its annual performance expectation as it works to reduce regulatory burden and meet the Government of Alberta's baseline count reduction targets. As of March 31, 2020, the count of regulatory requirements had been reduced by 8.1 per cent, to 56,125.</p>

Outcome One: Growth and Sustainability of Alberta's Agriculture and Forest Sectors

The agriculture and forest sectors are important contributors to the province's economy. Latest statistics from 2019 show the forest and agri-food industries accounted for \$2.0 and \$9.2 billion of Alberta's real gross domestic product, respectively. Specific actions to support sector growth and sustainability will ensure the ministry does its part to help grow and diversify Alberta's economy and create jobs in the process. This outcome focuses on the ministry's work to promote Alberta as an attractive place for investment, secure domestic and international market access, and build value-added processing capacity while responding to changing consumer demands. The key objectives aim to grow and expand primary agricultural commodities, value-added agri-processing, and forest products exports, and to provide the support necessary to increase trade and seize market development opportunities.

The ministry identified several initiatives in 2019-20 that support the key objectives under this outcome. Some examples of key initiatives that helped the ministry make progress toward achieving growth and sustainability of Alberta's agriculture and forest sectors include:

- The delivery of AgriInsurance, which is part of the suite of Business Risk Management programs the Agriculture Financial Services Corporation provides to support the agricultural economy. AgriInsurance coverage assists Alberta producers in managing risks associated with livestock and crop production, such as production shortfalls, falling commodity prices, and rising input costs.
- The delivery of the Canadian Agricultural Partnership, which is a five-year cost-shared agreement between Alberta and Canada. Funding provided from the Government of Canada through the bilateral Canadian Agricultural Partnership Agreement is used to support 16 programs that help ensure Alberta's agriculture, agri-food, and agri-based industries are profitable and innovative.

Canadian Agricultural Partnership

The Canadian Agricultural Partnership (the Partnership) is a \$3 billion federal-provincial-territorial investment for Canada's agriculture and agri-food sector. It is in effect from April 1, 2018 to March 31, 2023. In Alberta, over \$400 million will be invested over the five-year period.

The ministry delivers the Partnership through 16 programs and two internal initiatives in five priority areas that are represented in key objectives that span across all of the ministry's outcomes. The priority areas include:

- **Products, Market Growth and Diversification:** Three programs and one internal initiative that support the continued growth of the value-added agriculture and agri-food processing sectors. This priority area includes programs in key objectives under Outcome One.
- **Science and Research:** Two programs to accelerate the adoption of innovative technologies, products, practices, and processes that will improve industry growth and competitiveness. This priority area includes programs in key objectives under Outcomes One, Two, and Three.
- **Environmental Sustainability:** Five programs that build sector capacity to mitigate agricultural greenhouse gas emissions, protect the environment, and adapt to climate change by enhancing sustainable growth, while increasing production. This priority area includes programs in key objectives under Outcome Three.

Canadian Agricultural Partnership (continued)

- **Risk Management:** Three programs and one internal initiative that aim to improve industry's anticipation, preparedness, and mitigation of risks that could affect food safety, plant health, animal health, humane slaughter, water conveyance, and worker safety. This priority area includes programs in key objectives under Outcomes Two and Four.
- **Public Trust:** Three programs that support industry efforts to improve the public's understanding and perception of agriculture and food in Alberta. This priority area includes programs in key objectives under Outcomes One, Two, Three, and Four.

The following table represents the actual expenditures reimbursed by the federal government including administration costs, program delivery, grants, and projects for each of the Partnership's priority areas. The programs, associated grants, and projects under each priority area are discussed in relevant key objectives. The budget for this initiative was \$42.3 million.

Priority Area	2019 Actuals (\$ millions)
Products, Market Growth and Diversification	\$ 12.0
Science and Research	\$ 11.0
Environmental Sustainability	\$ 10.6
Risk Management	\$ 7.6
Public Trust	\$ 0.7
Total	\$ 41.9

Key Objectives

1.1 Provide focused trade services for Alberta's agriculture and forest sectors to secure access to current and new growth markets, and advocate on their behalf for fair long-term trade agreements.

Growth and development of the agriculture and forest sectors is a top priority for the ministry. Continued success of these sectors will depend on progress made toward meeting government's commitment to improve market access, inter-provincial trade, and export performance. The activities undertaken by Agriculture and Forestry also contribute to the broader government objective of revitalizing and sustaining key industries that will help get Albertans back to work. This key objective reflects a broad range of trade-related services, such as trade advocacy, business matching, trade missions and promotional activities, network facilitation, and market research. Together, these services build demand for Alberta's high quality products and leads to growth opportunities for the agriculture, food, and forest sectors.

Agriculture and Forestry delivers a suite of integrated business development services designed to help small and medium-sized agriculture and food companies increase their business knowledge and improve their capacity and capability to evolve, adapt, and take advantage of domestic and international market opportunities. Through activities such as workshops and engagements sessions, Alberta's agriculture and food industries grew their understanding of international market opportunities and received market research information aimed at increasing their export readiness and capacity. As of December 31, 2019, four export readiness sessions assisted 45

Alberta companies with their international market development efforts. In addition, 12 regional strategies were updated in 2019-20 to provide direction for market development and export initiatives targeting key established and emerging markets. The focus markets for these regional strategies include South East Asia, South Asia, Middle East and North Africa, Sub-Saharan Africa, Eurasia including Turkey, United States, Mexico, South and Central America, European Union, Greater China region, Japan, and South Korea. The ministry will continue to support the efforts of Alberta industry in the 12 priority international markets going forward, and adjust for any market access or geo-political issues that may arise.

In April 2019, the ministry implemented the 2019-20 International Market Development Strategic Plan to assist Alberta's agriculture and food industries grow, advance export readiness, and adapt to new competitive marketplace and emerging opportunities. In 2019-20, the ministry participated in 122 agriculture-related market development initiatives to support Alberta companies to increase sales and market share in established markets, and enter new markets. These initiatives included business matching, international trade shows, buyer visits to Alberta, export readiness workshops, in-market promotions, and seminars. Through the Products to Markets program under the Canadian Agriculture Partnership's Products, Market Growth and Diversification priority area, Agriculture and Forestry invested over \$974,000 to support international market development initiatives, which assisted the 250 agriculture and food company participants export their products to over 20 countries throughout the world.

In November 2019, eight Alberta companies exhibited at the Food and Hotel China Expo in Shanghai, with six extending their visit to Guangzhou where an Alberta trade promotion seminar and business-to-business meetings were held. Approximately 50 importers, distributors, and e-commerce operators attended the seminar and business-to-business matchmaking meetings. As a result, the participating Alberta companies reported the establishment of 99 quality business contacts. In October 2019, Agriculture and Forestry led a mission anchored around the Allgemeine Nahrungs-und Genussmittel-Ausstellung (ANUGA) (General Food and Drink Trade Fair) Trade Show held in Germany; the largest food and beverage trade show in the world. Six Alberta companies participated in the exhibit, and ten additional companies attended the show. As a result of this mission, participating Alberta companies have reported 70 trade leads.

The ministry continued to support projects aimed at increasing the profile of Alberta wood products domestically and internationally, promoting the use of wood in commercial, industrial, and institutional construction, and increasing awareness of non-traditional applications for Alberta's wood. To make it easier and faster for companies to gain approval to move wood between provinces, Agriculture and Forestry streamlined and clarified the import and export of wood policies in 2019-20.

A grant for \$250,000 was provided to the Alberta Forest Products Association (AFPA) in 2019-20 to support Alberta Wood *WORKS!* initiatives, led by the Canadian Wood Council. Alberta Wood *WORKS!* presented at 56 events, such as seminars, conferences, and tours, with over 3,400 attendees. In addition, Alberta Wood *WORKS!* placed advertisements promoting Alberta wood products in five major publications that reached over 285,000 wood products buyers, designers, and engineers electronically, and typically sell over 100,000 print copies annually. Alberta Wood *WORKS!* efforts also supported the increased use of wood in Alberta building projects. The campaign focused on 48 construction products in Alberta in 2019-20, with an estimated construction value of over \$380 million and an estimated increase in wood products sales of \$18.2 million. The AFPA continued to work with government and other stakeholders to ensure that Alberta's forests and land base are protected and managed responsibly, which was an important factor for sustainable forest practices certification in 2019-20.

Agriculture and Forestry continued to collaborate with BC Wood and Alberta's primary and value-added wood products producers on a secondary wood products marketing initiative that aims to drive market expansion into the northwest U.S. with possible future expansion into Japan. In 2019-20, the ministry provided a \$100,000 grant to the BC Wood Specialties Group Association to conduct an international market development project for Alberta's primary lumber and panel products. The export market development program will support Alberta's primary and secondary wood products manufacturers in their efforts to enter and diversify markets faster than they might be able to do on their own.

In 2019-20, a \$250,000 grant was provided to the Canada Wood Group to support the Canada Wood Asian Wood Promotion Project. This project involved advocacy activities for Alberta spruce, pine, and fir lumber and oriented strand board. In addition, the Canada Wood Group continued to help Alberta wood products manufacturers diversify and expand export opportunities for their products in traditional and emerging overseas markets, including Europe, Japan, China, South Korea, and India. Canada Wood Group focused on spruce, pine, and fir stick-frame building code development, carpentry training, and demonstration projects using spruce, pine, and fir wood.

The ministry supported the Engineered Composites team of Alberta Innovates Technology Futures to develop new fibre products for emerging markets in 2019-20. The team's in-house pilot plant, and research and development expertise were used to support Alberta's strand-based panel manufacturers.

Agriculture and Forestry works with Economic Development, Trade, and Tourism (EDTT) on initiatives to support increased competitiveness, growth, and diversification in the agriculture and forest sectors. This includes improving ties with the Alberta International Offices (AIO) in Tokyo, Seoul, Beijing, and New Delhi, which assists in generating market intelligence, identifying trade and investment leads, and facilitating business matchmaking. In addition, Agriculture and Forestry also continues to provide input to EDTT to reduce internal trade barriers under the Canadian Free Trade Agreement (CFTA) to promote domestic market development in line with government priorities. As part of Alberta's job-creation strategy, the government has removed 21 exceptions under the CFTA, giving Alberta the fewest exceptions of all the provinces, promoting more free trade and labour mobility within Canada. Alberta will continue to advocate that exceptions be removed in other provinces as freeing the movement of agri-food products will lead to economic growth and job creation.

Alberta's market development and expansion goals are affected by Canada's participation in international trade agreements. Removing tariff and non-tariff trade barriers is critical for expanding market access to Alberta's agri-food exports. The province continues to enter into newly implemented trade agreements and advocates for new long-term trade agreements that lend stability and certainty to producers and exporters. Ratification of the Canada-United States-Mexico Agreement (CUSMA) was completed in March 2020 and implementations is expected to start on July 1, 2020. CUSMA allows for the continuation of existing duty-free access to the U.S. market that was available under its predecessor, the North American Free Trade Agreement.

Agriculture and Forestry is continuing to advocate for expanded membership in the Comprehensive Progressive Trade Agreement for Trans-Pacific Partnership (CPTPP). Alberta also continues to work with the Government of Canada to open new markets among the Association of Southeast Asian Nations (ASEAN) member states. Although Canada and ASEAN have completed a joint background study for a free trade negotiation, formal trade negotiation has not been launched. Agriculture and Forestry has continued urging the federal government to complete the ongoing Canada-India Comprehensive Economic Partnership Agreement (CEPA) negotiations. This is particularly important as the U.S. is finalizing its trade agreement with India and could soon have competitive advantage over Canada in one of the largest markets in Asia.

Agriculture and Forestry continued to defend Alberta's forest sector by providing input into the Federal Government's Canada-U.S. softwood lumber dispute appeal processes throughout 2019-20. The dispute is now in the Second Administrative Review, and there is no evidence of settlement or negotiation of a new agreement between Canada and the U.S. at this time. First Administrative Review final duty orders are expected in November 2020. These orders will set a new duty rate deposit date for shipments after that date. Current estimates have First Administrative Review rates in the nine per cent range, which may alleviate some constraints. Going forward, Alberta will continue to support Canada in its ongoing efforts to push for the free flow of trade, to the benefit of both nations and Alberta's forest industry.

The ability to achieve export targets and improve market access is contingent on removing trade barriers and undertaking client-facing market development activities. In 2019-20, some of these activities were constrained by geo-political issues outside of the ministry's control, including the continued market disruption in China, stemming from unilateral restrictions affecting some of the agriculture industry's biggest exports such as canola, beef, pork, and wheat. In November 2019, China ended the suspension of export certificates for Canadian beef and pork; however, there was no change in access for Canadian canola seed. In 2019-20, Canada launched a formal World Trade Organization (WTO) trade challenge against China's restriction of canola trade. There is a risk that China could appeal any favorable WTO ruling for Canada, and there is no WTO appellate body to hear the appeal. This could delay China's compliance with a WTO panel ruling. To alleviate the financial burden resulting from the restriction, Alberta extended the AgriStability participation deadline to July 2, 2019, allowing farmers affected by the dispute more time to access the ministry's business risk programs. The global health pandemic, COVID-19, led to the cancellation of key events such as trade shows and market promotions in the latter part of 2019-20. In response to the pandemic and in line with recommendations from Alberta's Chief Medical Officer of Health, the ministry has prohibited business travel, large gatherings, and any in-person international business activities. Aside from the immediate impact on business, travel, and trade, the uncertainty caused by the pandemic has made it increasingly difficult to plan ahead for the ministry's medium-term and long-term responsibilities, such as outgoing missions, incoming missions, and promotions. The indefinite postponement of promotional, matchmaking, and mission projects will have an impact on the ministry's growth and development goals and expectations going forward.

1.2 Expand the agriculture and forest sectors through research and development to encourage growth and diversification in secondary wood product development, and the food and value-added processing sector.

The ministry is undertaking initiatives to build capacity and expand Alberta's food and value-added processing and secondary wood product development industries. Through activities in applied research, product development, processing, and incubation programming, and by supplying specialized facilities and expertise, Agriculture and Forestry is supporting industry to diversify products and add value here in Alberta. These targeted efforts to encourage sector growth will contribute to the government's economic goals by creating jobs, improving competitiveness, and increasing opportunities to commercialize more products, and expand the markets served. This key objective aims to leverage the ministry's manufacturing technologies, market intelligence, partnerships, and services to facilitate the uptake of new ideas in processing and product development to add value to agriculture, agri-food, and forest products.

Agriculture and Forestry has a number of unique food processing facilities that support value-added research and development activities. The agri-processing cluster in Leduc, containing the Food Processing Development Centre (FPDC) and Agri-value Processing Business Incubator (APBI), provides infrastructure and services to support the establishment and growth of new companies and new business ventures in Alberta. Between 2011 and 2019, these facilities aided in the formation and expansion of 10 companies that have generated an estimated \$60 million in

Quick Fact

The government-funded Fibre Processing Pilot Plant in Vegreville, Alberta is North America's largest research and development processing facility for hemp and flax.

investments and created more than 500 direct and indirect jobs. The Bio Processing Innovation Centre (BPIC), and the government-funded Fibre Processing Pilot Plant in Vegreville provide business development and technical services, including access to equipment and expertise, to support bio-based value-added product development and commercialization (e.g., hemp, and flax).

Alberta's APBI plant fractionation suite was operationalized in August 2019. The suite offers industry access to \$4 million in plant-protein processing fractionation equipment. Access to this scale of small commercial equipment as a fee for service/lease offering is the only one of its kind in North America. In 2019-20, the ministry furthered its partnership with Western Economic Diversification (WED) to invest in plant-protein fractionation equipment at the APBI. A \$2.8 million investment in equipment, planned over 2020-21 and 2021-22, is expected to improve the efficiency of APBI's plant-protein fractionation suite and make it more attractive to industry. Encouraging focused development in plant-based food and non-food products utilizing protein, oil, starch, and fibres from raw materials such as; canola, pulse, and cereal crops, will help Alberta achieve greater diversification in the agriculture sector.

In 2019-20, the FPDC entered into 26 processing, 68 product development, and eight sensory evaluation client service agreements in support of food and beverage product development and commercialization. Applied research projects active in 2019-20 helped industry respond to changing consumer demands with respect to increased consumption of plant-based protein and pulse products. Through collaborations with the FPDC, industry clients introduced new plant-based cheese, egg replacement, new berry product, and unique meat and jerky products into the market.

In 2019-20, BPIC entered into 30 client service agreements in support of product development and commercialization. Work with industry included developing synthetic chemical-free personal care products, biomass-based consumer products, and process support to industry. A significant achievement for BPIC was the installation and commissioning of a pilot scale spray dryer, which allowed the facility to work with companies to produce plant-based protein ingredients and evaluate functionalities versus processing parameters. The spray drying capability also supported a forest company to carry out work on cellulose nanocrystals, which is an ingredient that can be used for a wide variety of applications, including biomedicine, pharmaceuticals, electronics, membranes, and nanocomposites. BPIC also supported two companies to establish their own manufacturing capabilities in Alberta resulting in job creation and economic diversification and growth.

Advancing Alberta's value-added wood products manufacturing is essential to increase the forest sector's economic contribution and create jobs. In 2019-20, Agriculture and Forestry continued to collaborate with Nanjing University in China to investigate aspen-based products and processing technologies for Alberta's aspen resources. Nanjing University is in partnership with over 200 companies in the forest industry, which offers commercialization channels for the province's aspen products. Collaboration with Nanjing University also provides for international market development opportunities by connecting Chinese companies and Alberta wood products manufacturers through the Aspen Innovation Centre, and through events such as the Alberta Cup; a design competition for the development of prototype value-added forest products using Alberta-based aspen veneer and lumber. The ministry sponsored three Alberta-based secondary wood products manufacturers who exhibited at the 2019 International Builders Show – the largest annual light construction trade show in the world. The event provided an opportunity to highlight Alberta wood products, and collect secondary wood products buyer lists and Alberta product inquire lists.

Forest sector events scheduled to take place in March 2020 were cancelled due to the global COVID-19 pandemic, including an Alberta secondary products manufacturer representation at the Nikkei Construction Materials Show in Tokyo, Japan, and the New Markets and Products Workshop in Edmonton. The inability to actively promote Alberta's value-added wood products will have an impact on the ministry's growth and development goals and expectations going forward.

1.3 Identify strategic opportunities to create the environment for business success.

Creating an environment for business success enables the ministry to achieve its economic goals, and contribute to the government's broader economic growth and job creation priorities. This key objective aims to build an attractive, business friendly environment to support Alberta's agriculture and forest sectors through the implementation of specific programs, services, and red tape reduction initiatives. In particular, Agriculture and Forestry is working to:

- Streamline regulatory requirements on business;
- Help businesses and entrepreneurs manage risk in emerging sectors;
- Uphold the reputation of Alberta's agriculture and forest sectors;
- Ensure forest companies have long term access to wood fibre resources;
- Help Alberta's agriculture industry grow; and
- Attract investment.

In 2019-20, the ministry undertook a review of the *Marketing of Agricultural Products Act* (MAPA) to identify opportunities for reducing regulatory burden and red tape associated with the legislation affecting Marketing Boards and Commissions (MBCs), and others governed by MAPA. Through responses to Marketing Council's biennial survey and other feedback avenues, such as the Red Tape Reduction website, MBCs have been calling on government to address delays with amending MBC Plan Regulations and to ensure a timely process for amending all MAPA regulations. Plan Regulations establish MBCs and outline the critical governance requirements for these organizations such as election of board directors, producer voting rights, authority to collect service charges to fund the MBC, among other key organizational elements. These regulations are made by Order in Council. There are other types of regulations made by MAPA, such as plebiscite regulations that are temporary in nature to govern plebiscite votes.

The proposed amendments are pending review and debate in the Alberta Legislature, which is not anticipated until later in 2020. If the MAPA amendments are approved, it is anticipated that processing time for amending MBC Plan Regulations will be reduced by a minimum of six months. Furthermore, once all proposed amendments are implemented, it is expected that the regulatory requirements for MAPA regulations would be reduced by a minimum of 400 requirements within three years. Reducing processing time and establishing bylaws ensures that MBCs are able to establish regulatory frameworks in a timely manner. Shifting the administrative burden will ensure that decision makers focus on substantive matters rather than minor or administrative items.

The ministry provides a suite of business development programs and services to support companies in their efforts to develop new products, access new market opportunities, and grow their agricultural businesses. In 2019-20, the ministry held 29 sessions attended by 1,129 industry participants.

In 2019-20, grant programs under Canadian Agricultural Partnership priority area of Products, Markets, Growth and Diversification provided 117 Alberta-based value-added processors with almost \$8.9 million to support product development, and the pursuit of new market opportunities

Quick Fact

As part of a larger government growth and investment strategy, the ministry initiated development of the Agri-Food Sector Investment and Growth Strategy in 2019-20 to increase the value of the agriculture and agri-processing sector in Alberta's economy, and enable business success. The strategy consists of three pillars – investment attraction, increasing exports, and expanding irrigation infrastructure.

leading to business growth and job creation. Processing activities focused on canola, pork, plant protein, hemp, grain processing, and ready-to-eat food manufacturing – key growth opportunity sectors identified for Alberta. This funding contributed to the successful development and introduction of 276 of the 302 value-added agriculture products introduced to market with ministry assistance, created 172 full-time jobs and 112 part-time jobs in 2019-20.

Agriculture and Forestry is the Government of Alberta's lead ministry for investment attraction, retention, and expansion in the agri-processing industry. The ministry works toward industry expansion by targeting subsidiaries of agri-processing firms headquartered outside of Alberta. In

2019-20, target markets for proactive investment were identified in the United States, Europe, the Middle East, and Asia. Services provided to potential investors including site selection assistance, introductions to federal and municipal contacts, and support to establish a business in Alberta including information on taxes, employment, regulations, and business match-making services.

In 2019-20, the ministry facilitated the attraction and expansion of 14 value-added processing companies in traditional and emerging agri-processing activities such as vegetable processing, food services, plant-based food production, natural health products, and agri-technology. The collective value of these investments is estimated at \$315.7 million, with companies reporting that 718 jobs to be created in Alberta when the projects are completed. In addition, Agriculture and Forestry responded to 149 investment leads, supported 43 incoming investment missions, and organized one outgoing investment program.

Plant protein has been identified as one of the major opportunities for growth in the value-added agriculture sector. In June 2019, Calgary and Saskatoon had the opportunity to host the 13th Plant-Based Food Summit; an annual international event that attracts business leaders, researchers, product developers, and scientists working to develop plant-based foods and ingredients. Approximately 250 delegates attended the event, including Alberta agri-processors, scientists, government officials, and representatives from major international agri-food companies active in the plant-based food sector. Hosting the 13th Plant-Based Food Summit provided an opportunity to promote Alberta's strengths in pulse production, food and beverage manufacturing, and research and development in plant proteins, and to highlight Alberta's competitive advantages for research and development capacity in plant protein extraction and functionality. Beyond providing this forum, the event also generated qualified opportunities valued at \$125 million that the ministry is now pursuing.

The Stampede Investment Forum is an effective vehicle for promoting Alberta and attracting strategic investment in the province's agriculture and agri-processing sectors. As part of the 2019 Stampede Investment Forum held from July 7-10, Agriculture and Forestry organized 48 meetings, including 11 one-to-one investor meetings, 18 business-to-business meetings, and nine business-to-government and/or industry association meetings. In addition, the ministry developed custom programs and organized site visits for seven investors and the Ambassador of Kazakhstan to Canada. Twelve companies were successfully recruited to participate in the event, which generated several investment leads to help the ministry achieve its investment and job creation goals.

To advance Alberta's emerging hemp sector, Agriculture and Forestry conducted targeted market development activities to connect Alberta hemp fibre companies to international manufacturers

and buyers. The ministry also played an integral role in planning and hosting the Canadian Hemp Trade Alliance's annual conference in Calgary in November 2019. The conference attracted over 500 attendees from around the world.

The Agriculture Financial Services Corporation (AFSC) completed several red tape reduction initiatives in 2019-20 to simplify approval processes for clients. These efforts have improved opportunities for Alberta's agricultural producers and agribusinesses. Streamlining approval processes had the added advantage of allowing AFSC's lenders to focus on higher value interactions with clients. The quick loan option, introduced in June 2019, has significantly decreased the average approval time for loans up to \$150,000, from approximately seven hours, depending on complexity, to less than an hour. There were 155 quick loans processed in 2019-20, which represents 12.1 per cent of all Next Generation Loan Program (NGLP) and Developing Producers Loan Program (DPLP) authorizations. The Express Processing Option for loans up to \$3 million was revitalized in May 2019. This option decreased loan turnaround time from several days, depending on the loan project size and complexity, to as little as one day. In 2019-20, 271 loans were processed under the Express Processing Option, which represents almost 18.2 per cent of all NGLP, DPLP, Alberta Producers Loan Program, and Revolving Loan Program authorizations. Overall, agriculture farm loan approval times were reduced from over five days to just over three days, and commercial loan approval times were reduced from over 14 days to just over nine days in 2019-20. In addition to shortening approval times, AFSC has improved the loan renewal process by introducing automatic renewal for loans in good standing, developing a new client-friendly process for loan payment deferral, and accepting electronic client signatures.

In 2019-20, Agriculture and Forestry continued to develop relationships with governments, industries, and research institutes in China to promote Alberta forest products and increase visibility in the Greater China Region in 2019-20. The ministry provided \$100,000 grant to BC Wood Specialties Group Association for the BC Wood Asian and North American Value Added Chain Enhancement Program project aimed at attracting investment for a cross-laminated timber (CLT) plant in Alberta, which would support mass timber construction in the province.

The provision of long-term wood fibre access and timber tenure are key to achieving the expected growth levels established in Alberta's Forest Jobs Action Plan – an implementation plan to deliver on government's commitments over time. In 2019-20, Agriculture and Forestry began development work on the Forest Jobs Action Plan and it was published in May 2020.

In 2019-20, the ministry completed negotiations for a new Forest Management Agreement (FMA) in the Grande Prairie area, and began renewal of several existing ones to ensure continued access to timber resources and the creation and maintenance of forest jobs. Once a FMA is in place, Forest Management Plan development can take several years. Many Forest Management Agreement holders are actively working through the Forest Management Plan development process.

Apart from FMA negotiations and renewal, the ministry is exploring other opportunities to increase access to fibre through the Forest Jobs Action Plan. These include allocating previously uncommitted timber rights, ensuring a more expedient return of wildfire burned areas to productive forests, using superior naturally occurring seedlings that are better for the long-term health and resilience of forests, and harvesting steep slopes and marginal areas. The ministry will continue to work with Alberta Environment and Parks to ensure caribou range planning considers socio-economic factors and aligns with the fibre security needs of Alberta's forest industry. A *Forests Act* review will also recommend changes to ensure the legislative framework is in place to promote fibre security.

In 2019-20, Agriculture and Forestry implemented the following red tape reduction initiatives for the forest sector:

- Successfully championed new building codes with Alberta Infrastructure and Municipal Affairs allowing for the construction of wood-framed 12-storey buildings. This outcome is significant as mass timber construction represents the greatest opportunity for the expansion of value-added wood products manufacturing in Alberta. In addition, development of these structures will create a market demand, and pave the way for investment in secondary manufacturing.
- Shortened the time for forest product import and export approvals.
- Reduced the Forest Management Agreement (FMA) approval process by six months by amending the *Forests Act* to allow the Minister of Agriculture and Forestry to sign-off on new or renewed FMAs.

The ministry will continue to implement initiatives in 2020-21 and beyond to support the government's commitment to reduce red tape. This includes continuing to review the *Forests Act* and associated regulations with red tape reduction as a key driver. In 2019-20, Agriculture and Forestry commenced a review of the regulatory approval process to find potential efficiencies in the development and review stages, such as enabling digital submission, reducing information requirements, and delivering more timely approvals. The review and recommendations for improvements are expected to be completed in 2020-21.

1.4 Execute the *Supporting Alberta's Local Food Sector Act* to encourage the development and success of Alberta's local food producers and processors.

The *Supporting Alberta's Local Food Sector Act* sets standards for local organic food, designates a local food week, and provides for the creation of a local food council. This key objective aims to facilitate growth and sustainability of local food producers and processors, which will create jobs and boost the agri-food industry's contribution to local economies.

In 2018, the Local Food Council was appointed to review the *Supporting Alberta's Local Food Sector Act* and provide the Minister of Agriculture and Forestry with a report to help address challenges affecting growth in the local food sector. The Local Food Council provided an interim report in March 2019, and the final report in October 2019. The report outlined recommendations in the following strategic areas:

- Addressing barriers and challenges;
- Diversifying aggregation and distribution systems;
- Providing more risk management tools to the local food sector;
- Increasing access to local food;
- Increasing consumer awareness of local food; and
- Establishing the local food sector's role in Alberta.

With submission of the final report, the Local Food Council was dissolved. The Minister accepted the report in January 2020 and has taken immediate steps over the past year to support the local food sector through consultation to modernize the Meat Inspection Regulation, raising AFSC's lending limit to increase access to capital for the industry, advocating for interprovincial trade, and supporting youth agriculture education programs.

Alberta's second annual Local Food Week was held from August 11-18, 2019. Through the Industry and Market Development Fund, the Alberta Farm Fresh Producers Association and the Alberta Farmers' Market Association created a recognizable brand for Alberta local food. Marketing materials, including an Alberta local food logo and a website, were developed in 2019-20. A total of 43 farmers' market events and 21 on-farm events were held in 2019-20. Many of the on-farm

events were related to Open Farm Days, an annual event that provides visitors with an opportunity to meet local farmers and entrepreneurs and show support for all things grown, made, and harvested in Alberta. Alberta Local Food Week occurs each year during the third week in August and is tied to Open Farm Days.

1.5 Deliver agricultural insurance products to give producers tools to reduce the economic impacts of risks beyond their control that threaten the viability of their farms.

The Agriculture Financial Services Corporation (AFSC) is the provincial Crown Corporation responsible for providing Alberta's agricultural producers with crop insurance products. Through the provision of crop insurance coverage and income stabilization, and the minimization of potential economic effects of production losses caused by weather conditions, the inherent risks of farming are mitigated, which supports agricultural growth, diversification, and stability of rural communities. This key objective describes the activities undertaken by AFSC to provide Alberta producers with insurance coverage to assist in managing risks associated with livestock and crop production.

The following table represents the 2019 actual expenditures for the insurance coverage provided by the AFSC under this key objective, which was budgeted at \$410.3 million¹.

AFSC AgriInsurance Initiative (Outcome 1: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Annual and Perennial Crops	\$ 753.5
AgriInsurance	\$ 714.8
Hail Insurance	\$ 26.1
Wildlife Insurance	\$ 12.6
Western Livestock Price Insurance	\$ 7.6
Total	\$ 761.1

AFSC provides AgriInsurance to mitigate against production losses for specific perils. It is part of the suite of Business Risk Management (BRM) programs under the Canadian Agricultural Partnership. As of March 31, 2020, AFSC had insured 15.2 million annual crop acres and 7.4 million perennial acres through AgriInsurance for the 2019 crop year. In addition, there were 6,763 claims made for annual crops resulting in payments of over \$656.8 million, and 3,060 claims made for perennial crops resulting in payments of over \$58.1 million as of March 31, 2020. Several adjustments were made to AgriInsurance in the 2019 crop year to increase the scope of coverage provided. For example, AFSC amended the terms and conditions of coverage for irrigated crops to allow for conditional coverage. The amendments were made in response to imposed water restrictions by irrigation districts and other regulatory bodies. AFSC also extended organic coverage to crop acres that received organic certification in the 2019 crop year.

The Western Livestock Price Insurance Program is an insurance product offered by AFSC to assist cattle and hog producers in managing downside price risk. In 2019-20, policies purchased totaled 2,389 with \$7.6 million of indemnities paid as of March 31, 2020.

AgriStability is an income support program that provides agricultural producers with protection against large declines that threaten the viability of their farm, and are beyond their capacity to manage. It is also part of the suite of BRM programs under the Canadian Agricultural Partnership. As of March 31, 2020, AFSC had processed 1,024 of the 1,553 claims received for the 2019 program

¹ Budget includes inter-entity transactions.

year, and had paid out 49 claims for a total of \$3.2 million. Total payments for the 2019 program year will increase as more claims are paid out.

In 2019-20, AFSC implemented online filing systems for AgriInsurance and AgriStability. Clients can now submit their forms digitally, which has improved the efficiency of the claim process and reduced red tape. AFSC also participated in a Federal-Provincial-Territorial BRM review in 2019-20 aimed at improving AgriInsurance and AgriStability. The assessment focused on making the BRM programs more effective, agile, timely, and equitable for farmers across Canada. To address producers' trade concerns, AFSC granted a one-time extension to the filing deadline for AgriStability, moving the deadline for the 2019 program year from April 30, 2019 to July 2, 2019. As a result of recommendations made during the BRM review, an amendment will be made to AgriStability for the 2020 program year removing private sector insurance payments from eligible income to encourage the development of, and participation in, private sector BRM products for mitigating agricultural disasters.

The 2019 crop year was difficult for Alberta producers. The spring brought dry conditions across the province. During the summer months, the south remained dry while above average precipitation and cooler temperatures were experienced in the other regions, resulting in localized flooding. Difficulties continued through the fall harvest season, as early snowfalls and precipitation occurred across the province. The difficult harvest resulted in over 1.0 million insured acres remaining unharvested at the onset of winter. AFSC responded by extending crop insurance coverage past November 30, 2019, which provided clients protection for the insured unharvested acres over winter. In response to client cash flow needs, AFSC issued \$80.9 million in crop insurance advances and preliminary payment to 829 subscriptions. The preliminary payment option allows producers facing production shortfalls to receive a large part of their estimated claim before formal assessment and finalization. In addition, \$42.3 million in unharvested acreage benefits were issued to 1,864 subscriptions. AFSC is now working to streamline processes in anticipation of the inspection requests to occur with the unharvested acres this spring.

Snowed-under crops are an ongoing issue that continues to have an impact on agriculture operations. In 2019-20, lending services responded to impacted clients by offering interest-only payments, deferred loan payments, and loan re-amortizations to clients that were experiencing cash flow difficulties related to snowed under crops. Business Risk Management programs will provide assistance once crops are fully harvested and damages assessed in spring 2020.

1.6 Consult with farmers and ranchers to develop a research and extension plan that ensures producers' needs and views guide key agriculture research priorities.

The Government of Alberta committed to ensuring that the province's agriculture research is directed by farmers and ranchers. This key objective reflects the process undertaken by the ministry to engage producers in the transformation of the agriculture research model. The new model was announced at the end of March 2020 as Results Driven Agriculture Research (RDAR).

More than 2,000 Albertans participated in the consultation process, including 650 attendees through 17 in-person engagement sessions, and over 1,400 completed online surveys. The feedback was analyzed shortly afterward and used to inform development of RDAR. In February 2020, a Memorandum to Cabinet was developed describing the new model for farmer-led research in Alberta. Cabinet approval was obtained on March 17, 2020.

A non-profit, arms-length research organization will be created in 2020 and research funding is expected to begin flowing by September 2020, with the organization achieving full operational capacity by March 2021. RDAR's transformative research model will provide the province with a

stable foundation for scientific agricultural research, and ensure Alberta's agriculture industry has more financial flexibility and autonomy to fund longer-term projects. Under this new model, agricultural research in Alberta will lead to tangible benefits for farmers, including higher profits, a more abundant food supply – at lower cost – for consumers, and ultimately a higher quality of life in rural communities.

While this important developmental work was occurring throughout 2019-20, the ministry maintained responsibility for conducting and funding agricultural research, including operating agriculture research facilities. The approximate research budget in 2019-20 was \$36 million. This included 59 grants totaling \$10.3 million provided to 19 recipients through programs under the Canadian Agricultural Partnership's Science and Research priority area. The crop and livestock research activities funded aim to accelerate the adoption of innovative technologies, products, practices, and processes to improve the agriculture industry's growth and competitiveness. Research activities linked to public good and assurance, such as food safety inspections and surveillance, crop health surveillance and disease control, animal welfare and health, and water management will continue under the new research model.

Performance Measure 1.a:

Number of value-added agriculture products developed and successfully introduced into the market with assistance from Agriculture and Forestry

Prior Years' Results				Actual 2019-20	Target 2019-20
Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19		
227	315	218	401	302	265

Source: Agriculture and Forestry

Note: The result for 2018-19 has been revised to 401 to reflect the addition of 102 value-added agriculture products that were introduced into the marketplace in 2018-19 but were not validated before publication of the 2018-19 Agriculture and Forestry Annual Report. This revision reflects timing differences between reporting requirements for multi-year product development projects and the Annual Report development time frame.

Description: This measure tracks the number of value-added products developed and introduced into market with support from the ministry. Value-added products refers to primary agricultural commodities that have undergone a change in physical state to achieve enhanced product value. This measure does not reflect economic benefits generated from these products, such as revenue growth, job creation, business starts or new investments.

Rationale: Product development and commercialization activities stimulate capital investment, innovation, and job creation across the supply chain, which help ensure the agriculture sector remains competitive and can effectively access local and global markets.

Results: In 2019-20, 302 new value-added agriculture products were developed and successfully commercialized or introduced to market with assistance from the ministry. The number of new value-added products commercialized is 14 per cent higher than the target due to continued uptake of the ministry's product development grant and business development and commercialization programs. Funding programs provided \$4.7 million in grants to 58 agri-processors to develop new value-added agriculture products. While the 2019-20 result is higher than the target, it is 25 per cent lower than prior year's result. This is partially due to an expansion in scope in the types of projects supported under these funding programs. Added emphasis is placed on business development initiatives that range from technology or process development, to

market access or expansion initiatives. The expanded scope is intended to drive innovation, commercialization, and economic growth.

Key categories of products developed include:

- Beverages (e.g. beer varieties, flavoured liquor, and ingredients);
- Snack and dessert foods (e.g. muffins, squares, cookies, mixes, and flavoured chocolate);
- Flavoured value-added meat products (e.g. sausages and jerkies);
- Food products (e.g. ethnic foods, cheeses, and allergen-free egg and dairy replacements);
- Pet foods and treats;
- Personal care products (e.g., cosmetics, soaps, lotions, and creams);
- Breads and pizza crusts;
- Honey and berry products; and
- Bio-industrial products (e.g. environmentally friendly industrial application products, such as erosion control, horticulture, and industrial application).

Performance Measure 1.b:

Percentage of eligible seeded acres for major crop categories insured under Production Insurance: annual crops, and perennial crops

Crops Under Production Insurance	Prior Years' Results				Actual 2019	Target 2019
	Actual 2015	Actual 2016	Actual 2017	Actual 2018		
Annual Crops	77%	77%	71%	71%	73%	71%
Perennial Crops	25%	29%	28%	28%	29%	29%

Source: Statistics Canada and Agriculture Financial Services Corporation

Description: This measure indicates Agriculture Financial Service Corporation's (AFSC) success in providing customized insurance products to agricultural producers to offset the risks of agriculture production, based on type of crop, risk area, and coverage level selected (individual producer risk preference). Production Insurance (AgriInsurance) mitigates the effects of unstable production for Alberta's agricultural producers by providing protection against losses caused by designated natural peril on annual and perennial crops.

Rationale: AFSC's risk-management solutions help agricultural producers operate successful farm businesses when natural and market events occur that are beyond their control. In the event of a downturn, effective risk-management programs are essential to shorten the recovery time and provide a stable platform from which industry can achieve its full economic potential.

Results: In the 2019 calendar year, AFSC provided production insurance coverage for 15.2 million out of the estimated 21 million seeded acres for annual crops in Alberta, a 73 per cent uptake of annual crops insured under Production Insurance. This result is two per cent higher than the stated target and the prior year's result of 71 per cent, most likely due to:

- Known financial risk involved in crop production, high input costs, and commodity prices;

- Continued dry condition from the previous year in the southern region increased concerns over moisture reserves for crops going into the 2019 crop year; and
- Unharvested crop acres overwintered and excessive moisture in the 2016 and 2017 crop years recovered and returned to normal production by 2019.

In the 2019 calendar year, AFSC provided production insurance coverage for 7.4 million out of the estimated 25.5 million seeded acres for perennial crops in Alberta, a 29 per cent uptake of perennial crops insured under Production Insurance. This result is identical to the target and one per cent higher than the preceding calendar year's result, most likely related to increased loss. The continued dry conditions from the prior year, particularly in the southern region, increased concerns of feed availability from forage and pasture acres. In total, perennial crop producers insured a combined \$243.7 million in risk and made claims totaling \$58.1 million.

Performance Indicator 1.c:

Timber royalties and fees from harvested timber (\$ millions)

Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19	Actual 2019-20
51.3	69.9	139.9	125.9	99.2

Source: Agriculture and Forestry

Description: This indicator tracks the total direct monetary payments (anticipated revenue) made by the Alberta forest industry into the provincial consolidated revenue fund for the right to harvest Crown timber, excluding corporate and personal income taxes. Timber fees include Crown timber holding and protection charges, Crown timber disposition issuance charges, and Crown timber disturbance charges.

Rationale: This indicator allows the economic benefits of Crown timber holding to be monitored by ascertaining trends in quantities, values, and usage of timber harvested from Crown lands. Timber royalty revenues mimic the fluctuations of commodity forest product market cycles and, by extension, the economic health of Alberta's forest industry.

Results: In 2019-20, provincial revenues collected from royalties, rentals, and fees from timber harvested on Crown lands reached \$99.2 million, a decrease of 21 per cent over the prior fiscal year's revenue of \$125.9 million, which can be attributed to declining prices for softwood lumber and oriented strand board products during the fourth quarter of 2019-20.

Performance Indicator 1.d:

Alberta's agri-food exports by market (\$ millions): United States, and Rest of the World

Market	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Actual 2019
United States	3,998 39%	4,048 41%	4,279 36%	4,348 37%	4,678 40%
Rest of the World	6,183 61%	5,945 59%	7,446 64%	7,539 63%	6,958 60%

Source: Statistics Canada; Agriculture and Forestry (results current as of May 12, 2020)

Description: This indicator represents the monetary value and proportion of Alberta's agriculture and food products leaving the province for a foreign destination market. This indicator is used to monitor key trends and conditions within export markets the ministry has identified as priorities for sustainable growth of Alberta's agriculture and food industries. The indicator provides context on the economic conditions in which the ministry operates and is not intended as a direct measure of performance for the ministry's trade development and market access efforts.

Rationale: Diversification of export markets contributes to industry growth and the provincial economy. A broader base of export market destinations allows the industry to benefit from accessing emerging markets with high growth potential such as the European Union and India, while maintaining its traditional current U.S. market. By diversifying agriculture and food export markets, Alberta is less vulnerable to disruptions from a single market and the benefits of investing in agri-food processing are raised.

Results: In 2019, Alberta's agri-food exports were \$11.6 billion, a decrease of two per cent from the 2018 record of \$11.9 billion. The decline in exports of primary agriculture commodities, especially canola seed and wheat resulting from trade disruptions with China, contributed to the lower export performance. While exports of primary agriculture commodities declined, exports of processed or value-added agriculture products such as beef, canola oil, and prepared animal feed continued to increase. Beef product exports, the largest value-added agriculture product, grew by 18 per cent to a record \$2.4 billion, due to the combined effect of higher prices and increased quantity shipments. The increase in processed products moderated the decrease in primary commodity exports, causing the overall decrease in total agri-food exports.

The performance in agri-food exports varied by export market destination. Agri-food exports to the United States (U.S.) were nearly \$4.7 billion, an increase of approximately eight per cent from the previous calendar year, continuing the upward trend over the past ten years (2010-2019). The increase was driven by larger exports of livestock, oats, dried beans, processed potatoes, beef, refined canola oil, and prepared cereals. In 2019, the U.S. accounted for 40 per cent of Alberta's total agri-food exports and remained the largest export market. In contrast, exports to the "Rest of the World" (non U.S.) fell eight per cent to \$7 billion from \$7.5 billion in 2018, and accounted for 60 per cent of Alberta's total agri-food exports in 2019. The decline in exports resulted mainly from lower shipments of major grains and oilseeds, such as wheat, canola seed, and crude canola oil to China and Mexico. For example, agri-food exports to China, Alberta's second largest market, decreased over 34 per cent.

Outcome Two: Public Health and Safety

Protecting Albertans' health and safety is top priority for Agriculture and Forestry. Success depends on strong prevention, suppression, mitigation, response, and recovery measures. This outcome focuses on the ministry's commitment to safeguard communities from the negative impacts of wildfires, and ensure the regulations and systems that support food safety and animal health are effective in protecting human health and maintaining public trust. The key objectives aim to strengthen ministry assurance systems and evidence-based policies, and strive to improve its ability to anticipate, detect, prevent, respond to, and recover from wildfires and other health and safety risks to Albertans.

The ministry identified several initiatives in 2019-20 that support the key objectives under this outcome. Some examples of key initiatives that helped the ministry make progress toward achieving public health and safety include:

- Managing wildfire threats and ensuring preparedness systems are in place to reduce the risk to human life, communities, and other societal values, and promoting healthy ecosystems. This includes support for the delivery of community-based FireSmart programming and wildfire education.
- Conducting surveillance, inspection, and outreach to address food safety risks and hazards. This includes surveillance and monitoring of food borne pathogens in slaughter, and meat processing facilities, and food safety outreach on emerging public health issues in provincially licensed meat and dairy facilities.
- Conducting crop and livestock health monitoring, surveillance, and disease investigations to reduce risks that may affect animal and human health, and crop production systems. This includes the development of animal and crop disease control policies, and administration of the *Animal Health Act*, *Agricultural Pest Act*, *Weed Control Act*, and other related Acts.

Key Objectives

2.1 Continue to implement the provincial FireSmart program to help protect Albertans, their homes and communities, critical infrastructure, and natural resources from the threat of wildfire.

The FireSmart program consists of a set of prevention measures designed to assist communities in reducing wildfire hazard and risk and mitigate the potential for wildfire loss and damage. Activities undertaken to mitigate and prepare for wildfire, such as education and vegetation and fuel management, help improve suppression capability and protect Albertans, their homes and communities, critical infrastructure, and natural resources from the threat of wildfire. This key objective describes the ministry's continuing work to provide strategic direction and funding for FireSmart program initiatives throughout the province. In addition to providing protection, FireSmart activities help to maintain or improve social, economic, and environmental conditions in rural communities, and increase firefighter safety.

The following table represents the 2019 actual expenditures for the FireSmart Program administered by the ministry under this key objective.

Wildfire Management and Preparedness Initiative (Outcome 2: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
FireSmart Total	\$ 7.8

Note: Table 1 of 2 providing actuals for the wildfire management and preparedness initiative (total budget allocation: \$117.6 million, including inter-entity transactions).

The overall budget for FireSmart programs was reduced with Budget 2019, bringing Alberta in closer alignment with FireSmart spending in neighbouring provinces. The extreme wildfire season in the spring of 2019 emphasized the need to review and prioritize Alberta's FireSmart investments. Although FireSmart expenses in 2019-20 were lower than in previous years, the ministry has dedicated over \$30 million in FireSmart funding for 2020-21, more than doubling the amounts from previous years. This dedicated FireSmart funding will enhance wildfire mitigation in communities and is a priority area for the Ministry's continuing COVID-19 response plan.

Agriculture and Forestry continued to develop and implement FireSmart projects for community protection in Alberta's 10 forest areas in 2019-20 using base program funding. Examples include the completion of vegetation management in Cypress Hills Provincial Park, as well as near the Town of Rainbow Lake, and enhancements to educational material such as the FireSmart Guide to Landscaping, and the FireSmart Farm and Acreage publication. In 2019-20, the ministry took initial steps to explore a pilot project with the Municipal District (MD) of Opportunity, which would allow timber to be harvested near certain communities to create a tree-free safety zone in the case of a wildfire. This project has the potential to improve community safety, support economic growth and create jobs through additional timber harvesting, and provide additional cleared land that could be used for grazing pastures or other options to benefit local residents. Wabasca, a hamlet in the MD of Opportunity, has been evacuated twice in the last four years due to nearby wildfires. Given this, initial discussions on this proposed approach have been positive.

The ministry provided five grants for just over \$5.9 million to Canada Wildfire, FireSmart Canada, the Forest Resource Improvement Association of Alberta (FRIAA), FPInnovations, and the Regional Municipality of Wood Buffalo (RMWB) to conduct research, assist with the delivery of FireSmart programming, and develop FireSmart plans. The grant to FPInnovations provides for the development of decision support tools to support stand scale FireSmart vegetation management prescriptions.

The Indigenous Services Canada (ISC) Wildfire Management Services Agreement is a 10-year agreement that allows the ministry to distribute up to \$1.5 million annually to support FireSmart initiatives on Indigenous peoples' lands in the Forest Protection Area. In 2019-20, the ministry allocated the full \$1.5 million to administer FireSmart, prescribed fire, and general wildfire prevention activities in 15 Indigenous communities.

Agriculture and Forestry continued to collaborate with FireSmart Canada to develop and implement public information and education initiatives in Alberta. In 2019-20, the ministry developed and launched the FireSmart Begins at Home mobile app to help homeowners complete a guided FireSmart self-assessment of their home and property. An Indigenous informed FireSmart booklet was also completed to support Indigenous community partners with their FireSmart initiatives. The ministry developed an eLearning package and a one-day practical session for the FireSmart Home Partners firefighter training program. The FireSmart Home Partners Program is a comprehensive home assessment tool available to municipal and Indigenous communities designed to help homeowners identify potential wildfire hazards that may exist around their own homes and properties. As a result of this program, the number of communities conducting FireSmart home

assessments increased by 120 per cent in comparison to 2018-19. A total of 701 Albertans had a home assessment completed in 2019-20 (based on FireSmart Canada data).

In early 2020, FireSmart 101, an introductory course, was developed and released online. FireSmart 101 is a publicly available online course that provides participants with an introduction to FireSmart, including why it is important and what tools, programs, and resources are available to support FireSmart efforts of communities. It is estimated that over 1,500 Albertans have taken the FireSmart 101 online course.

Agriculture and Forestry co-chaired the national Canadian Standards Association (CSA) Wildfire Planning for Northern Communities technical committee where the CSA S504 technical standard was launched. The standard serves as resource for municipalities to incorporate FireSmart practices into land use bylaws.

FRIAA is a delegated administrative organization that allocates FireSmart funding to eligible communities and organizations throughout Alberta for the implementation of FireSmart initiatives. Examples of FRIAA supported projects that were completed or initiated in 2019-20 include:

- NW Foothills County Education (March 2020-October 2020): The project objective is to continue expansion and delivery of FireSmart educational workshops to communities and businesses within the wildland urban interface in Foothills County. FireSmart activities will include community chipping days, communication of the results from the Wildfire Hazard and Risk Assessment, and sharing educational materials.
- Heart Lake First Nation Emergency Planning (July 2019-July 2020): The project objective is to conduct a table-top mock fire exercise for Heart Lake First Nation.
- Lethbridge Goat Grazing Wildfire Prevention (September 2019-October 2019): The project objective was to prevent and reduce the spread of wildfire in open grasslands by using goat grazing to reduce fine fuels.
- Bragg Creek Provincial Park Detailed Fuel Management Prescriptions (July 2019-December 2019): The objective of this project was to complete a detailed fuel modification prescription to determine operational and logistical aspects required to conduct future vegetation management to reduce the fuel loads in the project area.

In total, 55 communities were approved for funding through the FRIAA FireSmart Program in 2019-20 to conduct FireSmart community engagement, planning, education, and operational work.

In 2019-20, the RMWB received \$1.5 million in additional funding to conduct ongoing wildfire prevention and recovery efforts. This was the final year of a three-year grant commitment made following the 2016 Fort McMurray wildfire. The total of \$8.5 million received over the last three years has helped RWMB make significant strides in their FireSmart programming.

2.2 Continue to implement programs that improve agriculture's ability to anticipate and mitigate risks that could affect animal and human health.

Agriculture and Forestry has the important responsibility of monitoring for livestock and poultry diseases that have an impact on public health, food safety, and a severe, adverse impact on production and market access. Surveillance and traceability activities undertaken by the ministry provide for the early detection of possible threats to human and animal health. In addition, these activities allow the ministry to understand the health status of livestock and poultry and improve the design and implementation of the animal health system – including changes to regulatory requirements. This key objective reflects Agriculture and Forestry's ongoing work to provide

Albertans with safe, healthy food and ensure public and consumer confidence in the measures implemented and maintained by industry and government to mitigate and reduce the risk of threats to public health and food safety.

In 2019-20, the ministry continued to implement three programs through the Canadian Partnership's Risk Management priority area to improve the agriculture sector's anticipation, mitigation, and preparedness for risks that could have a major financial impact or affect the health and safety of Albertans:

- Under the Risk Mitigation program, approximately \$650,000 was provided to industry organizations and municipalities to undertake projects related to anticipation, assessment, and management of risks and threats associated with animal health. Grants totaling over \$885,000 were provided to 34 applicants including a licensed meat facility, dairy processing facilities, a commercial bakery, a chocolate manufacturer, industry associations and a honey processor through the Risk Mitigation Food Safety program. The funded projects aim to increase food safety knowledge, implement strategies or solutions to proactively mitigate food safety risks, and achieve food safety certification. The program also provides support at the industry level to accelerate the adoption and implementation of food safety systems.
- Under the Surveillance program, approximately \$2.3 million was provided to support industry and industry organizations to undertake projects aiming to increase the early detection of existing and emerging livestock diseases and other risks affecting animal and public health, including enhancing diagnostics capacity in the province.
- Under the Emergency Preparedness program, nearly \$1.5 million was provided to municipalities and industry organizations to undertake projects to improve industry and regional authorities' capacity and readiness to prepare and respond to emergencies that could negatively impact human and animal health and cause significant economic losses for Alberta's agriculture and food industry.

The ministry's crop health monitoring programs and activities reduce the risk to Alberta's crop production systems, including bee industry production systems. The following table represents the 2019 actual expenditures for the ministry's livestock and crop health monitoring programs and activities under this key objective.

Crop and Livestock Health Monitoring Initiative (Outcome 2: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Livestock Health Monitoring, Surveillance, and Disease Investigations	\$ 12.4
Crop Health Monitoring, Surveillance, and Disease Investigations	\$ 6.1
Total	\$ 18.5

In January 2019, Alberta detected its first four cases of porcine epidemic diarrhea (PED) on Alberta farms, and carried out full bio-containment efforts through much of the first half of 2019-20. Containment measures such as enhanced biosecurity practices, livestock traceability, and samples from environmental surveillance programs confirmed that PED was limited to the four farms. The ministry's PED response greatly strengthened its relationship with Alberta Pork and the swine industry, and helped to inform its African swine fever (ASF) preparedness efforts by capturing lessons learned and highlighting potential focus areas for ASF, such as financial support programs. The Alberta swine industry has since returned to PED-free status. Surveillance continues to ensure that response efforts are effective and new cases are rapidly detected and eradicated. There is no human health risk with PED. Significant work was also undertaken throughout 2019-20 to prepare for any possible incursion of ASF to Canada or North America that could result in market disruptions.

The ministry is working to reduce red tape by leveraging existing provincial livestock traceability reporting systems for cattle, horse, and sheep to eliminate duplication in reporting for regulated parties and create administrative time savings. Agriculture and Forestry also removed mandatory age verification from the Traceability Cattle Identification Regulation in 2019-20 in response to feedback from the beef industry which viewed the practice as a regulatory burden. This action does not affect producers' ability to participate in voluntary age verification initiatives, such as value-added sustainable beef platforms and age reporting through the Canadian Livestock Tracking System.

In 2018, the Government of Canada introduced a policy change moving all medically important antimicrobials (MIAs) to the federal prescription drug list to increase veterinary oversight over use of MIAs in animals. Agriculture and Forestry continues to support Alberta producers adjusting to these federal changes to prescription antimicrobials through education and extension activities, encouraging cooperation between stakeholders, and monitoring producer feedback. The ministry also continues to facilitate ongoing discussions between authorized medicine sales outlets and the Alberta College of Pharmacists to explore pharmacy options for dispensing animal medications in remote areas. In 2019-20, the Alberta Veterinary Medical Association delivered sessions on antimicrobial education, awareness, and professional and regulatory oversight. A related conference, the One Health Antimicrobial Stewardship Conference, scheduled to take place in May 2020 has been postponed due to the government health directive regarding mass gatherings related to the COVID-19 pandemic. The ministry, in collaboration with Alberta Health, completed a provincial antimicrobial resistance strategy and draft implementation plan in 2019-20, but due to competing priorities such as the opioid crisis, PED response, and ASF preparedness, implementation of the strategy has been delayed.

2.3 Conduct inspection, surveillance and extension activities to ensure food safety.

Monitoring legislative compliance in provincially licensed meat and dairy facilities is an integral activity undertaken by Agriculture and Forestry to prevent risks to public health and safety and maintain confidence in Alberta's food safety system. This key objective reflects the oversight work done to proactively identify and mitigate food safety issues in provincially licensed meat and dairy facilities. Through key activities such as inspection, surveillance and testing, and outreach, the ministry increases awareness of food safety risks in provincially licensed meat and dairy facilities, and shares mitigation strategies to address the risks.

Agriculture and Forestry's food safety surveillance programs inform science and evidence-based outreach, policy, and inspection decisions. These evidence-based inspection decisions are prioritized based on the risk to public safety. Surveillance data may also increase industry's understanding of food processing risks, and support the implementation of risk mitigation strategies. Outreach activities include providing information to provincially licensed meat facilities on surveillance data and practices to enhance the safety of products produced and sold within Alberta. Emergency response policies and protocols are essential to the timely response and effective management of foodborne illness outbreaks.

The following table represents the 2019 actual expenditures for the ministry's food safety programs and activities under this key objective, which was budgeted at \$14 million.

Food Safety Initiative (Outcome 2: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Lab Testing	\$ 5.4
Surveillance and Outreach	\$ 1.0
Inspection	\$ 7.5
Total	\$ 13.9

The ministry continues to improve animal slaughter and meat inspection processes, outreach strategies, surveillance activities, and disease outbreak management to better address risks to food safety and animal welfare. In 2019-20, Agriculture and Forestry consulted with industry and other interested parties on potential amendments to the Meat Inspection Regulation, which expires in January 2021. The intent of the review was to identify areas for red tape reduction and move to a more modernized, outcome-based regulation, while maintaining food safety, animal welfare, and animal health outcomes. A decision on the proposed amendments will be made in 2020-21. The Video Ante-Mortem Inspection pilot project was also completed in 2019-20. Evaluation of the results indicates that additional work is required before the process can be implemented.

The ministry continued to pilot the Poultry Inspection Modernization (PIM) model in provincially licensed poultry abattoirs in 2019-20. The PIM pilot involved training poultry facility workers to identify visible contamination and increase their accountability for food safety. Agriculture and Forestry meat inspectors maintained inspection oversight throughout the pilot. Of the 65 provincially licensed facilities that slaughter poultry, 15 participated in the pilot project in 2019-20. A final report on the pilot was completed in late March 2020. Analysis and next steps has been delayed due to COVID-19 response.

A total of 239 samples were collected for analysis through microbiological surveillance conducted in eight poultry abattoirs. Each of the abattoirs received the data for their facility, along with outreach support on how to address food safety risks. Further evaluation of the data is currently underway. This data is expected to provide an increased understanding of potential food safety risks and enable ministry staff to communicate risk mitigation strategies to the abattoir owners.

Foodborne disease outbreak response processes were also reviewed and updated to improve Agriculture and Forestry's ability to provide an effective response to food safety incidents in provincially licensed meat and dairy facilities. The ministry will continue to provide staff with ongoing training in the Incident Command System to ensure timely response to foodborne illness outbreaks.

The ministry continued to undertake activities to monitor and prevent *E. coli* O157:H7 contamination of meat products in 2019-20, such as conducting surveillance testing in provincially licensed meat facilities, and providing outreach to all licensed meat abattoirs on *E. coli* O157:H7 control measures and information on risk mitigation protocols for processed meat. On May 26, 2019, and June 8, 2019, Alberta Health Services Environmental Public Health (EPH) identified *E. coli* O157:H7 foodborne related illnesses, and advised of potential foodborne outbreaks. There was strong epidemiological evidence to indicate that the cause of these outbreaks was exposure to contaminated pork products that were produced and distributed in Alberta. Through August 2019, significant resources were redirected from day-to-day operational programs to support the foodborne illness investigations and follow-up with provincially licensed meat facilities.

2.4 Develop and implement effective policies and processes for wildfire preparedness and a risk management framework to reduce the risk of wildfires to communities and to promote healthy ecosystems.

Enhanced wildfire management systems protect human lives, communities, natural resources, and other societal values from the risk of wildfires. Improving preparedness, readiness, and capacity to respond promptly and prepare for the threat of wildfires minimizes losses and costs associated with wildfires. This key objective reflects activities undertaken to determine the province's direction regarding risk, consequences, risk tolerance, priorities, and decision authority at the provincial and Forest Area level with respect to wildfire events.

In 2019-20 there was continued development of the Forest Area Wildfire Management Plans for Lac La Biche, Fort McMurray, Calgary, Rocky Mountain House, and Edson Forest Area. The development of five new wildfire management plans for the Forest Areas of Grande Prairie, Peace River, Whitecourt, High Level, and Slave Lake are scheduled to be completed in 2020-21.

The following table represents the 2019 actual expenditures for wildfire-related programs and activities, excluding FireSmart, supported by the ministry under this key objective.

Wildfire Management and Preparedness Initiative (Outcome 2: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Operations	\$ 48.1
Education and Enforcement (excludes FireSmart)	\$ 2.0
Program Support	\$ 51.1
Total	\$ 101.2

Note: Table 2 of 2 providing actuals for the wildfire management and preparedness initiative (total budget allocation: \$117.6 million, including inter-entity transactions).

In spring 2019, Alberta experienced severe wildfire hazard levels due to prolonged dry, hot, and windy conditions. During this period, there were four major wildfires in northwest Alberta, including the Chuckegg Creek wildfire near High Level, the Battle complex of wildfires near Manning, the McMillan complex of wildfires near Slave Lake, and the Jackpot Creek wildfire near Lutose. These wildfires burned a total of 753,690 hectares, threatened over 20 communities, and negatively impacted human health and safety and critical infrastructure. The extended and extreme wildfire activity that occurred simultaneously across three Forest Areas (High Level, Peace River, and Slave Lake) required Agriculture and Forestry to import a record number of firefighting resources, including 3,000 firefighting personnel, from across Canada and other jurisdictions to provide additional firefighting capacity. These wildfires had a severe impact on people, communities, the forest industry, and forest habitat. By June 2019, 15,000 people had been evacuated and many hundreds more living in surrounding areas experienced reduced services when communities were evacuated and access was restricted.

The ministry awarded a contract to a third party to review the 2019 spring wildfires. The review process included consultation with communities affected by the wildfires. The review report is expected to be completed in early 2020-21, and will identify areas for operational, program, and policy refinements.

In 2019-20, several initiatives were completed to support the 2019 fire season. The Alberta Wildfire & Readiness Engine (AWARE) software system, a new hazard-based, decision support tool for wildfire resource allocation, was implemented for the 2019 fire season. In addition, the ministry

established an Intelligence Unit for the Sustained Action Planning Group to assist in setting provincial wildfire management priorities. The unit was activated in the 2019 fire season.

Agriculture and Forestry continued to implement the wildfire telecommunications and facilities upgrade plan, and make improvements to wildfire lookouts, including:

- Upgrades to steel lookout towers at Doig and Legend;
- Improvements to the solar power system at Algar, Sand River, Heart Lake, Sandy Lake, Red Earth, Sweat House, Adair, Nose Mountain, and Bald Mountain; and
- Upgrades to the lookout buildings at Moose Mountain and Ironstone.

Twelve remote access weather stations were also installed in the Grande Prairie Forest Area to provide real-time weather data for wildfire management.

The ministry reviews wildfire management standard operating procedures annually to improve efficiency, maximize value, and ensure safety of personnel. In 2019-20, a new standard operating procedure for aircraft tracking was introduced to increase tracking frequency and improve the safety of aircraft operations. Agriculture and Forestry also modified a procedure to allow for the utilization of four-person Firetack crews in addition to eight-person crews to provide more options for crew utilization.

Performance Measure 2.a:

Percentage of wildfires contained before 10 a.m. the day following assessment

Prior Years' Results				Actual 2019	Target 2019
Actual 2015	Actual 2016	Actual 2017	Actual 2018		
92.7%	97.1%	96.8%	96.9%	95.3%	97%

Source: Agriculture and Forestry

Description: This performance measure reports how successful Agriculture and Forestry is in containing wildfire events by 10 a.m. the day following assessment.

Rationale: Prompt containment reduces rapid spread and intensity of wildfires, protecting Albertans and minimizing losses and suppression costs.

Results: The 2019 fire season started on March 1, 2019, and ended on October 31, 2019 as legislated under the *Forest and Prairie Protection Act*. During this period, the ministry responded to 989 wildfires of which 95.3 per cent of these wildfires were contained before 10 a.m. the day following assessment. This result is almost two per cent lower than the target because of the prolonged drought conditions and warm temperatures during the months of March, April, and May 2019. Almost all the remaining five per cent, or 47 wildfires, were contained between two and five days following assessment. The availability of firefighting resources, as well as external factors that are outside the control of the ministry influencing suppression efforts include wildfire activity (number, size, and intensity), topography, weather conditions, and human activity.

The total burned area was approximately 883,411 hectares in the 2019 fire season, which significantly surpassed the five-year average of approximately 221,190 hectares burned.

Performance Measure 2.b:**Percentage of active provincial licensed abattoirs that meet provincial slaughter and meat processing requirements**

Prior Years' Results				Actual 2019	Target 2019
Actual 2015	Actual 2016	Actual 2017	Actual 2018		
84%	86%	92%	89%	94%	100%

Source: Agriculture and Forestry

Description: This measure tracks the percentage of active Agriculture and Forestry licensed abattoir facilities that meet or exceed provincial animal slaughter and meat processing requirements at each inspection under the *Meat Inspection Act* and Meat Inspection Regulation.

The scope of provincial animal slaughter and meat processing requirements encompasses food safety risk factors associated with all aspects of animal slaughter and meat processing functions. This includes animal handling, slaughter and processing equipment upkeep, personnel hygiene practices, proper storage of meat products, cleaning and sanitation practices, ventilation and lighting requirements, plumbing and sewer facilities, and maintenance of required written procedures for all slaughter and processing operations.

Rationale: An appropriate and transparent regulatory environment is essential in maintaining continued excellence in food safety at the animal slaughter and meat processing level.

The measure reflects the effectiveness of assurance systems and regulations in the combined animal and meat processing functions for which Agriculture and Forestry has an oversight responsibility.

Results: In 2019, approximately 94 per cent (144 out of 154 abattoirs) of active provincial licensed abattoirs met or exceeded provincial animal slaughter and meat processing requirements at all slaughter and meat processing inspections. While the result is a five per cent improvement over the previous calendar year's result of 89 per cent, it is still lower than the target. The improvement was primarily driven by ministry's success in continuous education to achieve and maintain a high rate of compliance to provincial requirements and continued regulatory oversight of non-compliant abattoirs to prevent relapsing into non-compliance in future years.

In total, 6,373 slaughter and 270 meat processing inspections were completed at 154 active ministry licensed abattoirs. Ten of these abattoirs did not meet slaughter and/or meat processing requirements during 12 inspections out of 821 (one per cent) and were issued corrective action reports for non-compliance for minor, correctable, operating procedure incidences such as sanitation and maintenance of written product cooking procedures. These low-risk food safety incidences did not affect food safety or quality. Follow-up inspections of the abattoirs confirmed that nine out of ten abattoirs addressed all areas of non-compliance that were noted during their respective inspections. The remaining abattoir is expected to fully address its non-compliance within the timeframe noted on related corrective action report. These ten abattoirs are being monitored to ensure continued compliance and to reduce the risk of lapsing into non-compliance in future years. Risk-based assessments were conducted on all non-compliant abattoirs to ensure all meat products were safe for further processing and human consumption. The continued advancement of a food safety culture through regulatory activities, as well as education and monitoring programs, will help drive toward the target of 100 per cent.

The ministry continues to evaluate its slaughter and meat processing inspection functions to ensure they are robust to help inform continued food safety system design, adoption, and implementation toward more efficient and effective food safety preparedness and accountability. Going forward, the wording for this measure has been changed to “Agriculture and Forestry licensed meat facilities” from “provincial licensed abattoirs” to more appropriately align with the *Meat Inspection Act* and highlight Agriculture and Forestry’s oversight responsibility for the combined animal slaughter and meat processing functions.

Outcome Three: Responsible Resource Management

Agriculture and Forestry is committed to the maintenance, conservation, and responsible management of agricultural and Crown forested lands. The ministry's forest management system aims to maintain Alberta's healthy forests and support Alberta's economic development through secure, long-term access to fibre resources. For agriculture, the ministry works to assist farmers and agribusinesses to use natural resources sustainably and efficiently. This outcome focuses on the ministry's efforts to support the adoption of sustainable practices by the agriculture and forest sectors through regulatory oversight of timber harvesting and reforestation, development and dissemination of information on resource management, and program delivery. The key objectives aim to encourage environmentally sustainable practices within water management, bio-economy, agriculture, and timber production through policy development, outreach, and knowledge transfer.

The ministry identified several initiatives in 2019-20 that support the key objectives under this outcome. Some examples of key initiatives that helped the ministry make progress toward achieving responsible resource management include:

- Delivering the Irrigation Rehabilitation Program, which is an annual cost-shared program that helps Alberta's 13 irrigation districts to improve conveyance infrastructure and management techniques to enable improved water-use efficiency.
- Conducting sustainable Crown forest management to ensure forest health and productivity through innovative tree breeding programs that improve trees, conserve forest tree genes, and recover threatened and endangered tree species, and activities such as aerial pest assessments. Sustainable Crown forest management includes the mountain pine beetle management program, which encompasses detection, monitoring, and control of mountain pine beetle populations across Alberta.

Key Objectives

3.1 Assist primary producers and agri-processing companies to adopt environmental stewardship practices as part of improving sustainable resource management through research, policy, extension, programs and services.

Agriculture and Forestry supports applied research, programs, and outreach activities that improve environmental stewardship in Alberta by increasing awareness, understanding, and adoption of sustainable on-farm management practices. This key objective aims to support:

- Primary producers' and agri-processors' efforts to maintain or grow their business while minimizing environmental impacts and meet the sustainability standards for domestic and international markets; and
- Alberta's food and beverage manufacturers in decreasing and diverting waste streams.

Taken together, these actions are expected to enhance public trust, improve acceptance, and reduce agriculture's impact on soil, water, air, and biodiversity. This key objective also includes initiatives related to responsible development of the bioenergy sector, which is expected to support increased competitiveness, diversification, and job creation.

In 2019-20, Agriculture and Forestry worked with industry partners such as Alberta Milk, Alberta Beef Producers, Alberta Pork, Intensive Livestock Working Group, and the Natural Resources Conservation Board (NRCB) to promote the use of the ManureTracker App to producers and custom applicators. The ManureTracker app helps livestock producers manage manure by tracking manure applications, transfers, and scheduling applications. In addition, the tool helps producers

maintain records, provides information to make decisions, and facilitates communication and exchange of manure knowledge among users of the App. The ministry released an updated Alberta Farm Fertilizer Information and Recommendation Manager (AFFIRM) v3 decision support tool in 2019-20. The tool is now a web-based application, accessible through a web browser using a computer or mobile device. This nutrient management application helps primary producers evaluate nutrient management options for chemical fertilizers and manure based on Alberta data, which results in improved farm economics and competitiveness.

The ministry continued to deliver three programs under the Environmental Sustainability priority area of the Canadian Agricultural Partnership to help primary producers and agri-processing companies to adopt environmentally sustainable practices.

- In 2019-20, 83 grants totaling \$2.3 million were provided to 81 producers, agri-processors, and organizations through the Environmental Stewardship and Climate Change program streams to support commitments made under three former Climate Leadership Plan programs. This included co-investments in solar panels to improve energy use efficiency and reduce greenhouse gas emissions.
- The Environmental Stewardship and Climate Change - Producer program provided 111 producers with \$1.7 million to help mitigate agri-environmental risks to the environment. In total, 151 beneficial agricultural management practices were implemented, including improved fencing of riparian areas to protect livestock, improved locations for manure storage, and improved control of inputs, such as fertilizer and pesticides. In one instance, a livestock producer installed a permanent year-round watering system and permanent fencing to restrict cattle from drinking directly from on-farm creek. These actions are expected to mitigate the risk of manure contaminants entering surface water.
- The Environmental Stewardship and Climate Change - Group program provided eight organizations with over \$949,000 to conduct applied research, manage data, and provide extension on novel technologies and practices. For example, the Cows and Fish organization undertook a project to deliver training and resources to primary producers in support of assessing riparian areas and adopting beneficial riparian area management practices. The organization's 24 events, including presentations, workshops, and demonstrations, reached 417 producers, and had 2,271 total participants.
- The Efficient Grain Dryer Program was introduced in 2019-20. Through this program, 70 producers received nearly \$709,000 to improve the energy efficiency of their grain drying systems, which will lead to greater energy conservation and lower energy costs for producers. For example, one project involved retrofitting an exhaust air recirculation system onto an existing grain dryer, which allowed heat that would otherwise be wasted to be utilized in preheating the grain.

Agriculture and Forestry works to divert waste and low-value streams from landfills and create renewable fuels and electricity, leading to growth of the bioenergy sector, which supports diversification, job creation, rural development, and greenhouse gas reduction. The ministry continued to engage with stakeholders to understand opportunities and challenges in growing the bioenergy sector. In 2019-20, key activities included:

- Participating in the provincial Clean Fuel Standard (CFS) working group tasked to develop provincial position on strategic and technical issues on CFS that are of concern to Albertans and Alberta-based business enterprises. The CFS is being developed by the federal government to achieve 30 million tonnes of annual reductions in greenhouse gas emissions by 2030. The CFS will be a performance-based approach designed to incent the innovation and adoption of clean technologies in the oil and gas sector and the development and use of low-carbon fuels throughout the economy. It is expected to be implemented in stages throughout 2022-23.

- Assisting Alberta Innovates and Emissions Reduction Alberta in evaluating project proposals related to clean technology development using agriculture and forest biomass.
- Continuing to engage with interested businesses that are looking to source availability of organic wastes in the province to build viable business plans.

The COVID-19 pandemic declared on March 11, 2020 has also caused disruptions to delivery of the ministry's bioenergy engagement work, due to the face-to-face nature of these activities. In addition, travel restrictions have resulted in the inability to meet stakeholders at national or international conferences, restricting industry development.

3.2 Provide support to agricultural producers to reduce the impact of agricultural production on surface water and groundwater supply and quality.

Replacing open channel canals with buried pipelines increases water conservation by reducing water conveyance losses, evaporation and seepage of water, and protects water quality. Rehabilitating canals and structures also improves the security of water delivery infrastructure. Improving the efficiency of water conveyance infrastructure and on-farm irrigation systems can lead to an increase in the available supply of water, which may be used to support other opportunities such as expansion of irrigation districts, increased water supplies for domestic and industrial activities, recreational activities, and enhanced aquatic habitat. This key objective represents several mutually reinforcing activities, such as irrigation infrastructure replacement and rehabilitation, collaborative research, and surveillance, designed to improve the sustainable use of water resources for agriculture production.

The following table represents the 2019 actual expenditures for the Irrigation Rehabilitation program administered by the ministry under this key objective, which was budgeted at \$14 million.

Irrigation Rehabilitation Initiative (Outcome 3: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Irrigation Rehabilitation Capital Grants Total	\$ 14.0

In 2019-20, the ministry continued to implement infrastructure improvement programs to ensure effective water conveyance infrastructure exists to support crop production. Through the Irrigation Rehabilitation Program (IRP), \$14 million in dedicated funding was provided to 12 irrigation districts to support the conversion of on-farm irrigation systems to more water efficient technologies. Ten construction projects were undertaken in southern Alberta in 2019-20 using funds from the IRP. The projects included the installation of 39.7 kilometres of pipeline to replace open channel canals, and rehabilitation of one kilometre of canal and 21 canal structures.

The Irrigation Efficiency Program, under the Canadian Agricultural Partnership's Environmental Sustainability priority area, provides financial assistance to producers to purchase efficient irrigation equipment and systems to achieve increased water savings and reduce energy use. In 2019-20, 415 grants totaling \$2.3 million were provided to 237 individual irrigators, farm businesses, and non-profits to support upgrades to modern electronic control panels, variable-rate irrigation technologies, high-efficiency sprinkler nozzles, and drip irrigation. The funding provided is 40 per cent of the cost of eligible infrastructure equipment upgrades to a maximum of \$5,000, or \$15,000 for an upgrade from a gravity, side-wheel, or high-pressure centre pivot irrigation system to a new low-pressure center pivot system. The ministry's irrigation infrastructure investments for 2019-20 are estimated to have delivered an increase in water savings of 6.9 million cubic metres, electricity savings of 1.2 million kilowatt hours per year, and natural gas savings of 17,750 gigajoules.

The Farm Water Supply Program, under the Canadian Agricultural Partnership's Environmental Sustainability priority area, supports producers to improve their water supply security, more effectively and efficiently manage their on-farm water resources, and protect their water resources through beneficial management practices. Development of Long-Term Water Management Plans helps agricultural producers assess their current supplies and supports them to implement plans to ensure they have sustainable water sources to meet current and future water needs. The Farm Water Supply program shares costs relating to on-farm water supply management enhancements arising from the development of Long-Term Water Management Plans. In 2019-20, there were 350 Long-Term Water Management Plans completed by agricultural producers, which led to the delivery of over \$981,000 in grants to 239 primary producers for the implementation of on-farm water management projects.

The ministry conducted targeted investigations on emerging water quality issues, such as nutrient loading, neonicotinoid pesticides, denitrifying technology, and pathogenic *E. coli* in 2019-20. Key activities included:

- Conducting a pilot lab-scale bioreactor analysis to evaluate denitrifying technology for agricultural runoff or tile drainage. Results of the pilot-scale analysis demonstrated that local by-products, such as hemp and barley straw, are effective denitrifying substrates. These findings have been adopted for installation of field-scale bioreactors in two locations, to optimize the system for cold-climate environments.
- Concluding a largescale surveillance of neonicotinoid insecticides in surface water throughout Alberta's agricultural landscape. Results of the monitoring project indicates that continued use of neonicotinoid insecticides does not pose substantial or prolonged risk to aquatic invertebrates in Alberta's surface waters. The findings will be submitted to Health Canada to inform the federal regulator's decision on proposed neonicotinoid bans in Canada and advise industry of appropriate mitigation strategies, as it pertains to aquatic invertebrate health.
- Completing Phase 1 of a multi-year project in the grassland and parkland ecological regions to derive numeric nutrient standards for small streams. Results of the project will be used to design and measure progress of agricultural watershed management programs. Preliminary standards have been drafted and consultation is ongoing with watershed management stakeholders.
- Testing initiated, in partnership with four irrigation districts, to assess the source and fate of nutrients for mitigating aquatic vegetation growth, using stable nutrient isotope analysis.
- Initiating a novel genomic sequencing project to improve understanding of food safety risks due to presence of pathogenic *E. coli* in irrigation water. The outcomes will guide mitigation practices to meet food safety requirements that ensure market access and reduce risks of crop contamination.

In addition, the ministry continued to provide in-kind support to the Irrigation District Water Quality program, which includes coordinating study design and sampling logistics and validating results from commercial laboratory analyses. In partnership with the province's Irrigation Districts and the Alberta Irrigation Districts Association, the program evaluates irrigation water quality to inform water users of current conditions and facilitate improvement in any areas of concern. In 2019-20, a partnership was formed with Global Water Futures program (University of Saskatchewan) to address emerging concerns related to vegetative overgrowth and blue-green algae blooms.

3.3 Collaborate with the public, Indigenous communities and industry to build public and consumer trust in Alberta's agriculture, food and forestry systems.

Agriculture and Forestry provides leadership and policy development, and collaborates with industry to support outreach programs and services intended to build public and consumer trust in the responsible natural resource management practices of Alberta's agriculture, food, and forest

systems. This key objective reflects the work done to support industry in establishing systems that enable the demonstration of responsible resource management and to develop and build communication skills that increase transparency and accountability. This capacity helps ensure industry is responsive to consumer and public interests and concerns about the agriculture and forest sectors and improves two-way dialogue. Transparent management practices that meet or exceed public expectations for safe production practice, and safe responsible working conditions for workers, animal welfare, food safety, environmental stewardship, and forest resource management are key to enhancing public trust in Alberta's agriculture, food, and forest industries. In addition, this key objective also reflects the ministry's important work to champion the agriculture, food, and forest industries by helping them share stories demonstrating their pride in their work, and the food produced, and how these industries contribute to Alberta's economic growth and environmental stewardship.

The ministry continued to deliver a suite of public trust programs through the Canadian Agriculture Partnership's Public Trust priority area. In 2019-20, 18 grants totaling nearly \$600,000 were provided to 15 applicants, including agricultural organizations, commodity groups, rural municipal governments, post-secondary institutions, and school districts to:

- Increase public and consumer awareness and understanding of the agriculture and food production system;
- Improve and expand food safety, plant health, and animal health assurance systems;
- Strengthen traceability systems; and
- Develop and deliver K-12 agriculture-related education.

The ministry delivered a series of six webinars focused on industry sustainability initiatives to stakeholders throughout 2019 that reached over of 350 people. Participation in the Agri-Environmental Partnership of Alberta provides the ministry with a forum to engage with over 20 commodity organizations, other levels of government, and two environmental non-government organizations to proactively address agri-environmental issues from a policy perspective.

Approximately 400,000-450,000 Albertans rely on privately owned wells for household needs, and thousands of new wells are drilled each year. Wells can be a pathway for contaminants to reach groundwater, and the responsibility of well maintenance, testing, and local source water protection lies with the private well owner. The Working Well program is a voluntary approach to achieving safe, secure drinking water supplies by encouraging and empowering private well owners to be stewards of Alberta's groundwater resources. The program is a collaboration between Agriculture and Forestry, Environment and Parks, Alberta Health, and Alberta Health Services and individuals representing water well drillers, the Alberta Water Well Drilling Association, and the Association of Alberta Agricultural Fieldmen. In 2019-20, 20 workshops were delivered through the Working Well program to nearly 560 people in 19 communities across Alberta. The workshops provided attendees with the information and resources needed to manage water wells and protect Alberta's groundwater resources. The Working Well Program's Steering Committee and Technical Team received the Premier's Public Service Award in the team category for outstanding delivery service and innovation in 2019-20.

In October 2019, the ministry held a cross-sector agriculture industry stakeholder roundtable to gain insight into public trust issues, identify roles for government and industry, develop a positive narrative to build pride in Alberta's agriculture industry, and enhance market access. As a result, the Agriculture Industry Advisory Committee was formed in January 2019 to provide strategic advice on current and emerging issues that may affect consumer confidence in agriculture and the food system. The Committee will provide guidance to programs and services, review activities and

progress on measures, and provide recommendations on future opportunities and emerging issues as they relate to consumer confidence.

The *Agricultural Operation Practices Act* (AOPA) provides the agriculture industry with a legislative minimum standard that may be used for entry into the various industry sustainability programs. In 2019-20, the ministry engaged with industry through advisory groups to provide policy and technical guidance to improve operational policy and assess guidelines associated with AOPA. As part of a larger government-wide initiative to reduce red tape, Agriculture and Forestry completed an analysis of the AOPA and the *Soil Conservation Act*, including associated regulations and operational policies, to determine the regulatory burden placed on citizens and crops and livestock operations in Alberta. Going forward, the ministry will prepare for future AOPA legislative and/or regulatory review and focus on amendment opportunities that support red tape reduction.

Building public confidence in the ministry's wildfire management systems is achieved through efforts to increase Albertans' understanding of the forest lifecycle, the benefits and risks of wildfire, and prevention strategies to protect people and their communities from the threat of wildfire. In 2019-20, the ministry provided information through social media to highlight research being done in collaboration with other organizations to study the effects of FireSmart techniques and prescribed burning. Public education programs delivered by information coordinators in the forest areas reached thousands of youth and adults across the province. While the spring 2019 wildfires led to increased awareness regarding wildfire activity and wildfire management in Alberta, some of the communities at highest risk experienced the dissemination of misinformation regarding firefighting practices. To address this issue, the ministry held public meetings and open houses in these communities to share accurate information and answer questions. In addition, Agriculture and Forestry provided information through social media to explain firefighting techniques to increase public understanding.

In 2019-20, the ministry provided one grant to fRI Research based in Hinton, Alberta for \$300,000 to support core funding for the institution's administration. fRI Research is a major facilitator of forestry related research done in collaboration with academia, industry, and government. In addition, the ministry awarded six grants totaling \$41,000 to the University of Alberta, the Northern Alberta Institute of Technology, and the Canadian Institute of Forestry to support students entering the forestry profession and provide valuable professional development opportunities for current professionals. Alberta submitted its annual statistics to the National Forestry Database contributing authoritative data to the federal compendium of forestry statistics, which is central to Natural Resources Canada's international reporting requirements. Of the province's forest area with long-term tenure, 82 per cent were third party certified in 2019-20, which provides assurance that forestry practices are sustainable.

As with the agriculture sector, in 2019-20, the Government of Alberta committed to develop an initiative to champion Alberta's forest sector and stand with them to support their continued success. The initiative will provide a platform to develop a strategy aimed at improving confidence in the environmental reputation of this renewable sector to enhance market access, support the Forest Jobs Action Plan, and promote the multiple benefits of Alberta's healthy forests.

3.4 Protect and enhance the health of Alberta's forest resources to provide social, economic, recreational and cultural value to Albertans.

Maintaining healthy forests contributes to Albertan's economic, social, recreational and spiritual wellbeing. Effectively balancing the economic benefits of forest harvesting with the ecological need for managed disturbance in Alberta's public forests ensures the approach to forest management remains sustainable, while supporting the government's broader economic commitments. This key objective reflects activities undertaken to protect and enhance Alberta's forest resources, such as

tree improvement, conserving forest tree genes, recovering threatened and endangered tree species, and developing a thorough understanding of changes in pest-host dynamics and forest stress levels.

The following table represents the 2019 actual expenditures for the ministry's programs and activities related to enhancing and protecting the health of Alberta's forest resources under this key objective.

Sustainable Crown Forest Management Initiative (Outcome 3: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Forest Management (including Mountain Pine Beetle) and Forest Health Total	\$ 49.2

Note: Table 1 of 2 providing actuals for the sustainable Crown forest management initiative (total budget allocation: \$56.6 million).

Mountain pine beetle infestations continue to represent a threat to timber supply and healthy forest ecosystems in Alberta. Budget 2019, as per government commitment, provided an additional \$5 million investment in mountain pine beetle management, increasing funding to \$30 million to help manage infestations on public land. The funding was directly invested in control efforts to slow the spread along the eastern slopes, minimizing impacts to provincial forest resources. As a result of this funding, an additional 28,000 trees over 83,000 hectares were controlled in 2019-20 which is a 32 per cent increase in single tree control activities over 2018-19.

In 2019-20, the ministry provided \$3.4 million in grants to four applicants to conduct research and assist with their mountain pine beetle operations. Under the mountain pine beetle management program, 104,457 infested trees were controlled in 2019-20, which is an increase over the total controlled in 2018-19, and represents the largest number of trees treated over the last five years. This result is significant due to detection of new infested areas, which required an expansion of the geographic area covered.

Aerial overview surveys were completed throughout the province by the end of July 2019, to assess the occurrence, severity, and distribution of abiotic and biotic forest pest damaging agents. In total, 1.8 million hectares of disturbance (excluding mountain pine beetle and wildfire) were mapped, which is a 10 per cent decrease over 2018. The decrease was largely due to less aspen defoliation; however, there was an increase in the prevalence of disease, crown dieback, and foliar damage compared to 2018.

In 2019-20, the ministry implemented a spruce climate impact monitoring plot network to complement the aspen plot network. Ten spruce sites were established with an additional five to seven sites to be set up in 2020-21. Agriculture and Forestry also began implementing a climate change adaptation project in 2019-20 to ensure that seedlings and vegetative materials used for reforestation on public land will withstand climatic stress to sustain wood fibre production at a rotation age. In addition, 6,000 pine trees were planted over five trial sites; spruce trees are scheduled to be planted in 2020-21.

3.5 Support forest sector competitiveness by modernizing and streamlining the timber and forest planning process.

Agriculture and Forestry is working to update the province's regulatory approval processes to support forest sector competitiveness, growth, and job creation by reducing the cost of doing business in Alberta and ensuring the administration of regulations is fair, effective, and efficient. This key objective reflects the initiatives undertaken to improve the efficiency of the operational

approval process. It includes activities to ensure Crown timber is harvested in accordance with approved Forest Management Plans and appropriate Crown dues are paid for the use of Crown timber, and that forest industry complies with forest related legislation, directives, and ministry forest-related sanctioned manuals.

The following table represents the 2019 actual expenditures for the ministry's forest operations and management programs and activities under this key objective.

Sustainable Crown Forest Management Initiative (Outcome 3: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Forest Trade and Tenure Total	\$ 7.8

Note: Table 2 of 2 providing actuals for the sustainable Crown forest management initiative (total budget allocation: \$56.6 million).

In 2019-20, the ministry initiated development of a single Provincial Standard for Forestry Operations that will streamline current Operating Ground Rules and align with the development of a one-window framework for the approval of operational activities under the *Forests Act*, Timber Management Regulations, and the *Forest and Prairie Protection Act*. A linear approval process that includes an integrated digital end-to-end registration service will enhance and promote current and future relationships between other government departments and reduce the time and effort required for forest companies to access programs. Reporting on the state of Alberta's forests will be seamless with consistent alignment from the Forest Management Plan commitments through to operations on the ground. Although development work on the single Provincial Standard for forestry operations has been initiated, priority work on specified projects, such as the legislative review of the *Forests Act*, has led to adjustments to some of the project timelines.

The ministry continued to maintain timber production monitoring through timber scaling, auditing, revenue analysis, and applicable enforcement. In 2019-20, the ministry enforcement activities for non-compliance related to provincial forest laws and regulations led to the issuance of seven penalties totaling over \$25,000, five warnings, and one waiver. Penalties were issued to both forest companies and individuals for infractions related to reporting, fibre utilization, operating authorization, inadequate stream buffer, disturbance of ephemeral, and prohibited material in stream. Agriculture and Forestry continued to make timber permits available to community loggers and saw millers and manage the issuance of timber dispositions and ensure the collection of timber royalties and revenue.

Performance Measure 3.a:

Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey)

Prior Years' Results				Actual 2019-20	Target 2019-20
Actual 2011-12	Actual 2013-14	Actual 2015-16	Actual 2017-18		
55%	56%	55%	53%	n/a	55%

Source: Agriculture and Forestry

Notes: The 2019-20 result is not available (n/a) as the biennial survey used to generate results did not proceed due to government fiscal restraint. The survey is conducted every second year.

Description: Environmentally sustainable agricultural practices are farming techniques that are economically viable and socially responsible toward the environment. The Environmentally Sustainable Agriculture Tracking Survey measures the progress related to the adoption of 40 key environmentally sustainable agriculture practices by Alberta producers within the areas of manure management, water quality and quantity, wildlife habitat conservation, grazing management, general practices, agriculture waste management, energy use and climate change, and soil conservation.

Rationale: The survey is used to indicate whether agricultural producers in Alberta are adopting management practices and making continuous improvements that mitigate risk to the environment. Long-term agricultural productivity is dependent on appropriate conservation and stewardship of agricultural lands and the environment

Results: The biennial survey scheduled for January 2020 did not go ahead due to government fiscal restraint. As there were no new data available for this biennial survey, results analysis for this performance measure is not applicable. The most current results available for this measure is 53 per cent, which was first published in the 2017-18 Agriculture and Forestry Annual Report. Going forward, this performance measure has been removed from future ministry business plans due to uncertainty around the future availability of continued funding for the biennial survey. The ministry will continue to monitor and report on its programs and activities that aim to encourage farmers to adopt environmentally sustainable agriculture practices.

Performance Measure 3.b:

Sustainable timber harvest by annual allowable cut (million cubic metres) and harvest (million cubic metres)

Sustainable Timber Harvest	Prior Years' Results				Actual 2018-19	Target 2018-19
	Actual 2014-15	Actual 2015-16	Actual 2016-17	Actual 2017-18		
Annual Allowable Cut (million cubic metres)	31	31	32	32	32	Harvest does not exceed the approved harvest
Harvest (million cubic metres)	21	22	23	23	23	

Source: Agriculture and Forestry

Note: All figures are reported on a five-year rolling average inclusive on the reporting year to account for differences in timing of timber harvesting operations, which is an integral part of sustainable forest management. Results lag by one year.

Description: This measure reflects a timber harvest level that will maintain Alberta's healthy forests and support Alberta's economic development. To achieve this, the volume of timber harvested must be less than or equal to the approved annual allowable cut (AAC). The majority of Alberta timber dispositions are in effect for more than one year and harvest is balanced over a five-year period to accommodate weather and market conditions that affect the amount of timber harvest in a specific year.

Rationale: This measure is used to assess Agriculture and Forestry's ability to manage Alberta's timber resources in a sustainable manner in perpetuity. It indicates the status of Alberta's timber

supply by comparing the timber harvest with the long-term annual allowable cut, as set by the ministry.

Results: The 2018-19 harvest level result of 23 million cubic metres represents the five-year average volume of timber harvested from April 1, 2014 to March 31, 2019, which is below the five-year average approved AAC of 32 million cubic metres, meeting the target. The harvest level and cut levels stayed the same as the previous reporting year, leaving the gap unchanged at 9 million cubic metres, because the rate at which forest companies harvest their annual allowable cut is driven by demand for wood products.

Since 2014-15, the five-year average provincial AAC has ranged from 31 million to 32 million cubic metres, while the five-year average harvest has ranged from 21 million to 23 million cubic metres during the same time period. The gap between the harvested volume and AAC has decreased from 10 million to 9 million cubic metres. Fluctuations in harvest volume from year to year reflect short-term trends in lumber and pulp markets.

Performance Measure 3.c:

Percentage of forest regrowth as a result of reforestation

Prior Years' Results				Actual 2018-19	Target 2018-19
Actual 2014-15	Actual 2015-16	Actual 2016-17	Actual 2017-18		
97.5%	98.3%	98.1%	98.5%	97.3%	97.7%

Source: Agriculture and Forestry

Description: This measure tracks the rate of forest regrowth following timber harvest, ensuring sustainability of Alberta's forestry resources. Forest regeneration or regrowth refers to establishment of new trees following harvesting, wildfire, or other agents, such as flood or wind damage.

Rationale: Reforestation is required by law and is a critical component to forest sustainability following industrial harvesting. Monitoring reforestation in relation to provincial standards is an essential part of forest sustainability and assures the continual flow of economic, social, and environmental values Albertans expect from their forests.

Results: The percentage of forest regrowth for the 2018-19 timber year was 97.3 per cent. While the 2018-19 forest regrowth percentage was nearly identical to the target of 97.7 per cent, it was 1.2 per cent lower than the prior year's result of 98.5 per cent. The result was slightly lower than the target because the targets have been set to provide a stable trend in performance expectation of forest regrowth and to remove short-term fluctuations in results, which can vary from year to year. The result was 1.2 per cent lower than the prior year's result of 98.5 per cent because of variability in harvest activities, site preparation, reforestation techniques and treatments, seedling establishment and growth, and weather conditions that can affect the rate of forest regrowth.

The 2018-19 achievement reflects continued use of effective silvicultural practices, as well as the Government of Alberta's commitment to reforest areas impacted by mountain pine beetle and wildfires. While 100 per cent is an ideal target, uncontrollable natural variability occurring at the site or on the landscape, coupled with dynamic climatic conditions, makes achieving an ideal target of 100 per cent unrealistic.

Outcome Four: Thriving Rural Communities

Agriculture and Forestry supports development opportunities in rural Alberta that lead to business growth and an improved quality of life. This outcome focuses on the ministry's programs and services that strengthen rural community capacity and business development initiatives that offer socioeconomic benefits in rural areas, such as the Agriculture Financial Services Corporation's lending programs. The key objectives aim to provide infrastructure investments in rural and remote areas, and to help young farmers, growing and established producers, agribusinesses, and food processors achieve their full economic growth and potential, which will encourage continued involvement and development of the agriculture and forest sectors in rural Alberta.

The ministry identified several initiatives in 2019-20 that support the key objectives under this outcome. Some examples of key initiatives that helped the ministry make progress toward achieving thriving rural communities include:

- The delivery and administration of programs and services that encourage improvement in rural Albertan's quality of life, such as the Rural Gas and Rural Electric grant programs, the Remote Area Heating Allowance, and the Agricultural Society grant program. This also includes support for agriculture related youth development programs, such as 4-H and the Green Certificate program.
- The Agriculture Financial Services Corporation (AFSC) delivers a suite of lending programs to support the competitiveness of Alberta's primary agriculture, agribusiness, and value-added agri-processing sectors. Through these lending programs, AFSC supports young, new, and developing farmers to establish and grow their operations and entrepreneurs in the value-added and agribusiness sectors to create jobs and economic growth across Alberta.

Key Objectives

4.1 Provide grants and services to industry, individuals and communities to enhance the quality of life in rural Alberta.

Agriculture and Forestry provides program support to enhance economic and social conditions in rural Alberta. Providing targeted incentives and assistance to primary producers and community-based organizations will improve affordability of living in remote rural areas and encourage economic growth and the maintenance and creation of jobs in rural areas. This key objective represents the ministry's targeted programs and grants for non-profit rural community organizations, including indigenous agricultural societies and rural electric and natural gas cooperatives, which are designed to make rural communities a good place to live and work, and provide development opportunities in indigenous communities.

The following table represents the 2019 actual expenditures for select grant programs administered by the ministry under this key objective.

Rural Programming Initiative (Outcome 4: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Rural Utilities	\$ 0.7
Rural Gas and Rural Electric capital programs	\$ 3.4
Remote Area Heating Allowance	\$ 1.8
Agricultural Society Grant program	\$ 11.5
Total	\$ 17.4

Note: Table 1 of 2 providing actuals for the rural programming initiative (total budget allocation: \$19.5 million).

The Rural Gas and Rural Electric grant programs aim to improve essential utility services by assisting distributors in providing gas and electric services to areas with low population densities that are otherwise uneconomical to serve at a level consistent with higher density urban and industrial areas in Alberta. Under the Rural Gas Program, grant funding supports distribution system expansion and the ongoing maintenance, upgrades, and repairs to an aging natural gas distribution system in accordance with legislative and industry standards. Under the Rural Electric Program, grant funding supports expansion of new electricity services to farms and rural properties through the construction of infrastructure (e.g. wires, poles, and transformers).

Quick Fact

Since 1973, the Rural Gas Program has brought natural gas service to over 80 per cent of rural Alberta.

In 2019-20, under the Rural Gas Program, the ministry provided three grants totaling just over \$2.7 million to the Federation of Alberta Gas Co-ops (FedGas), ATCO, and AltaGas to support their rural gas infrastructure programs. FedGas administers individual grants to natural gas co-ops; on an annual basis, approximately 50 individual co-ops receive this grant funding. In 2019-20, grants provided to FedGas

supported the construction and upgrading of 925 services and approximately 611 kilometres of gas distribution pipeline. Similarly, grants to ATCO and AltaGas provided support to help offset the cost of approximately 1,300 new gas services and 180 kilometres of distribution pipeline. In 2019-20, under the Rural Electric Program, a grant for \$700,000 was provided to the Alberta Federation of Rural Electrification Associations (AFREA). AFREA administers individual grants to eligible applicants to install new electrical services. In 2019-20, approximately 148 rural Albertans received grant funding for new services through this program.

Funding under the Rural Electric Program is based on the individual demand for new rural electric services, and may vary from year to year, seldom exceeding \$700,000 annually. In comparison, the Rural Gas Program continues to be over-subscribed by approximately 30 per cent. Agriculture and Forestry is developing a revised Rural Gas Program for launch in 2021 with objectives around providing additional funding to meet increased demand and to provide support for improvements in pipeline infrastructure integrity.

Quick Fact

Since 2015, there has been more than a seven-fold increase in the number of RAHA applicants for grain drying, with the average rebate more than doubling over the same period.

The Remote Area Heating Allowance (RAHA) is a rebate designed to improve the affordability of heating for Albertan's living in remote areas using propane or heating oil compared to the more economical natural gas alternative widely available to most Albertans. In 2019-20, rebates totaling nearly \$1.8 million were paid to 2,266 eligible applicants to reduce their fuel costs, with an average rebate of approximately \$775 per applicant. The 2019-20 rebate payment was almost \$256,000 over the \$1.5

million RAHA rebate budget, and experienced an increase of 497 eligible applicants receiving approximately \$215,000 in additional rebates compared to 2018-19. The RAHA program is demand-driven and all eligible applicants receive program benefits, resulting in actual payments exceeding budget in some fiscal years. This has been experienced in recent years owing to higher winter heating costs and increased grain dryer usage in response to several wet harvest seasons.

The high-volume of natural gas required for today's large grain dryers often exceeds the volume of gas that can be provided by the existing distribution system. Extensive upgrading is needed to accommodate this continuous increase in demand, and until these upgrades are economical to complete, reliance on the RAHA program will continue to increase. The Efficient Grain Dryer program, introduced in 2019-20 under the Canadian Agricultural Partnership, is intended to assist

producers with reducing the overall energy use on their operations. Seventy farmers received nearly \$709,000 to improve the energy efficiency of their grain drying systems, which will lead to greater energy conservation and lower energy costs for producers. Uptake of this program may result in less overall demand on the RAHA program going forward.

The ministry continues to support the Alberta Agricultural Societies Program, which encourages improvement in agriculture and in the quality of life of those living in agricultural communities. In 2019-20, Agriculture and Forestry provided \$11.5 million to Alberta's Agricultural Societies to host agriculture event days, maintain community facilities, and provide education programs that support agricultural improvement and quality of life in rural communities. Agricultural societies across Alberta put on 3,542 agriculture and community activities involving 55,835 volunteers.

Agriculture and Forestry is working to provide opportunities for Alberta's Indigenous communities and to allocate previously uncommitted timber rights in the province to help ensure Alberta's forest sector has secure access to timber resources. In 2019-20, the ministry developed and posted a Request for Proposal (RFP) for the allocation of Crown timber within Forest Management Unit S10. A key evaluation criteria for the RFP was consideration for potential benefits to local and Indigenous communities. A timber quota for Crown timber north of Lesser Slave Lake was issued to an Indigenous-held corporation. The timber quota will provide stable, high quality employment opportunities for Indigenous communities with high unemployment rates, and millions of dollars in revenue are expected to be generated for the Indigenous communities that hold the timber quota. The revenues realized by this timber quota may serve as a catalyst for future economic opportunities, including, but not limited to, a new logging and transport company. The award of the timber quota is expected to create up to 20 permanent jobs, including professionals, heavy equipment operators, log truck drivers, and labourers. It may also create indirect employment opportunities, such as equipment operators and suppliers. In addition, allocating the deciduous timber within this area will have a stabilizing effect on companies that operate in the area, as the allocation will make previously unavailable timber accessible to all operators. This increases the volume of fibre available in Alberta and directly contributes to the Government of Alberta's Forest Jobs Action Plan.

4.2 Execute the Agriculture Financial Services Corporation's lending mandate to support the development and competitiveness of primary agriculture, agribusinesses and value-added agri-processors.

In 2018, the Agriculture Financial Services Corporation (AFSC) revised its lending mandate to direct lending services toward priority agriculture segments such as beginning farmers, farmers expanding their operations, value-added agricultural producers, and agribusinesses. The revision has enabled AFSC to focus on:

- Helping producers and entrepreneurs start and grown their operations, which can lead to economic growth by creating jobs and promoting diversification;
- Supporting the agricultural economy by financing Alberta's new and young producers and developing producers to enable expansion and increase productivity for their operations;
- Facilitating growth in Alberta's value-added agri-processors and agribusinesses through access to debt capital and services to attract investment and employment; and
- Helping maintain a profitable agricultural sector and stimulating rural communities.

This key objective builds on the revised AFSC lending mandate implemented in 2018 and the lending activities undertaken by AFSC to support the development and competitiveness of Alberta's primary agriculture, agribusiness, and value-added agri-processing sectors. The growth in loan

numbers experienced in 2019-20 demonstrates AFSC's lending programs are providing value and meeting the needs of Alberta producers and agribusinesses.

The following table represents the 2019 actual expenditures used for AFSC operating expenses such as salaries, wages, supplies, doubtful accounts, and amortization of capital. These expenses cover operating expenses for AFSC programs, including the six lending programs described in this key objective. The 2019 budgeted amount for these expenditures was \$33.2 million.

Lending Operations Initiative (Outcome 4: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Total Operational Funds	\$ 45.4

Note: Operational funds are used to by AFSC to support the general administration of lending and insurance programs and services.

In 2019-20, AFSC's total operating expenditures were greater than budgeted due to unstable economic conditions in Alberta and the COVID-19 pandemic.

AFSC has a suite of lending programs designed to assist eligible primary agriculture, agribusinesses, and value-added agri-processors with their operations:

- The Agribusiness Loan Program (ABLP) provides Alberta's food processors, agribusinesses, agricultural suppliers, manufacturers, and rural utilities with a consistent source of fixed-rate term loans. As of March 31, 2020, 30 agribusiness loans had been provided for nearly \$35.8 million through the ABLP, continuing the upward trend in loan authorizations over the prior year. The improved performance in loan approvals can be attributed to the creation of an agribusiness team with dedicated lending staff focused on building AFSC's portfolio in this sector.
- The Alberta Producer Loan Program (APLP) provides agricultural producers with an alternative source of fixed-rate term loans to acquire assets necessary to maintain and grow their farming operations. As of March 31, 2020, 52 loans had been provided for over \$20.1 million through the APLP.
- The Developing Producer Loan Program (DPLP) provides emerging agricultural producers with a consistent source of fixed-rate loan terms to acquire assets necessary to expand their farming operation. As of March 31, 2020, 422 loans had been provided for almost \$117.4 million through the DPLP.
- The Next Generation Loan Program (NGLP) provides new entrants and young agricultural producers with a consistent source of fixed-rate term loans to establish their own farming operations. Eligible borrowers under the age of 40 years old may also qualify for the Young Producer Incentive – a one per cent reduction of the applicable interest rate for the first five-year term of the loan, on up to \$1,000,000 in borrowings. As of March 31, 2020, 854 loans had been provided for nearly \$328 million through the NGLP.
- The Revolving Loan Program (RLP) provides easy, convenient, and immediate access to working capital when required for individuals and companies involved in primary agriculture in Alberta. As of March 31, 2020, 159 loans had been provided for over \$28.3 million through the RLP.
- The Rural Business Loan Program (RBLP) provides small and medium-sized commercial and manufacturing businesses in rural Alberta with an alternative source of fixed-rate term loans. As of March 31, 2020, 17 loans had been provided for over \$6.9 million through the RBLP.

Collectively for 2019-20, 1,535² loans totaling nearly \$537.2 million had been provided to eligible primary agriculture, agribusinesses, and value-added agri-processors as of March 31, 2020, continuing the upward trend in loan authorizations over the prior year. The introduction of the new suite of loan programs midway through 2018-19 targeting specific market segments as identified in the Lending Mandate, and the creation of a new agribusiness lending team in August 2019 contributed to the improved loan authorizations.

AFSC has established Agribusiness Lending Centres in Lethbridge, Calgary, and Leduc to focus on building relationships with the valued-added and agribusiness sectors. Three senior relationship managers are now on staff at AFSC, at each of the Agribusiness Lending Centres, engaging value-added clients in the food processing and agribusiness sectors across Alberta

4.3 Deliver agriculture and forestry education, knowledge transfer, and training programs and services to build and strengthen rural community capacity.

Agriculture and Forestry supports rural community development through the delivery of education and programs that build and strengthen capacity, and promote opportunities in rural Alberta. This key objective represents a variety of different activities the ministry undertakes to encourage the continuous development of rural communities, including delivering specific K-12 education programs and youth development programs and providing funding to support education and extension programs aimed at increasing awareness and understanding of farm safety practices.

The ministry continued to provide funding for the development of audience specific farm safety educational tools and resources for use by community organizations and delivery partners. In 2019-20, Agriculture and Forestry helped support farm safety events in 83 communities, and worked with 23 municipalities and agribusinesses across Alberta to provide farm safety resource materials and messaging for local dissemination. In addition, FarmSafe – the ministry's comprehensive guide to build a farm safety plan – was transferred by license agreement to AgSafe Alberta, the health and safety organization for Alberta's agriculture sector. Through AgSafe, the material will be updated and adapted for online and in-person use and made widely available through AgSafe's network and programming activities.

Agriculture and Forestry's partners continued to deliver farm safety grant programs for farm producers, non-profit organizations, and post-secondary institutions in 2019-20. In 2018-19, the Farm Safety Centre received a grant of \$1.6 million to deliver two farm safety programs over three years under the Canadian Agricultural Partnership Risk Management priority area. These programs include the in-school Safety Smarts program, delivered to rural children from kindergarten through grade six, and the Sustainable Farm Families program for Hutterite Colonies. In 2019-20, the Safety Smarts program delivered farm safety presentations at 522 rural Alberta schools, reaching over 64,000 students. The Sustainable Farm Families program delivered 25 farm health and safety workshops on Hutterite Colonies across Alberta, reaching close to 500 participants.

The *Farm Freedom and Safety Act* received royal assent on December 5, 2019, and came into effect on January 31, 2020. It includes provisions for occupational health and safety, employment standards, labour relations, and workplace insurance requirements that address the unique needs of the Alberta farm and ranch sector. In 2019-20, the ministry's farm safety staff helped to deliver the *Farm Freedom and Safety Act* consultation and subsequent legislative changes. The consultation process involved grassroots conversations, industry meetings, engagement sessions, and an online survey to gather input from Alberta's farmers and ranchers to inform the development of practical

² Total loans disbursed adjusted for cancelled or withdrawn loans as at March 31, 2020.

safety legislation. There were 25 engagement sessions held with an average of 32 participants, and more than 1,200 completed online submissions.

The following table represents the 2019 actual expenditures for rural life enhancement programs administered by the ministry under this key objective.

Rural Programming Initiative (Outcome 4: Agriculture and Forestry Business Plan 2019-23)	2019 Actuals (\$ millions)
Rural Life Enhancement and Programming Total	\$ 2.75

Note: Table 2 of 2 providing actuals for the rural programming initiative (total budget allocation: \$19.5 million).

The Green Certificate program is an industry-driven apprenticeship style agriculture training program, focused on mastering entry-level, primary agriculture production skills. It seeks to educate the future workforce for the primary agriculture sector by connecting high school students with industry developed curriculum, and the possible career paths available in the agriculture industry. The program is delivered at over 250 high schools across Alberta and averages 1,000 to 1,100 students actively training in the program at any given point in time. In 2019-20, there were 699 new registrants for the Green Certificate program. In addition, 1,402 student tests were completed, and 460 students completed the program.

The 4-H program provides youth development opportunities to build and strengthen leadership capacity in rural communities and the agriculture industry. In 2019-20, Agriculture and Forestry provided just over \$1.5 million to support the delivery of 4-H in Alberta, including the evolution of 4-H programs to better meet the needs of members and leaders. There were 5,289 registered members in 2019-20 compared to 5,128 registered members in 2018-19, representing a 3.1 per cent increase in the number of youth registered in 4-H programs. The number of clubs also increased from 312 in 2018-19, to 314 in 2019-20. The 4-H Council of Alberta conducted a comprehensive and open engagement process with 4-H stakeholders to gather input on a new governance and operating model for 4-H in Alberta in 2019-20. Recommendations for a new model were made that include a streamlined, effective, modern organization, without conflicting leadership. The new model will come into effect in 2020-21.

Enhancing wildfire awareness and providing information on prevention and risk mitigation is critical in protecting Albertan's, communities, natural resources, and other societal values from the risk of wildfire. In 2019-20, the ministry provided two grants totaling \$450,000 to Canada Wildfire and Junior Forest Wardens. The Junior Forest Wardens program provides opportunities for Alberta's youth to learn and build skills in the areas of forestry, ecology, outdoor skills, and leadership. There are approximately 50 Junior Forest Warden clubs across Alberta, with more than 1,000 youth wardens and 700 adult volunteers.

Agriculture and Forestry's Junior Forest Ranger program gives youth age 16-18 the opportunity to work and train in the natural resources field. The three core elements of the program include stewardship, leadership, and traditional ecological knowledge. The program collaborates with professionals in local organizations, industry, and different government branches. In 2019-20, 72 youths were hired through the Junior Forest Ranger Program for summer 2019.

The ministry continued to develop forest and wildfire education materials to support curricula for school-aged children in 2019-20. A presentation product called Educator 101 was finalized for use by Forest Area staff and includes information on how to conduct presentations in schools, as well as exercises and hands-on activities. An aptitude test for forestry careers is being developed, and will be used at school visits and career fairs.

Performance Measure 4.a:**Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services (\$ million)**

Prior Years' Results				Actual 2019-20	Target 2019-20
Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19		
723	535	421	478	596	637

Source: Agriculture Financial Services Corporation

Note: Values reported for investments are a proxy measure based on approved loans. Not all loans are disbursed, and in some cases, there may be timing differences between approval and disbursement of loans.

Description: This measure tracks the success of AFSC's direct contribution, partnership, and collaboration with stakeholders in ensuring farms, agribusinesses, and rural businesses can access capital to foster economic activity, development, and growth. AFSC is involved with the facilitation of capital investment in rural and agribusiness development through its lending products, services, and partnerships. These lending services are demand-driven by the agriculture, agribusiness, and rural business community, with total dollar investment serving as a proxy value for investment based on loans approved.

Rationale: Access to capital for primary agriculture, agribusinesses, and rural business enterprises provides greater opportunities to support growth and development of agriculture and commercial business sector in many rural communities in Alberta.

Results: The \$596 million in investments leveraged in farm, rural businesses, and agribusinesses in 2019-20 was six per cent lower than the forecasted target due to a change in the mix of farm, rural business, and agribusiness lending. The leverage of funds lent to agribusiness enterprises was substantially lower than the anticipated result due to delays in operationalizing agribusiness lending group, resulting in overall lower-than-expected result for the year. The team agribusiness lending group was fully established in August 2019, and while an improvement in agribusiness lending results was observed over the prior year, the leverage estimate was missed due to this timing impact. The result is 25 per cent higher than the prior year's result, continuing the upward trend since 2017-18, which reflects:

- The introduction of a new, simplified quick loan process for farm loan transactions \$150,000 or less based on specific qualification criteria;
- The effect of the new loan programs introduced in the 2018-19 fiscal year focused on new and young producers, developing producers, and agribusinesses, on loan authorizations; and
- The effect of the increased lending limit (from \$5 million to \$15 million), which enables AFSC to address unique financial needs of agribusiness operations and larger farm loan projects.

Performance Measure and Indicator Methodology

Performance Measure 1.a:

Number of value-added agriculture products developed and successfully introduced into the market with assistance from Agriculture and Forestry

Methodology

The result for this measure is the total number of written confirmations provided by industry clients for products that were developed with assistance from the ministry and successfully introduced to market.

At year-end, each industry client is asked to provide a written confirmation (or declaration) to verify all new value-added products that were developed with the assistance from the ministry and successfully introduced to market. Each industry client self-declares the following information: name of processing company; name of product(s); date the product entered the marketplace; signature of an authorized representative of the processing company; and ministry project lead.

Value-added products include value-added food, beverage, and bio-industrial products and new crop varieties. Introduced to market refers to a product that has obtained a listing at retail or food service, domestically or internationally, as well as products that have been sold as ingredients for further manufacturing. Ministry staff assist industry clients in one or more of the following areas: product formulation, shelf-life, packaging, sensory evaluation, marketing, and commercialization.

The number of new products confirmed by industry clients are aggregated and reported for this measure. The data is collated from program areas within the ministry that are engaged in product development and commercialization.

Source

Agriculture and Forestry

Performance Measure 1.b:

Percentage of eligible seeded acres for major crop categories insured under Production Insurance: annual crops, and perennial crops

Methodology

Annual crops refer to crops that need to be seeded every year. The annual crops included in this measure are: wheat (winter wheat, spring wheat, and durum wheat); oats; barley; fall rye; mixed grain; flaxseed; canola; corn for grain; dry peas; triticale; dry coloured beans; lentils; mustard seed; chick peas; sugar beets; and corn for silage.

Perennial crops refer to crops that do not need to be seeded every year and last for several years. Perennial crops are made up of seeded pasture, native/natural pasture, and tame hay.

The total eligible seeded acres for the annual crops insured under the Crop Insurance program is divided by the corresponding total seeded acres for annual crops, as reported in Statistics Canada's November 2019 Field Crop Reporting Series (Table 32-10-0359-01). The result is then expressed as a percentage. The corresponding eligible seeded acres of annual crops insured

under the Crop Insurance program is supplied by Agriculture Financial Services Corporation (AFSC).

The total eligible seeded acres for the perennial crops insured under the Crop Insurance program is divided by the corresponding total for seeded and native pastures (Census of Agriculture 2016, Statistics Canada (Table 32-10-0406-01, released on May 10, 2017)) and tame hay pasture (November 2019 Field Crop Reporting Series, Statistics Canada (Table 32-10-0359-01)). The result is then expressed as a percentage. The corresponding eligible acres of perennial crops insured under the Crop Insurance program is obtained from AFSC.

The estimate for land (in acres) seeded to annual crops in Alberta is taken from Statistics Canada's November 2019 Field Crop Reporting Series. This Statistics Canada publication also provides a detailed methodology to the field crop data. The November estimate provides the most recent information available on seeded acreage in Alberta.

The Census of Agriculture is collected every five years, so acres may change during that time.

Source

Statistics Canada (Tables 32-10-0359-01 and 32-10-0406-01) and Agriculture Financial Services Corporation (Production Insurance Program Management System)

Performance Indicator 1.c:

Timber royalties and fees from harvested timber (\$ millions)

Methodology

The result for this indicator represents the sum of government revenues collected from royalties, rentals, and fees from timber harvested on Crown lands. Timber royalties are the various cost recovery-based charges and fees (or lost revenue recovery-based charges in the case of timber damage) that the province charges for holding and protection, issuance, permits, and timber disturbance charges. The charges, collected under the authority of the *Forests Act*, ensure that Albertans receive fair compensation.

The stumpage collected by the Alberta government is the per-cubic-metre log price a private forestry company pays for the right to harvest timber from Crown lands. Per-cubic-metre stumpage prices vary based upon the species (coniferous or deciduous), log characteristics (green or dead), log size (large sawlogs or smaller marginal logs), or the forestry product produced from the logs (panels, pub, or lumber).

Timber dues rate levels are determined by applying current Canadian dollar market prices of the major forest products manufactured in Alberta (index prices) to the prescriptive timber dues schedule tables (schedules 3 to 7) of the Timber Management Regulation. These schedule tables are adjusted periodically to reflect changes in manufacturing cost conditions and the cost of goods and services, and include:

- Coniferous timber used to make lumber, pulp, or roundwood timber products;
- Timber used to make oriented strand board;
- Deciduous timber used to make pulp;
- Timber used to make veneer; and

- Coniferous timber used to make laminated veneer.

The schedule tables used to determine the general rates of timber dues as well as current and historical general rates of timber dues and Crown charges are published on the Agriculture and Forestry website: <https://www.alberta.ca/timber-dues-and-crown-fees.aspx>

Rental fees are the Holding and Protection (H&P) charges that all forest management agreement (FMA) and timber permit holders pay annually to the province. The H&P charges for timber permit holders are \$0.10 per hectare for harvesting dead, damaged, diseased, or endangered coniferous timber, \$0.25 for harvesting green coniferous timber, and \$0.10 per cubic metre for harvesting deciduous timber. The H&P charges for FMA holders are initially set based on their annual allowable cut or FMA area. This initial H&P amount is indexed to the price index for government purchases of goods and services, and adjusted every year when the price index for government purchases of goods and services is revised.

Crown fees are permit issuance fees, penalties, mapping fees, and interest charges that timber disposition holders pay to the Crown.

Source

Agriculture and Forestry (Forest Revenue Scaling & Tenure System)

Performance Indicator 1.d:

Alberta's agri-food exports by market (\$ millions): United States, and Rest of the World

Methodology

The result for this indicator is derived from the monetary value of Alberta's agri-food products leaving the province through customs for a foreign destination market.

This indicator reports the total value of Alberta's agri-food exports categorized by country or region of destination, where the country of destination is the last known destination of the agri-food products at the time of export.

Agri-food exports refer to domestic exports, which exclude re-exports and include primary commodities and processed or manufactured products. Primary commodities refer to all crops grown and livestock raised in Alberta that have not been materially transformed. Processed or manufactured products refer to processed crops and livestock products under broad groupings of food, beverages, animal feed, and inedible crude animal and plant products.

The ministry purchases export statistics related to agri-food from the International Trade Division of Statistics Canada. This data set provides a detailed breakdown of agri-food exports originating from Alberta and valued at "Free on Board" port of exit from Canada. Canadian international export statistics are developed from administrative files of Canada Border Services Agency and U.S. Border Protection. Information on Alberta's agri-food exports is compiled by the Statistics and Data Development Section of Agriculture and Forestry.

Statistics developed from administrative records of Customs may understate or incorrectly portray the destination of exports or the province of origin. Inaccuracies of export data often result from the attribution of exports on a province of lading basis rather than by province of origin. Export statistics are subject to revisions, with revisions being conducted by Statistics

Canada on a monthly basis. In this report, revisions are made only in the case when the difference in annual value of exports is greater than five per cent.

The “Rest of the World” represents all countries, excluding the U.S.

Source

Statistics Canada (customized data); Agriculture and Forestry

Performance Measure 2.a:

Percentage of wildfires contained before 10 a.m. the day following assessment

Methodology

The result of this measure is derived by dividing the number of wildfires contained by 10 a.m. the day following assessment by all wildfires that occur during the fire season (March 1 to October 31). The result is expressed as a percentage.

Wildfire events in the province are tracked for location, detection date and time, assessment date and time, control and containment time, cause of wildfire, and resources used. The results of the performance measure indicate how quickly Agriculture and Forestry controls wildfires. This information is aggregated and reported under this measure.

The data for this indicator is sourced from Agriculture and Forestry’s Fire Information Resource System (FIRES); a database and application that captures much of Agriculture and Forestry’s wildfire management information. The system standardizes the collection and entry of data, provides data in a standard format for decision support systems, tracks the number of wildfire resources being utilized, and maintains historical records about wildfires and weather. Business rules are built into FIRES data entry and updates to ensure information is accurately entered. At year-end, data on wildfire events are extracted from FIRES and used to calculate results reported under this measure.

Source

Agriculture and Forestry (Fire Information Resource System)

Performance Measure 2.b:

Percentage of active provincial licensed abattoirs that meet provincial slaughter and meat processing requirements

Methodology

The result for this measure is derived by dividing the number of active Agriculture and Forestry-licensed abattoir facilities that are compliant with the Meat Inspection Regulation at each and every scheduled inspection by a base value of total number of active Alberta-licensed abattoir facilities.

All ministry-licensed abattoir facilities (poultry, red meat abattoirs, and mobile butcher facilities) receive animal slaughter and/or meat processing inspections as part of facility and operating standards under the slaughter and meat processing inspection program. All meat processing abattoir facilities licensed receive three unannounced processing inspections over the course of

the year, while all animal slaughter abattoirs receive inspections at all scheduled slaughter days over the course of the year. The inspections (scheduled and unannounced) are used to determine if a meat processing or animal slaughter facility has met provincial animal slaughter or meat inspection requirements for the reporting calendar year.

The animal slaughter and meat processing requirements target food safety risk factors associated with: animal handling, slaughter and processing equipment, sanitation, protection from contamination, personnel hygiene practices, storage of meat products, cleaning and sanitation practices, ventilation and lighting, plumbing and sewer facilities, and maintenance of written procedures for all slaughter and processing operations. The animal slaughter and meat processing inspections are used to determine if an abattoir facility has met provincial animal slaughter and meat processing requirements for the reporting calendar year.

This measure only reports compliance to inspections related to animal slaughter and meat processing requirements under the Meat Inspection Regulation. Each active Alberta-licensed abattoir facility receives a compliance designation for each food safety risk factor: Compliant (Meets Requirements) or Non Compliant. Abattoirs are expected to address areas of non-compliance within the timeframe established by a ministry inspector.

An active abattoir facility that receives Meets Requirements for all components of all slaughter or meat processing inspections is deemed compliant for the inspection period. An active facility that complies with the Meat Inspection Regulation at all slaughter or meat processing inspections is deemed to have met provincial animal slaughter or meat processing requirements for the entire reporting calendar year.

An active abattoir facility that receives one or more corrective action requests for any slaughter or meat processing inspection is deemed not to have met the Meat Inspection Regulation for the entire reporting calendar year. Active facilities that comply with the Meat Inspection Regulation for some (but not all) slaughter day inspections are not counted as having met provincial food safety animal slaughter requirements. As a result, the performance result likely understates the level of compliance among active Alberta-licensed abattoir facilities.

Source

Agriculture and Forestry (Meat Inspection Program)

Performance Measure 3.a:

Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey)

Methodology

Environmentally sustainable agricultural practices are farming practices that are economically viable, socially responsible, and ecologically sound.

The result for this measure is derived from 40 environmentally sustainable agriculture (ESA) practices that could be used to address soil conservation, water management, wildlife habitat conservation, energy management, climate change adaptation, agricultural waste management, and grazing and manure management.

An eligible ESA practice (or group) for the base calculation is based on farm type, farm site characteristics, and operation practices. The percentage of eligible environmentally sustainable

agricultural practices adopted by each respondent is multiplied by a weighting factor to generate a weighted adoption score for each respondent. The result of this measure is the average weighted adoption score of all respondents expressed as a percentage.

The target population for Agriculture and Forestry's Environmentally Sustainable Agriculture Tracking Survey is based on a list of commercial farmers in Alberta maintained by Kynetec Canada. The random and representative sample size was 500, providing a margin of error in provincial results of ± 4.4 per cent at a 95 per cent confidence level. The response rate was 8.3 per cent.

Data limitations include: producers that are not included in Kynetec Canada's database (the source of the survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable samples (due to wrong telephone numbers, answering machine, busy, no answer, etc.), non-response, and disqualification due to failure to answer a required screening question.

Additional information can be found in Agriculture and Forestry's [2018 Environmentally Sustainable Agriculture Tracking Survey](#) report.

Source

Agriculture and Forestry (Environmentally Sustainable Agriculture Tracking Survey reports)

Performance Measure 3.b:

Sustainable timber harvest (million cubic metres) by annual allowable cut (million cubic metres) and harvest (million cubic metres)

Methodology

The result for this measure represents the five-year rolling average inclusive on the reporting year of provincial Annual Allowable Cut (AAC) in relation to actual timber harvest levels on Crown land. Results are reported with a time lag of one year. AAC is the amount of timber that can be harvested on a sustainable basis (in accordance with the policy of sustained yield) within a defined planning area. Recreation areas, wildlife reserves and stream buffers are excluded from the AAC calculation. A five-year average including the reporting year of AAC is calculated and reported as part of this measure.

The AAC is determined on either an individual forest management unit basis or a specific forest management agreement area basis. Each forest management unit (or area) with an AAC has up to three coniferous AACs and two deciduous AACs. These are rolled up into a provincial coniferous AAC and a provincial deciduous AAC. Finally, the coniferous and deciduous AACs are summed to determine the total provincial AAC. Information is stored in a database and summed to determine the total provincial AAC.

AACs are developed by forest management agreement (FMA) holders as part of their detailed forest management plans. An FMA is an area-based tenure agreement between a forest company and the Government of Alberta that gives a forestry company the right to establish, grow, and harvest timber. The ministry approves the company-recommended AAC following a technical review; ministry staff develop AACs for other forest management units.

Data from the Forest Revenue Scaling & Tenure System is used to determine the provincial harvest level (actual timber harvest). Certain volumes are not included in the harvest level for the purpose of comparability to the AAC. For example, fire salvage is not included in harvest levels if

it does not contribute to the AAC. A five-year average including the reporting year of provincial actual timber harvest levels is calculated and reported as part of this measure.

A five-year rolling average is used to report provincial AAC and actual timber harvest levels and results lag by one year.

Source

Agriculture and Forestry (Forest Revenue Scaling & Tenure System)

Performance Measure 3.c:

Percentage of forest regrowth as a result of reforestation

Methodology

The result for this measure is derived by dividing the total harvested area effectively regenerated by the total harvested area at the time of last mandated assessment. The result is then expressed as a percentage and represents the targeted regrowth achieved on harvested areas. Harvested areas not effectively regenerated are subject to follow-up remedial actions. There is fourteen-year lag between reporting regeneration treatment and assessment of effectiveness or forest performance, with the goal that over time all the harvested area is effectively regenerated.

The current forest regeneration assessment system utilizes detailed data and assesses the sufficiency of the harvested areas' reforestation status and trends over time. Two approaches are generally used to track forest growth rates following industrial harvesting:

- Looking at current forest growth status relative to a fixed point-in-time standard; or
- Forecasting the growth rate of the reforested trees relative to the growth rate assumed for that forest type in the Forest Management Plan for the area.

The regrowth rate measure reports a single metric combining both systems of assessing regeneration performance.

Source

Agriculture and Forestry (Alberta Regeneration Information System)

Performance Measure 4.a:

Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services (\$ million)

Methodology

Farms, rural commercial business, and agribusiness investments in rural areas are added together and reported as total dollar investment (all sources are included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party). This amount excludes all loans that were approved in the 2019-20 fiscal year and subsequently cancelled or withdrawn on or before March 31, 2020.

Dollar investment is any fund (e.g. debt, equity, investment) that would be used to support the growth of farming and commercial activities. Total leveraged investment is a proxy for the total

dollar investment as a result of AFSC's involvement with the facilitation of capital investment in farm, agribusiness, and rural business activities. Total dollar investment in farms, agribusiness, and rural commercial businesses is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed. The data is collated from AFSC's lending activities.

Source

Agriculture Financial Services Corporation (ENVOY Management System)

Appendix A: Agriculture and Forestry Statistics

Alberta Agriculture and Agri-Food Industry

	2018r ³	2019p ⁴	% Change
Employed Labour Force			
Agri-Food Industries (Number of Persons)	75,600	77,200	2.1
% of Total Alberta Employment	3.2%	3.3%	
Agriculture Industries	49,300	49,200	-0.2
Food and Beverage Manufacturing Industries	26,300	28,000	6.5
% of Total Manufacturing Industries	20.3%	20.6%	
Farm Income			
Total Farm Cash Receipts (\$ billions)	\$13.52	\$14.84	9.8
Crops	\$6.41	\$6.94	8.2
% of Total Farm Cash Receipts	47.4%	46.8%	
Livestock and Livestock Products	\$6.48	\$6.90	6.5
% of Total Farm Cash Receipts	47.9%	46.5%	
Supply Management (Dairy, Poultry, and Eggs)	\$1.02	\$1.09	6.4
% of Livestock and Livestock Products Receipts	15.8%	15.7%	
Direct Program Payments	\$0.63	\$1.00	59.4
% of Total Farm Cash Receipts	4.6%	6.7%	
Farm Operating Expenses (After Rebates) (\$ billions)	\$11.08	\$11.92	7.6
Net Cash Farm Income (\$ billions)	\$2.44	\$2.92	19.5
Realized Net Income (\$ billions)	\$0.54	\$0.97	78.2
Total Net Income (\$ billions)⁵	\$0.30	\$0.67	122.9
Food and Beverage Manufacturing Industries Value of Sales			
Food and Beverage Industries (\$ billions)	\$15.51	\$15.82	2.0
% of Total Alberta Manufacturing Sales	20.2%	20.8%	
Top Three Largest Food Manufacturing Sales Groups in 2019:			
1. Meat Products (including Poultry)	\$7.39	\$8.27	11.9
2. Grain and Oilseed Milling	\$2.00	\$1.70	-14.9
3. Dairy Products Manufacturing	X ⁶	\$1.33	n/a ⁷
Agri-Food Exports to All Countries			
Total Agri-Food Exports (\$ billions)	\$11.89	\$11.64	-2.1
Primary Commodities (Animals and Crops)	\$5.81	\$5.27	-9.4
Value-Added Products	\$6.08	\$6.37	4.8

³ r indicates "revised".

⁴ p indicates "preliminary, subject to revision".

⁵ Realized net income adjusted for inventory change.

⁶ X indicates confidential.

⁷ n/a indicates not applicable.

	2018r ³	2019p ⁴	% Change
Top Three Markets in 2019 (% Share of Total):			
1. United States (40.2%)	\$4.35	\$4.68	7.6
2. China (15.7%)	\$2.77	\$1.83	-34.2
3. Japan (11.2%)	\$1.27	\$1.31	2.7
Value of Farm Capital			
Total Value of Farm Capital as July 1 (\$ billions)	\$158.70	\$170.61	7.5
Livestock and Poultry	\$8.11	\$7.20	-11.3
Land and Buildings	\$134.84	\$147.15	9.1
Machinery and Equipment	\$15.76	\$16.26	3.2
Production of Top Three Major Field Crops			
All Wheat (tonnes)	10,006,000	10,263,200	2.6
% of Canada	31.1%	31.7%	
Canola (tonnes)	5,870,600	5,320,100	-9.4
% of Canada	28.9%	28.5%	
Barley (tonnes)	3,996,300	4,995,200	24.0
% of Canada	47.7%	47.7%	
Meat Production Quantity			
Beef – Western Canada ⁸ (tonnes)	911,808	974,248	6.8
Pork – Alberta (tonnes)	232,536	229,196	-1.4
Number of Livestock Slaughtered⁹			
Cattle and Calves – Western Canada (Head)	2,412,587	2,543,082	5.4
Pork – Alberta (Head)	2,510,267	2,474,210	-1.4
Livestock Inventory on Farms on January 1st	01/01/2019	01/01/2020	
Cattle and Calves (Head)	4,625,000	4,505,000	-2.6
% of Canada	40.4%	40.2%	
Hogs (Head)	1,515,000	1,525,000	0.7
% of Canada	10.9%	11.0%	
Sheep and Lambs (Head)	138,000	134,000	-2.9
% of Canada	16.5%	16.7%	

Alberta Agriculture and Agri-Food Industry – Selected Statistics

Census of Agriculture – Alberta	2011	2016	% Change
Rural Population			
Total Population of Alberta	3,645,257	4,067,175	11.6
Rural Population	614,855	667,803	8.6
% of Total Population	16.9%	16.4%	

⁸ Western Canada data only – breakdown for Alberta is unavailable.

⁹ Federally and provincially inspected slaughter, irrespective of origin.

Census of Agriculture – Alberta	2011	2016	% Change
Population Centres (Urban) Population	3,030,402	3,399,372	
Number of Farms			
Number of Farms	43,234	40,638	-6.0
% of Canada	21.0%	21.0%	
Farmland Area			
Total Farmland Area (Acres)	50,498,834	50,250,183	-0.5
% of Canada	31.5%	31.7%	
Land Area in Crops			
Land Area in Crops (Acres)	24,102,289	25,261,781	4.8
% of Canada	27.6%	27.1%	
Average Farm Size			
Average Farm Size (Acres)	1,168	1,237	5.9
Farm Operators			
Number of Farm Operators	62,050	57,605	-7.2
Average Age of Farm Operators	54.5 Years	55.7 Years	
% Distribution by Age Group:			
Under 35 Years	7.3%	8.5%	
35 to 54 Years	43.1%	35.0%	
55 Years and Over	49.6%	56.5%	
Farms by Type¹⁰			
Top Five Farm Types (Number of Farms):			
1. Grain and Oilseed	12,692	13,451	6.0
2. Beef Cattle (Including Feedlots)	12,022	12,282	2.2
3. Other Crops ¹¹ (Excluding Grain and Oilseed)	9,385	7,414	-21.0
4. Other Animals ¹² (Excluding Beef Cattle)	6,374	5,101	-20.0
5. Greenhouse, Nursery, Floriculture, and Mushroom	826	605	-26.8
Farms By Sales Class¹³			
% of Total Number of Farms:			
Under \$10,000	17.8%	14.2%	
\$10,000 to \$24,999	18.2%	14.8%	
\$25,000 to \$99,999	27.7%	26.3%	
\$100,000 to \$499,999	26.0%	28.5%	
\$500,000 and Over	10.3%	16.2%	

10 Farms are classified by the commodity or groups of commodities that make up the majority of total farm cash receipts; based on the North American Industry Classification System (NAICS).

11 Includes hay farming, fruit and vegetable combination farming, and all other miscellaneous farming.

12 Includes apiculture, horse and other equine production, fur-bearing animal and rabbit production, animal combination farming and all other miscellaneous animal production.

13 Farms are classified by the gross farm cash receipts of the operation in the previous calendar year, or for the complete accounting (fiscal) year (2010 and 2015).

Census of Agriculture – Alberta	2011	2016	% Change
Land Area Seeded Using No-Till Practices			
Total Land Area Prepared for Seeding (Acres)	19,945,813	21,909,580	9.8
No-Till or Zero-Till Seeding Area	12,924,625	15,176,949	17.4
% of Total Land Area Prepared for Seeding	64.8%	69.3%	
Irrigation Area			
Irrigated Farmland (Acres)	1,241,411	1,517,089	22.2
% of Canadian Irrigated Area	65.2%	67.9%	

Notes:

- Per cent changes shown are based on unrounded data.
- Data shown in this table are current as of June 2, 2020.

Sources:

Statistics Canada; Agriculture and Forestry; Agriculture and Agri-Food Canada. Census data for 2011 and 2016 are from the Census of Population and Census of Agriculture.

Alberta Forest Industry

	2018	2019	% Change
Employment (Number of Persons)¹⁴			
Forestry and Logging Industries	3,615	3,861	6.8%
Wood Products Manufacturing	9,082	9,315	2.6%
Pulp and Paper Manufacturing	2,077	2,103	1.3%
Capital Expenditures (\$ millions)¹⁵			
Forestry and Logging Industries	XX ¹⁶	XX ¹⁷	-
Wood Products Manufacturing	181.3	174.1	-3.97%
Pulp and Paper Manufacturing	88.2	89.3	1.25%
Pulp, Paper, and Wood Products Sales (\$ millions)¹⁸			
Wood Products Manufacturing	4,118	3,463	-15.9%
Pulp and Paper Manufacturing	1,975	1,697	-14.1%
Top Three Export Markets for Wood Products (\$ millions)¹⁹			
1. United States	1,723.3	1,355.1	-21.37%
2. Japan	98.5	64.7	-34.32%
3. China	59.6	52.9	-11.17%
Top Three Markets for Pulp and Paper Products (\$ millions)²⁰			
1. United States	868.28	747.80	-13.88%
2. China	663.7	667.1	0.52%
3. Japan	195.7	147.1	-24.81%

Notes:

- GDP values expressed in chained (2012) dollars at basic prices.
- Capital expenditures and domestic revenues for forestry & logging industries do not include support activities for forestry, as the data is not reported at that level.
- Forestry & logging industries refers to harvesting, silviculture, reforestation, pest control, and other related activities.
- Wood products manufacturing refers to solid wood products, such as lumber, panels (OSB, plywood), engineered, and other wood products.
- Pulp and paper manufacturing refers to pulp wood products such as chemical and mechanical pulp, newsprint, and other paper products.
- Industry revenues include all (seasonally adjusted) sales from logging & manufacturing activities, both domestically and internationally. Other revenues not included.

14 Statistics Canada: Survey of Employment, Payroll, & Hours (SEPH); retrieved June 8, 2020.

15 Statistics Canada: Annual Capital and Repair Expenditures Survey (CAPEX); retrieved May 28, 2020.

16 Figures suppressed under the *Statistics Act* to meet the confidentiality requirements.

17 Figures suppressed under the *Statistics Act* to meet the confidentiality requirements.

18 Statistics Canada: Table 16-10-0048-01 Manufacturing sales by industry and province, monthly.

19 Statistics Canada: Canadian International Merchandise Trade Database; retrieved June 8, 2020.

20 Statistics Canada: Canadian International Merchandise Trade Database; retrieved June 8, 2020.

Financial Information

Table of Contents

Reporting Entity and Method Consolidation.....	80
Ministry Financial Highlights.....	81
Statement of Revenues and Expenses (unaudited)	81
Revenue and Expense Highlights	82
Breakdown of Revenues (unaudited)	84
Expenses – Directly Incurred Detailed by Object (unaudited)	86
Supplemental Financial Information.....	88
Portfolio Investments (unaudited).....	88
Financial Statements of Other Reporting Entities.....	90
Agriculture Financial Services Corporation.....	92
Environmental Protection and Enhancement Fund.....	126
Other Financial Information	143
Statement of Credit or Recovery (unaudited).....	144
Lapse/Encumbrance (unaudited)	145
Payments Based on Agreements (unaudited)	147
Annual Report Extracts and Other Statutory Reports.....	148
<i>Public Interest Disclosure (Whistleblower Protection) Act</i>	148

Reporting Entity and Method Consolidation

The financial information is prepared in accordance with the government's stated accounting policies, which are based on Canadian Public Sector Accounting Standards.

The reporting entity is the ministry for which the Minister is accountable. The accounts of the ministry, which includes the department and the entities making up the ministry, are fully consolidated using the line-by-line method, except for government business enterprises (GBEs).

Under this method, accounting policies of the consolidated entities are adjusted to conform to government account policies and the results of each line item in their financial statements (revenue, expense, assets, and liabilities) are included in government's results. Revenue and expense, capital, investing and financial transactions and related asset and liability balances between the consolidated entities have been eliminated.

GBEs are reported on a modified equity basis, with the equity being computed in accordance with the accounting standards applicable to those entities. Under the modified equity method, the accounting policies of the GBEs are not adjusted to conform to those of the other government organizations. Interentity revenue and expense transactions and related asset and liability balances are not eliminated.

A list of the individual entities making up the ministry are shown on the "Management's Responsibility for Reporting" statement included in this annual report.

Ministry Financial Highlights

Statement of Revenues and Expenses (unaudited)

(in thousands)

	2020 Budget	Actual	2019 Actual (Restated)	Change from Budget 2019 Actual	
Revenues					
Federal government grants	\$ 276,666	\$ 371,219	\$ 279,370	\$ 94,553	\$ 91,849
Investment income	137,332	157,956	137,936	20,624	20,020
Premiums, fees and licenses	405,118	473,446	463,330	68,328	10,116
Other	6,390	19,225	13,844	12,835	5,381
Ministry total	825,506	1,021,846	894,480	196,340	127,366
Inter-ministry consolidation adjustments	(1,612)	(1,819)	(2,906)	(207)	1,087
Adjusted ministry total	823,894	1,020,027	891,574	196,133	128,453
Expenses - directly incurred					
Programs					
Ministry Support Services	17,388	17,530	14,805	142	2,725
Rural Programming and Agricultural Societies	19,561	20,097	46,035	536	(25,938)
Processing, Trade and Intergovernmental Relations	36,906	35,578	94,010	(1,328)	(58,432)
Primary Agriculture	93,114	90,546	48,484	(2,568)	42,062
Forests	676,812	639,202	383,199	(37,610)	256,003
Climate Leadership Plan	2,500	1,944	36,482	(556)	(34,538)
Canadian Agricultural Partnership	42,263	41,913	38,264	(350)	3,649
Lending	33,196	47,945	28,672	14,749	19,273
Insurance	410,326	1,012,492	672,995	602,166	339,497
Agriculture Income Support	90,405	231,613	89,395	141,208	142,218
Debt Servicing Costs	67,361	69,496	69,250	2,135	246
Ministry total	1,489,832	2,208,356	1,521,591	718,524	686,765
Inter-ministry consolidation adjustments	(79,292)	(87,069)	(82,224)	(7,777)	(4,845)
Adjusted ministry total	1,410,540	2,121,287	1,439,367	710,747	681,920
Annual deficit	\$ (586,646)	\$ (1,101,260)	\$ (547,793)	\$ (514,614)	\$ (553,467)

Revenue and Expense Highlights

Revenues

Ministry revenue was over \$1 billion, \$196 million more than budget and \$127 million more than 2018-19.

Compared to Budget 2019-20

- Revenue from the Government of Canada was \$95 million more than budget, primarily due to an increase in AgriStability estimates for the 2019 Program Year and additional funding to offset higher than anticipated wildfire suppression and other activities on Indigenous land.
- Premiums, fees and licenses were \$68 million higher than budget, due to higher AgriInsurance premiums resulting from increased participation in the Spring Price Endorsement Program, increased livestock premiums due to higher premium rates resulting from increased market volatility, higher livestock program reinsurance recoveries and an increase in Timber royalties and fees resulting from an unanticipated rebound in softwood lumber prices. These increases were partially offset by a decrease in hail insurance premiums due to poor growing conditions reducing yield and quality, making it less desirable to insure crops for hail damage.

Compared to 2018-19 Actual

- Revenue from the Government of Canada increased by \$92 million in 2019-20, primarily due to an increase in funding for AgriStability indemnity estimates for the 2019 Program Year, an increase in funding for the Canadian Agriculture Partnership (CAP) program as projects increased due to this being the second year of the overall program, and an increase in funding for wildfire management in the Cold Lake Air Weapons base area.
- Investment income increased by \$20 million from last year mainly due to reinvestment of interest earned and higher gains on sales of investments.
- Premiums, fees and licenses increased by over \$10 million compared to last year, primarily due to an increase in livestock program reinsurance recoveries. Losses on the Livestock Price Insurance Program were significantly higher than the prior year resulting in higher reinsurance recoveries. This was partially offset by a decrease in Timber royalties and fees due to a levelling out of softwood lumber prices from an all-time high in 2018.

Expenses

Ministry expense was over \$2.1 billion, more than \$710 million higher than budget and almost \$682 million more than 2018-19.

Compared to Budget 2019-20

- Insurance indemnities were \$602 million higher than budget, with AgriInsurance indemnities higher primarily due to adverse growing conditions throughout the season, including very wet, cool conditions, resulting in low crop quality and delayed crop maturity. Early snowfall further impacted crop quality and producers were unable to complete harvesting activities leaving approximately one million acres of unharvested crops in the fields. In addition, livestock insurance indemnities increased due to volatile livestock prices throughout the year and further price declines due to the onset of COVID-19 which has increased indemnities forecasted.
- Agriculture Income Support was \$141 million higher than budget primarily due to an increase in 2019 Program Year AgriStability estimates resulting from trade concerns and significant volatility in livestock prices.

- Forest-related expenses, including wildfire management spending, were \$38 million less than budget, mainly due to lower than anticipated costs related to aircrafts, heavy equipment and camp catering, and lower than expected supply costs such as fire retardant and aviation fuel. Additional savings were planned to support the provincial government discretionary savings initiative.

Compared to 2018-19 Actual

- Insurance indemnity payments were \$340 million higher than in 2018-19, primarily due to AgriInsurance increases, including crop, hail and livestock indemnities, resulting from a wet, cool summer resulting in severe hailstorms, low crop quality and delayed crop maturity, combined with an early snowfall that further affected crop quality. In addition, increased market uncertainty and the closure of processing plants in Alberta due to COVID-19 resulted in volatile livestock prices through the year, with significant decreases in livestock prices compared to the previous year. These decreases were partially offset by livestock program reinsurance recoveries.
- Agriculture income support was \$142 million higher in Agristability estimates, mostly due to trade concerns affecting canola prices and creating volatility in cattle prices.
- Forest-related expenses were \$255 million higher, mainly due to higher than usual wildfire suppression and response costs in the 2019 fire season due to extreme wildfire conditions, activities and location. These costs were partially offset by planned savings.
- Climate Leadership Plan expenses were \$35 million lower than 2018-19, primarily due to a one-time increase in the prior year combined with lower than anticipated program participation.
- Other savings were achieved through the elimination of the Alberta Small Brewers Development Program, the Alberta Small Liquor Manufacturers Program, and planned program spending reductions.

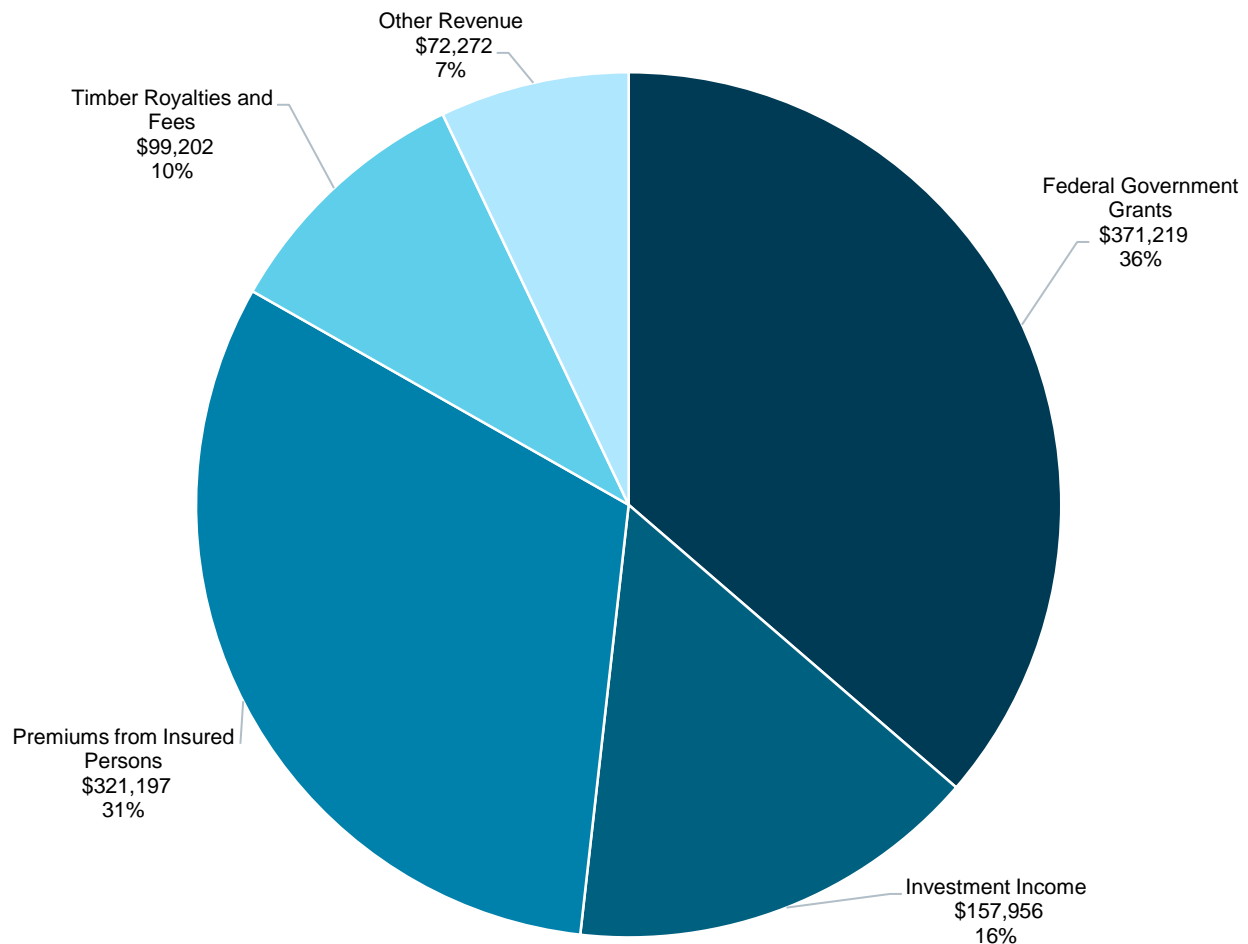
Breakdown of Revenues (unaudited)*(in thousands)*

	2020		2019
	Budget	Actual	Actual
Government transfers			
Federal Government grants			
Agriculture Insurance	\$ 191,231	\$ 194,241	\$ 194,308
Agriculture Income Support	36,544	114,847	33,100
Canadian Agricultural Partnership	42,263	41,914	33,272
Other	6,628	20,217	18,690
	<u>276,666</u>	<u>371,219</u>	<u>279,370</u>
Investment income			
Agriculture Insurance	47,954	59,736	47,008
Lending	89,128	95,783	88,434
Other	250	2,437	2,494
	<u>137,332</u>	<u>157,956</u>	<u>137,936</u>
Premiums, fees and licenses			
Premiums from Insured Persons	309,926	321,197	322,776
Timber Royalties and Fees	79,645	99,202	125,902
Other	15,547	53,047	14,652
	<u>405,118</u>	<u>473,446</u>	<u>463,330</u>
Other revenue	<u>6,390</u>	<u>19,225</u>	<u>13,844</u>
Total ministry revenues	<u>\$ 825,506</u>	<u>\$ 1,021,846</u>	<u>\$ 894,480</u>

Breakdown of Revenues (unaudited)

The following information presents detailed revenues of the ministry. The objective of detailed revenues disclosure is to provide information that is useful in understanding and assessing the financial impact of government's revenue raising and for enhancing legislative control.

2020 Actual (In thousands)



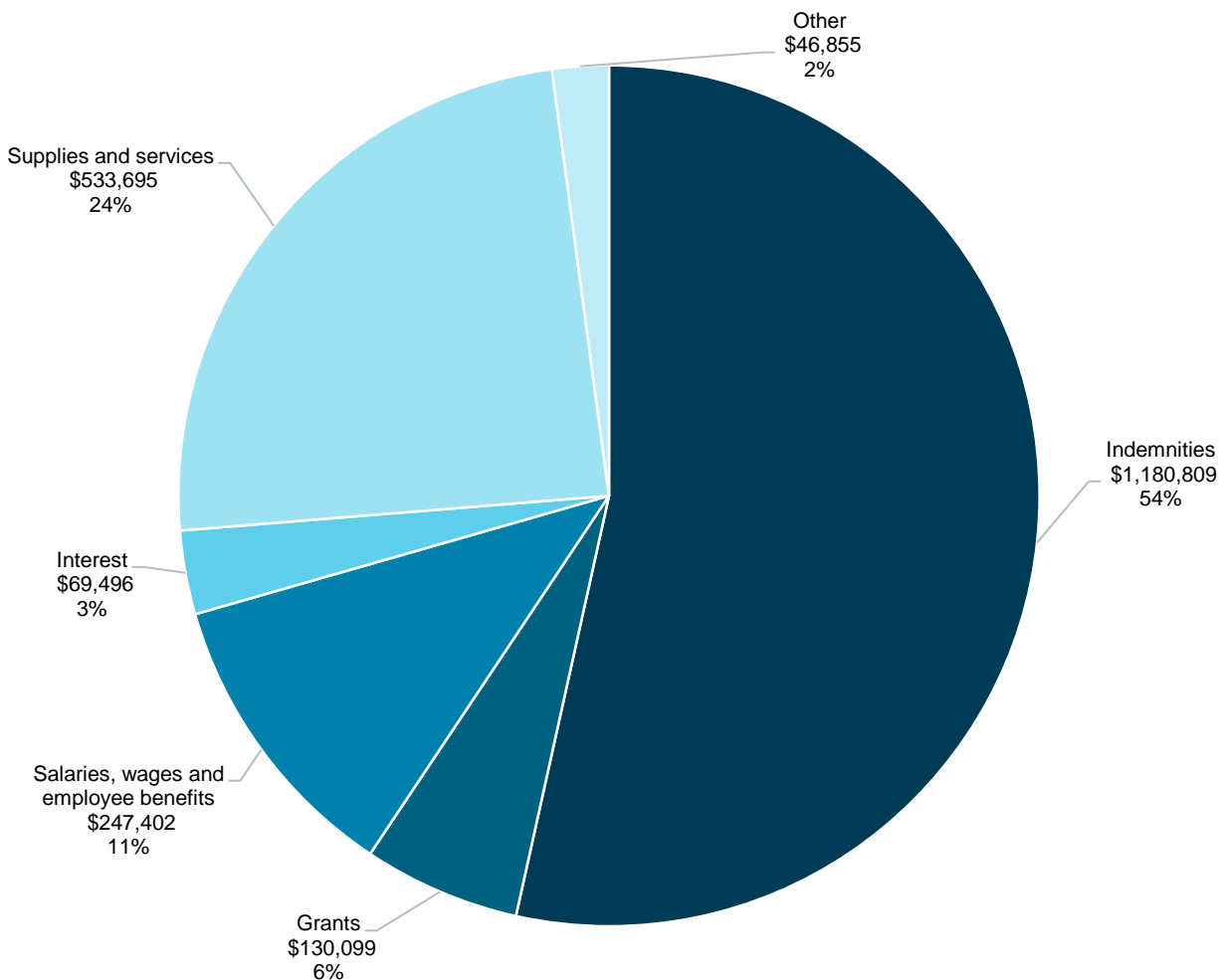
Expenses – Directly Incurred Detailed by Object (unaudited)*(in thousands)*

		2020		2019
	Budget	Actual		Actual (Restated)
Indemnities	\$ 434,776	\$ 1,180,809	\$	668,265
Grants	150,088	130,099		184,110
Salaries, wages and employee benefits	245,376	247,402		245,713
Interest	67,361	69,496		69,250
Supplies and services	556,996	533,695		324,745
Other	7,285	23,252		327
Amortization of tangible capital assets	27,950	23,603		29,181
Total ministry expenses	<u>\$ 1,489,832</u>	<u>\$ 2,208,356</u>	<u>\$</u>	<u>1,521,591</u>

Expenses – Directly Incurred Detailed by Object (unaudited)

The following information presents expenses of the ministry that were directly incurred by object. The objective of disclosure of expenses by object is to provide information that is useful in evaluating the economic impact of government acquiring or consuming various types of resources.

2020 Actual
(In thousands)



Supplemental Financial Information

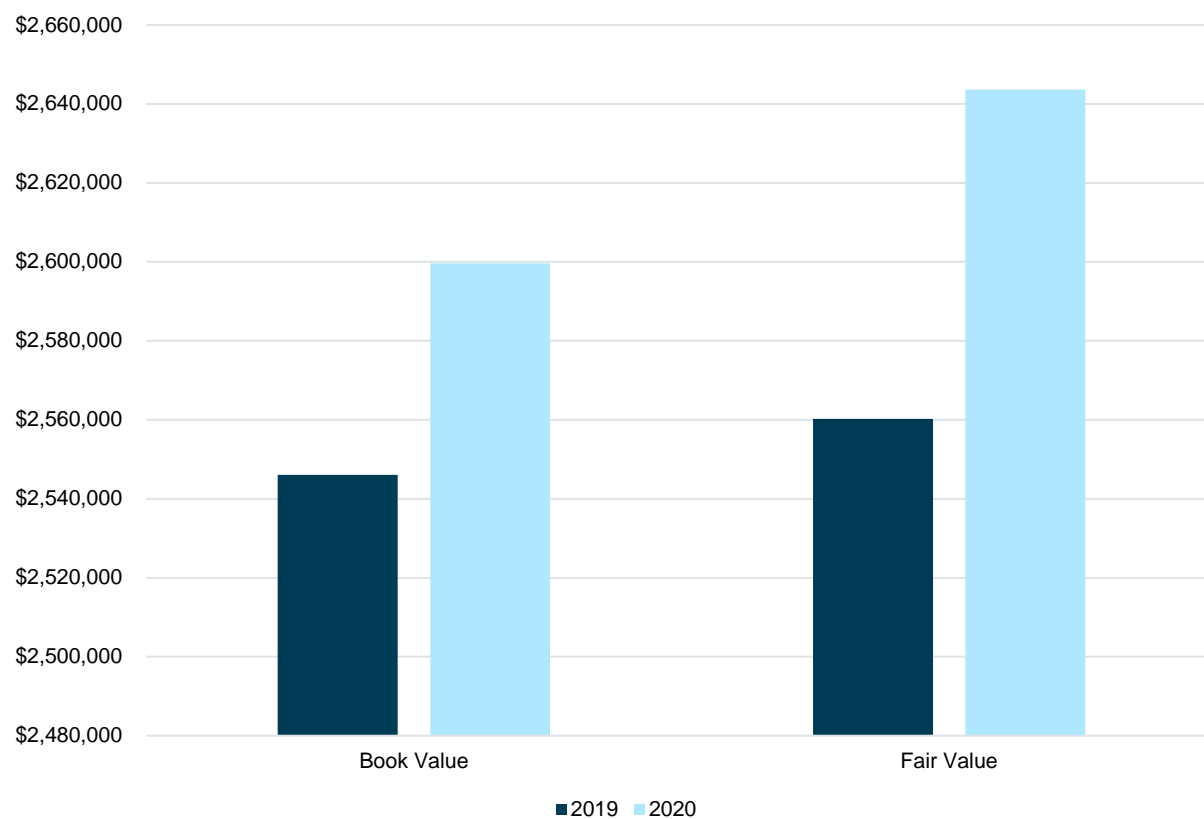
Portfolio Investments (unaudited)

(in thousands)

	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Interest-bearing securities				
Deposits and short-term securities	\$ 3,882	\$ 3,887	\$ 4,071	\$ 4,068
Bonds and mortgages	2,595,766	2,639,743	2,541,956	2,556,204
	<u>\$ 2,599,648</u>	<u>\$ 2,643,630</u>	<u>\$ 2,546,027</u>	<u>\$ 2,560,272</u>

The following is a breakdown of portfolio investments:

	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Operating				
Other funds and agencies	\$ 2,599,648	\$ 2,643,630	\$ 2,546,027	\$ 2,560,272
Total portfolio investments	<u>\$ 2,599,648</u>	<u>\$ 2,643,630</u>	<u>\$ 2,546,027</u>	<u>\$ 2,560,272</u>

Portfolio Investments (unaudited)**Comparison of Interest-bearing securities
Book Value to Fair Value
as of March 31, 2020**
(unaudited)
(in thousands)

Financial Statements of Other Reporting Entities

Table of Contents

Index of Audited Financial Statements

Agriculture Financial Services Corporation 92

Environmental Protection and Enhancement Fund 126

Agriculture Financial Services Corporation

Financial Statements

March 31, 2020

Agriculture Financial Services Corporation

Financial Statements

Table of Contents

Independent Auditor's Report	93
Statement of Financial Position	96
Statement of Operations	97
Statement of Change in Net Financial Assets	98
Statement of Cash Flows.....	99
Notes to the Financial Statements	100
Schedule of Operations.....	123
Schedule of Salaries and Benefits.....	124



Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

Report on the Financial Statements

Opinion

I have audited the financial statements of the Agriculture Financial Services Corporation, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agriculture Financial Services Corporation as at March 31, 2020, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Agriculture Financial Services Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agriculture Financial Services Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agriculture Financial Services Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agriculture Financial Services Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agriculture Financial Services Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Agriculture Financial Services Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 28, 2020
Edmonton, Alberta

Statement of Financial Position

Year ended March 31, 2020

(in thousands)

	2020	2019
FINANCIAL ASSETS		
Cash and Cash Equivalents	\$ 360,089	\$ 380,348
Accounts receivable (Note 3)	35,340	5,586
Due from Government of Alberta	88,491	57,820
Due from Government of Canada	209,056	194,824
Loans receivable (Note 4)	2,436,388	2,306,379
Investments (Note 5)	2,612,013	2,558,113
	<u>5,741,377</u>	<u>5,503,070</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	10,005	17,723
Due to other Provincial Governments (Note 7)	2,191	4,566
Indemnities payable (Note 8)	458,636	248,335
Borrowing from Government of Alberta (Note 9)	2,442,330	2,248,721
Deferred revenue (Note 10)	7,616	7,084
	<u>2,920,778</u>	<u>2,526,429</u>
Net Financial Assets	<u>2,820,599</u>	<u>2,976,641</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	28,678	31,411
Prepaid expenses	5,895	4,205
	<u>34,573</u>	<u>35,616</u>
Net assets before deferred capital contributions	<u>2,855,172</u>	<u>3,012,257</u>
Spent deferred capital contributions (Note 10)	\$ 15,611	\$ 17,544
Net Assets	<u>\$ 2,839,561</u>	<u>\$ 2,994,713</u>
Net Assets		
Accumulated surplus	<u>\$ 2,839,561</u>	<u>\$ 2,994,713</u>

Contingencies, Contractual Obligations and Commitments (Note 13)

The accompanying notes and schedules are part of these financial statements.

Approved by the Board:

Mabel Hamilton, Chair of the Board of Directors

Jerry Bouma, Interim Chief Executive Officer

Darryl Kay, Chief Financial & Innovation Officer

Statement of Operations

Year ended March 31, 2020

(in thousands)

	2020		2019
	Budget	Actual (Schedule 1)	Actual
Revenues:			
Premiums from insured persons	\$ 309,926	\$ 321,197	\$ 322,776
Interest	89,370	95,943	88,643
Contribution from Government of Alberta	278,684	357,381	299,524
Contribution from Government of Canada	227,775	319,431	238,159
Investment income	47,962	61,664	48,922
Fees and other income	13,924	51,428	12,955
	<u>967,641</u>	<u>1,207,044</u>	<u>1,010,979</u>
Expenses:			
AgrilInsurance	350,923	886,975	618,572
Agriculture Income Support	90,405	231,613	89,395
Lending	100,557	117,441	97,922
Hail Insurance	32,317	28,418	22,170
Livestock Insurance	16,566	78,767	13,082
Wildlife Damage Compensation	11,173	18,982	19,824
	<u>601,941</u>	<u>1,362,196</u>	<u>860,965</u>
Annual (deficit) surplus	<u>\$ 365,700</u>	(155,152)	150,014
Accumulated surplus at beginning of year		2,994,713	2,844,699
Accumulated surplus at end of year		<u>\$ 2,839,561</u>	<u>\$ 2,994,713</u>

The accompanying notes and schedules are part of these financial statements.

Statement of Change in Net Financial Assets

Year ended March 31, 2020

(in thousands)

	2020		2019
	Budget	Actual	Actual
Annual (deficit) surplus	\$ 365,700	\$ (155,152)	\$ 150,014
Acquisition of tangible capital assets (Note 11)	7,573	(6,314)	(5,481)
Amortization of tangible capital assets (Note 11)	(7,464)	8,288	8,235
Loss on disposal of tangible capital assets	-	594	443
Proceeds on sale tangible capital assets	-	165	31
Change in prepaid expenses	-	(1,690)	(271)
Change in spent deferred capital contributions	-	(1,933)	(1,738)
(Decrease) increase in net financial assets in the year	365,809	(156,042)	151,233
Net financial assets, beginning of year	2,976,641	2,976,641	2,825,408
Net financial assets, end of year	<u>\$ 3,342,450</u>	<u>\$ 2,820,599</u>	<u>\$ 2,976,641</u>

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

Year ended March 31, 2020

(in thousands)

	2020	2019
Operating transactions:		
Annual (deficit) surplus	\$ (155,152)	\$ 150,014
Non-cash items included in operating results		
Amortization of tangible capital assets (Note 11)	8,288	8,235
Deferred capital contribution recognized as revenue (Note 10)	(5,144)	(5,183)
Amortization of premiums and discounts	(6,393)	136
Allowance for doubtful accounts and for losses	21,157	(778)
Gain on sale of investments	(319)	5,955
Gain on disposal of capital assets	594	443
Unearned revenue received	7,616	7,084
Changes in assets and liabilities relating to operations	113,857	44,029
Cash (utilized) provided by operating transactions ⁽¹⁾	(15,496)	209,935
Investing transactions:		
Proceeds from repayments of loans receivable	372,395	378,003
Loan disbursements	(522,563)	(437,101)
Purchase of investments	(1,199,951)	(1,047,287)
Proceeds on disposal of investments	1,146,678	955,465
Cash applied to investing activities	(203,441)	(150,920)
Capital transactions:		
Acquisition of tangible capital assets	(6,314)	(5,481)
Proceeds on disposal of tangible capital assets	165	31
Cash applied to capital transactions	(6,149)	(5,450)
Financing transactions:		
Borrowing from the Government of Alberta	2,819,725	850,000
Contributions restricted for capital (Note 10)	3,211	3,445
Repayment of borrowing from the Government of Alberta	(2,618,109)	(821,092)
Cash provided by financing transactions	204,827	32,353
(Decrease) increase in cash and cash equivalents	(20,259)	85,918
Cash and cash equivalents at beginning of year	380,348	294,430
Cash and cash equivalents at end of year	<u>\$ 360,089</u>	<u>\$ 380,348</u>

⁽¹⁾ Net cash provided by operating activities includes \$66,842 (2019 \$68,234) of interest paid.

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the “Corporation”) operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000. AFSC is exempt from income taxes under the *Income Tax Act*.

The Corporation provides income stabilization, disaster assistance, AgriInsurance, livestock price insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis of Financial Reporting:

(a) Revenue Recognition

Premiums from insured persons are recorded as revenue when earned over the insurance policy contract term for AgriInsurance and Hail Insurance programs. A corresponding premium contribution from the Governments of Canada and Alberta is also recognized on policies sold under the AgriInsurance programs and is included in Contributions from the Governments of Canada and Alberta. Premiums received by the Corporation in advance of the related policy term are recorded as deferred revenue until earned.

For the Livestock Price Insurance Program, premiums are recorded as revenue when a policy is sold.

Government transfers from the Governments of Canada and Alberta are referred to as government contributions. Contributions from the Governments of Canada and Alberta for estimated compensation payments to participants under Agriculture Income Support Programs such as AgriStability (formerly the Canadian Agriculture Income Stabilization (CAIS)), AgriInvest, AgriRecovery and Wildlife Damage Compensation are recognized in the period in which the program payments to producers are determinable. Overpayments of compensation payments under the AgriStability program are recovered through repayment or the reduction of future eligible payments under the program or other programs administered by the Corporation. Overpayments are repayable to the Governments of Canada and Alberta. Contributions received from the Governments of Canada and Alberta that are restricted for the acquisition of tangible capital assets are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired tangible capital assets.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Revenue Recognition (continued)

Interest income on loans receivable is recognized as earned over the period of loan repayment except for impaired loans. At the date impairment is assessed, arrears of interest is derecognized and is not accrued until the loan reverts to performing status or is terminated. When an impaired loan is reverted to performing status, interest is accrued and recognized from the date of change in status of the loan. Interest previously unrecognized is recognized only when payment is received.

Investment income is recognized in the period in which the income is earned. Gains or losses on the value on investments are recognized when realized on disposition.

Fees which are primarily from lending activities and AgriStability applications are recognized on processing of the related application. AgriStability program application fees received in advance of the program commencement date are recorded as deferred revenue until earned.

(b) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issuance costs.

Identifiable administrative expenses for all of the programs administered by AFSC are charged directly to the specific program. Where the direct charging of the administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by management.

(c) Valuation of Financial Assets and Liabilities

AFSC's financial assets and liabilities include cash and cash equivalents, receivables, loans receivable, investments, accounts payable and accrued liabilities, indemnities payable, borrowing from the Government of Alberta and deferred revenue. All financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

Since no financial assets or liabilities are recorded at fair value and there were no material foreign currency transactions, these statements do not present a Statement of Remeasurement Gains and Losses as the Corporation has no remeasurement gains or losses.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Measurement Uncertainty

There is an inherent degree of uncertainty associated with the measurement of certain amounts recognized or disclosed in the financial statements. In the preparation of the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, net assets and related disclosures. Estimates of material amounts relate to Indemnities payable and Allowances for doubtful accounts and for losses on Accounts receivable and Loans receivable. Accordingly, actual results could differ from these and other estimates thereby impacting future financial statements. Disclosure of the nature and circumstances giving rise to the uncertainty, have been disclosed in the relevant notes in the financial statements (See Notes 3, 4, 8 and 17).

The World Health Organization declared on March 11, 2020 the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus and provide financial assistance as necessary. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the full effect of these developments on the financial statements. Additional information on the financial impact of COVID-19 has been disclosed in the relevant notes in the financial statements (See Notes 4, 8, 17 and 18).

(e) Non-Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

(f) Cash and Cash Equivalents

Cash consists of bank balances. Interest is earned on bank balances as part of funds managed by the Government of Alberta and is included in investment income.

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses

Loans receivable are recorded at cost or amortized cost less any amount for provision for credit losses. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs.

The Corporation records valuation allowances to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured. Two types of allowances are established for loans receivable.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses (continued)

Specific allowance – a specific allowance is established after a loan-by-loan review of accounts meeting prescribed criteria indicative of a potential deterioration in the credit quality of debt. The specific allowance for each loan is determined as the difference between the loan principal amount outstanding and the discounted net present value of the related security net of the cost of realization. Changes in net realizable value of security subsequent to the recording of the initial allowance are adjusted through the specific allowance.

General allowance – two types of general allowance are recorded. The first type is for estimated probable losses relating to deterioration in the full recoverability of individual loan accounts which have not yet met management's criteria for setting up a specific allowance at the Statement of Financial Position date. A methodology is applied to determine the Corporation's risk exposure to probable losses on individual loan accounts not subject to a specific allowance. The second type is for the aggregate amount owing for individual loans under a specific program or industry sector or a geographical area. In determining the allowance, management considers economic and market conditions and uncertainties affecting recoverability of such loans.

Loans are written off against the related allowance for doubtful accounts and for losses if there is no realistic prospect of future recovery. Any recovery of amounts previously written off is recognized on receipt of proceeds.

(h) Concessionary Loans and Loan Discounts

A loan is considered to have concessionary terms when at inception of the loan, the net present value of expected future cash flows is less than present book value. Book values of concessionary loans are reduced to their net present values by loan discounts expensed in the year in which loans are disbursed and amortized to interest revenue over the period of the concessionary term in proportion to loan repayments received.

(i) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments; then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the effective interest rate method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued).

(j) Borrowing from Government of Alberta

Borrowing is carried at amortized cost. Premiums and discounts on borrowing are amortized to interest expense using the effective yield method over the period to maturity.

(k) Tangible Capital Assets including Capital Leases

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. An asset acquired, other than computer software, with a life of more than one year and a cost of \$5 or more is capitalized. Computer software acquired from external sources at a cost of \$100 or more and software developed by the Corporation costing \$500 or more are capitalized.

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incidental to the ownership of the asset to the Corporation are considered capital leases. These are accounted for as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executory costs. The discount rate used to determine the present value of the lease payments is the Corporations incremental borrowing rate.

Tangible capital assets are written down when conditions indicate that they no longer contribute to AFSC's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

(l) AgriStability, AgriInvest and AgriRecovery Program

Payments under the programs to participants, administration expenses and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% for AgriStability and AgriRecovery programs because the programs are delivered by the Corporation and at 40% for AgriInvest program because the program is delivered by Agriculture and Agri-Food Canada.

(m) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(m) Reinsurance (continued)

called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance net assets of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement between the Governments of Canada and Alberta (see Note 16).

In addition, the Corporation carries two different types of reinsurance through private reinsurance companies for the Hail and Livestock insurance programs. This includes both Excess of loss and Quota share reinsurance. Excess of loss is a type of reinsurance in which the reinsurer indemnifies the ceding company for losses that exceed a specified limit. Quota share is a type of pro rata reinsurance contract in which the insurer and reinsurer share premiums and indemnities according to a fixed percentage. To reflect the objective of reinsurance as cost recovery, all reinsurance transactions, including brokerage commissions, ceded premiums and indemnities recovered, are disclosed in Schedule 1 as Net reinsurance expenses or fees and other income if the indemnities recovered are greater than the ceded premiums. Disclosure of the actual amounts relating to brokerage fees, ceded premiums and indemnity recoveries have been disclosed in the financial statement notes (see Note 17).

(n) AgriInsurance Accumulated Surplus Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the AgriInsurance accumulated surplus of \$2,690,189 (2019 \$2,814,351) is restricted for AgriInsurance purposes only (see Schedule 1).

(o) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

(p) Transactions with Related Parties

The Government of Alberta significantly influences the programs delivered by the Corporation and is a major contributor to the funding of the programs. Therefore, the Government is considered a related party. All related party transactions with the Government of Alberta have been recorded at the exchange amount which is the consideration paid or received as agreed to by the related party (see Note 15).

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(q) PS3260 Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. AFSC recognizes a liability for the sites no longer in use where the contamination has exceeded the relevant environmental standards and where AFSC has accepted responsibility. Included in Accounts Payable and Accrued Liabilities (Note 6) is a liability of \$1,128 for the estimated remaining remediation (2019 \$1,256).

(r) Net Debt Model

Net debt model has been adopted for the presentation of financial statements. Net financial asset or net debt is measured as the difference between AFSC's financial assets and liabilities.

A net financial asset balance indicates the extent of AFSC's dependence on government transfers and operating revenues to net assets resulting from settlement of its financial assets and liabilities.

(s) Future Accounting Changes

The Public Sector Accounting Board has approved the following accounting standards:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2021)**

Effective April 1, 2021, this standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

- **PS 3400 Revenue (effective April 1, 2022)**

This standard provides guidance on how to account for and report on revenue, specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these standards on the financial statements.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 3 Accounts Receivable

	2020	2019
Due from reinsurers		
Livestock insurance program	\$ 31,702	\$ 1,224
AgriStability & Canadian Agricultural		
Income Stabilization (CAIS) programs:		
Overpayments	3,526	3,982
Administration fees	310	337
Premiums from insured persons		
Livestock insurance program	2,035	2,308
AgriInsurance program	1,971	2,004
Hail insurance program	273	204
Other	48	610
	<u>39,865</u>	<u>10,669</u>
Allowances for doubtful accounts		
At beginning of year	(5,083)	(6,249)
Decrease for this year	544	1,193
Write offs (recoveries)	14	(27)
	<u>(4,525)</u>	<u>(5,056)</u>
	<u>\$ 35,340</u>	<u>\$ 5,613</u>

Included in the allowances for doubtful accounts is \$3,526 (2019 \$3,982) representing the amount of overpayments under AgriStability and CAIS programs in recognition of the Corporation's role as an agent for collection. The allowance for doubtful accounts is subject to measurement uncertainty as it is an estimate based on management's assessment of collectability of outstanding balance. Actual write-offs realized in future periods could be materially different from management's estimates.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 4 Loans Receivable

Loans receivable are comprised of the following:

	2020			2019
	Farm	Commercial	Total	Total
Performing loans - non concessionary	\$ 2,181,499	\$ 224,612	\$ 2,406,111	\$ 2,261,535
Performing loans - concessionary	1,167	-	1,167	1,443
Impaired loans	4,041	36,950	40,991	42,004
	<u>2,186,707</u>	<u>261,562</u>	<u>2,448,269</u>	<u>2,304,982</u>
Accrued interest	29,040	1,053	30,093	27,652
Loan discount	(14)	-	(14)	(18)
	<u>2,215,733</u>	<u>262,615</u>	<u>2,478,348</u>	<u>2,332,616</u>
Allowances	(5,922)	(36,038)	(41,960)	(26,237)
Net carrying value	<u>\$ 2,209,811</u>	<u>\$ 226,577</u>	<u>\$ 2,436,388</u>	<u>\$ 2,306,379</u>

All loans have fixed interest rates for the term of loan or renewal period.

Loans have blended repayments during the term. Loans can be repaid in full or part during the term without any penalty.

Allowances for doubtful accounts for loans are as follows:

	Farm	Commercial	2020	2019
At beginning of year	\$ 3,615	\$ 22,622	\$ 26,237	\$ 25,830
Increase for the year	2,497	19,205	21,702	415
Write-offs	(190)	(5,789)	(5,979)	(8)
At end of year	<u>\$ 5,922</u>	<u>\$ 36,038</u>	<u>\$ 41,960</u>	<u>\$ 26,237</u>
Specific allowance	\$ 1,124	\$ 26,019	\$ 27,143	\$ 19,931
General allowance	4,798	10,019	14,817	6,306
	<u>\$ 5,922</u>	<u>\$ 36,038</u>	<u>\$ 41,960</u>	<u>\$ 26,237</u>

Valuation allowances of loans receivable are based on management's best estimate. Actual losses realized may vary significantly from management's estimate.

An additional allowance has been included in both the Specific allowance (\$4,646,640) and the General allowance (\$8,849,825) to estimate the additional risk due to the COVID-19 pandemic.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are \$5,658,542 (2019 \$5,190,911).

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 4 Loans Receivable (continued)

The composition of the Loans receivable balance by range of effective annual interest rates is as follows:

	2020	2019
Effective annual Interest Rate		
Less than or equal to 2%	\$ 145,093	\$ 175,509
2.01% to 3.00%	266,267	294,212
3.01% to 4.00%	903,574	716,110
4.01% to 5.00%	789,177	729,605
5.01% to 6.00%	252,498	267,725
6.01% to 7.00%	85,441	112,169
7.01% to 8.00%	5,326	8,553
Over 8%	879	1,081
	<u>2,448,255</u>	<u>2,304,964</u>
Accrued interest	30,093	27,652
Allowance for doubtful accounts	<u>(41,960)</u>	<u>(26,237)</u>
	<u>\$ 2,436,388</u>	<u>\$ 2,306,379</u>
Weighted average annual interest rate	3.99%	4.01%

Note 5 Investments

	2020	2019
Bonds and debentures:		
Government of Canada, direct and guaranteed	\$ 1,269,056	\$ 1,278,851
Other provincial, direct and guaranteed	<u>116,076</u>	<u>96,885</u>
	1,385,132	1,375,736
Corporate securities:		
Asset backed securities, AAA rated	718,607	684,433
Senior bank notes	<u>495,909</u>	<u>485,858</u>
	<u>1,214,516</u>	<u>1,170,291</u>
	2,599,648	2,546,027
Accrued interest	<u>12,365</u>	<u>12,086</u>
	<u>\$ 2,612,013</u>	<u>\$ 2,558,113</u>

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 5 Investments (continued)

The fair value of investments at March 31, 2020 is \$2,643,630 (2019 \$2,560,272). Fair value is based on quoted market prices excluding accrued interest.

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity ⁽¹⁾			2020	2019
	Within 1 Year	1 to 5 Years	6 to 10 Years		
Bonds and debentures \$	1,205	\$ 1,383,927	\$ -	\$ 1,385,132	\$ 1,375,736
Yield ⁽²⁾	0.53%	0.84%	-	0.84%	1.75%
Corporate Securities	2,677	1,211,839	-	1,214,516	1,170,291
Yield ⁽²⁾	2.00%	2.23%	-	2.23%	2.29%
Accrued interest	3,882 19	2,595,766 12,346	- -	2,599,648 12,365	2,546,027 12,086
	<u>\$ 3,901</u>	<u>\$ 2,608,112</u>	<u>\$ -</u>	<u>\$ 2,612,013</u>	<u>\$ 2,558,113</u>

(1) Term to maturity classifications are based on contractual maturity date of the security.

(2) Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 6 Accounts Payable and Accrued Liabilities

	2020	2019
Supplies and services	\$ 5,434	\$ 12,788
Salaries, wages and employee benefits	4,342	4,852
Reinsurance Premiums to Government of Canada	18	18
Other	211	65
	<u>\$ 10,005</u>	<u>\$ 17,723</u>

Note 7 Due (to) from Other Provincial Governments

Due to provincial governments represents amounts collected from and paid to other provincial governments relating to the Western Livestock Price Insurance Program which was implemented in April 2014. The program provides producers with protection against an unexpected drop in prices on cattle and hogs. The Corporation entered into an agreement with the other provincial governments to deliver this program to producers in British Columbia, Saskatchewan and Manitoba. Any premiums, indemnities or expenses collected on behalf of producers outside of Alberta are recorded as Due to provincial governments in the financial statements. The Corporation's Statement of Operations includes premiums, indemnities and administration expenses for Alberta producers only.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 7 Due (to) from Other Provincial Governments (continued)

Breakdown of the amounts owing is as follows:

	2020	2019
Premiums collected	\$ 33,286	\$ 27,514
Indemnities paid	(28,556)	(17,709)
Administration costs receivable	(128)	(154)
Reinsurance premiums	(4,764)	(7,438)
Reinsurance expense net of ceded premiums	2,353	2,353
	<u>\$ 2,191</u>	<u>\$ 4,566</u>

Note 8 Indemnities Payable

	2020 (Note 2(l))	2019 (Note 2(l))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs		
Current claim year	\$ 215,667	\$ 148,686
Prior claim years	<u>61,819</u>	<u>49,461</u>
	277,486	198,147
AgriInsurance	128,121	44,092
Wildlife compensation	5,561	2,469
Hail insurance	2	93
Livestock price insurance	<u>47,466</u>	<u>3,534</u>
	<u>\$ 458,636</u>	<u>\$ 248,335</u>

Estimated indemnities payable of \$458,636 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for the AgriStability and AgriInvest programs are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections,

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 8 Indemnities Payable (continued)

estimated indemnities for the current year would be in the range of \$176,410 to \$264,062. In four of the past six years, actual indemnities fell outside the range.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on probable payments for claims not yet processed.

Estimated indemnities payable for the AgriInsurance program are based upon number of claims remaining to be paid and average claim payment amounts. The indemnities payable also includes claims deferred by producers. Based on that information the projected estimated indemnities would be in the range of \$42,243 to \$200,362.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

The COVID-19 pandemic impacts to the livestock industry have caused a substantial decline in cattle prices since March 31, 2020. This has caused estimated indemnities payable and the corresponding reinsurance recoveries to significantly fluctuate since March 31, 2020 within the following ranges.

Indemnities payable \$76,640 to \$153,104

Reinsurance recoveries \$37,239 to \$87,967

Note 9 Borrowing from Government of Alberta

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing.

The composition of outstanding borrowing from the Government of Alberta by range of effective annual interest rate is as follows:

	2020	2019
Effective annual Interest Rate		
Less than or equal to 2%	\$ 510,725	\$ 370,000
2.01% to 3.00%	1,137,000	833,000
3.01% to 4.00%	500,721	657,373
4.01% to 5.00%	289,294	375,751
	<u>2,437,740</u>	<u>2,236,124</u>
Accrued interest	10,515	14,839
Unamortized premium	<u>(5,925)</u>	<u>(2,242)</u>
	<u>\$ 2,442,330</u>	<u>\$ 2,248,721</u>
Weighted average annual interest rate	2.72%	3.07%

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 9 Borrowing from Government of Alberta (continued)

Principal repayments due in each of the next five years and thereafter are as follows:

Year ending March 31, 2021	\$ 515,725
2022	181,432
2023	136,431
2024	294,431
2025	120,000
Thereafter	<u>1,189,721</u>
	<u><u>\$ 2,437,740</u></u>

The estimated fair value of borrowings as at March 31, 2020 is \$2,546,063 (2019 \$2,336,510). Fair value is an approximation of market value to the holder.

Note 10 Deferred Revenue

	2020	2019			
Unearned revenue	\$ 7,616	\$ 7,084			
Spent deferred capital contributions	<u>15,611</u>	<u>17,544</u>			
	<u><u>\$ 23,227</u></u>	<u><u>\$ 24,628</u></u>			
Unearned revenue	2020				2019
	Government of Canada	Non-government	Government of Alberta	Total	Total
Balance at beginning of year	\$ -	\$ 7,084	\$ -	\$ 7,084	\$ 7,336
Received during year	-	7,616	-	7,616	7,084
Less amounts recognized	-	(7,084)	-	(7,084)	(7,336)
Balance at end of year	<u>\$ -</u>	<u>\$ 7,616</u>	<u>\$ -</u>	<u>\$ 7,616</u>	<u>\$ 7,084</u>
Spent deferred capital contributions	2020				2019
	Government of Canada	Non-government	Government of Alberta	Total	Total
Balance at beginning of year	\$ 10,235	\$ 485	\$ 6,824	\$ 17,544	\$ 19,282
Transferred capital assets received	1,927	-	1,284	3,211	3,445
Less amounts recognized as revenue	(3,028)	(97)	(2,019)	(5,144)	(5,183)
Balance at end of year	<u>\$ 9,134</u>	<u>\$ 388</u>	<u>\$ 6,089</u>	<u>\$ 15,611</u>	<u>\$ 17,544</u>

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 10 Deferred Revenue (continued)

Unearned revenue represents premiums received from producers for AgriInsurance programs, fees collected for the AgriStability program relating to the next fiscal year. Spent deferred capital contributions represent contributions received from the federal and provincial governments that are restricted for the acquisition of tangible capital assets.

Note 11 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Computer Equipment and Software	2020	2019
Estimated Useful Life	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years		
Cost						
At beginning of year	\$ 2,427	\$ 10,259	\$ 12,382	\$ 113,282	\$ 138,350	\$ 136,273
Additions	-	-	133	6,181	6,314	5,481
Disposals	(720)	(49)	(19)	(2,073)	(2,861)	(3,404)
	<u>1,707</u>	<u>10,210</u>	<u>12,496</u>	<u>117,390</u>	<u>141,803</u>	<u>138,350</u>
Accumulated amortization						
At beginning of year	-	6,382	10,340	90,217	106,939	101,634
Amortization expense	-	184	477	7,627	8,288	8,235
Disposals	-	(19)	(19)	(2,064)	(2,102)	(2,930)
	<u>-</u>	<u>6,547</u>	<u>10,798</u>	<u>95,780</u>	<u>113,125</u>	<u>106,939</u>
Net book value at March 31, 2020	<u>\$ 1,707</u>	<u>\$ 3,663</u>	<u>\$ 1,698</u>	<u>\$ 21,610</u>	<u>\$ 28,678</u>	
Net book value at March 31, 2019	<u>\$ 2,427</u>	<u>\$ 3,877</u>	<u>\$ 2,042</u>	<u>\$ 23,065</u>		<u>\$ 31,411</u>

Computer equipment and software costs include \$4,286 (2019 \$4,284) of costs incurred that are not amortized because they are still in the development stage.

Note 12 Pensions

The Corporation participates in the multi-employer Alberta Management Employees Pension Plan and the Alberta Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Alberta Public Service Managers.

AFSC does not have sufficient plan information to follow the standards for defined benefit accounting, and therefore, follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the plans is comprised of employer contributions to the plan that are required for its employees during the year,

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 12 Pensions (continued)

which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits. The expense for these pension plans is equivalent to the annual contributions of \$5,078 for the year ended March 31, 2020 (2019 \$5,218).

At December 31, 2019, the Alberta Management Employees Pension Plan reported a surplus of \$1,008,135 (2018 surplus \$670,700), the Alberta Public Service Pension Plan reported a surplus of \$2,759,320 (2018 surplus \$519,218) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$44,698 (2018 deficiency \$70,310). The Corporation's share of these pension plans' deficiency is not determinable. The Corporation is not responsible for future funding of the plan deficits other than through contribution increases.

The fair value of the pension plans are subject to significant market volatility due to the economic crisis stemming from the global pandemic COVID-19 virus. To the extent that the pension plans may not recover market-losses during the remainder of 2020, the funded status of the plans would experience a correlated decline. The financial market impact of the outbreak has been rapidly evolving, which precludes a reasonable estimate of the impact.

Note 13 Contingencies, Contractual Obligations and Commitments

Contingent Obligations

	2020	2019
Loan guarantees	\$ 1,476	\$ 5,933

There are no loans for 2020 (2019 \$2,955) included in loan guarantees guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in southern Alberta. Under the AFRLGP, the Corporation has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.

The Corporation has not been named in any legal matters of which the outcome is not determinable (2019 zero claims totaling \$0).

Contractual Obligations

	2020	2019
Reinsurance	\$ 5,199	\$ 5,962
Operating leases	9,953	9,513
Other contracts	8,262	6,259
Total contractual obligations	\$ 23,414	\$ 21,734

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 13 Contingencies, Contractual Obligations and Commitments (continued)

Reinsurance, operating leases and contracts due in each of the next five years and thereafter are as follows:

Year ending March 31,	2021	\$	12,481
	2022		4,499
	2023		2,259
	2024		1,214
	2025		1,126
	Thereafter		1,835
		\$	<u>23,414</u>

AFSC entered into a quota share reinsurance contract which is a pro rata reinsurance contract in which the insurer and the reinsurer share in premiums and indemnities according to a fixed percentage. The fixed percentages are 48.25% for Livestock insurance and 30% for Hail insurance.

The operating lease contractual obligations are for accommodations with terms up to ten years.

Commitments

	2020	2019
Approved, undisbursed loans	<u>\$ 210,335</u>	<u>\$ 204,655</u>

Note 14 Financial Instruments and Financial Risk Management

Financial instruments comprise the majority of AFSC's assets and liabilities. AFSC is exposed to credit, interest and liquidity risks in respect to its use of financial instruments.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to AFSC, resulting in a loss to the Corporation.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

AFSC's maximum possible exposure to credit risk is as follows:

	2020	2019
Investments	\$ 2,612,013	\$ 2,558,113
Loans receivable	2,436,388	2,306,379
Due from Government of Canada	209,056	194,824
Due from Government of Alberta	88,491	57,820
Accounts receivable	35,340	5,586
Loan guarantees	1,476	5,933
Total commitments	<u>\$ 5,382,764</u>	<u>\$ 5,128,655</u>

Loans receivable - Security requirements for a loan or guarantee depend on the risk involved in each individual operation. Adequate security is required for new and emerging businesses as well as for enterprises needing specialized or customized equipment. To mitigate credit risk, lending staff monitor loan accounts continually to ensure prompt response to any financial difficulties customers may encounter. Interest rates for loans and interest rates for borrowing are both set by the Government of Alberta. In order to mitigate the exposure of interest rate fluctuations, AFSC maintains a balance of short term funds.

Investments - AFSC invests surplus funds generated by Production Insurance operations. To decrease the risk of loss of investment, the majority of funds are invested in bonds of federal or provincial governments or securities of corporations that have superior credit ratings. The investments are managed by Alberta Investment Management Corporation, an Alberta Crown Corporation. AFSC also invests in asset-backed securities (AAA rating) and senior bank notes (A rating and higher). Both of these investments consist of securities with relatively low levels of risk.

Due from the Government of Alberta and the Government of Canada – AFSC is not exposed to significant credit risk as payment in full is typically collected when due.

Accounts receivable - Payments to some CAIS/AgriStability participants resulted in overpayments when information provided to AFSC by participants proved to be incorrect or not supported. This creates a risk of potential non-repayment of the overpayments. The Corporation may set off overpayments against any payments to customers.

AFSC provides insurance coverage on crops, effective at the acceptance of the customer's application for insurance, with or without payment of premiums in full. Non-collection of outstanding insurance premiums is a risk. To minimize this risk, a discount is offered for early payment of insurance premiums and arrangements made for a payment schedule for all customers not taking advantage of the discount. Insurance staff closely monitors outstanding premiums and promptly take collection action when required.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk in the loan portfolio. Further information is provided throughout these statements which disclose other concentrations of credit risk.

	2020		2019	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	\$ 1,369,701	56%	\$ 1,260,479	55%
Cattle	745,895	31%	681,432	29%
Accommodations and Other Services	101,964	4%	118,061	5%
Other Livestock	75,608	3%	77,807	3%
Manufacturing	65,567	3%	63,416	3%
Trade - Retail and Wholesale	29,917	1%	31,966	1%
Other	89,696	4%	99,455	5%
Allowance	(41,960)	-2%	(26,237)	-1%
	<u>\$ 2,436,388</u>	<u>100%</u>	<u>\$ 2,306,379</u>	<u>100%</u>

Interest Rate Risk

Interest rate risk is the impact future changes in interest rates have on cash flows and fair values of financial assets and liabilities. AFSC's interest rate exposure relates to investments, loans receivable, and borrowing from the Government of Alberta.

Investments – Interest rate risk on investments is mitigated by AFSC's Investment Policy for surplus funds. The investment policy is approved by the Board of Directors and compliance with the policy is reported to the Board Audit Committee at least twice a year. Duration of investments are set to match management's best estimate of when investments may be needed to be liquidated to meet financial commitments. These investments are normally held to maturity so changes in interest rates do not affect value of the investments as they are carried at amortized cost.

Loans receivables – Loans receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

Borrowing from the Government of Alberta - The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an annual contribution to the Corporation that includes an amount to bridge the gap between interest revenue from the loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Corporation's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment ⁽¹⁾				Not ⁽²⁾ Interest Rate Sensitive	2020	2019
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total (Restated)
Loan balances	\$ 203,552	\$ 645,697	\$ 668,136	\$ 901,278	\$ 17,725	\$ 2,436,388	\$ 2,306,379
Yield	3.84%	4.01%	4.14%	4.14%	-	4.05%	4.09%
Borrowing from							
Government of Alberta	\$ 515,725	\$ 732,294	\$ 939,721	\$ 250,000	\$ 4,590	\$ 2,442,330	\$ 2,248,721
Yield ⁽³⁾	2.88%	2.96%	2.78%	2.05%	-	2.89%	3.16%
Net gap	<u>\$ (312,173)</u>	<u>\$ (86,597)</u>	<u>\$ (271,585)</u>	<u>\$ 651,278</u>	<u>\$ 13,135</u>	<u>\$ (5,942)</u>	<u>\$ 57,658</u>

⁽¹⁾ For loan balances, scheduled repayments of principal are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

⁽²⁾ Includes impaired loans, specific and general allowance, accrued interest and unamortized loan discount.

⁽³⁾ Yield represents the rate which discounts future cash receipts to the carrying amount.

Liquidity Risk

Liquidity risk relates to AFSC's ability to access sufficient funds to meet its financial commitments.

AFSC's primary liquidity risk relates to its liability for insurance claims. Insurance claims are funded firstly with current year premiums collected, which normally exceeds cash requirements. In addition, the investment portfolio of surplus funds in insurance

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

operations is structured in such a way that a portion of the portfolio is accessible at short notice to fund claim payments. The Corporation also carries private sector reinsurance for Livestock Price Insurance and Hail Insurance providing significant protection against catastrophic losses. If all of the above are exhausted, the AgriInsurance program has a reinsurance agreement with the Government of Canada and the Government of Alberta to provide additional funding for claim payments. Additionally, the Corporation has access to advances from the Government of Alberta to meet short-term cash flow needs.

Note 15 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and their close family members. Any amounts incurred were in the normal course of business, therefore do not require to be reported.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2020	2019
Revenues:		
Grants	\$ 357,381	\$ 299,524
Expenses:		
Accommodation	\$ 571	\$ 602
Other services	2,619	2,739
Interest	68,146	68,349
	<u>\$ 71,336</u>	<u>\$ 71,690</u>
Payable to:		
Ministry of Agriculture and Forestry	\$ 650	\$ 650
Ministry of Treasury Board and Finance	2,442,330	2,248,721
Service Alberta	1	-
Receivable from:		
Ministry of Agriculture and Forestry	88,490	57,820
Deferred Revenue from:		
Ministry of Agriculture and Forestry	<u>6,090</u>	<u>6,824</u>
	<u>\$ 2,537,561</u>	<u>\$ 2,314,015</u>

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 16 Crop Reinsurance Funds

The contributions, withdrawals and accumulated net asset positions of the AgriInsurance Reinsurance Fund of Alberta and the AgriInsurance Reinsurance Fund of Canada for Alberta are as follows (see Note 2(m)):

	AgriInsurance Reinsurance Fund of Alberta		AgriInsurance Reinsurance Fund of Canada for Alberta	
	2020	2019	2020	2019
Opening net assets	\$ 33,641	\$ 33,641	\$ 34,530	\$ 34,530
Contributions	-	-	-	-
Closing net assets	<u>\$ 33,641</u>	<u>\$ 33,641</u>	<u>\$ 34,530</u>	<u>\$ 34,530</u>

The closing net assets balance in the AgriInsurance Reinsurance Fund of Alberta is consolidated in the AgriInsurance Fund in Schedule 1.

Note 17 Reinsurance Expense

	AgriInsurance	Hail Insurance	Livestock Insurance	2020	2019
Brokerage					
Brokerage rebate	\$ -	\$ -	\$ -	\$ -	\$ (1,281)
Excess loss					
Reinsurance expense		806	2,522	3,328	20,844
Recoveries	-	-	(14,009)	(14,009)	-
Quota Share					
Ceded premiums and commissions	-	7,804	8,695	16,499	19,066
Ceded losses	-	(7,873)	(34,447)	(42,320)	(6,475)
Net reinsurance expense	<u>\$ -</u>	<u>\$ 737</u>	<u>\$ (37,239)</u>	<u>\$ (36,502)</u>	<u>\$ 32,154</u>

The COVID-19 pandemic impacts to the livestock industry have caused a substantial decline in cattle prices since March 31, 2020. This has created the estimated reinsurance recoveries to significantly fluctuate since March 31, 2020 within the following range \$37,239 to \$87,261. The net livestock insurance reinsurance expense is included in fees and other income on Schedule 1.

Note 18 Subsequent Event

On May 5, 2020, the Alberta Government announced an AgriRecovery Set Aside Program for Fed Cattle under the federal-provincial-territorial AgriRecovery framework within the Canadian Partnership Agreement. This is due to the unprecedented challenges resulting from COVID-19 with the loss of foodservice business and reduced processing capacity due

Notes to the Financial Statements

Year ended March 31, 2020

(in thousands)

Note 18 Subsequent Event (continued)

to temporary closures of three meat processing plants. Without the ability to sell market-ready cattle in a timely manner, fed cattle will continue to be held back from slaughter. These are extraordinary costs for cattle feeders. The program is estimated to cost \$43,200 to be shared by the parties as per the agreement. The cost and the corresponding contributions from the Government of Canada and the Government of Alberta are subject to measurement uncertainty.

Note 19 Budget

The budget reported in the Statement of Operations was included in the 2020/19 Government Estimates.

Note 20 Comparative Figures

The 2019 figures have been reclassified where necessary to conform to 2020 presentation.

Schedule of Operations

Year ended March 31, 2020

(in thousands)

Schedule 1

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	AgrilInsurance Note 2(n)	AgrilInsurance Note 2(n)	Agriculture Income Support	Agriculture Income Support	Lending	Lending	Hail Insurance	Hail Insurance	Livestock Insurance	Livestock Insurance	Wildlife Damage Compensation	Wildlife Damage Compensation	Total	Total
Revenues:														
Premiums from insured persons	\$ 275,206	\$ 267,683	\$ -	\$ -	\$ -	\$ -	\$ 28,545	\$ 35,010	\$ 17,446	\$ 20,083	\$ -	\$ -	\$ 321,197	\$ 322,776
Interest	681	680	166	133	94,973	87,671	87	114	36	45	-	-	95,943	88,643
Contribution from Government of Alberta	233,469	229,614	105,980	45,927	7,407	12,955	-	-	714	794	9,811	10,234	357,381	299,524
Contribution from Government of Canada	194,241	194,308	114,847	33,100	-	-	-	-	1,069	1,103	9,274	9,648	319,431	238,159
Investment income	59,055	46,328	736	758	810	763	713	554	398	591	(48)	(72)	61,664	48,922
Fees and other income	161	(122)	10,278	9,833	3,380	2,788	159	263	37,332	93	118	100	51,428	12,955
	762,813	738,491	232,007	89,751	106,570	104,177	29,504	35,941	56,995	22,709	19,155	19,910	1,207,044	1,010,979
Expenses:														
Indemnities	841,320	557,515	219,160	77,292	-	-	26,105	14,267	76,640	904	17,585	18,287	1,180,810	668,265
Salaries, wages and employee benefits	29,134	28,091	8,053	8,488	17,969	19,003	670	657	1,069	1,118	860	924	57,755	58,281
Supplies and services	12,976	13,533	3,677	3,834	5,766	6,422	477	613	620	657	437	499	23,953	25,558
Amortization of tangible capital assets	3,618	3,320	1,169	881	2,509	2,833	454	485	438	602	100	114	8,288	8,235
Interest	-	-	-	-	69,496	69,250	-	-	-	-	-	-	69,496	69,250
Reinsurance (Note 17)	-	16,172	-	-	-	-	737	6,169	-	9,813	-	-	737	32,154
Allowance for doubtful accounts and for losses (Note 3 & 4)	(73)	(59)	(446)	(1,100)	21,701	414	(25)	(21)	-	(12)	-	-	21,157	(778)
	886,975	618,572	231,613	89,395	117,441	97,922	28,418	22,170	78,767	13,082	18,982	19,824	1,362,196	860,965
Annual (deficit) surplus	(124,162)	119,919	394	356	(10,871)	6,255	1,086	13,771	(21,772)	9,627	173	86	(155,152)	150,014
Accumulated surplus at beginning of year	2,814,351	2,694,432	2,117	1,761	91,430	85,175	44,462	30,691	40,720	31,093	1,633	1,547	2,994,713	2,844,699
Accumulated surplus at end of year	\$ 2,690,189	\$ 2,814,351	\$ 2,511	\$ 2,117	\$ 80,559	\$ 91,430	\$ 45,548	\$ 44,462	\$ 18,948	\$ 40,720	\$ 1,806	\$ 1,633	\$ 2,839,561	\$ 2,994,713

Schedule of Salaries and Benefits

Year ended March 31, 2020

(in thousands)

Schedule 2

	2020				2019
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non- cash Benefits ⁽³⁾	Total	Total
Chair of Board	\$ 41	\$ -	\$ 1	\$ 42	\$ 44
Board Members ⁽⁴⁾	86	-	2	88	91
Executive Members					
Chief Executive Officer ⁽⁵⁾	305	78	27	410	347
Chief Risk Officer ⁽⁶⁾	250	57	12	319	50
Chief Client Officer ⁽⁷⁾	239	-	60	299	-
Chief Financial & Innovation Officer ⁽⁸⁾	224	1	52	277	270
Chief People Officer	173	10	40	223	219
Chief Information Officer	175	4	40	219	216
Interim Vice-President, Operation & Sales ⁽⁹⁾	14	-	4	18	222
Interim CEO ⁽¹⁰⁾	-	-	-	-	25
Interim Chief Financial Officer ⁽¹¹⁾	-	-	-	-	19
Vice-President, Legal & Compliance, General Counsel ⁽¹²⁾	-	-	-	-	247
Interim Vice-President, Innovation & Product Development ⁽¹³⁾	-	-	-	-	230

(1) Base salaries are fees for Chair and Board members and base pay for employees.

(2) Other cash benefits include vacation payments and lump sum payments including severance. There were no bonuses paid during the year.

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships.

(4) The amounts relate to eight Board Members for six months and seven Board Members for six months 2019/20 (eight months in 2018/19).

(5) The amounts relate to twelve months during 2019/20 (eleven months in 2018/19).

(6) The amounts relate to two months during 2018/19.

(7) The position commenced April 2, 2019.

(8) The amounts relate to twelve months during 2019/20 (eleven months in 2018/19).

(9) The amounts relate to twelve months during 2018/19.

(10) The amount relates to one month during 2018/19.

(11) The amount relates to one month during 2018/19.

(12) The amount relates to six months during 2018/19.

(13) The amount relates to eleven months during 2018/19.

Environmental Protection and Enhancement Fund

Financial Statements

Period Ended December 4, 2019

Environmental Protection and Enhancement Fund

Financial Statements

Table of Contents

Independent Auditor's Report	127
Statement of Operations	130
Statement of Financial Position	131
Statement of Change in Net Financial Assets	132
Statement of Cash Flows.....	133
Notes to the Financial Statements	134
Schedule 1: Expenses – Detailed by Object.....	141
Schedule 2: Related Party Transactions.....	142

Independent Auditor's Report



To the Minister of Agriculture and Forestry

Report on the Financial Statements

Opinion

I have audited the financial statements of Environmental Protection and Enhancement Fund (the Fund), which comprise the statement of financial position as at December 4, 2019, and the statements of operations, change in net financial assets, and cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 4, 2019, and the results of its operations, its changes in net financial assets, and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Emphasis of matter

I draw attention to note 1 which describes the disestablishment of the Fund. My opinion is not modified in respect of this matter.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The financial statements of the Fund are included in the *Annual report of the Ministry of Agriculture and Forestry*. The other information comprises the information included in the *Annual report of the Ministry of Agriculture and Forestry*, but does not include the financial statements and my auditor's report thereon. The *Annual report of the Ministry of Agriculture and Forestry* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting as applicable in accordance with Canadian public sector accounting standards.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my

auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. Because of the disestablishment of the Fund, as disclosed in the financial statements, it ceased to be a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 30, 2020
Edmonton, Alberta

Statement of Operations

Period Ended December 4, 2019

(in thousands)

	December 4, 2019		March 31, 2019	
	Budget ⁽¹⁾	Actual	Actual	
	(Note 3)			
Revenues				
Government transfers				
Government of Alberta grants (Note 8)	\$ -	\$ 426,740	\$ 192,463	
Timber royalties and fees	-	16,434	30,526	
Investment income	-	318	369	
Other revenue	-	93	35	
	-	443,585	223,393	
Expenses (Note 2(b) and Schedule 1)				
Forest Fires	-	434,325	200,874	
Flat Top Complex	-	8,911	12,292	
Forest Health Program	-	201	214	
Environmental Emergency Response	-	148	10,013	
Intercept Feeding and Fencing	-	-	-	
Debt Servicing Costs	-	-	-	
	-	443,585	223,393	
Surplus	-	-	-	
Accumulated surplus at beginning of period	-	150,000	150,000	
Accumulated surplus at end of period	\$ -	\$ 150,000	\$ 150,000	

The accompanying notes and schedules are part of these financial statements.

(1) On December 5, 2019, the Environmental Protection and Enhancement Fund was disestablished. Budget for all programs, with the exception of Environmental Emergency Response and Intercept Feeding and Fencing, was approved for the Department of Agriculture and Forestry. Budget for Environmental Emergency Response and Intercept Feeding and Fencing was approved for the Department of Environment and Parks.

Statement of Financial Position

As at December 4, 2019

(in thousands)

	December 4, 2019	March 31, 2019
Financial assets		
Cash (Note 4)	\$ 24,917	\$ 14,136
Due from Government of Alberta	268,178	148,042
Accounts receivable	10	-
	293,105	162,178
Liabilities		
Accounts payable and accrued liabilities (Note 5)	37,785	6,146
Due to Government of Alberta	100,000	-
Environmental liabilities (Note 6)	5,320	6,032
	143,105	12,178
Net assets	150,000	150,000
Net assets		
Accumulated surplus	150,000	150,000
	\$ 150,000	\$ 150,000

Contractual obligations (Note 3)

The accompanying notes and schedules are part of these financial statements.

On December 5, 2019, the Environmental Protection and Enhancement Fund was disestablished (Note 3).

Statement of Change in Net Financial Assets

Period Ended December 4, 2019

(in thousands)

		December 4, 2019			March 31, 2019	
		Budget	Actual		Actual	
Surplus	\$	-	\$	-	\$	-
Change in net financial assets		-		-		-
Net financial assets at beginning of period		-		150,000		150,000
Net financial assets at end of period	\$	-	\$	150,000	\$	150,000

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

Period Ended December 4, 2019

(in thousands)

	December 4, 2019	March 31, 2019
Operating transactions		
Surplus	\$ -	\$ -
(Increase)/Decrease in Due from Government of Alberta	(120,136)	63,952
(Increase)/Decrease in accounts receivable	(10)	5
Increase/(Decrease) in accounts payable and accrued liabilities	31,639	(73,626)
Increase in Due to Government of Alberta	100,000	-
(Decrease)/Increase in Environmental liabilities	(712)	4,846
Cash provided by (applied to) operating transactions	10,781	(4,823)
Increase/(Decrease) in cash	10,781	(4,823)
Cash at beginning of period	14,136	18,959
Cash at end of period	\$ 24,917	\$ 14,136

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements

Period Ended December 4, 2019

Note 1 Authority

The Environmental Protection and Enhancement Fund (the Fund) operates under the authority of the *Environmental Protection and Enhancement Act* (EPEA), Chapter E-12, Revised Statutes of Alberta 2000.

The components of the Fund are:

- Forest Fires
- Flat Top Complex
- Forest Health
- Environmental Emergency Response
- Intercept Feeding and Fencing

On December 5, 2019 the *Fiscal Measures and Taxation Act* 2019 (Bill 20) repealed the Act and disestablished the Fund.

Legislation sets the date of the disestablishment. Different practices exist regarding timing of accounting for the disestablishment, either the day of or day before the legislated disestablishment. When management determines that the accounting period ends the day of the disestablishment, the statement of financial position reports no assets and/or liabilities as at the period end date, and the statement of operations reports the net amount of liabilities or assets transferred upon disestablishment as revenue or expense. When management determines that the accounting period ends the day before the disestablishment, the disestablishment is a subsequent event, and the statement of financial position reports assets and/or liabilities as at the day before the disestablishment, and no disestablishment revenue or expense is reported in the current period statement of operations. Management has determined the Fund's accounting period ended the day before the disestablishment. Accordingly, the statement of financial position reports assets and liabilities as at the day before the disestablishment, and the statement of operations does not include an amount related to the disestablishment. All assets and liabilities were transferred subsequent to period end to the Department of Agriculture and Forestry, a related entity within the government reporting entity.

The following notes and policies will not apply beyond the disestablishment date. See Note 3 – Disestablishment of the Fund.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Fund, which is part of the Ministry of Agriculture and Forestry and for which the Minister of Agriculture and Forestry is accountable. Other entities reporting to the

Notes to the Financial Statements

Period Ended December 4, 2019

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Minister are the Department of Agriculture and Forestry and Agriculture Financial Services Corporation. The activities of these organizations are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by period is recognized as unearned revenue.

Government transfers - Transfers from all governments are referred to as government transfers.

Government transfers and the associated externally restricted income are recognized as deferred contributions if the eligibility criteria for the use of the transfer, or the stipulations together with the Fund's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Fund complies with its communicated use of these transfers.

All other government transfers, without stipulations for the use of the transfer, are recognized as revenue when the transfer is authorized and the Fund meets the eligibility criteria (if any).

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the period are expensed.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met and a reasonable estimate of the amount can be made.

Valuation of Financial Assets and Liabilities

The Fund's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash	Cost
Accounts receivable	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost

Notes to the Financial Statements

Period Ended December 4, 2019

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Financial Assets

The Fund has no financial assets measured in the fair value category and has not engaged in foreign currency transactions. The Fund has no re-measurement gains or losses and consequently has not presented a Statement of Re-measurement Gains and Losses.

Financial assets are assets that could be used to discharge existing liabilities and are not for consumption in the normal course of operations.

Financial assets are the Fund's financial claims on external organizations and individuals.

Liabilities

Liabilities are present obligations of the Fund to external organizations and individuals arising from past transactions or events occurring before the period end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Environmental Liabilities - Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment.

A liability for remediation of contaminated sites from an operation(s) that is no longer in productive use and may be due to unexpected events resulting in contamination is recognized net of any expected recoveries, when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Fund is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

Measurement Uncertainty (*in thousands*)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount, whenever estimates are used.

The Environmental Liability, recognized as \$5,320 in these financial statements, is subject to measurement uncertainty.

These estimates are based on the current site assessment, including the source and type of the contaminant. During remediation, further site assessments and/or sampling results may materially change the estimate. These changes could be the result of factors such as expanded area of contamination; a revised assessment of the source or introduction of a new source; re-sampling at deeper depths; and cost fluctuations where remedial work is conducted over several years.

Notes to the Financial Statements

Period Ended December 4, 2019

Note 3 Disestablishment of the Fund (in thousands)

Pursuant to Bill 20, the Fund was disestablished on December 5, 2019. Cash in the amount of \$24,917, was transferred to the General Revenue Fund. Environmental liabilities (\$5,320) and expenses for the Environmental Emergency Response program (\$148) were transferred to the Department of Environment and Parks on December 5, 2019. The remaining balances were transferred to the Department of Agriculture and Forestry on December 5, 2019.

	General Revenue Fund	Environment & Parks	Agriculture & Forestry	As Reported
Financial assets				
Cash	\$ 24,917	\$ -	\$ -	\$ 24,917
Due from Government of Alberta	-	-	268,178	268,178
Accounts receivable	-	-	10	10
Liabilities				
Accounts payable and accrued liabilities	-	-	37,785	37,785
Due to Government of Alberta	-	-	100,000	100,000
Environmental liabilities	-	5,320	-	5,320
Accumulated surplus	-	-	150,000	150,000
Revenues				
Government of Alberta grants	-	-	426,740	426,740
Timber royalties and fees	-	-	16,434	16,434
Investment income	-	-	318	318
Other revenue	-	-	93	93
Expenses				
Forest Fires	-	-	434,325	434,325
Flat Top Complex	-	-	8,911	8,911
Forest Health Program	-	-	201	201
Environmental Emergency Response	-	148	-	148
Net Assets at March 31, 2019	\$ 24,917	\$ (5,320)	\$ 130,403	\$ 150,000

These contractual obligations were transferred to the Department of Agriculture and Forestry on December 5, 2019.

	December 4, 2019	March 31, 2019 (Restated)
Obligations under contracts and programs	<u>\$ 11,877</u>	<u>\$ 19,638</u>

Notes to the Financial Statements

Period Ended December 4, 2019

Note 3 Disestablishment of the Fund (continued)

(in thousands)

Estimated payment requirements for the rest of this fiscal year, for the next four years and thereafter are as follows:

2019-20	\$	-
2020-21		6,974
2021-22		1,609
2022-23		1,639
2023-24		1,655
	\$	<u>11,877</u>

Note 4 Cash

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term securities with a maximum term to maturity of three years. As at November 30, 2019, securities held by the Fund have a time-weighted return of 1.798% per annum (March 31, 2019: 1.820% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Note 5 Accounts Payable and Accrued Liabilities

(in thousands)

	December 4, 2019	March 31, 2019
Accounts Payable – General	\$ 2,544	\$ 746
Salaries, Wages and Employee Benefits	58	366
Supplies and Services	35,183	5,034
	<u>\$ 37,785</u>	<u>\$ 6,146</u>

Notes to the Financial Statements

Period Ended December 4, 2019

Note 6 Environmental Liabilities

(in thousands)

Contaminated Site liabilities:

	Total	
	December 4, 2019	March 31, 2019
Liabilities at beginning of period	\$ 6,032	\$ 1,186
Additions to liabilities during the period	-	-
Change in estimate related to existing sites	-	5,890
Remediation work performed	(712)	(1,044)
Liabilities at end of period	<u>\$ 5,320</u>	<u>\$ 6,032</u>

The Fund transferred the liability amount of the contaminated sites for Cold Creek Ranger Station and West Arrowwood to the Department of Environment and Parks.

The Fund has undertaken remediation work on behalf of the proponent at the Gas Plus site for soil and groundwater contamination due to health and environmental risks. The remedial work was scheduled to be completed in 2019. Due to factors outside of the contracted parties' control, the timeline for the reclamation has been extended to March 31, 2020. The liability estimate was based on a consultant's proposal to delineate, develop a contaminated site model, implement testing and a remedial action plan. Recovery of compensation equal to the remediation costs will be pursued through the courts. The probability of recovery of all or some of the costs has been assessed as low and therefore, the liability has not been reduced for any potential recoveries.

Note 7 Net Assets

(in thousands)

The net assets for the Fund are capped at \$150,000 in accordance with a Treasury Board decision (TBDMAR251998).

Note 8 Transfer from the Department of Agriculture and Forestry

(in thousands)

The following revenue was received or is receivable from the Department of Agriculture and Forestry.

	December 4, 2019	March 31, 2019
Forest Fires	\$ 426,740	\$ 192,463

Notes to the Financial Statements

Period Ended December 4, 2019

Note 9 Comparative Figures

Certain March 31, 2019 figures have been reclassified to conform to the current presentation.

Note 10 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule 1: Expenses – Detailed by Object

Period Ended December 4, 2019

(in thousands)

	December 4, 2019		March 31, 2019
	Budget ⁽¹⁾	Actual	Actual
Salaries, wages and employee benefits	\$ -	\$ 35,312	\$ 27,750
Supplies and services	-	408,273	184,447
Grants	-	-	5,306
Other	-	-	5,890
Total expenses	<u>\$ -</u>	<u>\$ 443,585</u>	<u>\$ 223,393</u>

⁽¹⁾ On December 5, 2019, the Environmental Protection and Enhancement Fund was disestablished. Budget for all programs, with the exception of Environmental Emergency Response and Intercept Feeding and Fencing, was approved for the Department of Agriculture and Forestry. Budget for Environmental Emergency Response and Intercept Feeding and Fencing was approved for the Department of Environment and Parks.

Schedule 2: Related Party Transactions

Period Ended December 4, 2019

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Fund.

The Fund had the following transactions with related parties reported in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
	December 4, 2019	March 31, 2019	December 4, 2019	March 31, 2019
Revenues				
Grants	\$ 426,740	\$ 192,463	\$ -	\$ -
	<u>\$ 426,740</u>	<u>\$ 192,463</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses				
Other services	\$ 9	\$ 38	\$ 1,011	\$ 10,672
	<u>\$ 9</u>	<u>\$ 38</u>	<u>\$ 1,011</u>	<u>\$ 10,672</u>
Payable to				
Agriculture and Forestry	\$ 39	\$ 196	\$ -	\$ -
Environment and Parks	-	-	6,142	9,131
Justice and Solicitor General	-	-	-	116
Municipal Affairs	-	-	-	240
Treasury Board and Finance	-	-	100,000	-
	<u>\$ 39</u>	<u>\$ 196</u>	<u>\$ 106,142</u>	<u>\$ 9,487</u>
Receivable from				
Agriculture and Forestry	\$ 268,174	\$ 148,039	\$ -	\$ -
	<u>\$ 268,174</u>	<u>\$ 148,039</u>	<u>\$ -</u>	<u>\$ -</u>

On December 5, 2019, the Environmental Protection and Enhancement Fund was disestablished (Note 3).

Other Financial Information

Table of Contents

Statement of Credit or Recovery (unaudited).....	144
Lapse/Encumbrance (unaudited)	145
Payments Based on Agreements (unaudited)	147
<i>Public Interest Disclosure (Whistleblower Protection) Act</i>	148

Statement of Credit or Recovery (unaudited)**Department of Agriculture and Forestry
For the Year ended March 31, 2020**

(in thousands)

The following has been prepared pursuant to Section 24(3) of the *Financial Administration Act*.

	Authorized	Actual Revenue Recognized	Unearned Revenue	Total Revenue Received/ Receivable	(Shortfall)/ Excess
Program Operating					
Canadian Agricultural Partnership	\$ 42,263	\$ 41,914	\$ -	\$ 41,914	\$ (349)
Forest Stewardship and Trade	1,000	545	-	545	(455)
	<u>\$ 43,263</u>	<u>\$ 42,459</u>	<u>\$ -</u>	<u>\$ 42,459</u>	<u>\$ (804) ⁽¹⁾</u>
Program Capital Investments					
Livestock and Crop Research	\$ 100	\$ -	\$ 18	\$ 18	\$ (82)
	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 18</u>	<u>\$ (82) ⁽²⁾</u>

⁽¹⁾ Shortfall is deducted from current year's authorized spending.

⁽²⁾ Only expenditures are authorized.

Lapse/Encumbrance (unaudited)

Department of Agriculture and Forestry For the Year ended March 31, 2020

(in thousands)

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Adjusted Voted Estimate	Voted Actuals ⁽³⁾	Unexpended (Over Expended)
EXPENSE VOTE BY PROGRAM					
1 Ministry Support Services					
1.1 Minister's Office	\$ 877	\$ -	\$ 877	\$ 948	\$ (71)
1.2 Deputy Minister's Office	792	-	792	726	66
1.3 Farmers' Advocate	822	-	822	789	33
1.4 Strategy, Planning and Governance	14,597	-	14,597	15,412	(815)
	17,088	-	17,088	17,875	(787)
2 Rural Programming and Agricultural Societies					
2.1 Rural Programming	4,674	-	4,674	5,238	(564)
2.2 Agricultural Societies and Exhibitions	11,462	-	11,462	11,462	-
	16,136	-	16,136	16,700	(564)
3 Processing, Trade and Intergovernmental Relations					
3.1 Business Development and Programs	7,059	-	7,059	7,293	(234)
3.2 Food Safety	13,940	-	13,940	13,869	71
3.3 Food and Bio-Processing	8,986	-	8,986	8,538	448
3.4 Intergovernmental Relations and Trade	4,421	-	4,421	4,708	(287)
	34,406	-	34,406	34,408	(2)
4 Primary Agriculture					
4.1 Animal Health and Assurance	12,435	-	12,435	12,796	(361)
4.2 Crop Health and Assurance	5,933	-	5,933	6,731	(798)
4.3 Agricultural Service Boards	11,678	-	11,678	11,637	41
4.4 Livestock and Crop Research	25,957	-	25,957	24,443	1,514
4.5 Marketing Council	979	-	979	968	11
4.6 Environmental Stewardship	10,625	-	10,625	11,562	(937)
4.7 Irrigation and Farm Water	10,107	-	10,107	7,644	2,463
	77,714	-	77,714	75,781	1,933
5 Agriculture Insurance and Lending Assistance					
5.1 Lending Assistance	7,407	-	7,407	7,407	-
5.2 Insurance	227,923	-	227,923	227,923	-
5.3 Agriculture Income Support	43,353	-	43,353	43,353	-
	278,683	-	278,683	278,683	-
6 Forests					
6.1 Wildfire Management	117,560	-	117,560	108,979	8,581
6.2 Wildfire Presuppression and Response	485,000	-	485,000	466,748	18,252
6.3 Forest Stewardship and Trade	56,656	-	56,656	57,030	(374)
	659,216	-	659,216	632,757	26,459
7 Climate Leadership Plan	2,500	-	2,500	1,944	556
8 Canadian Agricultural Partnership	42,263	-	42,263	41,900	363
CAPTIAL INVESTMENT VOTE BY PROGRAM					
2 Rural Programming and Agricultural Societies					
2.1 Rural Programming	3,425	-	3,425	3,425	-
4 Primary Agriculture					
4.8 Irrigation Infrastructure Assistance	14,000	-	14,000	14,000	-
Credit or Recovery (Shortfall)	-	(804)	(804)	-	(804)
Total	\$ 1,145,431	\$ (804)	\$ 1,144,627	\$ 1,117,473	\$ 27,154
Lapse					\$ 27,154

Lapse/Encumbrance (unaudited)

Department of Agriculture and Forestry
For the Year ended March 31, 2020

(in thousands)

CAPITAL INVESTMENT VOTE BY PROGRAM

1	Ministry Support Services					
1.4	Strategy, Planning and Governance	\$ 990	\$ -	\$ 990	\$ 28	\$ 962
3	Processing, Trade and Intergovernmental Relations					
3.2	Food Safety	301	-	301	7	294
3.3	Food and Bio-Processing	1,166	-	1,166	36	1,130
4	Primary Agriculture					
4.1	Animal Health and Assurance	-	-	-	-	-
4.2	Crop Health and Assurance	-	-	-	-	-
4.4	Livestock and Crop Research	1,037	-	1,037	7	1,030
4.6	Environmental Stewardship	-	-	-	13	(13)
4.7	Irrigation and Farm Water	159	-	159	-	159
6	Forests					
6.1	Wildfire Management	11,673	-	11,673	4,108	7,565
6.3	Forest Stewardship and Trade	-	-	-	201	(201)
	Credit or Recovery (Shortfall)	-	(82)	(82)	-	(82)
Total		\$ 15,326	\$ (82)	\$ 15,244	\$ 4,400	\$ 10,844
Lapse						\$ 10,844

FINANCIAL TRANSACTIONS VOTE BY PROGRAM

6	Forests					
6.1	Wildfire Management	1,310	-	1,310	1,579	(269)
Total		\$ 1,310	\$ -	\$ 1,310	\$ 1,579	\$ (269)
Encumbrance						\$ (269)

CONTINGENCY AND DISASTER AND EMERGENCY ASSISTANCE

5	Agriculture Insurance and Lending Assistance					
5.2	Insurance	-	15,141	15,141	15,431	(290)
5.3	Agriculture Income Support	-	65,598	65,598	62,533	3,065
6	Forests					
6.2	Wildfire Presuppression and Response	-	(6,000)	(6,000)	(6,000)	-
Total		\$ -	\$ 74,739	\$ 74,739	\$ 71,964	\$ 2,775
Lapse						\$ 2,775

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program" and "Financial Transaction Vote by Program" page 37 of the 2019-20 Government Estimates.

(2) Adjustments include encumbrances, capital carry over amounts, transfers between votes and credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. An encumbrance is incurred when, on a vote-by-vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimate. All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding voted estimate in the current year.

Adjustments also include supply vote transfers for "Contingency and Disaster and Emergency Assistance" as approved by the Lieutenant Governor in Council under the direction of the Minister of Finance. The Contingency and Disaster and Emergency Assistance supply vote consists of a provisional funding authority transferable to any ministry. Upon approval by the Lieutenant Governor in Council, the President of Treasury Board and Minister of Finance may either spend or transfer all or a portion of this supply vote to another minister for public emergencies, disasters or unanticipated costs.

Order in Council No. 094/2020 approved on March 25, 2020 authorizes the spending of \$74,739 for the purpose of funding income support and insurance for disaster and emergency assistance for the 2019 agriculture economic hardship disaster.

(3) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

Payments Based on Agreements (unaudited)

Department of Agriculture and Forestry For the Year ended March 31, 2020

(in thousands)

The following has been prepared pursuant to Section 25(3) of the *Financial Administration Act*.

The Department has entered into agreements to deliver fire emergency services. Costs based on these agreements are incurred by the Department under the Mutual Aid Resource Sharing Agreement with other government organizations. Accounts receivable includes \$3,787 (2019 - \$13,440) and accounts payable includes \$0 (2019 - \$120) relating to payments under agreements.

Amounts paid and payable based on agreements with other government organizations are as follows:

	2020	2019
Canadian Government	\$ 34,582	\$ 16,001
United States Government	5,152	1,388
	<u>\$ 39,734</u>	<u>\$ 17,389</u>

Annual Report Extracts and Other Statutory Reports

Public Interest Disclosure (Whistleblower Protection) Act

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* reads:

- 32(1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.
- (2) The report under subsection (1) must include the following information:
- (a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
 - (b) the number of investigations commenced by the designated officer as a result of disclosures;
 - (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.
- (3) The report under subsection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available.

There were no disclosures of wrongdoing filed with my office for your department between April 1, 2019 and March 31, 2020.

