

Agriculture and Forestry

Annual Report **2018–2019**

Note to Readers:

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

Agriculture and Forestry**Communications**

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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 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 financial information of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- **the financial statements of entities making up the ministry including the Department of Agriculture and Forestry, 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.**

In December 2018, government announced changes to the 2018-19 ministry annual reports. Ministry and department audited financial statements previously included in the annual report of the Ministry of Agriculture and Forestry have been replaced with the financial information of the ministry on pages 74-140.

Key information previously contained in the annual reports of each of the 21 ministries is now included in the audited consolidated financial statements of the province.

Message from the Minister



The Ministry of Agriculture and Forestry works closely with the hard-working men and women in two of Alberta's foundational industries. From wildfire and forest management to food safety and sustainable agriculture, the ministry is responsible for the policies, legislation, regulations, programs and services that help to expand Alberta's agriculture, food, and forest sectors.

Over the past fiscal year, the ministry focused on growth and sustainability, public health and safety, responsible resource development, and thriving rural communities. The following report highlights the actions the ministry took during the 2018-19 fiscal year to meet its objectives and the results achieved.

Going forward, Agriculture and Forestry will be searching for more efficient ways of operating and delivering programs. We also have a clear mandate to help job-creators create jobs, and increase investment and economic activity for the province.

I look forward to working with my Legislature colleagues, stakeholders and the amazing ministry staff on important issues facing these industries.

Together, we will achieve great results for Albertans.

[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
- Environmental Protection and Enhancement Fund

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 2018.

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 Corbould
Deputy Minister of Agriculture and Forestry
May 27, 2019

Results Analysis

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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 Alberta's capacity to attract foreign investment. The ministry also supports value-added production and commercialization of agriculture and forest products, and adopts innovative processes to drive growth, sustainability, and economic diversification.
- **Public Health and Safety** – Agriculture and Forestry aims to develop and maintain effective assurance systems, particularly within the spheres of food safety and wildfire management. The ministry protects public safety by taking a science-based approach to food safety, encouraging traceability, disease surveillance, biosecurity and emergency preparedness, and working to prevent and suppress wildfires.
- **Responsible Resources 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 recognizes the value of collaborating with key stakeholders to improve the quality of life of rural Albertans. The ministry invests in community, youth, and business development. Ministry-specific programs and services will aim to improve governance of ministry-supported community organizations, support capacity-building initiatives that enable communities to address a wide range of challenges and opportunities they face, and improve affordability of living in remote rural areas.

In 2018-19, the ministry worked to achieve the following outcomes:

- **Outcome One:** Alberta's agriculture and forest industries are innovative, diversified and competitive
- **Outcome Two:** Alberta's agriculture and forest assurance systems are effective
- **Outcome Three:** Alberta's land and natural resources are managed in an environmentally responsible and sustainable manner
- **Outcome Four:** Alberta has thriving rural communities

Organizational Structure

The Ministry of Agriculture and Forestry is comprised of the Department of Agriculture and Forestry, the Agriculture Financial Services Corporation, the Environmental Protection and Enhancement Fund, as well as other entities including the Farmers' Advocate Office, the Alberta Agricultural Products Marketing Council, the Marketing of Agricultural Products Act Appeal Tribunal, the Irrigation Council, the Local Food Council, the Forest Resource Improvement Association of Alberta, and the Farm Implement Board.

Department of Agriculture and Forestry

Food and Value-Added Processing Division

The Food and Value-Added Processing Division focuses on development and growth of a safe and sustainable agriculture and food industry through effective regulatory oversight of provincially licensed meat and dairy facilities, food safety surveillance, and accredited laboratories. The division provides programs and services in the areas of value-added product development, business development, applied research, and technology transfer. The division 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.

Forestry Division

The Forestry Division provides confidence in sustainable forest management through sound forest, pest, disease, and wildfire management, legislation, policies, and actions. The division also manages Alberta's Crown forested lands to promote forest health, resiliency, and productivity for the benefit of Albertans. The division sets timber dues and collects royalties so that Albertans receive fair value for Crown-owned resources. In addition, the division enforces and audits compliance to all Acts, regulations, and policies to ensure environmental protection and sustainability. The division provides programs and services necessary to position Alberta's forest sectors for increased growth and diversification, including advocacy and legal defense of the industry against duties and tariffs imposed by countries limiting the free trade of forest products.

Intergovernmental Relations, Trade and Environment Division

The Intergovernmental Relations, Trade and Environment Division supports sustainable growth of the agriculture and food industry through economic analysis, environmental policy development, advocacy, and program implementation. The division works to increase export growth for targeted agricultural products and services by identifying opportunities, providing relevant market information, and networking. In partnership with industry, the division delivers business models and systems, and conducts scientific research and analysis to support the adoption of environmentally sustainable practices. The division is also responsible for ensuring water management systems are in place to meet current and future agricultural needs.

Livestock and Crops Division

The Livestock and Crops Division supports a sustainable, resilient, and competitive livestock and crops sector through applied research and innovation, technology transfer, surveillance, and policy leadership. The division enables robust plant and animal health assurance systems, programs, and policies. The

division inspires confidence through science- and risk-based approaches in advancing plant and animal health systems to protect market access, human health, and the environment.

Strategy, Planning and Governance Division

The Strategy, Planning and Governance Division provides leadership in establishing ministry strategic direction and priorities, fiscal management, legislative planning, and solutions to support ministry operations. The division is the primary lead on cross-ministry initiatives related to business planning and budget, and it manages core ministry services such as fleet and accommodations. In addition, the division delivers rural programs that enable communities and individuals to address the wide range of challenges and opportunities they face. The division provides leadership on implementing the Government of Alberta's transformation initiatives within Agriculture and Forestry, and leads extension delivery in the ministry through resources such as the Ag-Info Centre, Call of the Land, and Agri-News.

Other Entities

Agriculture Financial Services Corporation (AFSC)

The Agriculture Financial Services Corporation (AFSC) is a provincial Crown corporation that provides financial services, including lending capital and risk management products, to fit the business needs of agricultural producers, the agriculture industry, and small businesses in Alberta. AFSC has provided Alberta farmers with hail insurance for more than 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.

Environmental Protection and Enhancement Fund

The Environmental Protection and Enhancement Fund enables government to respond to environmental emergencies and to protect and enhance the environment. The fund has been established in accordance with the *Environmental Protection and Enhancement Act*.

Forest Resource Improvement Association of Alberta

The Forest Resource Improvement Association of Alberta (FRIAA) is a not-for-profit association with delegated authority as enabled by the *Environmental Protection and Enhancement Act*. 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.

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.

Alberta Agricultural Products Marketing Council

The Alberta Agricultural Products Marketing Council (Marketing Council) is the oversight body for Alberta's twenty 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.

Marketing of Agricultural Products Act Appeal Tribunal

The *Marketing of Agricultural Products* (MAPA) Appeal Tribunal (Appeal Tribunal) is an administrative tribunal whose function is to hear, in a fair and impartial fashion, appeals of orders, directions or decisions made by the regulated marketing boards or commissions as outlined in MAPA and the Review and Appeal Regulation. Marketing Council staff provide administrative support to the Appeal Tribunal by serving as administrator to the appeal, when required.

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.

Local Food Council

The Local Food Council (Council), established under the *Supporting Alberta's Local Food Sector Act*, is tasked with providing advice and recommendations regarding provincial policies, programs, pilot projects, or initiatives to support the continued growth and sustainability of Alberta's local food sector. The Council must submit their final report with recommendations and advice on specific issues related to barriers and challenges for local food no later than 12 months after being established. The Council is dissolved the day the Minister accepts its final report or such later date determined by the Minister.

Organizational Chart

In 2018-19, the ministry's organizational structure was updated to improve the Department of Agriculture and Forestry's alignment with ministry strategic objectives, as well as to reflect new mandates and support broader government realignment. Updates included:

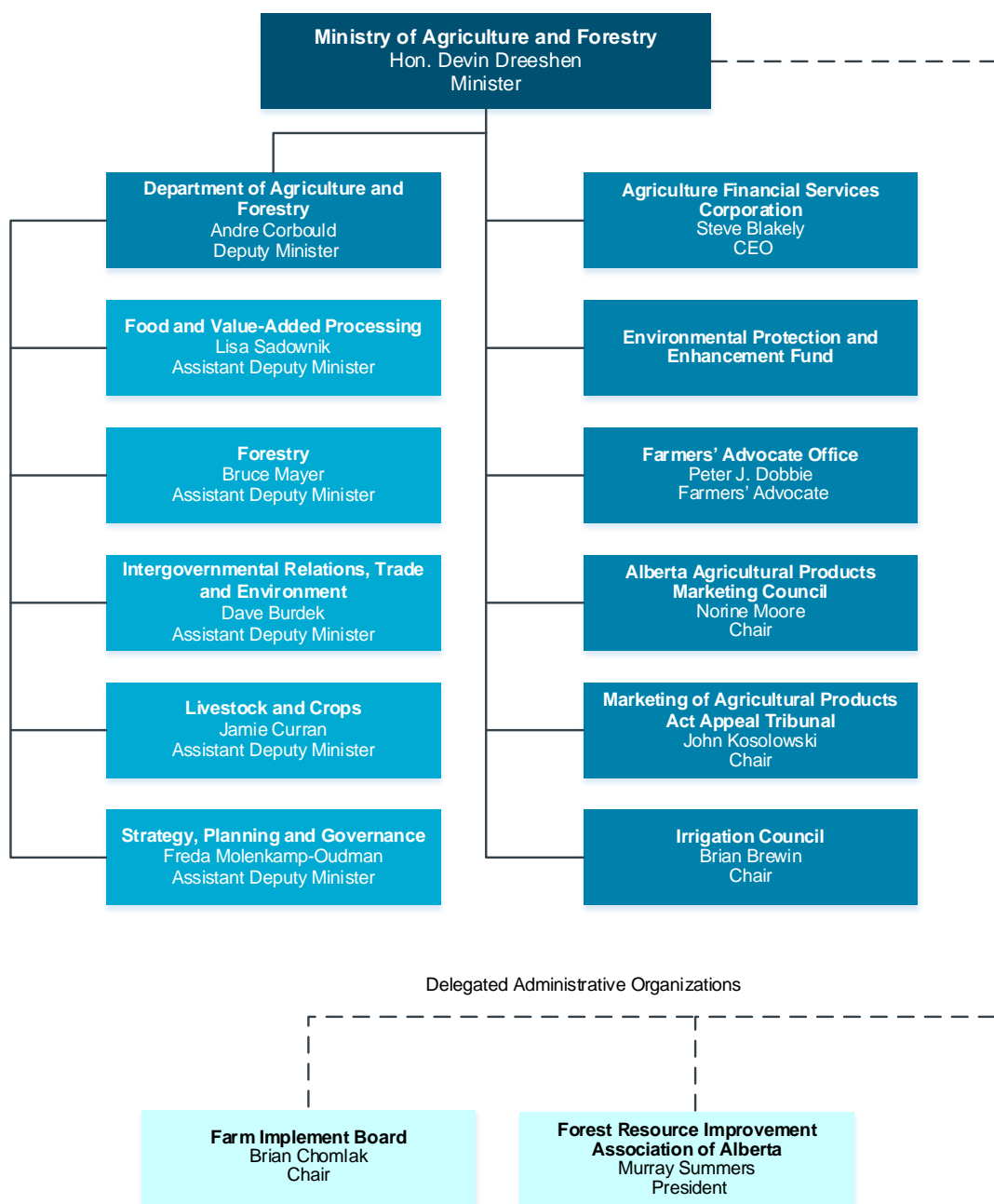
Division Level

- Strategy, Planning and Governance Division introduced (formerly Corporate Services).

Branch and Section Level

- Transfer of most Rural Development Branch functions from the Food and Value-Added Processing Division to the Strategy, Planning and Governance Division.
- Surveillance and outreach activities added to Food Safety Branch under the Food and Value-Added Processing Division.
- New branch structure incorporated into the Food and Value-Added Processing Division with sections focusing on policy, sector development, and program delivery.
- Industry Governance and Research Coordination Branch established under the Livestock and Crops Division.
- As part of the Government of Alberta transformation initiatives, Human Resources, Information Technology and Information Management have been transferred from the former Corporate Service Division, to Public Services Commission and Service Alberta, respectively.

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



Strategic Context

Alberta's agriculture and forest sectors continue to make a significant contribution to the province's long-term growth and prosperity. Although there were notable successes and new opportunities, both sectors faced a number of challenges to their growth in 2018-19. International market access, shipping logistics, commodity market swings, trade restrictions, rising production costs, and weather are some of the key issues impacting both the agriculture and forest industries.

For the agriculture sector, the restriction of canola seed exports to China that began in March 2019 has created uncertainty around continued market access. In 2018, Alberta produced 29 per cent of Canadian canola, with the Chinese market accounting for 51 per cent of Alberta's total canola exports. Continued disruption of this important market would impact all players along the canola value chain.

Livestock diseases such as porcine epidemic diarrhea and bovine tuberculosis have also challenged the province's agriculture sector. The threat posed by disease outbreaks will require continued emergency preparedness and incident management in order to respond to these as effectively and efficiently as possible. Alberta's agriculture and food processing sectors share in the responsibility to mitigate food safety risks in their operations. Although food safety practices are being implemented, foodborne illness outbreaks do occur. Understanding how to mitigate the risk of new and emerging food safety hazards impacts everyone along the supply chain. Similar to livestock disease outbreaks, the threat posed by foodborne illness outbreaks requires diligent emergency preparedness and incident management.

Alberta is also facing an increasing threat from wildfire. As development continues in the province's forested regions, the number of human-caused wildfires is increasing. The need to balance industrial, environmental, and recreational use on Alberta's forested land is also creating a challenge for forestry companies who need reliable access to fibre to compete and grow. Access to fibre is further complicated by ongoing mountain pine beetle infestations. While the extreme cold days in the months of January and February may have killed as much as 90 per cent of mountain pine beetle larvae populations nestled inside tree trunks, mountain pine beetle infestations continue to pose a significant risk to Alberta's forests.

Despite these challenges, the agriculture and forest sectors provide viable diversification options, contributing significantly to the province's economic growth and development. In 2018, the agri-food and forest industries accounted for \$8.5 billion and \$2.2 billion of Alberta's gross domestic product (adjusted for inflation), respectively. Farm cash receipts (including program payments) for 2018 was \$13.6 billion. The agriculture and forest sectors provided employment for over 91,200 Albertans in 2018. The sectors are also well positioned to capitalize on increased export opportunities and partnerships enabled by a dynamic global economy. The recently negotiated Canada-United States-Mexico Agreement (CUSMA), the successor to the North American Free Trade Agreement (NAFTA), will maintain existing agriculture commitments between Canada, the United States, and Mexico.

Going forward, the Canadian Agricultural Partnership Agreement (The Partnership) will have significant benefit for the agriculture industry. The Partnership is a five-year, \$3 billion investment by federal, provincial, and territorial governments to strengthen the agriculture sector. In Alberta, it commits a federal-provincial investment of \$406 million over five years toward strategic programs and services that are tailored to the province's agriculture priorities.

Working to meet changing consumer needs and take advantage of value-added opportunities will also allow the industry to generate and retain a larger portion of revenues and economic benefits from agriculture. For example, growing consumer interest in eating locally grown and produced food is an

important market opportunity for Alberta's agriculture and food producers and processors. Through improvement in access and awareness, the diversity and availability of Alberta food will increase, leading to stronger local food systems that will improve the quality of life of Albertans, and generate jobs and economic opportunities. There are also significant opportunities arising from the legalization of cannabis. Changes to the regulation of hemp production have increased the economic potential of crop, food, fibre, and feed as well as natural health and pharmaceutical markets. This builds on Alberta's strength as one of the largest hemp producing regions in North America.

On a global scale, Alberta continues to supply the world with high quality agricultural commodities that serve as an excellent source of much needed protein. In addition to the beef and pork industries, Alberta has the opportunity to capitalize on the Government of Canada's \$153 million innovation supercluster investment in plant protein. Protein Industries Canada is a western Canadian industry-led, not-for-profit organization created to position Canada as a global source of high-quality plant protein and plant based products. The industry is well positioned to benefit from this initiative due to the vast availability of high quality commodities in Alberta, along with the province's research capacity. While the substantially weakened Canadian dollar is good for Alberta's export competitiveness, it is also likely to exacerbate the effects of both the United States steel tariffs and Canada's retaliatory measures. Canada's agricultural markets could suffer collateral damage. The forest sector continues to develop and produce innovative new products and new applications for existing products. This is helping the sector adjust to changes in market demand, improve financial performance, and demonstrate environmental stewardship.

This annual report provides an integrated results analysis for the most significant actions taken to achieving ministry outcomes. The consolidated accomplishments are presented from management's perspective according to the desired outcomes, key strategies and performance measures, as listed in the 2018-21 ministry business plan.

Discussion and Analysis of Results

Outcome One

Alberta's agriculture and forest industries are innovative, diversified and competitive

Alberta's agri-food and forest industries are important contributors to the province's economy, accounting for over three per cent (or \$10.7 billion) of the total provincial gross domestic product (adjusted for inflation) in 2018. This outcome focuses on the incorporation of innovative practices and technology to build long-term, self-sustaining economic growth for the agriculture and forest industries. To bolster competitiveness and work toward increased diversification, the province collaborates with partners to improve domestic and international market access. Attracting investment and supporting access to capital also contribute to a robust, competitive business environment.

Value-added production and commercialization ensure that Alberta has a variety of high-quality products and services to meet domestic and global consumer demand. Maintaining a strong science and technology base drives productivity, growth, and economic diversification.

The ministry works to make progress toward achievement of this outcome through:

- greater translation of research knowledge and uptake of innovative technology and practices;
- product development and commercialization;
- diversifying export markets to reduce risks associated with relying on single export markets; and
- enabling access to new markets and realizing the expected benefits from trade agreements negotiated by the Government of Canada.

In 2018-19, the ministry committed to improve market development, increase sector capacity, promote sustainable growth, innovation, and competitiveness, and to focus research priorities.

Key Strategies

1.1 Provide focused trade services for Alberta's agricultural and forest product companies to secure current markets and access new growth markets.

Securing current markets and gaining access to new growth markets continues to be critical for the agriculture and forest sectors to advance industry competitiveness and diversification. To this end, it is vital to enhance the province's export readiness and capacity to position the agriculture and forest industries for growth and success in the global marketplace. In June 2018, the International Relations and Marketing Strategic Plan was implemented to help address the need to improve the agriculture industry's export readiness. Through activities such as workshops and engagement sessions, Alberta's agriculture and food industries were provided information to increase export capacity and to gain knowledge about international market opportunities. These activities contribute to agriculture and food producers and processors' ability to achieve success in international markets. Twelve regional strategies were also updated in 2018-19 to provide direction for market development and other export initiatives, such as the Business of Sport initiative.

In addition to providing support to build export readiness, the ministry's programs and initiatives also assist provincial export-ready companies in gaining knowledge about international opportunities, meeting market demands, addressing market barriers and profiling Alberta as a preferred supplier of agriculture and food products. In 2018-19, twelve Alberta companies participated in Foodex Japan, the largest food and drink exhibition in Asia, which generated the potential for estimated future sales of over \$2 million. The ministry also provides a suite of integrated business development services tailored to small and medium-sized agriculture and food companies to increase business knowledge, and to improve the companies' capacity and capability to evolve, adapt, and take advantage of international market opportunities.

In 2018-19, the ministry participated in 217 agriculture market development initiatives, including international trade shows, buyer visits to Alberta, export readiness workshops, in-market promotions, seminars profiling Alberta and its industry and products, and advocacy activities on behalf of the agri-food industry. As a result of these initiatives, clients have reported the potential for estimated future sales of over \$60 million. A total of 367 Alberta clients participated in the various market development initiatives while an additional 134 clients participated in export readiness initiatives designed to build capacity and interest in exporting. An investment of \$1 million was provided to fund the market development initiatives, which helped clients export their products to 21 countries around the world. The Alberta International Offices (AIO) in Tokyo, Seoul, Beijing, and New Delhi continue to be critical partners in advancing Alberta's priorities in international markets through advocacy, investment attraction, and enhanced agricultural trade relations. In 2018-19, 56 per cent of the total clients served received assistance from the AIOs.

New international trade agreements negotiated in 2018-19 may have significant implications for Alberta's agriculture and forest industries. In November 2018, Canada, the United States (U.S.), and Mexico signed the successor agreement to the North American Free Trade Agreement, the Canada-United States-Mexico Agreement (CUSMA). CUSMA has largely kept agricultural trade duty-free with some changes in access to dairy, poultry, and sugar markets. The agreement is expected to have an overall net positive impact for Alberta's agriculture industry when it comes into force. There are no anticipated changes to forest product exports, since there are no changes to the enforceable dispute resolution process allowing Canada to continue dispute settlements against the U.S. Department of Commerce determinations that provincial governments subsidize Canadian lumber products. The Comprehensive and Progressive Trade Agreement for Trans-Pacific Partnership (CPTPP) was ratified on December 30, 2018. CPTPP will allow Alberta exporters to benefit from reduced tariffs in key and new-growth markets such as Japan and Vietnam. Alberta is also working with the Government of Canada to open new markets among the Association of Southeast Asian Nations (ASEAN) member states: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. These countries represent a major market opportunity for a wide range of Alberta agriculture and food products. The Canada-China free-trade agreement negotiation initiative is currently on hold as the Government of Canada works to address and resolve the canola seed restrictions imposed by China in March 2019.

On January 3, 2018, the U.S. Department of Commerce imposed final countervailing and antidumping duties for Alberta forest product producers. Alberta companies pay duties ranging from 20.2 per cent to 23.6 per cent. The U.S. alleges that Canadian companies are unfairly subsidized; accusations that Canada, the Provinces, and the Canadian forest industry reject. Throughout 2018-19, Alberta continued to work with its legal counsel, industry, the Government of Canada, and other provincial governments to support the appeal processes and continued litigation of the U.S. softwood lumber dispute to ensure a unified response. In the absence of a negotiated outcome to the Canada - U.S. softwood lumber trade dispute, Alberta softwood lumber producers may face a prolonged period of uncertainty in accessing the

U.S., the largest international export market for Alberta's softwood lumber accounting for approximately 83 per cent of exports in 2018. At present, any foreseeable negotiated outcome to this dispute involves significant restraints on Alberta's softwood lumber exports to the U.S., and hefty duties on these exports. Continued trade advocacy that seeks resolution of the softwood lumber dispute is important for continued growth of Alberta's forest sector.

Alberta's agri-food and forest sectors are export-oriented and depend on an effective transportation system, especially rail transportation. The challenges in the rail infrastructure and transportation network caused by increased demand and labour shortages significantly disrupted the movement of agriculture and forest products in 2018-19. This decrease in access has affected the agriculture and forest sector's capacity to deliver products to markets efficiently, and may limit the sector's ability to support future growth. To address these challenges, rail service providers hired and trained additional personnel, expanded fleets, and invested in track expansion and rail yard improvements. The ministry has provided input to the Government of Canada on needed infrastructure improvements to remedy commodity flows, particularly through Vancouver, the major port for agriculture and forest product exports. The *Transportation Modernization Act* (Bill C-49), passed in May 2018, provides for timely and accessible shipper remedies to mitigate against rail service failures.

1.2 Increase Alberta's capacity to grow the agriculture and forest industries.

This key strategy is focused on growing more resilient and diversified agriculture and forest industries by providing small companies with the support, tools, and knowledge to grow into large, competitive, nationally, and internationally recognized business ventures. In addition, the strategy works to generate value-added opportunities by promoting the processing of agriculture commodities and forest products within Alberta. These efforts are expected to encourage the uptake of innovative practices, stimulate the development of new products and businesses, and ultimately increase producers' and processors' profitability and sustainability.

1.2(1) Attracting investment to Alberta's value-added processing sector.

New investment contributes to Alberta's economy in many ways: it creates jobs, increases export opportunities, and improves diversification. This component of the key strategy concentrates on growing Alberta's agri-processing industry through the expansion of value-added processing in the province by targeting subsidiaries of agri-processing firms headquartered outside of Alberta. The strategy is also intended to assist small and medium-sized agribusinesses in accessing capital to expand operations.

Agriculture and Forestry is continuing to support new opportunities and developments to expand agriculture in Alberta. In 2018-19, the ministry undertook trade missions to places such as China, South Korea, India, the United Arab Emirates, and Europe to attract investment and develop market opportunities for agriculture and forest products.

The ministry assisted two vegetable and meat processing plants with preliminary engineering assessments. The anticipated value of these plants will be over \$200 million when operational in 2020. In addition, three investment successes valued at over \$39.5 million were facilitated in 2018-19:

- Secured an insect protein plant which develops and manufactures sustainable insect-based feed ingredients. The plant will employ 30 people when operational in 2019.

- Successfully retained the Canadian headquarters of an international agri-solutions firm in Alberta, along with approximately 90-100 jobs.
- Contributed to the retention of a potato processing company's U.S. export business. The company produces unique potato products and is expanding its U.S. export business.

To further support opportunities in Alberta's emerging hemp industry, the ministry initiated close to \$1 million in upgrades to decortication equipment at the government-owned Fibre Processing Plant in Vegreville, which will be complete in 2019-20. The pilot scale plant is the largest research and development facility of its kind in North America, which will support investment and development of new products by companies within the provincial hemp value-chain.

Grants totaling \$1.4 million were provided to three companies to support investment attraction through the Emerging Opportunities programs under Canadian Agricultural Partnership. Specifically, funding assistance provided companies with the means to grow by acquiring new technologies, improving processing efficiencies, and advancing workforce training programs. There were several challenges in attracting investment in 2018-19. Some international investors expressed concerns about the market access implications of the U.S. trade policies while others cited concerns over Canada's high corporate tax rates following a reduction in U.S. corporate tax rates. To address these challenges, the ministry reached out to international companies with subsidiaries in Alberta to reaffirm Alberta's attractiveness as an investment destination, and positioned itself to take advantage of Canada's new trade agreements with the European Union and Asia to diversify sources of foreign investment. In addition to these challenges, missions from China have slowed due, in part, to the Chinese restriction on canola seed trade. The ministry is monitoring the situation and coordinating ongoing information exchanges with Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, the federal Market Access Secretariat, and Economic Development, Trade and Tourism.

1.2(2) Expanding food processing capacity at the Agrivalue Processing Business Incubator to accelerate the scaling up of food product development and the establishment of new business ventures.

This component of the key strategy intends to enhance the ministry's capacity to support economic development and diversification opportunities within the value-added food processing industry by increasing facility space allocated to business incubation, where entrepreneurs can lease space as they fine-tune their products and business operations. The Agrivalue Processing Business Incubator (APBI), which opened in 2007, will be expanded from seven to 10 business incubation suites and will continue to support product development and commercialization in conjunction with the adjoining Food Processing Development Centre (FPDC). Since the June 2016 announcement of the APBI/FPDC expansion in Leduc, the project construction schedule has been adjusted to take into account provincial fiscal challenges. Despite adjustments, planning and design work on the expansion project continued throughout 2018-19 with completion of the schematic design phase occurring in August 2018. The revised construction start date is October 2019, with an estimated completion date of April 2021. The FPDC and APBI work with more than 100 companies per year to provide opportunities to add value to Alberta's agricultural commodities, realize greater profits, commercialize the latest scientific innovations from Alberta's research community, and create jobs.

1.2(3) Developing a forest products sector strategy including an Alberta Wood Charter initiative to grow and diversify the industry.

In 2018, the ministry developed a Forest Sector Strategy, which includes the intentions of the Alberta Wood Charter. The intent of the Alberta Wood Charter was to encourage the use of wood in the construction of provincial commercial non-residential buildings, with the added advantage of reducing carbon dioxide emissions. The broader strategic goal of the Forest Sector Strategy is to grow and diversify the economy, and to create jobs in rural communities by advancing the use of provincial timber resources. Two pathways to growth include expanding Alberta's primary wood product manufacturing subsector and increasing market access for Alberta wood products.

To achieve these goals, the ministry has developed a number of initiatives centering on:

- Accessing new markets in Asia, with emphasis on China and Japan. The ministry sent a trade delegation to China in November to help build trade opportunities and relations for the forestry industry. During this international trade mission, Alberta signed a five-year Memorandum of Understanding with Zhejiang region to facilitate sharing of forestry related information and seek opportunities for collaboration and enhancement of Alberta's forest product exports.
- Increasing domestic use of wood products, exploring non-traditional revenue streams, and increasing capital investment in secondary manufacturing. A detailed government program proposal outlining the technical and market development services necessary to support innovation in manufacturing and enhanced market access will be required to make progress on these strategies.

Continuing to seek opportunities to build customer loyalty and brand recognition for Alberta wood products in China. The ministry partnered with Nanjing University to organize the Alberta Cup, a design competition that allows Chinese students to develop prototype value-added forest products using Alberta-based aspen veneer and lumber. These collaborative research and development networks will enable increased utilization of provincial aspen resources. The networks will also support increased market acceptance over exporters from other jurisdictions in the growing Chinese manufactured forest products market segment, which includes cabinets, windows, and panel homes.

In 2018-19, the ministry provided \$950,000 in grants to:

- three forest industry trade associations; Alberta Forest Products Association (AFPA) Wood WORKS, BC Wood, and Canada Wood. AFPA Wood WORKS focuses efforts on building with wood and mass timber construction, BC Wood helps smaller secondary manufacturers grow and expand operations, and Canada Wood promotes the Canadian wood brand and works to educate countries on building with wood; and
- two research organizations; FPInnovations and Alberta Innovates, for conducting research and growing market access for secondary wood products across Alberta's forest sector.

Together, these activities are intended to help the secondary manufacturing sector pursue its ongoing transformation through the development and adoption of innovative science-based solutions.

In addition, the Marten Hills Forest Management Agreement was approved in November 2018. The Marten Hills Forest Management Agreement is a twenty-year agreement between Alberta and Tolko Industries Ltd., Vanderwell Contractors (1971) Ltd., and West Fraser Mills Ltd. The agreement provides

timber rights to the companies and enables industry to complete forest management planning and harvesting in the Slave Lake area. Forest management agreements are the most secure form of forest tenure in Alberta. They provide long-term fibre security to companies so they can continue to invest in their infrastructure and provide stable employment in the local communities. Forestry represents a significant economic pillar within Alberta, and the Slave Lake region is no exception. In Slave Lake, forestry accounted for 13.4 per cent of employment income and employed hundreds of Albertans directly and indirectly in 2016. The Town of Slave Lake and the Municipal District of Lesser Slave River supported this application for renewal.

Securing continued access to fibre resources poses challenges for the sector, primarily due to pressures on the forested land base, such as conservation area planning, climate change impacts, species at-risk habitat recovery, energy development, insect outbreaks, and wildfire. Balancing land use priorities and social interests influences the availability of wood fibre resources, and economic development of Alberta's secondary manufacturing sector.

1.3 Develop and implement programs under the Canadian Agricultural Partnership to drive sustainable growth, innovation, and competitiveness in the agriculture industry.

The Canadian Agricultural Partnership Agreement (The Partnership) is a five-year, \$3 billion investment by federal, provincial, and territorial governments to strengthen the agriculture industry. Investments are expected to help ensure Canada's agriculture industry remains a leader in job creation and innovation, and to help achieve Canada's objective of expanding agricultural exports to \$75 billion by 2025. The national framework commits federal, provincial, and territorial governments to deliver an integrated strategy to support the industry in:

- increasing competitiveness, productivity, and profitability;
- increasing environmental sustainability;
- expanding domestic and international markets; and
- improving the anticipation, mitigation, and response to risks.

The Partnership is in effect from April 1, 2018 to March 31, 2023, and commits an investment of \$406 million in Alberta. This investment, which is cost-shared between Canada and Alberta (60:40), will be delivered through 15 external and two internal programs tailored to the province's agriculture priorities.

The programs intend to achieve outcomes in five key priority areas:

- environmental sustainability and climate change;
- products, market growth, and diversification;
- science and research;
- risk management; and
- public trust.

The Partnership's programs and priorities were designed and developed in consultation with industry stakeholders. All of The Partnership's Alberta-based programs were opened and accepting applications in phases over the course of 2018-19.

The ministry received 806 applications for the 15 external programs in 2018-19 with an estimated grant value of \$34.9 million. Out of the 806 applicants, 599 received grants totaling \$19.4 million. Grant recipients include farmers, agri-processors, industry associations, and non-profit industry association groups. An additional \$1.3 million in grants was approved for 112 projects designed and conducted by ministry staff supporting The Partnership's outcomes. These projects support the development and commercialization of new products and processes, expansion into local, domestic and international markets, development of new or emerging opportunities, investment attraction, and risk management.

In year one of the agreement, program uptake was affected by the timing of program availability. Although all programs were initially scheduled to be opened by fall 2018, delays in the program development stage pushed the opening of some programs back to early 2019. Improved program uptake is anticipated in the second year and beyond as program design is standardized, processes are streamlined, and applicant experience increases. A review of the program development process is scheduled for fall 2019 to identify areas for improvement going forward. Communication activities such as a website subscription service helped to keep stakeholders informed on programs of interest, including any associated timeline adjustments. The key messaging was posted on The Partnership's website, incorporated into webinars for each program launch, and relayed to industry by Agriculture and Forestry staff at industry events. This information was also provided to the Ag-Info Centre and program staff who interact with the public on a daily basis.

1.4 Develop and implement a Science and Innovation Framework that supports ministry research priorities.

In 2017, the department completed a review and inventory of its research activities. To address recommendations of the review, the Science, Research, and Innovation Framework was developed in consultation with external stakeholders in 2018-19. The purpose of the framework is to:

- align science, research, and innovation in the department;
- define Agriculture and Forestry's role as a research performer and funder;
- renew commitment to collaborate effectively with partners; and
- advance innovation that provides substantial impact and value to Albertans.

The framework ensures that ongoing ministry research efforts remain focused, relevant, and responsive to the needs of the ministry and industry stakeholders. Developing stronger and more focused scientific and technological information will allow the ministry to deliver evidence-based policy and help to protect human health, animal health and welfare, and Alberta's crops and forests. Outcomes of the framework include:

- refocus internal research capacity and external funding priorities aligned with the ministry's vision and mission;
- increase alignment with external cooperative research and innovation initiatives that advance public good in the areas of environment, competitiveness, assurances, and public safety; and
- ensure the ministry's research informs its policy and program priorities.

To make progress toward achievement of these outcomes, the ministry's research activities will be focused on supporting industry resiliency and sustainability.

In 2018-19, the ministry engaged staff and stakeholders to develop research priorities for inclusion in the Science, Research, and Innovation Framework. Approximately 50 industry and academic stakeholders participated in five targeted engagement sessions where the draft framework and next steps were presented for feedback. The feedback is being used to strengthen the framework and ensure the successful delivery of shared outcomes with industry and the ongoing competitiveness of Alberta's agriculture and forest sectors. The ministry will continue to engage with farmers, industry associations, and marketing boards and commissions in 2019-20 to strengthen Alberta's approach to agricultural and forestry research.

Agriculture and Forestry's research is also opening doors for producers and processors. Ministry scientists continued to collaborate extensively with the Alberta pulse industry by exploring new value-added pulse processing approaches, and the utilization of pulses and their fractions in new food products and applications. For example, ministry scientists are conducting research to investigate the effect that sprouting pulses has on their functionality as a food ingredient as well as potential flavour and nutritional benefits of new food products produced with their inclusion. In addition, consumer demand for gluten-free and allergen-free food products is a challenge for food processors, but also represents a tremendous opportunity for the Alberta pulse industry as it seeks to increase the overall value-added utilization of pulses. In response, Agriculture and Forestry scientists are conducting research exploring the use of pulses as non-allergen, gluten-free functional ingredients in value-added meat products and snack foods. Agriculture and Forestry scientists are also working to support the bio-based economy and are working to upgrade a hemp decortication facility to improve the quality of hemp processed in Alberta, which will ultimately enhance the ability of Alberta to be a leader in the commercialization of value-added hemp based bio-products.

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 2018-19 | Target 2018-19 |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actual 2014-15 | Actual 2015-16 | Actual 2016-17 | Actual 2017-18 | | |
| 220 | 227 | 315 | 218 | 299 | 245 |

Source: Agriculture and Forestry

This measure tracks the number of value-added products developed and introduced into market with support from ministry staff. 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 impacts of benefits such as revenue growth, job creation, or investment that may have been generated from these products.

The ministry facilitates new and diversified product development and commercialization by providing a unique combination of specialized facilities and scientific, technical, and business development expertise, helping guide producers and agri-processors develop new and improved value-added agriculture products for local, domestic, and export markets. Companies are able to access product research and development facilities that would be costly to create on their own. Ministry services help start-up companies reduce the risk of investing in full commercial production at the idea stage and help established companies access short-term scientific consultancy services on a competitive fee-for-service basis.

This value-added processing of safe food and pet food is facilitated using product development and sensory science laboratories, and pilot plant and incubation facilities at the Food Processing Development Centre (Leduc), Consumer Product Testing Centre (Edmonton), Food Science and Technology Centre (Brooks), and Agrivalue Processing Business Incubator (Leduc). Additionally, bio-based products are developed at the Bio-processing Innovation Centre (Edmonton) and the Fibre Processing Pilot Plant, Vegreville. Product development and commercialization activities foster growth of Alberta-based agri-processors, enabling them to reach local and global markets.

In 2018-19, a total of 299 new value-added agriculture products were developed and successfully introduced to market with assistance from Agriculture and Forestry. The actual result is 22 per cent above the forecasted target and is 37 per cent above the prior year's result. The higher accomplishment is attributed to the continued improvement in uptake of the ministry's product development and commercialization programs and business development services, which accounted for 78 per cent of these new products. Key categories of products developed include food products (e.g. packaged entrées and sides, snack foods, ethnic value-added meat products, and condiments), beverages (e.g. beer varieties, flavoured liquor, kombucha, and teas), personal care products (e.g. cosmetics, soaps, lotions, and creams), bio-fibre products (e.g. green building, horticulture, erosion control, and industrial applications), and pet food products (e.g. supplement powder and dog treats).

Future performance may vary as the successful launch of new products may take several years after product development work is completed. It typically takes between 18 months to two years for a product to develop from concept to commercialization.

Performance Measure 1.b:

Agriculture research and development investment by collaborators leveraged through ministry resources (\$ millions)

| Prior Years' Results | | | | Actual 2018-19 | Target 2018-19 |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actual 2014-15 | Actual 2015-16 | Actual 2016-17 | Actual 2017-18 | | |
| 5.2 | 5.3 | 6.3 | 5.9 | 2.6 | 6.5 |

Source: Agriculture and Forestry

This measure tracks the amount of funds leveraged from outside sources for applied agricultural research and development, and provides an indication of success in building strong research partnerships with external collaborators to ensure industry needs guide ministry research priorities. External collaborators include industry organizations, producer groups, private companies, universities, government departments, and agencies. The research and development projects covered under this measure include value-added processing, food safety surveillance, livestock development, crop diversification, and environmental sustainability.

The ministry collaborates with the agri-food industry to perform research and development to ensure industry needs help guide research ministry priorities in a rapidly changing global innovation environment. Collaboration with industry is important for targeting investment efficiently and effectively.

In 2018-19, Agriculture and Forestry collaborated with industry to conduct 54 research and development projects, leveraging \$2.6 million to fund innovative solutions in the primary agricultural production and value-added processing sectors relating to product development, environmental sustainability, competitiveness, and livestock and crop development. The 2018-19 result is lower than the forecasted

target of \$6.5 million (minus 60 per cent) and prior year's result of \$5.9 million (minus 55 per cent). The lower result is attributed to a combination of three factors:

- The total number of projects decreased to 54 from the prior year's total of 97. The reduction was mainly driven by a decrease in crop-related research activities due to the dissolution of Alberta Crop Industry Development Fund (ACIDF). During its 17 years of existence, ACIDF provided investment of \$112.6 million (provincial government funding leveraged with industry funds) to fund crop-related projects in Alberta, including genetic improvement, feed quality and supply, pest management technologies, new crop development, new uses for ingredients, agronomy, and integrated crop management. Future funding for crop-related research may fluctuate until a sustainable source(s) of research funds is available.
- The number of major projects, defined as projects for which an external collaborator has contributed more than \$100,000 in financial support, decreased to eight from 23 the prior fiscal year due to the completion of major external-funded projects in the preceding fiscal year that are not expected to be repeated in the next three years. These major projects focused on crop-related research projects and accounted for nearly \$1.6 million of the 2018-19 result, compared to \$3.1 million of the prior year's result. Future results may fluctuate due to completion of these major projects.
- The ministry's research strategy provides stable internal funds for ministry research projects, reducing the need for external funding from ministry research and development networks.

The ministry is implementing a Science, Research, and Innovation Framework to target and improve the effectiveness of its strategic research investment. This framework includes a new research delivery model that is less reliant on external funding sources, which can vary from year-to-year. As such, this measure has been removed from the ministry business plan because it no longer aligns with the ministry's funding model for research activities. Results on the amount of external funding for ministry research will continue to be monitored within the department to enable management to assess the operational efficiency of current and future ministry expenditures on research and development.

Performance Indicator 1.a:

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

| Market | Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 | Actual 2018 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| United States | 3,945 40% | 3,998 39% | 4,048 41% | 4,268 38% | 4,343 38% |
| Rest of the World | 5,809 60% | 6,183 61% | 5,945 59% | 6,969 62% | 7,252 62% |

Source: Statistics Canada; Agriculture and Forestry (results current as of May 14, 2019)

This indicator represents the monetary value and proportion of Alberta's agriculture and food products leaving the province through customs for a foreign destination market. It is an indicator of the ministry's success in facilitating industry growth through export market diversification for Alberta's agriculture and food products.

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.

Diversification of export markets contributes to industry growth and to 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 markets (U.S., China, Japan, and Mexico). By diversifying the ministry's agriculture and food export markets, demand uncertainties for agri-food products are reduced and the expected benefits of investing in agri-food processing are raised.

In 2018, Alberta's agri-food exports reached another record at \$11.6 billion, an increase of 3.2 per cent over the 2017 record of \$11.2 billion. The continued increase in exports of processed or manufactured products such as oilseed cake and meal, prepared cereals, crude canola oil, beef, bison meat, processed potatoes and dairy products, contributed to the increase. Beef exports grew nearly 18 per cent to \$2.0 billion due to strong prices and the quantity increased over eight per cent. While exports of processed products increased, exports of primary commodities declined.

The growth in agri-food exports varies by export market destination. Agri-food exports to the U.S. showed a substantial increase of over 18 per cent, while exports to the "Rest of the World" rose by over five per cent. For the U.S., there was a strong increase in exports of processed products such as beef and bison meat. In total, the U.S. market accounted for 38 per cent of Alberta's agri-food exports in 2018. Exports to the "Rest of the World" grew mainly due to higher exports to China, up 32 per cent in 2018. China is the second-largest market for primary and processed products in 2018. Contrary to the previous years, exports of processed products to China grew significantly with higher exports of oilseed cake and meal, crude and refined canola oil, processed potatoes, animal feeds, and beef. Exports to the "Rest of the World" accounted for 62 per cent of Alberta's total agri-food exports.

Performance Indicator 1.b:

Alberta's agri-food exports by sector (\$ millions): primary commodities, and processed/manufactured products

| Sector | Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 | Actual 2018 |
|---|----------------|----------------|----------------|----------------|----------------|
| Primary Commodities | 5,476 56% | 5,379 53% | 4,957 50% | 5,653 50% | 5,519 48% |
| Processed or manufactured products | 4,278 44% | 4,802 47% | 5,036 50% | 5,584 50% | 6,077 52% |

Source: Statistics Canada; Agriculture and Forestry (results current as of May 14, 2019)

This indicator tracks the type, monetary value, and proportion of Alberta's agri-food exports and provides an indication of whether the industry is shifting from primary commodities to processed products. Increasing the export share of processed products relative to primary commodities allows the industry to generate and retain a larger portion of revenues and economic benefits from global agri-food trade.

Primary commodities are products that are in a raw or unprocessed state, such as crops or livestock. Processed or manufactured products involve refining primary commodities to increase value, such as turning raw canola into higher valued canola oil or turning cattle into beef. The agri-processing sector also

strengthens a diverse range of secondary industries across the food supply chain, including transportation and logistics, refrigerated storage facilities, beverage manufacturing, wholesale and retail distributors, and the food service industry.

This indicator is used to monitor trends in the type of agriculture products exported from Alberta. The indicator provides context on the economic conditions in which the ministry operates and is not intended as a direct measure of performance for ministry's trade development and market access efforts.

In 2018, Alberta's agri-food exports reached another record at \$11.6 billion, continuing the upward trend in results over the past three years. Exports of processed products accounted for 52 per cent of the total, while the primary commodity exports declined below one-half of Alberta's total agri-food exports. The increase in processed products far exceeded the decline in primary commodity exports, causing the overall increase in total agri-food exports.

Revenue from exports of primary commodities, at \$5.5 billion, declined over two per cent compared to the year before, mainly due to lower values and quantities of canola seed, live cattle, hogs, and potatoes.

Revenue from exports of processed or manufactured products, worth \$6.1 billion, grew almost nine per cent over the previous calendar year. The higher shipments (values and quantities) of oilseed products, prepared cereals, crude canola oil, beef, bison meat, processed potatoes, and dairy products contributed to the increase. For example, revenues from exports of beef products increased by almost 18 per cent, while export quantities rose over eight per cent in response to the high beef prices coupled with a strong international demand for Alberta beef products.

Performance Indicator 1.c:

Alberta's market cash receipts (\$ millions) and the share of Canadian market cash receipts

| Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 | Actual 2018 |
|----------------|----------------|----------------|----------------|----------------|
| 12,347 22% | 12,941 22% | 12,796 22% | 13,370 22% | 12,946 22% |

Source: Statistics Canada; Agriculture and Forestry (results current as of May 28, 2019)

This indicator tracks the monetary value and proportion of total Canadian farm market cash receipts earned by Alberta's agricultural producers. Farm market cash receipts refer to the aggregate cash income, or revenue, from the sale of agricultural commodities (crops and livestock, in current dollars), and excludes direct program payments to farmers.

This indicator highlights Alberta's sales of primary agriculture commodities in the market place (e.g. wheat, cattle, etc.). For primary agriculture, it is the most common and transparent indicator available, with an established methodology which looks at market performance at the farm-gate, relative to other jurisdictions (e.g. other Canadian provinces, U.S., etc.). Farm market cash receipts (along with program payments) also serve as the basis for allocating program expenditures for federal and provincial budgeting purposes (e.g. AgriStability, Canadian Agricultural Partnership).

In 2018, Alberta's farm market cash receipts totaled \$12.9 billion, down 3.2 per cent from the 2017 record high, and were second highest on record. The 2018 decline was due to lower crop market receipts more than offsetting higher livestock market receipts. In 2018, livestock market receipts posted a two per cent

gain, at \$6.5 billion (second highest on record), driven mainly by increased marketings, particularly for cattle. Crop market receipts fell eight per cent to \$6.4 billion, largely due to reduced marketings for canola. Alberta farm market cash receipts represented 22 per cent of the Canadian total, and ranked third among provinces, behind Saskatchewan and Ontario.

Performance Indicator 1.d:

Alberta's food and beverage manufacturing sales (\$ millions) and the share of Canadian food and beverage manufacturing sales

| Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 | Actual 2018 |
|----------------|----------------|----------------|----------------|----------------|
| 12,265 12% | 13,242 13% | 13,576 13% | 14,814 13% | 15,177 13% |

Source: Statistics Canada; Agriculture and Forestry (results current as of May 16, 2019)

This indicator tracks the monetary value and proportion of Canadian food and beverage manufacturing sales originating from Alberta-based agri-processing industries. Food and beverage manufacturing involves refining primary commodities to increase value, such as turning raw canola into the higher valued canola oil, or barley into beer, or processing animals for meat products.

This indicator provides an industry measurement of the monetary value of goods produced by provincial establishments in Alberta's manufacturing sector. Food and beverage manufacturing sales are often used to monitor economic performance of the value-added sector. They are also used as an indicator of the relative economic health of agri-processing or value-added industries in Alberta.

The improvement in food and beverage manufacturing sales was primarily driven by meat products (including poultry), dairy products, and animal food product manufacturing. The largest food and beverage processing segment is meat product manufacturing, accounting for over one-half (\$7.5 billion) of total food and beverage manufacturing sales.

Performance Indicator 1.e:

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

| Actual 2014-15 | Actual 2015-16 | Actual 2016-17 | Actual 2017-18 | Actual 2018-19 |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 57.4 | 51.3 | 69.9 | 139.9 | 125.9 |

Source: Agriculture and Forestry

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. 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.

The ministry has an indirect influence on this indicator through policy, regulation, and permitting processes that help create the conditions for revenue generation.

Alberta's timber dues system is grounded on the principles of fairness, efficiency, transparency, and industry competitiveness. As profits climb higher, timber dues paid to the Crown increase. It also helps ensure Albertans receive a fair return from private companies using a public timber resource.

In 2018-19, provincial revenues collected from royalties, rentals, and fees from timber harvested on Crown lands reached \$125.9 million. This result is a 10 per cent decrease over the prior fiscal year's revenue of \$139.9 million, which can be attributed to the declining softwood lumber prices during the second half of 2018-19.

The ministry continue to ensure a thoughtful and sustainable approach to forest management that balances the economic, social, and environmental needs of Albertans and our communities.

Performance Indicator 1.f:

Sales of Alberta's forest products (\$ millions)

| Actual 2013 | Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 |
|----------------|----------------|----------------|----------------|----------------|
| 6,080 | 6,190 | 6,115 | 6,225 | 7,132 |

Source: Statistics Canada (results current as of April 30, 2019)

Note: The data for 2018 is not available until December 2019

This indicator tracks the total revenue (sales) of Alberta-based forest product companies from forest product manufacturing and logging, and forestry activities. Total revenue from forest product manufacturing represents sales from pulp, newsprint, veneer, oriented strand board, particle board, lumber, and secondary wood products. Total revenue from logging activities represents sales associated with the harvesting and transporting of timber logs to timber-based manufacturing establishments.

Timber-based manufacturing involves the conversion of harvested timber into wood and pulp and paper products. Logging activities encompass the harvesting and transporting of timber logs to forest-based manufacturing establishments.

The manufacturing sales values for forest products is comprised of both forest production volumes and forestry product prices. Changes in annual product sales values are therefore used as an indicator of the economic health of Alberta's forest industry. The forest manufacturing sector also supports a diverse range of timber-based secondary industries, commercial and residential construction, transportation and logistics, and wood products wholesale and retail distributors. Approximately 15,000 people are employed in Alberta's forest industry, which is a key economic contributor in 70 communities across the province.

In 2017, sales of Alberta's forest products reached another record at \$7.1 billion, an increase of nearly 15 per cent over the 2016 record of \$6.2 billion. This record performance was influenced by large-scale forest fires in British Columbia, which caused solid wood forestry products prices to increase relative to 2016.

The ministry is working with the Alberta forest industry, including Alberta-based forest companies, to enable continued industry performance. This involves securing current markets and accessing new export markets, supporting the transformation of existing industries and the growth of new ones, and facilitating competition and innovation by reducing regulatory burden and improving forest management processes.

Outcome Two

Alberta's agriculture and forest assurance systems are effective

Assurance systems refers to a suite of regulations and standards designed to address risks to humans, animals, and plants through project-driven and other outcome-based approaches. These risks focus on, but are not limited to, areas where the ministry is accountable and has oversight responsibility, including wildfires, food safety, animal welfare, biosecurity, animal traceability, and animal and plant health. Maintaining effective assurance systems depends on strong prevention, suppression, mitigation, response, and recovery measures. These systems protect human health, and animal health and welfare, as well as Alberta's crops and forests.

The ministry works to make progress toward achievement of this outcome through:

- administering assurance systems that address risks related to wildfires, food safety, animal welfare, biosecurity, animal traceability, and animal and plant health;
- developing and implementing evidence-based policies; and
- applying research knowledge to increase the effectiveness of assurance systems.

In 2018-19, the ministry committed to enhance the wildfire management program, address antimicrobial resistance, improve inspection and surveillance systems, and strengthen animal welfare.

Key Strategies

2.1 Implement refinements and enhancements to the wildfire management program to reduce the risk of wildfires to communities and to promote healthy ecosystems.

This strategy reaffirms the ministry's commitment to provide effective response to wildfire management challenges through refinements and enhancements to the wildfire management program. Agriculture and Forestry seeks opportunities to improve wildfire management in Alberta by reviewing wildfire management programs and assessing new information and technology on an ongoing basis. The objective is to mitigate the risk of wildfire threat to Albertans, communities, sensitive soils and watersheds, natural resources, and infrastructure.

In 2018-19, the ministry made progress on the implementation of recommendations set out in the 2015 Wildfire Season and Program Review, and the 2016 Horse River Wildfire Review. Two of the four recommendations included in the 2015 Wildfire Season and Program Review were fully implemented by 2018-19. Work continued on implementing the remaining two recommendations, which involves revisiting the province's FireSmart strategy, and developing and implementing a formal wildfire risk management framework. These recommendations are expected to be fully implemented by 2020. The 2015 Wildfire Season and Program Review also included 18 opportunities for improvement – 11 of which have been fully implemented. Work on the remaining seven is in progress and anticipated to be completed by 2020.

To date, seven out of the 10 total recommendations in the 2016 Horse River Wildfire Review have been fully implemented. Four of these recommendations were fully implemented in 2018-19:

- Improve fire weather forecast materials by extending the length of the forecast outlook period and working closely with the Alberta Wildfire Coordination Centre to design products that directly link weather forecasts with predicted fire behaviour.
- Enhance and expand the planning section in the Alberta Wildfire Coordination Centre to be operational by March 1 annually, to provide daily fire behaviour and wildfire occurrence predictions to decision makers and to coordinate situation updates.
- Establish a standard operating procedure for the department that requires the immediate assignment of a senior incident commander to undertake tactical planning for wildfire containment and risk mitigation, when a wildfire escapes from initial attack and interface risks are present.
- In relation to the wildland urban interface, direct agencies and services involved in wildfire suppression to establish standard operating procedures for the implementation of an Incident Command System (ICS) and processes, following the model provided by ICS Canada for future incidents like the Horse River wildfire.

The remaining three recommendations will be fully implemented by 2020. These recommendations involve the development of risk management frameworks, a long-term vision for FireSmart, and the establishment of a wildfire planning task team.

In November 2018, the Office of Auditor General published a performance audit report on the ministry's processes for wildfire prevention and review and improvement. The two recommendations from the audit focused on:

- ensuring processes are in place to evaluate and report on wildfire management programs; and
- complying with business rules for internal reviews results reporting, and, establishing and monitoring implementation timelines for recommendations from external reviews.

The ministry accepted these recommendations and developed an implementation plan. The two recommendations are expected to be fully implemented by 2020.

Throughout 2018-19, the ministry continued to develop and implement specific ISO 31000 certified Forest Area Wildfire Management Plans. Plans are now complete for the following Forest Areas: Calgary, Edson, Lac La Biche, Fort McMurray, and Rocky Mountain House, with Edson and Rocky Mountain House completed in 2018-19. Wildfire Management Plans for the Forest Areas of Grande Prairie, Peace River, Whitecourt, High Level, and Slave Lake are targeted for completion by 2020-21. The integration of risk assessments, vulnerability assessments, and trend forecasting in the plan development process helps ensure Wildfire Management Plans provide for improved preparedness, readiness, and capacity to respond promptly to wildfires to minimize losses and costs.

The ministry also made progress toward the completion of other key wildfire management projects in 2018-19. The Wildfire Systems Modernization Road Map project continued, with a detailed systems review to be completed in 2019-20. The intent of this project is to develop a strategy to update the technology systems used in wildfire management to improve the efficiency and effectiveness of wildfire prevention, detection, and suppression activities. In 2018-19, the ministry implemented a project establishing interagency radio communications between Firenet and Alberta First Responder Radio Communication Systems at all 10 fire centre dispatch rooms. Enhancement of the Remote Automatic Weather Station Network continued in 2018-19 with the deployment of three additional stations located in

the Fort McMurray, Peace River, and Grande Prairie Forest Areas. In addition, two upper air monitoring instruments were acquired and utilized to enhance wildfire and weather behaviour information and contribute to increased preparedness and response capacity.

The ministry's approach to wildfire prevention is based on the principles of FireSmart, education, and enforcement. The FireSmart program consists of a set of disciplines designed to reduce wildfire hazard and risk and mitigate the potential for wildfire loss and damage. A total of \$15 million in FireSmart program funding was available in 2018-19. Funds were distributed as follows:

- \$7.5 million to the Forest Resource Improvement Association of Alberta (FRIAA) to assist Alberta communities seeking to mitigate the risk of wildfire threat to their communities. Since 2013, the ministry has contributed over \$41 million to FRIAA for delivery of the FireSmart program. In total, 140 FireSmart projects have been implemented as a result of this contribution.
- \$3.5 million to the Regional Municipality of Wood Buffalo for ongoing wildfire prevention and recovery efforts related to the 2016 Horse River wildfire.
- Over \$800,000 to the following three organizations:
 - FPIInnovations Wildfire Operations Group and Canada Wildfire to fund wildfire and FireSmart specific research projects. The research focuses on enhancing the application of FireSmart principles, some examples include vegetation management treatments and the use of sprinklers in the wildland urban interface.
 - FireSmart Canada to develop FireSmart programming, resources, and tools based on input from municipalities and local fire departments.
- \$3.2 million in direct funding to assist the ministry's 10 Forest Areas with FireSmart initiatives.

In collaboration with Indigenous Services Canada, the ministry also delivered wildfire prevention and education programs in indigenous communities throughout the Forest Protection Areas of Alberta. The 10-year agreement allows the ministry to distribute up to \$1.5 million annually to provide programming. Since 2015-16 when the agreement was established, 38 communities have accessed this program.

Human activity causes approximately 60 per cent of wildfires each year. These wildfires have the potential to threaten human lives, communities, and personal property, and result in significant costs and losses. Compliance and enforcement initiatives aim to reduce the number and negative impacts of human-caused wildfires. The ministry is working closely with the RCMP, Office of the Fire Commissioner, and Alberta Justice and Solicitor General on a comprehensive compliance and enforcement program.

In 2018-19, Agriculture and Forestry partnered with the RCMP to implement a Forestry Crimes Unit focused on wildfire investigations. The mandate also supports other forestry-based investigations, such as wood theft. The partnership provides Agriculture and Forestry with enhanced capabilities and investigation capacity through training and development of staff. In 2018-19, staff issued warnings and tickets with the intent of reducing the number of human-caused wildfires and educating the public on safe burning practices. The RCMP Forestry Crimes Unit, with support from Agriculture and Forestry staff, arrested three people on criminal code offenses related to arson. In addition, Forestry Peace Officers issued 30 written warnings and 25 violation tickets.

Agriculture and Forestry continues to develop the capacity in the Peace Officer program with the focus on training, policies, procedures, evaluation, and public reporting. Forty-six Agriculture and Forestry staff

have completed the Alberta Forestry Enforcement Training at the Hinton Training Centre. Operational policies specific to Peace Officers have been developed to be compliant with the Peace Officer Ministerial Regulation.

2.2 Develop and implement effective animal health policies and programs to reduce the risks associated with antimicrobial resistance in Alberta.

Antimicrobial resistance (AMR) threatens to render antimicrobials ineffective in the prevention and treatment of infections caused by bacteria in humans and animals. The World Health Organization, World Economic Forum, and numerous countries have identified AMR as a significant global health threat. Changes in attitudes and behaviours regarding the use of antimicrobials will be essential to preserving their effectiveness in order to minimize the health, social, and economic impacts associated with antimicrobial resistant infections. Livestock producers and animal health professionals will be instrumental in driving these changes.

Agriculture and Forestry is collaborating with Alberta Health to develop a provincial strategy to address the challenges associated with AMR and to maintain access to effective antibiotics for use in animals and humans. Activities undertaken in surveillance, infection prevention and control, stewardship, and research and innovation will help to ensure antimicrobials are accessible and remain effective for as long as possible.

Development work on the Alberta Antimicrobial Resistance Strategy continued in 2018-19, with additional stakeholder engagement and the completion of a stakeholder engagement report and preliminary draft strategy. Stakeholder engagement was completed using a variety of tools including surveys, telephone questionnaires, and in-person interviews which were followed by two in-person validation sessions held in Edmonton in late fall and early winter. Delivery of the completed strategy and corresponding action plan is expected in the fall of 2019. The ministry anticipates the finalized Alberta Antimicrobial Resistance Strategy will complement the national Pan-Canadian Framework for AMR released in September 2017. Throughout 2018-19, the ministry was also strongly engaged in the development of the Pan-Canadian Action Plan for AMR, which is scheduled for completion in the fall of 2019.

Grants totaling \$1.6 million were provided to the University of Alberta and the University of Calgary to fund seven projects through the Strategic Research and Development Program in 2018-19. The research projects focused on improving health in livestock to reduce antimicrobial usage. The Canadian Agricultural Partnership Surveillance program provided over \$672,400 to the Alberta Cattle Feeders Association to benchmark antimicrobial use and resistance in feedlot cattle, and over \$46,500 to Alberta Pork to benchmark antibiotic use in pigs. A \$250,000 grant was provided to the Alberta Veterinary Medical Association for engagement and communications activities on antimicrobial stewardship.

On December 1, 2018, the Government of Canada introduced a policy change to increase veterinary oversight over use of medically important antimicrobials (MIAs) in animals. All MIAs were moved to the federal prescription drug list. This put the responsibility on provinces to review provincial regulations relating to the dispensing of MIAs, since the prescribing and dispensing of prescription drugs are provincially regulated. In 2018-19, the ministry conducted an extensive analysis of the potential options for dispensing MIAs; however, clarification of federal legislation revealed that the sale of MIAs to the retail level prohibited options that were under consideration.

In the months leading up to and following the policy change, the ministry presented at approximately 50 engagement and extension sessions throughout the province. The sessions were intended to increase

awareness and prepare livestock industry stakeholders for the change. To address dispensing challenges, the ministry facilitated meetings with the Alberta Veterinary Medical Association, livestock industry organizations, and authorized medicine sales outlets to understand the rules governing veterinarians and veterinary practices as well as to discuss alternative options for dispensing under the oversight of a veterinary practice or pharmacy. The ministry will continue to support Alberta's livestock producers as they adjust to the federal policy changes through education, facilitating cooperation between stakeholders, and monitoring changes over time.

2.3 Enhance risk- and science-based inspection and surveillance systems and policies.

Food safety and animal health are shared responsibilities among provincial and federal governments, as well as the industry and consumers. This strategy aims to optimize ministry resources by focusing on food safety and animal health issues of highest risk. By using evidence obtained through the most current science available, the ministry ensures public health and industry viability are protected. This is achieved by having inspection and surveillance systems in place to identify issues and by having clear policies and response plans to manage risks.

Surveillance and inspection in food safety and animal health helps to identify emerging or potential threats to public health and informs effective risk governance associated with food safety and animal health. Timely response and effective risk mitigation communications fosters public confidence in how food safety and animal health risks are assessed, managed, explained, and corrected. The ministry is taking steps to strengthen surveillance and inspection systems and policies to improve responsiveness and detection. For example, in 2018-19, the Food Safety Branch established a Surveillance and Outreach Section to support an increased focus on proactive work to support stakeholders with food safety issues. These actions will minimize the impact of disease and provide assurances for market access.

A microbiological monitoring program in provincially licensed poultry abattoirs was initiated in April 2018. Microbiological testing was conducted on 850 samples collected at poultry abattoirs. Preliminary data has provided an increased understanding of food safety risks and has enabled Agriculture and Forestry to identify and request improvements at various licensed poultry facilities. The ministry continues to pilot the Poultry Inspection Modernization (PIM) model in provincially licensed poultry abattoirs. The PIM pilot supports training of examiners to allow for improved focus on food safety and animal welfare risk in poultry slaughter. Of the 65 provincially licensed poultry facilities, 15 have voluntarily adopted the alternative poultry inspection model and as of January 2019, 33 examiners were certified under the pilot project.

In 2018-19, the ministry also made enhancements to the Meat and Dairy Inspection Program by initiating an internal auditing program. An initial audit of the Further Processing Inspection program was conducted to verify inspection programs were implemented effectively. Results of the initial audit are being compiled for review and follow up actions in 2019-20.

Three information sessions were held across the province to support the provincially licensed meat industry through knowledge transfer and ensuring the adoption of processes and practices that enhance the safety of meat products produced and sold within Alberta. There were a total of 30 attendees at sessions in Airdrie, Lethbridge, and Vermillion. Additional sessions are planned for 2019-20.

In 2018-19, over \$433,700 in grant funding was provided to 25 businesses through the Canadian Agricultural Partnership Risk Mitigation Program focused on food safety. The program supports agri-processors to increase their food safety knowledge, implement strategies or solutions to proactively

mitigate identified food safety risks, and to achieve food safety certification. The program also provides support at the industry level to accelerate the adoption and implementation of food safety systems. Eligible activities include equipment upgrades, food safety training, and gap assessments or certification audits of food safety systems. It may also include delivery of food safety training events.

Resources directed towards the enhancement of food safety surveillance and inspection systems were impacted by a foodborne illness outbreak in 2018-19. In spring 2018, a sudden increase in *E. coli* O157:H7 foodborne related illness was identified and traced back to contaminated pork products that were produced and distributed in Alberta. To ensure the protection of public health, suspected pork products were recalled and removed from the supply chain. Significant resources were redirected to support the foodborne illness outbreak investigation and response until it was declared over on May 31, 2018. The ministry continuously reviews its food safety illness outbreak response processes and protocols to ensure timely and effective food safety response mechanisms are available for responding to food-borne illness outbreaks associated with products produced in provincially licensed facilities. Ministry food safety emergency response exercises and training sessions are conducted annually and are updated to implement lessons learned from previous foodborne illness investigations.

Alberta detected its first case of porcine epidemic diarrhea (PED) in January 2019, five years after the disease was introduced into Canada. Rapid detection and confirmation in the first herd, as well as the utilization of Alberta's Premises Identification and Swine Traceability systems, provided for the swift implementation of containment measures. This greatly reduced the chance of a more significant outbreak. Although three additional cases were detected and confirmed prior to March 31, 2019, the province's environmental surveillance program indicates that all abattoirs and assembly yards in Alberta have remained disease free, further reducing the chance of spread to other farms through contact with those sites. Agriculture and Forestry has been working collaboratively with Alberta Pork, private swine veterinarians, and the swine industry to investigate these cases with hopes of identifying risk factors that resulted in the introduction of PED to these farms.

2.4 Effectively protect animals from distress and drive continuous improvement in animal welfare.

A robust animal protection system provides assurance to the general public, consumers and trading partners that animal care provisions are in place. In Alberta, the *Animal Protection Act* (APA) applies to all animals (livestock, companion animals, and wildlife), and it identifies the animal welfare responsibilities for owners, operators, and others who have care and control of animals. This strategy aims to improve the welfare status of all animals in Alberta through a combination of education and regulatory activities. Coordination and cooperation across the Government of Alberta and with external stakeholders is necessary to make progress on this strategy.

In 2018-19, a grant of over \$1.1 million was provided to the Alberta Society for the Prevention of Cruelty to Animals in order to support peace officers enforcing the APA in rural Alberta. In addition, the ministry provided a \$150,000 grant to Alberta Farm Animal Care to conduct livestock welfare engagement. The engagement consisted of a series of regional focus groups and an online survey targeted at organizations, abattoirs, auction markets, individual producers, and students. A report on the engagement process and results was submitted to the ministry in December 2018. The report concluded that the livestock industry places a high priority on animal welfare and is positioned to continue to lead in this area and find new approaches and innovations to improve the welfare of animals. Going forward, support for

research aligned with industry needs, and stronger communication, education, and extension efforts will increase the success of the industry with respect to animal welfare.

Several important accomplishments in 2018-19 helped the ministry make progress toward improved animal welfare. In April 2018, the Animal Welfare Humane Slaughter Program component of the Canadian Agricultural Partnership Risk Mitigation program was launched, targeting improved handling and slaughter of animals at licensed abattoirs. The Animal Welfare Humane Slaughter Program supports technology adoption and increases knowledge to reduce the risk of animal distress at slaughter. Two provincially licensed abattoirs and one Alberta-based federally licensed abattoir received a total of \$65,000 through the Animal Welfare Humane Slaughter Program to support technological improvements and assessment for humane slaughter initiatives.

Performance Measure 2.a:

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

| Prior Years' Results | | | | Actual 2018 | Target 2018 |
|----------------------|----------------|----------------|----------------|----------------|----------------|
| Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 | | |
| 99.2% | 92.7% | 97.1% | 96.8% | 96.9% | 97% |

Source: Agriculture and Forestry

This performance measure reports how successful Agriculture and Forestry is in containing wildfire events by 10 a.m. the day following assessment. Wildfires traditionally start in the mid-afternoon or early evening and can build in size, making control more difficult. During the evening and overnight periods, temperature tends to decrease and relative humidity tends to increase, giving firefighters an opportunity to contain the wildfire by 10 a.m. Prompt containment reduces rapid spread and intensity of wildfires protecting Albertans and minimizing losses and suppression costs.

The 2018 fire season started on March 1, 2018, and ended on October 31, 2018 as legislated under the *Forest and Prairie Protection Act*. During this period, the ministry responded to 1,269 wildfires of which 96.9 per cent of these wildfires were contained before 10 a.m. the day following assessment. This result is nearly identical to the target and the prior year's result. Almost all the remaining three per cent of wildfires were contained between two and five days following assessment. Due to wildfire conditions, a fire restriction was implemented across the northern part of the province in late May 2018. A fire restriction and fire ban was implemented in the Calgary Forest Area for most of August 2018.

The wildfire activity for the 2018 fire season was lower compared to the five-year averages in terms of number and burned area:

- The ministry responded to 1,269 wildfires, which was less than the five-year average of 1,390.
- Wildfires burned 59,780 hectares, which was less than the five-year average of 213,149 hectares burned.
- Twenty-one large wildfires, defined as greater than 200 hectares, were detected, which was slightly lower than the five-year average of 22.

- June 22 saw the most wildfire starts in a single day in 2018, with 113 new wildfires. This is the second highest number of starts in a single day over the past 28 years (July 15, 2004 had 121 starts). Lightning caused all but one of these wildfires. Of the 113 wildfires, 107 (95 per cent) were contained by 10 a.m. the next morning.

The measure is subject to variance due to external factors that are outside the control of the ministry, including wildfire activity (number, size, and intensity), topography, weather conditions, forest fuel conditions, and human activity.

Performance Measure 2.b:

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

| Prior Years' Results | | | | Actual 2018 | Target 2018 |
|----------------------|----------------|----------------|----------------|----------------|----------------|
| Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 | | |
| 90% | 84% | 86% | 92% | 89% | 100% |

Source: Agriculture and Forestry

This measure tracks the percentage of active Agriculture and Forestry licensed meat facilities that meet or exceed provincial food safety animal slaughter and meat processing requirements at all times and at each inspection under the *Meat Inspection Act* and Meat Inspection Regulation. An appropriate and transparent regulatory environment is essential in maintaining continued excellence in food safety at the animal slaughter and meat processing level.

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.

Each facility is required to demonstrate continued knowledge of, and strict adherence to, all animal slaughter and meat processing practices during slaughter and processing inspections. Ministry inspection staff track and respond to areas of non-compliance by issuing a corrective action report when inspections reveal that slaughter, meat processing practices or general operating procedures create a potential food safety risk.

In 2018, approximately 89 per cent (136 out of 152 abattoirs) of active provincial licensed abattoirs met or exceeded provincial animal slaughter and meat processing requirements at all slaughter and meat processing inspections. In total, 6,469 slaughter and 246 meat processing inspections were completed at 152 active Alberta-licensed abattoirs. Sixteen of these abattoirs did not meet slaughter and/or meat processing requirements during 24 inspections out of 1,005 (two per cent). Abattoirs were issued corrective action reports for non-compliance for minor, correctable, operating procedure incidences such as facility maintenance and maintenance of written product recall procedures. These low-risk food safety incidences did not affect food safety or quality. Follow-up inspections of the abattoirs confirmed that all 16 abattoirs addressed all areas of non-compliance that were noted during their respective inspections. These 16 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. The 2018 review identified duplication in the way low risk food safety events are recorded and tracked. As a result, the ministry has removed a redundant food safety designation “Requires Improvement” from the meat processing inspection checklist to enable streamlined and effective ways for recording low risk food safety events. The redundant food safety designation “Requires Improvement” has been removed from the measure methodology to provide clarity. In addition, the wording of this measure will be reviewed to ensure continued alignment with the *Meat Inspection Act* and Meat Inspection Regulation during the next business planning cycle.

Outcome Three

Alberta's land and natural resources are managed in an environmentally responsible and sustainable manner

The ministry emphasizes evidence-based decision-making to drive sustainable resource management. Natural resources, such as clean water, healthy forests, and agricultural land are important for all Albertans. Integrated environmental policy encourages the adoption of beneficial management practices for sustainable resource development and enhances environmental stewardship throughout the province. Research and knowledge transfer will help drive mitigation and adaptation strategies to effectively respond to climate change effects.

The ministry works to make progress toward achievement of this outcome through:

- developing and implementing energy efficient programs;
- applying research knowledge to encourage environmentally sustainable practices;
- education and extension activities enhancing public trust; and
- continuous improvement of agriculture and forestry practices.

In 2018-19, the ministry committed to provide energy efficient programs, adopt environmentally sustainable practices, increase water-use efficiency, enhance public trust, review forestry practices, and develop innovative forestry programming.

Key Strategies

3.1 Support Alberta's Climate Leadership Plan through energy efficiency programs to reduce greenhouse gas emissions.

Agriculture and Forestry delivers programs that support the agri-processing and primary agriculture sectors with energy efficiency investments designed to encourage energy management which will result in cost savings, energy conservation, and ultimately, reduced greenhouse gas emissions. The ministry supported the Climate Leadership Plan (CLP) by developing programs and extension activities that assisted agricultural producers and agri-processors in reducing their energy usage while helping to ensure the sector remains competitive in the global marketplace. This is accomplished through the adoption of energy efficiency technologies or the generation of renewable energy, leading to a reduced carbon footprint.

In 2018-19, the ministry distributed approximately \$31.9 million to help 1,433 agricultural producers, agri-processors, and Agricultural Societies reduce energy usage, improve energy management, conserve energy, and reduce greenhouse gas emissions from farms and agri-processing operations in Alberta. Funding was provided through five energy savings programs that were part of the \$88 million CLP portfolio on Industrial Energy Efficiency for Agriculture. The five programs include:

- **Farm Energy and Agri-Processing Program:** Nearly \$10.6 million was distributed through 665 grants under the Farm Energy and Agri-Processing Program for the incorporation of high efficiency equipment in construction and retrofitting projects. The program is cost-shared with the agriculture and agri-processing sectors and is designed to encourage energy management which will result in cost savings, energy conservation, and ultimately, reduced

- greenhouse gas (GHG) emissions. As a result of the program, an electricity savings of 120 million kilowatt hours and 1.3 million gigajoules of natural gas is anticipated over the lifetime of the accepted projects, which is equivalent to 140,875 tonnes of greenhouse gas.
- **On-Farm Solar Photovoltaics Program:** Approximately \$3.9 million was provided to 97 applicants through the On-Farm Solar Photovoltaics Program. This program enables agricultural producers to conserve non-renewable fossil fuels and reduce carbon emissions by investing in solar panels. For example, a \$1.5 million project was funded through the program in order to install solar arrays over irrigation canals. A total anticipated reduction of 97,669 tonnes of greenhouse gas will be achieved through this program.
 - **Energy Savings for Agri-Processors – Large Projects:** Through the Energy Savings for Agri-Processors – Large Projects program, 56 grants have been provided for a total investment of over \$5.6 million. The program provides funding to large agri-processors for projects that support transformational investments in energy efficiency technology and systems.
 - **Irrigation Efficiency Program:** Over \$2.6 million was paid to 386 Alberta agricultural producers under the Irrigation Efficiency Program. The purpose of this program is to increase water savings and reduce energy use in irrigated agriculture by assisting producers with the purchase and installation of new low-pressure centre pivot irrigation systems, drip irrigation systems, or upgrades to existing irrigation systems. The GHG savings from this investment is estimated to be 34,893 tonnes.
 - **Agricultural Societies Energy Efficiency Program:** Approximately \$9.2 million was provided through 229 grants to help Alberta Agricultural Societies implement energy efficiency improvement measures in their facilities. The purpose of this program is to reduce energy use, greenhouse gas emissions, and input costs for these non-profit organizations.

3.2 Encourage the adoption of environmentally sustainable agriculture practices through research, extension, and programs.

This strategy enables the continuous improvement of sustainable agriculture in Alberta by supporting industry-relevant applied research, programs, and extension to increase awareness and understanding of sustainable on-farm management practices, and reduce barriers to the adoption of new technology. The ultimate goal is to support agricultural producers in minimizing environmental impact and meeting sustainability standards for domestic and international markets.

Encouraging the uptake of environmental management best practices at the farm level is expected to enhance public trust and market acceptance, and to reduce the risk of degradation to Alberta's air quality, soil, water, and biodiversity. Agriculture and Forestry provides support to industry with the development and delivery of programs, tools, and resources to support farm operators in making management decisions for their operation.

In April 2018, two Canadian Agricultural Partnership (The Partnership) programs were launched which focus on mitigating risk to the environment:

- **Environmental Stewardship Group Program:** In 2018-19, of over \$7.7 million in grants were provided to fund 43 projects through the Environmental Stewardship Group program. The program supports the delivery of environmentally sustainable agriculture, climate change, and greenhouse gas information and resources to agricultural producers to help mitigating risk to the environment.

- Environmental Stewardship Producer Program: Over \$1.1 million was distributed in 2018-19 through 92 grants under the Environmental Stewardship Producer program. The program supports a reduction in negative environmental impacts while enhancing sustainable production, managing climate change and increasing profitability in the agriculture sector.

A merit-based funding approach was developed for the distribution of grants through The Partnership's Environmental Stewardship programs, which will ensure transparency and equitability in processing applications.

Agriculture and Forestry supported Alberta's Environmental Farm Plan Company's new 10-year renewal standard effective April 1, 2018. The Environmental Farm Plan (EFP) is a voluntary, whole farm, self-assessment tool that helps agricultural producers identify their environmental risks and develop plans to mitigate identified risks. In 2018-19, 454 EFPs were completed, providing agricultural producers' access to The Partnership's programs supporting the adoption of new beneficial management practices to help mitigate environmental risks.

The ministry continues to conduct agri-environmental research in key areas such as fertilizer and manure management, producer adoption of environmentally sustainable agriculture practices, and public trust in agriculture. Research efforts help the ministry understand the complex interactions between the agriculture and food production systems and the environment. Through extension, outreach, and programs, the research findings are communicated to agricultural producers, stakeholders, and partners, enabling continuous improvement in responsible resource management. In 2018-19, more than 90 extension activities targeting primary producers were completed, including presentations, webinars, and workshops. The ministry also maintains a suite of decision-making support tools and resources intended to assist primary producers in addressing agri-environmental risks on their farms. Ongoing enhancements to, and delivery of, various types of tools and resources ranging from real-time weather information to soil, fertilizer, and manure management help agricultural producers to make informed environmental management decisions. For example, in 2018-19, the Manure Tracker App was enhanced to provide producers with smartphone access.

3.3 Support irrigated agriculture to increase water-use efficiency through improved water application technology, conveyance infrastructure, and management techniques.

This strategy represents several mutually reinforcing activities, such as collaborative research, information development and extension, and policy development and programming, designed to facilitate the sustainable use of water resources for irrigated agriculture production. Improvements in the efficiency of water conveyance and on-farm irrigation systems lead to an increased available supply of water to support other opportunities such as expansion of irrigation districts, increased water supplies for domestic and industrial activities, recreational activities, and enhanced aquatic habitat. Continuous improvement in irrigation practices and agronomy helps to reduce agriculture's impact on natural resources by providing for the efficient use of water, since the amount of water allocated to irrigation is capped in Alberta.

In 2018-19, the ministry continued to deliver the Irrigation Rehabilitation Program (IRP), through dedicated funding of \$14 million to support the conversion of on-farm irrigation systems to more water efficient technologies. This was a reduction of \$5 million in funding from the \$19 million provided in 2017-18. To help offset the impacts of this reduction, the ministry provided \$3 million in Irrigation District Operational Grants, which allowed Alberta's 13 irrigation districts to free up operational funds and apply them toward the completion of planned infrastructure rehabilitation projects. Going forward, additional

funding through Irrigation District Operational Grants will assist the irrigation districts with future rehabilitation projects.

An additional grant investment of \$4.1 million was provided (\$1.5 through the Canadian Agricultural Partnership (The Partnership) and \$2.6 through the Climate Leadership Plan) to fund 582 projects to improve energy and water-use efficiency of on-farm irrigation application systems. This investment represents an average annual water-savings of over 12.8 million cubic metres and an average annual energy savings of over 2.1 million kilowatt hours. Through The Partnership's programs on farm water supply, irrigation conveyance risk management, and irrigation conveyance emergency planning and preparedness, approximately \$1.5 million in grants were distributed to 264 agricultural producers and seven irrigation districts. The funded projects aim to improve irrigation conveyance safety and security, and support water supply development projects, such as wells, dugouts, spring developments, dams, pipelines, and connections to a multi-user water supply pipeline. Challenging on-farm conditions in 2018-19, including a late, wet spring and harvest, resulted in lower-than expected uptake of both the Farm Water Supply Program and the Irrigation Efficiency Program. It is anticipated that program subscription will increase in 2019-20 assuming the return of typical growing conditions. Going forward, the ministry will continue to make targeted investment in irrigation infrastructure to increase water conveyance efficiency.

The ministry actively prepares for challenges brought on by extreme weather conditions through initiatives like the Agriculture Drought and Excess Moisture Risk Management Plan. This framework provides a coordinated, pro-active approach to reduce the short and long-term effects of drought and excess moisture on Alberta farms and ranches. The ministry's Agriculture Moisture Situation Updates are an online resource for farmers. They are published frequently during the growing season to provide farmers with insights into precipitation levels and soil moisture reserves available for the next cropping season. Information made available through Alberta Climate Information Services (ACIS) also helps facilitate long-term planning and decision-making throughout the growing season.

3.4 Deliver programming and education to enhance public trust in the agriculture and forest industries.

This strategy represents a suite of extension services and resources dedicated to support industry-led education and initiatives that contribute to increasing public and consumers' knowledge about forest, agriculture, and food production systems. These efforts help demonstrate that agriculture and forest industries are good stewards of the environment. Open and transparent management practices that meet or exceed public expectations for safe and fair practices for workers, animal welfare, food safety, environmental stewardship, and forest resource management are key to enhancing public trust in Alberta's agriculture and forest industries. Existing ministry and industry-led sustainability assurance systems provide evidence that industry is meeting these expectations; however, consumers, the public, and producers often have concerns about how agriculture and forestry production risks are assessed, managed, explained, and corrected. Events such as food recalls and wildfires affect the capacity to build trust in the food production and forest management systems.

In June 2018, the ministry launched three public trust related programs under the Canadian Agricultural Partnership (The Partnership):

- **Youth Agriculture Education Program:** In 2018-19, the program provided approximately \$477,800 in grants to fund seven projects focused on delivering programs to students or helping teachers integrate agriculture into the curriculum. Program grants fund the development and delivery of K-12 agriculture-related education that are science-based, topic-

driven, curricular-linked, and help students use critical thinking to engage in meaningful and informed conversations about issues that affect public trust in agriculture.

- **Agriculture and Food Sustainability Assurance Initiatives Program:** Approximately \$625,700 in grants was provided in 2018-19 to fund seven projects focused on enhancing and expanding the reach of existing assurance systems, adapting international assurance systems to meet provincial needs, and piloting a new assurance system for farmers markets. The program supports industry associations and industry-led non-profit assurance initiatives to develop and enhance sustainability certification or assurance systems. These systems help ensure and demonstrate the quality, safety, and sustainability of products produced by farmers and food companies.
- **Public Agriculture Literacy Program:** In 2018-19, the program provided funding to nine projects through approximately \$832,600 in grants. These projects will evaluate and improve public and consumer awareness of food issues, which will inform industry communication approaches. Program grants fund initiatives that build industry communication capacity to increase public and consumer's awareness and understanding of the agriculture and food production system.

All projects funded through the three public trust programs under The Partnership are scheduled for completion by 2020.

Since 2018 was the first year of delivery of The Partnership's public trust programs, and there were no equivalent programs previously delivered, it is reasonable to assume that there is limited knowledge of these available resources. To address this challenge, the ministry delivered a detailed extension plan in the spring of 2018 to stakeholders such as commodity organizations, municipalities, and education organizations. This included sharing details on how to access program information and funding. In the inaugural year of offering The Partnership's public trust programs, the number of grant dollars allocated exceeded program targets of \$1.25 million.

The ministry continued to collaborate with the non-for-profit Canadian Centre for Food Integrity (CCFI) to assess Alberta consumer's perspectives on trust in the Canadian food production system. A grant of \$25,000 was provided to enhance CCFI's Public Trust Consumer Research Survey. The funds were used to increase the sample size of Alberta consumers participating in the surveys. The increase in sample size will help generate statistically valid results and inform development of evidence-based trust building strategies.

Public confidence in Alberta's forest resources is achieved through effective and efficient wildfire management and sustainable forest management, which includes forest health and tenure, innovation, and promotion of forest products market access. Relationship building, transparency, and engagement are key to developing public trust. To this end, the ministry engages with other jurisdictions, academia, agencies, industry, stakeholders, and

Quick Facts

The Hinton Training Centre (HTC) is a leader in the delivery of forest-related education, research and technology, participants from around the globe visit the Centre to learn more about managing forests and wildfire resources.

HTC:

- provides services to 10,000 people each year
- is one of its kind in Canada
- is a designated emergency response centre for the Town of Hinton
- houses two third-party research institutes

Indigenous communities. To support the delivery of forest-related youth educational opportunities, a \$50,000 grant was provided to the Alberta Junior Forest Wardens Association in 2018-19 to support 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.

In addition, several other forest-related initiatives contributed to enhancing public trust in 2018-19, including community events, open houses, and Forest Week engagements for school-aged children. An analysis of available education materials was conducted to ensure alignment with grade level education curriculum which resulted in recommendations for enhancements to current programming. Initial work to implement the enhancements began in 2018-19. A total of 132 wildfire management presentations were delivered to schools throughout the province, and the continuation of partnerships with forest industry and municipalities helped secure the use of arboreta and demonstration forests in grade level education programming.

3.5 Review forestry practices to ensure the ongoing sustainability, economic viability, health, and resilience of Alberta's forests.

This strategy aims to maintain the biological diversity of forests and to optimize the full range of environmental, economic, and social benefits forests provide to Albertans. To make progress on this strategy, the ministry conducted an internal review of forestry practices in 2018-19. Through this process, the ministry identified a need to modernize Alberta's forest policies and practices to better align with broader government priorities, such as a renewed relationship with Indigenous peoples. In this example, better alignment can occur if Traditional Ecological Knowledge obtained through this relationship is incorporated into forest management planning.

In 2018-19, the ministry provided grants of over \$725,000 through the Mountain Pine Beetle Ecology Program and the Water Program. Grants funded two fRI Research projects to develop a classified stream layer in southern Alberta and better identify areas of risk in watersheds where road construction might result in sediments moving into streams. In addition, ministry staff continued to monitor forest operations to ensure alignment with the Forest Operations Monitoring Program.

Forest Management Agreement (FMA) holders are tasked with developing Forest Management Plans (FMP) as a requirement of their respective agreements. The planning process is significant; each plan averages two years for completion and results in a sustainable forest harvest level that takes fish, wildlife, recreation, and water into consideration. In 2018-19, four FMPs were approved for the following FMAs: Alberta-Pacific Forest Industries Inc., Tolko Industries Ltd/Norbord Inc./LaCrete Sawmills Ltd., Sundre Forest Products Ltd., and Weyerhaeuser Company Ltd (Pembina Timberland). Development work on an additional seven Forest Management Plans (FMPs) continued in 2018-19. The ministry works closely with the forest industry, interested stakeholders, and potentially affected Indigenous communities to improve understanding and enhance the value provided through development and implementation of FMPs.

The ability to effectively balance the economic benefits of forest harvesting with the ecological need for managed disturbance in Alberta's public forests presents a necessary challenge the ministry must overcome in order to ensure the approach to forest management is thoughtful, inclusive, and sustainable.

3.6 Develop and implement an innovative program, in collaboration with Environment and Climate Change Canada, to enhance carbon sequestration in Alberta's public forests.

As part of the Pan Canadian Framework on Clean Growth and Climate Change, the ministry worked to develop a four-year program intended to enhance sequestration of carbon on naturally disturbed public forests. The Enhanced Reforestation of Legacy Disturbance program, developed in collaboration with the Alberta Climate Change Office, will complete reforestation of wildfire destroyed forests, and assist Alberta and Canada to meet their greenhouse gas reduction targets. The program will be administered through the Forest Resource Improvement Association of Alberta (FRIAA), cost shared 50:50 between the federal and provincial governments, and will provide \$20 million in grants over the duration of the program. Roughly 8,000 hectares are anticipated to be rehabilitated over this time through the planting of nearly 12 million seedlings. The ministry has selected approximately 3,500 hectares of wildfire area for rehabilitation and continues to complete site preparation treatments. In total, 4.9 million seedlings have been ordered to support planting in spring 2019. An additional 4,500 hectares is expected to be rehabilitated in 2019-20 when full implementation of the program is scheduled to commence.

Performance Measure 3.a:

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

| Prior Years' Results | | | | Actual 2018-19 | Target 2018-19 |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actual 2011-12 | Actual 2013-14 | Actual 2015-16 | Actual 2017-18 | | |
| 55% | 56% | 55% | 53% | n/a | n/a |

Source: Agriculture and Forestry

Note: The survey is conducted every second year.

Environmentally sustainable agricultural practices are farming techniques that are economically viable and responsible toward the environment. The Environmentally Sustainable Agriculture Tracking Survey is used to indicate whether agricultural producers in Alberta are adopting management practices and making continuous improvements that mitigate risk to the environment. This 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. This survey also informs decision-making related to the ministry's agri-environmental programs.

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.

Currently, the department is reviewing its key performance measures on environmental stewardship. This assessment will generate performance measurement information to effectively assess, and report on, the department's contributions to achieving the outcome, objectives, and purposes, attributable to specific ministry activities.

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 2017-18 | Target 2017-18 |
|--|----------------------|----------------|----------------|----------------|----------------|--|
| | Actual 2013-14 | Actual 2014-15 | Actual 2015-16 | Actual 2016-17 | | |
| Annual allowable cut (million cubic metres) | 31 | 31 | 31 | 32 | 32 | Harvest does not exceed the approved harvest level |
| Harvest (million cubic metres) | 21 | 21 | 22 | 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.

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. The target is to keep Alberta's timber harvest at, or below, the 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.

The total provincial AAC is the sum of up to three coniferous AACs and two deciduous AACs per Forest Management Unit (FMU). The AAC volumes in each FMU are split up and allocated to one or more timber dispositions. Yearly harvest levels for each disposition holder or FMU may be greater than the AAC due to differences in timing of timber harvesting operations. However, to ensure forest sustainability and vitality, the five-year average harvest levels do not exceed the five-year average AAC within each FMU.

The 2017-18 harvest level result of 23 million cubic metres represents the five-year average volume of timber harvested from April 1, 2013 to March 31, 2018, which is below the five-year average approved ACC 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.

Since 2013-14, the five-year average provincial ACC 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 ACC 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 2017-18 | Target 2017-18 |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actual 2013-14 | Actual 2014-15 | Actual 2015-16 | Actual 2016-17 | | |
| 97.9% | 97.5% | 98.3% | 98.1% | 98.5% | 97.7% |

Source: Agriculture and Forestry

This measure tracks the rate of forest regrowth following timber harvest, ensuring sustainability of our forestry resources. Forest regeneration or regrowth refers to establishment of new trees following harvesting, wildfire or other agents, such as flood or wind damage. Reforestation is required by law and 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.

The percentage of forest regrowth for the 2017-18 timber year is 98.5 per cent, compared to a target of 97.7 per cent, and is consistent with the values achieved in previous years. The achievement in 2017-18 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.

Alberta's reforestation standards, based on sound science, are designed to ensure that mandatory reforestation activities completed by forest companies will return a healthy, genetically diverse forested landscape with the same or greater volume of timber than was originally harvested. Alberta's forest industry invests an estimated \$54 million annually in reforestation activities. In 2017, there were more than 105 million seedlings planted in Alberta, which is a 14 per cent decrease from the approximately 122 million seedlings planted in 2016. The higher number of seedlings planted in 2016 was a result of an increase in burned forest area in 2015.

Effective regeneration of forest after wood harvesting is a fundamental process in sustainable forest management, since regeneration determines the long-term productivity growth, dynamics, and composition of forest stands. Actions have been implemented across the province to enhance early seedling establishment and growth such as more appropriate site preparation, when needed, and prompt reforestation activities following harvesting. Additionally, conservative regrowth rate targets have historically been assumed due to poor young forest forecasting techniques. Successful forest management and selection, and the application of reforestation techniques, have resulted in the healthy regeneration of young forests.

Outcome Four

Alberta has thriving rural communities

A thriving rural Alberta contributes to the long-term resiliency of the provincial economy and strengthens the agriculture and forest industries. Rural communities succeed when residents and businesses are able to seize new opportunities and maintain quality of life.

The ministry works to make progress toward achievement of this outcome through:

- economic development of agriculture and forest industries and related business services by improving access to capital, business development, and business risk management;
- enhancing quality of life by improving the affordability of living in remote rural areas as well as developing and maintaining community infrastructure in rural Alberta; and
- providing targeted investments aimed at enhancing community capacity building, promoting agri-tourism, supporting rural youth development capacity, and fostering the conditions that enable enrichment of community life.

To help rural Albertans meet their unique challenges, Agriculture and Forestry administers the Remote Area Heating Allowance (RAHA), which is a demand-driven rebate program that supports living and farming activities in rural areas by reducing the cost of propane and heating oil in locations deemed uneconomical to serve by existing natural gas infrastructure. The RAHA program brings heating costs more in line with those served by natural gas elsewhere in the province. Eligible applicants include primary residential, commercial operations, and grain dryers. For the 2018-19 fiscal year, total rebates under the RAHA program of approximately \$1.5 million were paid to nearly 1,800 residential owners and commercial entities in the province's remote locations.

The ministry also provides recognition awards to Alberta's farm families. In 2018-19, 59 family farms in Alberta were awarded the Alberta Century Farm and Ranch award representing the ongoing multi-generational success and heritage of family farms in rural Alberta, while 33 families received 125-year recognition with the oldest farms and ranches going back to 1885.

In 2018-19, the ministry committed to establishing the local food system, improving access to lending services for agriculture value chain and rural commercial business entities, and nurturing the farm safety skills needed to ensure Alberta farms and ranches are safe places to live and work.

Key Strategies

4.1 Support access and awareness of local food to build capacity and strengthen Alberta's local and regional food systems.

The local food sector is an important contributor to a strong and diversified agriculture industry and the provincial economy, complementing the well-established commodity and export sectors. In spring 2018, the Government of Alberta passed the *Supporting Alberta's Local Food Sector Act* to encourage sustainable growth in the local food sector and enhance consumer assurance. The legislation proclaims an annual local food week, includes the establishment of a Local Food Council, and outlines requirements for organic certification.

The Local Food Council was appointed in October 2018 and consists of two co-chairs and 13 members who were selected through a public recruitment process and reflect the diversity of the agriculture industry and Alberta's local food system. The Council will provide advice and recommendations regarding provincial policies, programs, pilot projects, or initiatives to support the continued growth and sustainability of Alberta's local food sector. The final report is expected to be complete in fall 2019.

Certification requirements for organic products produced and marketed within Alberta as outlined in the Local Food Sector Administration Regulation came into force April 1, 2019. This regulation defines prescribed terms from the statute and sets out the administrative process to deal with organic food complaints.

The first Local Food Week was held during the third week of August 2018 in conjunction with Open Farm Days. A Local Food Week media launch event at the Calgary Farmers' Market attracted local food producers and consumers. The ministry partnered with industry stakeholders to promote an additional 15 Local Food Week events throughout the province. Local Food Week events contributed to government-wide rural development efforts by supporting a strong local food system and boosting the agri-food industry's contribution to local economies.

The ministry aims to increase the diversity and availability of local food for Albertans through a combination of continued improvement in accessibility and awareness, building knowledge and critical skills for producers and processors, product development, program administration, extension, and regulatory reform.

The department engaged with several food retail service companies to explore alternative market channels for local food products. Agriculture and Forestry assisted in organizing 17 meetings between interested local food producers and food retailers to discuss product needs and requirements. These collaborative engagements resulted in national retailers sourcing over 400 Alberta local food products for retail in their 159 stores across Alberta. In addition, 76 local food products were made available to Alberta consumers through other alternative market outlets, such as online grocery delivery, which continues to be an excellent entry-point for new local processors and producers. The continued sourcing of local food products and availability of alternative marketing channel arrangements will help small and medium-sized local food companies gain business knowledge, capacity, and capabilities to evolve, adapt, and take advantage of international market opportunities.

The ministry contributed to the attainment of these results by providing approximately \$9 million in Canadian Agricultural Partnership grants (products, market growth, and diversification programs) to assist 143 Alberta food producers and processors in new product and new market growth. In addition, the ministry provided business coaching and extension support services to over 1,000 local food producers to help improve business productivity, marketing, financial and strategic management, and profitability. These services also provided producers with the knowledge and tools to make informed decisions about starting or expanding their business operations. Overall, an expanding local food sector continues to be a significant contributor to a diverse provincial economy and to the quality of life of Albertans. Strong local food systems generate jobs and economic opportunities as well as increase Albertans' access to fresh and nutritious local food.

A record 117 farms from across the province participated in the annual Alberta Open Farm Days in August. Over the two-day event, more than 23,500 people visited the host farms, with on-farm sales reaching almost \$190,000, exceeding the previous year's sales (\$146,100) by 30 per cent. Alberta Open Farm Days enhances the province's agriculture value chain. It builds customer loyalty, promotes word-of-

mouth referral through positive experiences, and gets farmers involved in educating consumers and raising awareness about farming practices. Ag-tourism and farm direct marketing are growing markets, and Albertans are interested in knowing more about agriculture and where their food originates. The ministry provided a \$100,000 grant to the Alberta Association of Agricultural Societies to support the Open Farm Days initiatives, which helps to grow rural tourism, and increase rural economic development opportunities.

4.2 Implement the Agriculture Financial Services Corporations updated lending mandate to support the development and competitiveness of the agriculture industry.

In January 2018, the Agriculture Financial Services Corporation (AFSC) revised its Lending Mandate, based on the findings of a market assessment conducted in the summer of 2017. The Lending Mandate defines the strategic objectives for AFSC's program suite, which includes directing lending services toward under-served priority segments such as beginning farmers, farmers expanding their operations, value-added agriculture and agribusinesses. The revision enables AFSC to contribute to the growth and diversification of Alberta's economy through focused support to start-ups, scale-ups, and intergenerational succession within the agricultural value chain.

Implementation of the new Lending Mandate began in May 2018. AFSC faced challenges to provide the comprehensive sector support as outlined in the new Lending Mandate due to a \$5 million lending limit. To better support high-value agricultural production, particularly for irrigated land in southern Alberta and value-added agricultural processing throughout the province, AFSC sought an increase to its lending limit. In July 2018, AFSC received approval to increase its lending limit to \$15 million allowing for the provision of stable, affordable credit across the province, at a larger scale. The first loans provided in excess of the \$5 million limit were approved in January 2019, and this trend is expected to continue.

A revised suite of loan programs was approved in July 2018, focused on:

- helping new and young agricultural producers access capital;
- providing current agricultural producers continued access to capital needed to grow their operations; and
- providing entrepreneurs in the agri-food and agribusiness sectors access to capital.

Programs under the new lending mandate include:

- **Next Generation Loan Program:** The program 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, which allows for 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, 2019, 369 farm businesses have received assistance under the Next Generation Loan new program resulting in approvals of \$148 million.
- **Developing Producer Loan Program:** The program 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, 2019, 133 farm businesses have received assistance under this new program totaling over \$53 million.

- **Alberta Producer Loan Program:** The program provides agricultural producers with an alternative source of fixed-rate term loans to acquire assets necessary to maintain and grow their farming operations. Nearly \$6 million in authorizations under this new program have been provided to 21 farm businesses.
- **Revolving Loan Program:** The program provides easy, convenient and immediate access to working capital when required for individuals and companies involved in primary agriculture in Alberta. For 2018-19, a total of 206 revolving loans have been authorized totalling over \$25 million.
- **Agribusiness Loan Program:** The program 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, 2019, five businesses have received loans totalling \$420,000.
- **Rural Business Loan Program:** The program provides Alberta's small and medium-sized commercial and manufacturing businesses in rural Alberta with an alternative source of fixed-rate term loans. As of March 31, 2019, six businesses have received loans totalling over \$2.4 million.

Collectively, 1,446 businesses were authorized loans totaling over \$429 million in 2018-19. Full implementation of the Lending Mandate was complete in fall 2018 following roll out of the final programs aligning with the new mandate. Going forward, AFSC has committed to establishing an Agribusiness Lending group who will have the capacity and expertise necessary to effectively serve the agribusiness sector, in particular the agri-food processing sector, which has been identified as a top priority market sector.

4.3 Support the adoption of safe practices on Alberta's farms through farm safety education and training.

Farms and ranches pose many potential risks to the health and safety of farm family members and others working on them. Many factors influence commitments to farm safety including farm size, type of agriculture product grown, and overall farm safety experience. Ensuring safe and healthy work environments on Alberta farms is a shared responsibility between all partners, including farm owners and workers, and government.

This strategy aims to develop and sustain a farm safety culture that makes Alberta farms among the safest places to live and work, while adapting to increased farm safety-related regulatory requirements. The ministry provides collaborative learning sessions in a variety of settings to improve farm safety knowledge and skills among farmers and ranchers helping them adapt to regulatory requirements and mitigate risks of business interruption from injuries or fatalities. Farm safety education and extension is increasingly reaching more than farm families and farm workers to include temporary and seasonal foreign workers.

The ministry's integrated farm safety resources and activities, collectively called the Alberta Farm Safety Program, includes interactive displays, standard farm safety operating practices, and a step-by-step manual to guide farmers through a process to develop a written health and safety system that follows Occupational Health and Safety (OH&S) requirements and outlines the farm's commitment to safety. The ministry reached out to over 3,500 Alberta farmers and stakeholders by sharing information with youth and adults at farm safety and communications events, providing them with farm safety best practice information. The ministry leveraged collaborative relationships with rural communities to facilitate over

100 community farm safety events, providing access to the ministry farm safety planning tools and resource materials.

In partnership with Alberta Labour, Agriculture and Forestry launched the Farm Health and Safety Producer grant program in October 2018. The program is designed to assist agricultural producers to improve health and safety in their operations and help them comply with the *Occupational Health and Safety Act*, Regulation, and Code that came into effect on December 1, 2018. Farmers and ranchers with waged, non-family workers, and a Worker Compensation Board account are eligible for financial assistance under this program. In the 2018-19 fiscal year, a total of \$50,000 worth of grants was distributed to 25 farmers.

The ministry also supported improvement in health and safety management systems on farms and ranches by providing grants to the following organizations:

- Alberta Association of Agricultural Societies: \$350,000 to assist individual Agricultural Societies to provide community-based farm safety programming. Forty-eight projects were approved, ranging from Mental Health Awareness on the Farm, to Firearm Safety courses and Equine First Aid courses, reaching over 8,100 participants.
- Farm Safety Centre: \$1.6 million over three years (December 1, 2018 to June 30, 2022) to deliver the Safety Smarts in-school farm safety program to over 65,000 rural Alberta students per year and the Sustainable Farm Families program, a comprehensive workshop program to enhance farm health and safety on Alberta Hutterite colonies.

Alberta's Farm Safety Week activities included a province-wide farm safety awareness campaign with daily farm safety-related Agri-News articles, Call of the Land interviews, and a social media blitz covering a number of topics, such as children's training and supervision, combatting spring fatigue, livestock handling, and preventing tractor rollovers. These activities aligned with, and supported, the themes showcased across Canada during Canadian Agricultural Safety Week (March 10-16, 2019). Canadian Agricultural Safety Week (CASW) is an annual public campaign that takes place during the third week of March and focuses on the importance of safe agriculture practices. Safe & Strong Farms is a three-year national campaign celebrating farm safety across Canada. The aim of the campaign is to empower farmers, farm families, and farming communities to build (2019), grow (2020), and lead (2021) the agricultural industry in safety and sustainability. The organizers have produced a number of resources including a wellness series, toolbox talks, and a farm stress inventory and management plan. CASW 2019 also marks the third year of the AgSafe Ribbon campaign, which celebrates Safe & Strong Farms and raises awareness about the importance of farm safety. The Canadian Agricultural Safety Association, supported by the Canadian Federation of Agriculture, delivers CASW with assistance from the Canadian Agricultural Partnership.

Quick Fact

The Ag-Info Centre handled approximately 19,000 calls during the fiscal year 2018 – 19 and over 7,000 emails providing Albertan's access to ministry programs, services, and agricultural specialists.

The agriculture sector in Alberta faced significant changes in 2018 with the introduction of new OH&S Code in December. While many farms are not affected by the changes in legislation, the ministry's continued work with industry organizations and community groups has allowed Alberta farm families to

access farm safety resources that will ultimately increase safety on farms over time. The adoption of safe practices on Alberta's farms through farm safety education and training is anticipated to improve going forward, but may be influenced by economic factors, access to employees with the necessary skill set and capacity, changing technology, and pending legislative reviews.

Performance Measure 4.a:

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

| Prior Years' Results | | | | Actual 2018-19 | Target 2018-19 |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actual 2014-15 | Actual 2015-16 | Actual 2016-17 | Actual 2017-18 | | |
| 733 | 723 | 535 | 421 | 478 | 454 |

Source: Agriculture Financial Services Corporation

Note 1: 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.

Note 2: All results have been updated to include AFSC loan authorizations to agribusiness in urban centres. The revised result reflects AFSC's new lending mandate.

This measure tracks the success of AFSC's direct contribution, partnership, and collaboration with stakeholders in ensuring farm, agribusinesses, and rural businesses can access capital to foster economic activities, development, and growth. AFSC is involved with the facilitation of capital investment in rural and agribusiness development through its lending products, services, and partnerships. AFSC partnerships create flourishing and profitable businesses and support the rural economy.

Economic cycles can create difficulties in accessing capital for businesses in rural Alberta; however, AFSC's flexible loan terms, long-term fixed rate financing, competitive interest rates, and reasonable agreement conditions help ensure that primary agriculture producers, agribusinesses, and rural business enterprises can access the capital necessary to foster growth. 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. Dollar investment is any fund (e.g. debt, equity, or investment) that would be used to support the growth of farming, agribusiness, and rural business activities.

The \$478 million in investments leveraged in farm, rural businesses, and agribusinesses in 2018-19 was 13 per cent higher than the prior year's result and five per cent higher than the forecasted targets. The higher result is due to:

- the inclusion of urban agribusiness loan authorizations that were previously excluded using the prior metric; and
- the effect the increased lending limit (from \$5 million to \$15 million) may have on loan projections to farm, agribusiness, and commercial activities.

In addition, AFSC has initiated initiatives and projects to streamline and simplify the delivery of AFSC's lending services as well as lending marketing plans to focus lending staff on the new lending mandate and drive growth in the identified sectors through the new lending programs. AFSC's management anticipates these efforts would contribute to increased uptake of loan projections to farm, agribusiness,

and commercial activities. Future performance targets for this measure have been adjusted to reflect these changes.

Performance Measure 4.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 2018 | Target 2018 |
|----------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|
| | Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 | | |
| Annual crops | 76% | 77% | 77% | 71% | 71% | 74% |
| Perennial crops | 25% | 25% | 29% | 28% | 28% | 27% |

Source: Statistics Canada and Agriculture Financial Services Corporation

This measure indicates AFSC's 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 (AgrilInsurance) 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. By having a strong selection of choices, backed by sound financial management practices, Alberta's agricultural producers are better protected against the risks of production, and are better positioned for future success and sustainability.

AFSC's competitive, market-responsive, risk management solutions help agricultural producers operate successful farm businesses in the absence of effective private sector tools or methods when natural and market events occur that are beyond agribusiness managers' 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.

In the 2018 calendar year, AFSC provided production insurance coverage for 15 million out of the estimated 21.1 million seeded acres for annual crops in Alberta, a 71 per cent uptake of annual crops insured under Production Insurance. This result is identical to the prior year's result, but three per cent below the stated target of 74 per cent, most likely related to a reduction in the number of insurance subscriptions by agricultural producers arising from:

- acres from the 2017 crop remaining unharvested into the spring of 2018; and
- overland flooding that resulted in 121,000 acres remaining unseeded by the crop insurance seeding deadlines.

The continued high participation rate is due to the financial risk involved in crop production, high input costs, and commodity prices. In total, \$4.6 billion in risk was insured on annual crops with Production Insurance claims (including hail endorsement) totaling \$405.9 million.

In the 2018 calendar year, AFSC provided production insurance coverage for 7.1 million out of the estimated 25.6 million seeded acres for perennial crops in Alberta, a 28 per cent uptake of perennial crops insured under Production Insurance. This result is one per cent higher than the stated target and

unchanged from the prior year. The seeded acres of perennials covered under Production Insurance are heavily influenced by moisture conditions and a reduced loss experience. Good growing conditions are often followed by a reduction in insured acres as some agricultural producers anticipate the continuation of good growing conditions.

Soil moisture conditions at the beginning of 2018 were near normal or above normal levels for most of the province with the exception of the south region and the far northern part of the Peace region. As a result, concerns for hay and other feed supplies going into the 2018 crop year was tempered as more agricultural producers elected to self-insure. In total, perennial crop producers insured a combined \$198.5 million in risk and made claims totaling \$30.9 million. Overall results demonstrate that Alberta's agricultural producers continue to view Production Insurance as an important risk management tool. With the variety of risk management tools being offered through AFSC, individual producer risk preferences are able to be met.

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 results 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:

Agriculture research and development investment by collaborators leveraged through ministry resources (\$ millions)

Methodology

The result for this measure is the sum of expended dollars from outside sources leveraged through ministry investment in research and development in five priority areas: value-added processing, livestock development, crop diversification, food safety, and environmental stewardship. The outside sources or collaborators include industry organizations, private companies, universities, government departments, and agencies.

Research and development is creative work undertaken on a systematic basis in order to increase the stock of scientific and technical knowledge and to use this knowledge in new applications. The central characteristic of research and development is an appreciable element of novelty and it involves

scientific investigations resulting in new knowledge, products or processes.

A standardized questionnaire, with a detailed instruction guide, is used to collect information from ministry program areas that are involved in research and development activities. The questionnaire collects information on a branch's fiscal year research and development projects, expenditures, and corresponding levels expended amounts received from outside sources. An expended amount is an aggregate amount of revenue that has been used to offset part or all of project expenses.

Data on in-kind contributions from collaborators are not included in the calculation of this measure. As a result, the performance result likely understates the true amount of leveraged resources invested by collaborators. Measures of in-kind contributions are less reliable, as they are based on estimates that can be subjective in nature.

Source

Agriculture and Forestry

Performance Indicators 1.a and 1.b:

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

1.b: Alberta's agri-food exports by sector (\$ millions): primary commodities, and processed/manufactured products

Methodology

The results for these indicators are derived from the monetary value of Alberta's agri-food products leaving the province through customs for a foreign destination market.

Performance Indicator 1.a 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.

Performance Indicator 1.b reports the total value of Alberta's agri-food exports categorized into primary commodities and processed or manufactured products.

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 5 per cent.

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

Source

Statistics Canada (customized data); Agriculture and Forestry

Performance Indicator 1.c:

Alberta's market cash receipts (\$ millions) and the share of Canadian market cash receipts

Methodology

The result for this indicator represents the monetary value and proportion of total Canadian farm market cash receipts earned by Alberta producers. The total cash income, or revenue, from the sale of agricultural commodities is aggregated to obtain the market cash receipts earned by Alberta producers. The proportion of total Canadian farm market cash receipts earned by Alberta producers is derived by dividing total Alberta farm market cash receipts by the corresponding total for Canadian food and beverage manufacturing sales. The result is then expressed as a percentage. Farm market cash receipts refers to the aggregate cash income, or revenue, from the sale of agricultural commodities (crops and livestock, in current dollars), and excludes direct program payments to producers of farm businesses.

Receipts are recorded each calendar year (January-December) when money is paid to farmers at the point when ownership first changes hands. They include sales of field crops, fruits, vegetables, floriculture and nursery products, maple and forest products, livestock, milk, poultry, eggs, fur, and honey. The information is collected by Statistics Canada from a wide variety of surveys and administrative sources that report the quantity and average farm price for each commodity sold in a province. Administrative data sources include marketing boards, regulatory agencies, and market information. Some prices are also provided from monthly farm price surveys conducted by Statistics Canada.

Since receipts are estimated on a cash basis, any amounts received after the sale of a product, whether in the form of a final or an adjustment payment, will be shown when the cash is received rather than when it was earned. The information for these payments is obtained directly from the administrative bodies involved. Statistics Canada evaluates the quality of the farm market cash receipts by checking the consistency of these data with other sources or previous releases. Much of the data which goes into the calculation of farm market cash receipts comes from administrative programs or data already produced by Statistics Canada, including audited data from source organizations. Annual and quarterly farm cash receipts data are published twice each year (May and November) by Statistics Canada and subject to revision.

The provincial and national estimates of farm market cash receipts are available on the Statistics Canada website through CANSIM, series number 002-0001 and can be accessed at:

<http://www5.statcan.gc.ca/cansim/a01?lang=eng>

Data and information on the Alberta and Canadian farm market receipts is prepared by the Statistics

and Data Development Section of Agriculture and Forestry, based on the Statistics Canada release.

Source

Statistics Canada (Table 32-10-0045-01)

Performance Indicator 1.d:

Alberta's food and beverage manufacturing sales (\$ millions) and the share of Canadian food and beverage manufacturing sales

Methodology

The result of this indicator represents the monetary value and proportion of Canadian food and beverage manufacturing sales which originate from Alberta-based agri-processing industries.

The total sales of food and beverage products originating from Alberta-based agri-processing industries is aggregated to obtain Alberta's food and beverage manufacturing sales. The proportion or share of Canadian food and beverage manufacturing sales from Alberta-based agri-processing industries is obtained by dividing total Alberta food and beverage manufacturing sales at current prices by the corresponding total for Canadian food and beverage manufacturing sales. The result is then expressed as a percentage. Food and beverage manufacturing involves refining primary agricultural commodities to increase value, such as turning raw canola into the higher valued canola oil, or barley into beer, or processing animals for meat.

Statistics Canada compiles food and beverage manufacturing sales data through its Annual Survey of Manufacturing and Logging (ASML) and Monthly Survey of Manufacturing (MSM). Both are mandatory surveys.

- The target population of the ASML survey consists of incorporated establishments primarily engaged in food and beverage manufacturing, with value of shipments of \$30,000 or more. The survey does not include unincorporated establishments, and their activity is not estimated in the results. The sample frame is from the Business Register, Statistics Canada's continuously maintained central repository of baseline information on businesses and institutions operating in Canada. The survey covers about one-third of all manufacturing establishments in Canada, but the value of shipments for these establishments is estimated to represent over 98 per cent of all manufacturing establishments in Canada.
- The target population for the MSM consists of all statistical establishments on the Business Register that are classified, according to the 2012 North American Industrial Classification System (NAICS).
- The samples for both ASML and MSM surveys are periodically modified to improve efficiency.

The total monetary value of goods produced by Alberta-based manufacturing establishments is extracted from these two surveys and compared to the corresponding value for all Canadian manufacturing establishments. The annual data is published with a one-year lag, while the monthly data is used as a preliminary indicator which takes the sum of twelve months of sales (January to December). Food and beverage manufacturing sales statistics are subject to revisions by Statistics Canada. In this report, revisions are made only in the case when the difference in annual value of Alberta's share of Canadian food and beverage manufacturing sales is greater than three per cent.

Data from both surveys are available at Statistics Canada's CANSIM database:

- Principal Statistics for Manufacturing Industries Series;
- Manufacturing Sales Series; and
- Manufacturers' Sales, Inventories, Orders and Inventory to Sales Ratios Series.

Source

Statistics Canada (Tables 16-10-0117-01, 16-10-0047-01, and 16-10-0048-01)

Performance Indicator 1.e:

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 costs 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 others. 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.

- 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.

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 or, \$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 and Tenure System)

Performance Indicator 1.f:

Sales of Alberta's forest products (\$ millions)

Methodology

The result for this indicator represents the combined total sales of timber-based manufacturing and logging industries in Alberta. Timber-based manufacturing involves the conversion of harvested timber into wood and pulp and paper products. Wood products manufacturing includes solid wood products, such as lumber, panels (oriented strand board, plywood), engineered, and other wood products. Pulp and paper manufacturing includes pulp wood products such as chemical and mechanical pulp, newsprint, and other paper products. Logging activities encompass the harvesting and transporting of timber logs to forest-based manufacturing establishments.

Forest products sales data is compiled by Statistics Canada through its Annual Survey of Manufacturing and Logging Industries (ASML). This survey covers all Canadian businesses/establishments primarily engaged in manufacturing and logging activities as well as some sales offices and warehouses which support these establishments. The survey is administered as part of the Integrated Business Statistics Program (IBSP), which aims to integrate approximately 200 separate business surveys into a single master survey program. The IBSP aims to collect industry and product detail at the provincial level while minimizing overlap between different survey questionnaires. Data are collected directly from survey respondents and extracted from administrative files.

Data integration combines data from multiple data sources including survey data collected from respondents, administrative data from the Canadian revenue agency or other forms of auxiliary data when applicable. During the data integration process, data are imported, transformed, validated, aggregated, and linked from the different data source providers into the formats, structures, and levels required for IBSP processing. Administrative data are used in a data replacement strategy for a large number of financial variables for most small and medium enterprises, a select group of large enterprises to avoid collection of these variables, and as an auxiliary source of data for editing and imputation when respondent data is not available.

The total monetary value of forest products produced by Alberta-based business establishments is extracted from ASML and categorized by logging activities, wood product manufacturing and paper product manufacturing. Forest products manufacturing and logging data are subject to a one-year revision policy by Statistics Canada. In this report, revisions are made only in the case when the difference in annual sales of Alberta's forest products is greater than three per cent.

The results for this indicator are available at Statistics Canada's CANSIM databases under three data files:

- Principal Statistics for Revenue from Logging Activities Series (Table 16-10-0114-01 (formerly CANSIM 301-0009);
- Principal Statistics for Paper Manufacturing Series (Table: 16-10-0117-01 (formerly CANSIM 301-0008); and
- Principal Statistics for Wood Product Manufacturing Series (Table: 16-10-0117-01 (formerly CANSIM 301-0008).

Source

Statistics Canada (Tables 16-10-0114-01 and 16-10-0117-01)

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 Alberta-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 Alberta-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

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 results for this measure represent 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 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 Timber Production and Revenue 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 (Timber Production and Revenue 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 or regrowth 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.

This measure ensures that reforestation continues to sustain Alberta's public forests and forest lands following industrial harvesting. Monitoring reforestation in relation to regeneration standards is an essential part of continued forest sustainability and demonstrates efforts that Agriculture and Forestry staff perform to sustain Alberta's forest resources. Data from ministry reforestation activities and assessments are stored in the Alberta Regeneration Information System.

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

- 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 2018-19 fiscal year and subsequently cancelled or withdrawn on or before March 31, 2019.

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)

Performance Measure 4.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 fodder corn.

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 2018 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 2018 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 2018 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)

Appendix A: Agriculture and Forestry Statistics

Alberta Agriculture and Agri-Food Industry

| | 2016 | 2017 | % Change |
|--|----------------|----------------|-------------|
| Annual Average Household Food Expenditure | | | |
| Average Household Expenditure on Food (Dollars) | \$9,766 | \$9,092 | -6.9 |
| % of Total Average Household Expenditures | 9.2% | 9.0% | |

Note: Expenditure data for 2018 are not yet available.

| | 2017r ¹ | 2018p ² | % Change |
|--|--------------------|--------------------|--------------|
| Real Gross Domestic Product (GDP) in 2012 Dollars | | | |
| Agri-Food Industries (\$ billions) | \$8.59 | \$8.52 | -0.8 |
| Agriculture Industries | \$5.34 | \$5.17 | -3.3 |
| Food and Beverage Manufacturing Industries | \$3.25 | \$3.36 | 3.3 |
| Food Manufacturing | \$2.67 | \$2.77 | 3.9 |
| Beverage Manufacturing | \$0.59 | \$0.59 | 0.3 |
| Employed Labour Force | | | |
| Agri-Food Industries (Number of Persons) | 75,100 | 75,600 | 0.7 |
| % of Total Alberta Employment | 3.3% | 3.2% | |
| Agriculture Industries | 52,100 | 49,300 | -5.4 |
| Food and Beverage Manufacturing Industries | 23,000 | 26,300 | 14.3 |
| % of Total Manufacturing Industries | 19.3% | 20.3% | |
| Farm Income | | | |
| Total Farm Cash Receipts (\$ billions) | \$14.13 | \$13.57 | -4.0 |
| Crops | \$6.97 | \$6.42 | -7.9 |
| % of Total Farm Cash Receipts | 49.3% | 47.3% | |
| Livestock and Livestock Products | \$6.40 | \$6.52 | 1.9 |
| % of Total Farm Cash Receipts | 45.3% | 48.1% | |
| Supply Management (Dairy, Poultry, and Eggs) | \$0.96 | \$1.02 | 5.7 |
| % of Livestock and Livestock Products Receipts | 15.1% | 15.6% | |
| Direct Program Payments | \$0.76 | \$0.62 | -18.2 |
| % of Total Farm Cash Receipts | 5.4% | 4.6% | |
| Farm Operating Expenses (After Rebates) (\$ billions) | \$10.61 | \$11.15 | 5.1 |
| Net Cash Farm Income (\$ billions) | \$3.53 | \$2.42 | -31.3 |
| Realized Net Income (\$ billions) | \$1.68 | \$0.54 | -68.1 |
| Total Net Income (\$ billions)³ | \$2.01 | \$0.25 | -87.5 |

¹ r indicates "revised"

² p indicates "preliminary, subject to revision"

³ Realized net income adjusted for inventory change.

| | 2017r ¹ | 2018p ² | % Change |
|---|--------------------|--------------------|--------------|
| Food and Beverage Manufacturing Industries Value of Sales | | | |
| Food and Beverage Industries (\$ billions) | \$14.81 | \$15.18 | 2.4 |
| % of Total Alberta Manufacturing Sales | 20.3% | 19.8% | |
| Top Three Largest Food Manufacturing Sales Groups in 2018: | | | |
| • Meat Products (including Poultry) | \$7.29 | \$7.54 | 3.4 |
| • Grain and Oilseed Milling | \$1.81 | \$1.77 | -2.0 |
| • Dairy Products Manufacturing | \$1.19 | \$1.45 | 21.7 |
| Agri-Food Exports to All Countries | | | |
| Total Agri-Food Exports (\$ billions) | \$11.24 | \$11.60 | 3.2 |
| Primary Commodities (Animals and Crops) | \$5.65 | \$5.52 | -2.4 |
| Value-Added Products | \$5.58 | \$6.08 | 8.8 |
| Top Three Markets in 2018 (% Share of Total): | | | |
| 1. United States (37.5%) | \$4.27 | \$4.34 | 1.8 |
| 2. China (22.6%) | \$1.98 | \$2.62 | 32.4 |
| 3. Japan (11.0%) | \$1.26 | \$1.27 | 0.9 |
| Value of Farm Capital | | | |
| Total Value of Farm Capital as July 1 (\$ billions) | \$150.79 | \$158.29 | 5.0 |
| Livestock and Poultry | \$8.08 | \$8.10 | 0.3 |
| Land and Buildings | \$127.50 | \$134.44 | 5.4 |
| Machinery and Equipment | \$15.21 | \$15.75 | 3.5 |
| Production of Top Three Major Field Crops | | | |
| All Wheat (tonnes) | 9,980,100 | 10,006,000 | 0.3 |
| % of Canada | 33.3% | 31.5% | |
| Canola (tonnes) | 6,826,600 | 5,870,600 | -14.0 |
| % of Canada | 32.0% | 28.9% | |
| Barley (tonnes) | 3,906,000 | 3,996,300 | 2.3 |
| % of Canada | 49.5% | 47.7% | |
| Meat Production Quantity | | | |
| Beef – Western Canada ⁴ (tonnes) | 856,800 | 910,598 | 6.3 |
| Pork – Alberta (tonnes) | 240,111 | 232,536 | -3.2 |
| Number of Livestock Slaughtered⁵ | | | |
| Cattle and Calves – Western Canada (Head) | 2,260,844 | 2,409,367 | 6.6 |
| Pork – Alberta (Head) | 2,597,475 | 2,510,267 | -3.4 |
| Livestock Inventory on Farms on January 1st | | | |
| Cattle and Calves (Head) | 4,745,000 | 4,640,000 | -2.2 |
| % of Canada | 41.0% | 40.5% | |
| Hogs (Head) | 1,525,000 | 1,520,000 | -0.3 |
| % of Canada | 10.8% | 10.8% | |
| Sheep and Lambs (Head) | 139,000 | 138,000 | -0.7 |
| % of Canada | 16.8% | 16.4% | |

⁴ Western Canada data only – breakdown for Alberta is unavailable.

⁵ Federally and provincially inspected slaughter, irrespective of origin.

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% | |
| 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 Type⁶ | | | |
| 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 (Excluding Grain and Oilseed) | 9,385 | 7,414 | -21.0 |
| 4. Other Animals (Excluding Beef Cattle) | 6,374 | 5,101 | -20.0 |
| 5. Greenhouse, Nursery, Floriculture, and Mushroom | 826 | 605 | -26.8 |
| Farms By Sales Class⁷ | | | |
| % 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% | |
| 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% | |

⁶ 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).

⁷ 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 |
|---------------------------------|-----------|-----------|----------|
| 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 May 28, 2019.

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

| | 2017 | 2018 | % Change |
|--|---------|-----------------|----------|
| Real Gross Domestic Product (GDP) in 2012 Dollars (\$ millions)⁸ | | | |
| Forestry and Logging Industries | 589.1 | 598.9 | 1.7% |
| Wood Products Manufacturing | 1,156.4 | 1,166.9 | 0.9% |
| Pulp and Paper Manufacturing | 456.9 | 441.9 | -3.3% |
| Employment (Number of Persons)⁹ | | | |
| Forestry and Logging Industries | 3,521 | 3,615 | 2.7% |
| Wood Products Manufacturing | 9,348 | 9,082 | -2.8% |
| Pulp and Paper Manufacturing | 2,152 | 2,077 | -3.5% |
| Capital Expenditures (\$ millions)¹⁰ | | | |
| Forestry and Logging Industries | 63.9 | X ¹¹ | - |
| Wood Products Manufacturing | 74.9 | 93.7 | 25.1% |
| Pulp and Paper Manufacturing | 79.7 | 71.9 | -9.8% |
| Industry Revenues (\$ millions)¹² | | | |
| Forestry and Logging Industries | 893.3 | n/a | - |
| Wood Products Manufacturing | 4,097.1 | n/a | - |
| Pulp and Paper Manufacturing | 2,141.2 | n/a | - |

⁸ Statistics Canada: System of National Accounts (SNA); retrieved May 15, 2019.

⁹ Statistics Canada: Survey of Employment, Payroll, & Hours (SEPH); retrieved May 15, 2019.

¹⁰ Statistics Canada: Annual Capital and Repair Expenditures Survey (CAPEX); retrieved May 15, 2019.

¹¹ Figures have been suppressed under the *Statistics Act* to meet the confidentiality requirements.

¹² n/a denotes data for 2018 is not available until December 2019 (ASML release).

Alberta Forestry Industry (continued)

| | 2017 | 2018 | % Change |
|---|---------|---------|----------|
| Top Three Export Markets for Wood Products (\$ millions)¹³ | | | |
| 1. United States | 1,579.2 | 1,723.6 | 9.1% |
| 2. Japan | 68.6 | 98.5 | 43.7% |
| 3. China | 28.1 | 59.6 | 111.7% |
| Top Three Markets for Pulp and Paper Products (\$ millions)¹⁴ | | | |
| 1. United States | 899.0 | 1,047.6 | 16.5% |
| 2. China | 557.8 | 663.9 | 19.0% |
| 3. Japan | 89.3 | 195.7 | 119.1% |

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.

¹³ Statistics Canada: Annual Survey of Manufacturing & Logging; retrieved May 15, 2019.

¹⁴ Statistics Canada: Canadian International Merchandise Trade Database; retrieved May 15, 2019.

Financial Information

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Introduction

The annual report of a ministry contains the financial information, including the audited financial statements of other reporting entities within the ministry (i.e. regulated funds, provincial agencies, and Crown-controlled corporations), and a comparison of actual performance results to planned results set out in the ministry business plan.

The financial information includes the transactions and affairs of entities making up the ministry including the department, regulated funds, provincial agencies and Crown-controlled corporations for which the Minister is responsible.

The ministry annual report also includes other financial information as required by the *Financial Administration Act (FAA)* and *Fiscal Planning and Transparency Act*, as separate reports, to the extent that the ministry has anything to report, and financial information relating to trust funds.

The model financial information that follows are the reporting practices to be applied to the financial information and other financial information required by legislation sections.

Reporting Entity and Method of Consolidation

The financial information is to be prepared in accordance with 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 are fully consolidated, which includes the department and the entities making up the ministry (i.e. regulated funds, provincial agencies, and Crown-controlled corporations), on a line by-line basis, except for government business enterprises (GBEs).

Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting 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 financing 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. Inter-entity revenue and expense transactions and related asset and liability balances are not eliminated.

Ministry Financial Highlights

Statement of Revenues and Expenses (unaudited)

| Alberta Forest Industry | 2019 | | 2018 | Change From | |
|--|----------------|--------------|--------------|--------------|--------------|
| | Budget | Actual | Actual | Budget | 2018 Actual |
| | (in thousands) | | | | |
| Revenues | | | | | |
| Government transfers | | | | | |
| Government of Alberta grants | \$ - | \$ 2,158 | \$ 1,930 | \$ 2,158 | \$ 228 |
| Federal Government grants | 314,998 | 279,370 | 356,108 | (35,628) | (76,738) |
| Investment income | 136,149 | 137,936 | 122,591 | 1,787 | 15,345 |
| Premiums, fees and licenses | 484,098 | 463,330 | 504,691 | (20,768) | (41,361) |
| Other revenue | 8,856 | 11,686 | 18,557 | 2,830 | (6,871) |
| Ministry total | 944,101 | 894,480 | 1,003,877 | (49,621) | (109,397) |
| Inter-ministry consolidation adjustments | (1,150) | (2,906) | (6,411) | (1,756) | 3,505 |
| Adjusted ministry total | 942,951 | 891,574 | 997,466 | (51,377) | (105,892) |
| Expenses - directly incurred | | | | | |
| Programs | | | | | |
| Ministry Support Services | 11,777 | 15,008 | 13,201 | 3,231 | 1,807 |
| Intergovernmental Relations, Trade and Environment | 45,917 | 46,060 | 51,500 | 143 | (5,440) |
| Food and Value-Added Processing | 91,990 | 94,131 | 103,177 | 2,141 | (9,046) |
| Livestock and Crops | 55,936 | 48,606 | 51,529 | (7,330) | (2,923) |
| Forests | 202,450 | 386,592 | 386,634 | 184,142 | (42) |
| Climate Leadership Plan | 41,640 | 36,482 | 11,149 | (5,158) | 25,333 |
| Canadian Agricultural Partnership | 46,630 | 38,264 | 31,954 | (8,366) | 6,310 |
| Lending | 34,825 | 28,672 | 30,628 | (6,153) | (1,956) |
| Insurance | 493,330 | 672,995 | 545,565 | 179,665 | 127,430 |
| Agriculture Income Support | 120,487 | 89,395 | 224,160 | (31,092) | (134,765) |
| Debt Servicing Costs | 71,153 | 69,250 | 68,405 | (1,903) | 845 |
| Ministry Total | 1,216,135 | 1,525,455 | 1,517,902 | 309,320 | 7,553 |
| Inter-ministry consolidation adjustments | (12,004) | (92,237) | (81,781) | (80,233) | (10,456) |
| Adjusted ministry total | 1,204,131 | 1,433,218 | 1,436,121 | 229,087 | (2,903) |
| Annual Deficit | \$ (261,180) | \$ (541,644) | \$ (438,655) | \$ (280,464) | \$ (102,989) |

Revenue and Expense Highlights

Revenues

Ministry revenue was almost \$900 million, \$50 million less than budget and \$109 million less than 2017-18, with some fluctuations between revenues from different sources.

Compared to Budget 2018-19

- Revenue from the Government of Canada was \$36 million less than budget, primarily due to lower than anticipated AgriStability estimates resulting from a recovery in cattle prices, and lower AgriInsurance premiums resulting from a decrease in premium rates. These decreases were partially offset by higher than anticipated Wildlife Damage Compensation due to increasing indemnities. In addition, federal contributions to the Canadian Agricultural Partnership were lower than expected due to program launch delays in this first year of the program.
- Premiums, fees and licenses were \$21 million less than budget, due to lower premium rates for crop and livestock related insurance programs. Hot and dry weather conditions and lower participation rates also contributed to the decrease. These were partially offset by an increase in revenues from timber royalties and fees. This was due to the softwood lumber dispute which resulted in an increase in the price of softwood until early in 2019.

Compared to 2017-18 Actual

- Revenue from the Government of Canada decreased by \$77 million in 2018-19, primarily due to a decrease in AgriStability estimates for the 2017 program year combined with a decrease in AgriInsurance premiums resulting from a decrease in premium rates. These decreases were partially offset by an increase in Wildlife Damage Compensation indemnities due to delayed harvest conditions.
- Investment income increased by \$15 million from last year mainly resulting from higher returns on a slightly larger investment portfolio for the AFSC crop contingency fund.
- Premiums, fees and licenses decreased by over \$41 million compared to last year, primarily due to a decrease in AgriInsurance premiums due to lower premium rates, a decrease in Hail Insurance premiums due to drier weather conditions resulting in less premiums sold, and a decrease in Livestock Insurance premiums due to reduced market volatility. In addition, timber royalties and fees decreased due to a decline in North American soft wood commodity prices in early 2019, as transportation bottlenecks eased and U.S. lumber demand gradually lessened.

Expenses

Ministry expense was \$1.5 billion, more than \$309 million higher than budget, and \$7.5 million more than 2017-18.

Compared to Budget 2018-19

- AgriInsurance was almost \$180 million higher than budget, primarily due to higher than anticipated indemnities as a result of dry conditions throughout the summer and lower crop quality due to a delayed harvest. The delayed harvest also increased Wildlife Damage indemnities. These increases were partially offset by a decrease in Hail Insurance indemnities due to the dry weather and less hail storms, and lower Livestock Insurance indemnities due to stabilizing cattle prices. Higher than anticipated reinsurance expenses in Livestock Insurance and Hail Insurance due to increases in quota share reinsurance costs also contributed to this difference.
- Agriculture Income Support was \$31 million lower than budget due to decreases in prior year AgriStability estimates resulting from a recovery in cattle prices. These decreases were partially offset by an increase in AgriInvest indemnities due to higher than anticipated volume.
- Forest-related expenses, including wildfire management spending, totalled over \$380 million, over \$184 million higher than budget. Disaster costs related to wildfire suppression are not included in budget, as the severity of wildfire season can vary significantly from year-to-year. Approximately \$193 million of disaster funding was required for wildfire suppression costs for 2018-19. This increase was partially offset by timing differences in Forest Management grants and lower than anticipated Mountain Pine Beetle costs.

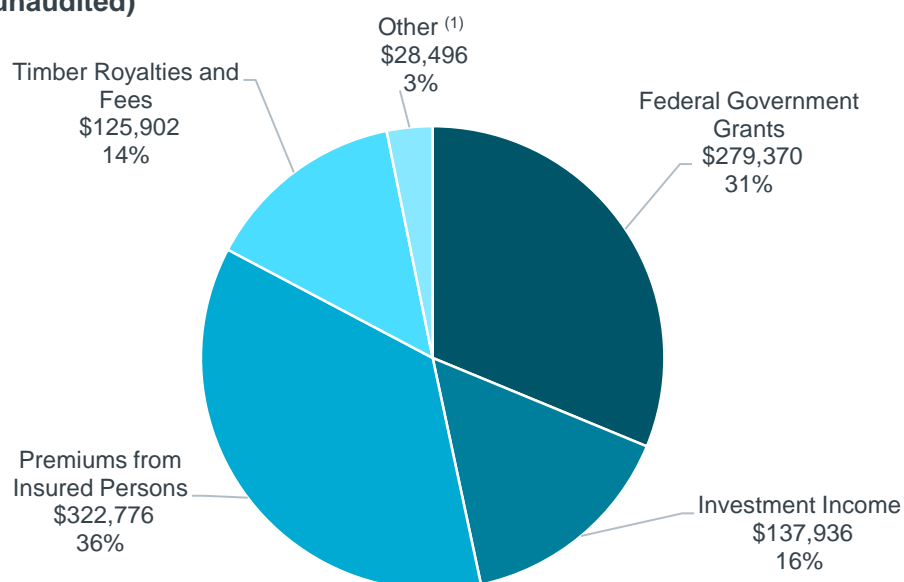
Compared to 2017-18 Actual

- Over \$762 million in Indemnity and Agriculture Income Support payments were incurred in 2018-19, compared to \$770 million in 2017-2018. Livestock indemnities and Agriculture Income Support payments were lower due to a recovery in cattle prices compared to the previous year. These decreases were partially offset by an increase in AgriInsurance indemnities due to the dry conditions through the summer and the delayed harvest.
- Climate Leadership Plan expenses were higher than 2017-18, primarily due to a budget increase of \$31 million.

Breakdown of Revenues (unaudited)

| | Budget | 2019 Actual (in thousands) | 2018 Actual |
|-----------------------------------|-------------------|----------------------------------|---------------------|
| Government transfers | | | |
| Government of Alberta grants | \$ - | \$ 2,158 | \$ 1,930 |
| Federal Government grants | | | |
| Agriculture Insurance | 203,406 | 194,308 | 203,150 |
| Agriculture Income Support | 46,670 | 33,100 | 112,252 |
| Canadian Agricultural Partnership | 41,830 | 33,272 | 31,986 |
| Other | 23,092 | 18,690 | 8,720 |
| | <u>314,998</u> | <u>281,528</u> | <u>358,038</u> |
| Investment income | | | |
| Agriculture Insurance | 45,771 | 47,008 | 35,744 |
| Lending | 513 | 88,434 | 85,584 |
| Other | 89,865 | 2,494 | 1,263 |
| | <u>136,149</u> | <u>137,936</u> | <u>122,591</u> |
| Premiums, fees and licenses | | | |
| Premiums from Insured Persons | 375,386 | 322,776 | 348,131 |
| Timber Royalties and Fees | 92,497 | 125,902 | 139,860 |
| Other | 16,215 | 14,652 | 16,700 |
| | <u>484,098</u> | <u>463,330</u> | <u>504,691</u> |
| Other revenue | 8,856 | 11,686 | 18,557 |
| Total ministry revenues | <u>\$ 944,101</u> | <u>\$ 894,480</u> | <u>\$ 1,003,877</u> |

2019 Actual (unaudited) (in thousands)

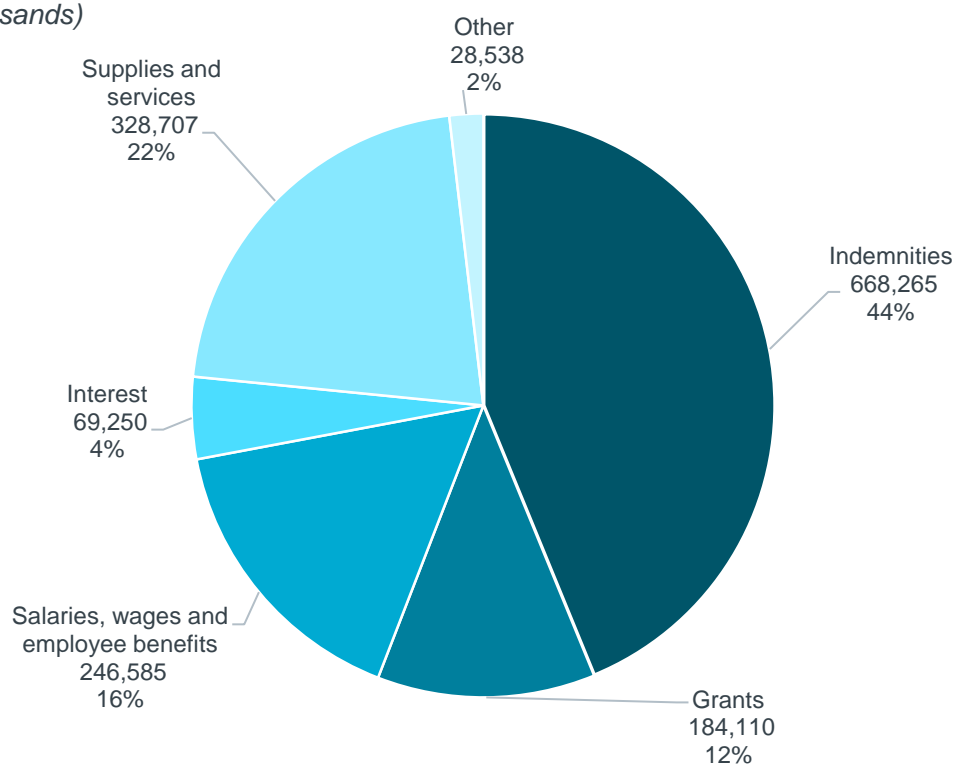


⁽¹⁾ Includes Government of Alberta Grants, Other (Premiums, fees, and licenses), and other revenue

Expenses – Directly Incurred Detailed by Object (unaudited)

| | 2019 | | 2018 |
|---|-----------------------|---------------------|----------------------|
| | Budget | Actual | Actual (Restated) |
| | <i>(in thousands)</i> | | |
| Indemnities | \$ 522,596 | \$ 668,265 | \$ 678,385 |
| Grants | 181,757 | 184,110 | 162,043 |
| Salaries, wages and employee benefits | 239,637 | 246,585 | 252,962 |
| Interest | 71,153 | 69,250 | 68,405 |
| Supplies and services | 166,132 | 328,707 | 328,875 |
| Other | 6,937 | 6,217 | 2,878 |
| Amortization of tangible capital assets | 27,923 | 22,321 | 24,354 |
| Total ministry expenses | <u>\$ 1,216,135</u> | <u>\$ 1,525,455</u> | <u>\$ 1,517,902</u> |

2019 Actual (unaudited)
(in thousands)



Supplemental Financial Information

Portfolio Investments (unaudited)

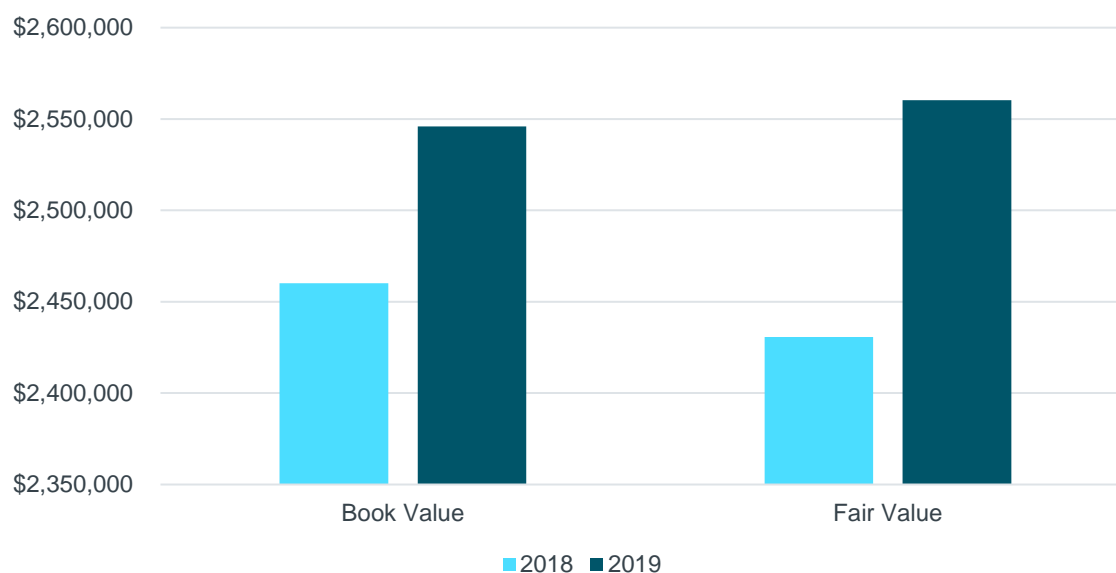
| | 2019 | | 2018 | |
|------------------------------------|-----------------------|---------------------|---------------------|---------------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Interest-bearing securities | <i>(in thousands)</i> | | | |
| Deposits and short-term securities | \$ 4,071 | \$ 4,068 | \$ 59,653 | \$ 59,684 |
| Bonds and mortgages | 2,541,956 | 2,556,204 | 2,400,560 | 2,371,012 |
| | \$ 2,546,027 | \$ 2,560,272 | \$ 2,460,213 | \$ 2,430,696 |

The following is a breakdown of portfolio investments:

| | 2019 | | 2018 | |
|---|-----------------------|---------------------|---------------------|---------------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Operating | <i>(in thousands)</i> | | | |
| Internally designated assets ^(a) | \$ - | \$ - | \$ - | \$ - |
| Other funds and agencies | 2,546,027 | 2,560,272 | 2,460,213 | 2,430,696 |
| Total portfolio investments | \$ 2,546,027 | \$ 2,560,272 | \$ 2,460,213 | \$ 2,430,696 |

^(a) Internally designated assets are designated in legislation for specific purposes.

Comparison of Interest-bearing securities Book Value to Fair Value as of March 31, 2019 (unaudited) *(in thousands)*



Financial Statements of Other Reporting Entities

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Agriculture Financial Services Corporation

Financial Statements

March 31, 2019

Agriculture Financial Services Corporation

Financial Statements

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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, 2019, 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, 2019, 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 30, 2019
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2019
(in thousands)

| | 2019 | 2018 |
|---|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 380,348 | \$ 294,430 |
| Accounts receivable (Note 3) | 5,586 | 11,834 |
| Due from Government of Alberta | 57,820 | 106,461 |
| Due from Government of Canada | 194,824 | 226,853 |
| Loans receivable (Note 4) | 2,306,379 | 2,248,045 |
| Investments (Note 5) | 2,558,113 | 2,472,038 |
| | <u>5,503,070</u> | <u>5,359,661</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 6) | 17,723 | 15,255 |
| Due to other Provincial Governments (Note 7) | 4,566 | 2,832 |
| Indemnities payable (Note 8) | 248,335 | 288,540 |
| Borrowing from Government of Alberta (Note 9) | 2,248,721 | 2,220,290 |
| Deferred revenue (Note 10) | 7,084 | 7,336 |
| | <u>2,526,429</u> | <u>2,534,253</u> |
| Net Financial Assets (Net Debt) | <u>2,976,641</u> | <u>2,825,408</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 11) | 31,411 | 34,639 |
| Prepaid expenses | 4,205 | 3,934 |
| | <u>35,616</u> | <u>38,573</u> |
| Net assets before deferred capital contributions | <u>3,012,257</u> | <u>2,863,981</u> |
| Spent deferred capital contributions (Note 10) | \$ 17,544 | \$ 19,282 |
| Net Assets | <u>\$ 2,994,713</u> | <u>\$ 2,844,699</u> |
| Net Assets | | |
| Accumulated surplus | <u>\$ 2,994,713</u> | <u>\$ 2,844,699</u> |

Contingencies, Contractual Obligations and Commitments (Note 13)

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

Approved by the Board:

Jennifer Wood, Chair of the Board of Directors

Anna Harder, Audit Chair

Darryl Kay, Chief Financial & Innovation Officer

Steve Blakely, Chief Executive Officer

Statement of Operations

Year ended March 31, 2019

(in thousands)

| | 2019 | | 2018 |
|--|-------------------|------------------------|---------------------|
| | Budget | Actual (Schedule 1) | Actual |
| Revenues: | | | |
| Premiums from insured persons | \$ 375,386 | \$ 322,776 | \$ 348,131 |
| Interest | 88,826 | 88,643 | 85,835 |
| Contribution from Government of Alberta | 314,840 | 299,524 | 356,855 |
| Contribution from Government of Canada | 265,055 | 238,159 | 316,013 |
| Investment income | 46,434 | 48,922 | 36,574 |
| Fees and other income | 14,233 | 12,955 | 14,434 |
| | <u>1,104,774</u> | <u>1,010,979</u> | <u>1,157,842</u> |
| Expenses: | | | |
| AgrilInsurance | 395,796 | 618,572 | 501,291 |
| Agriculture Income Support | 120,487 | 89,395 | 224,160 |
| Lending | 105,778 | 97,922 | 99,033 |
| Hail Insurance | 54,831 | 22,170 | 25,282 |
| Livestock Insurance | 34,814 | 13,082 | 21,117 |
| Wildlife Damage Compensation | 7,889 | 19,824 | (1,475) |
| | <u>719,595</u> | <u>860,965</u> | <u>869,408</u> |
| Annual surplus | <u>\$ 385,179</u> | 150,014 | 288,434 |
| Accumulated surplus at beginning of year | | <u>2,844,699</u> | <u>2,556,265</u> |
| Accumulated surplus at end of year | | <u>\$ 2,994,713</u> | <u>\$ 2,844,699</u> |

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

Statement of Change in Net Financial Assets

Year ended March 31, 2019

(in thousands)

| | 2019 | | 2018 |
|---|---------------------|---------------------|---------------------|
| | Budget | Actual | Actual |
| Net operating results | \$ 385,179 | \$ 150,014 | \$ 288,434 |
| Acquisition of tangible capital assets | 7,573 | (5,481) | (6,902) |
| Amortization of tangible capital assets (Note 11) | 9,440 | 8,235 | 9,526 |
| Loss on disposal of tangible capital assets | - | 443 | - |
| Proceeds on sale tangible capital assets | - | 31 | 6 |
| Change in prepaid expenses | - | (271) | 329 |
| Change in spent deferred capital contributions | - | (1,738) | (193) |
| Increase in net financial assets in the year | 402,192 | 151,233 | 291,200 |
| Net financial assets, beginning of year | 2,825,408 | 2,825,408 | 2,534,208 |
| Net financial assets, end of year | <u>\$ 3,227,600</u> | <u>\$ 2,976,641</u> | <u>\$ 2,825,408</u> |

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

Statement of Cash Flows

Year ended March 31, 2019

(in thousands)

| | 2019 | 2018 |
|--|-------------|-------------|
| Operating activities: | | |
| Net operating results | \$ 150,014 | \$ 288,434 |
| Non-cash items included in operating results | | |
| Amortization of capital assets | 8,235 | 9,526 |
| Deferred capital contribution recognized as revenue | (5,183) | (5,061) |
| Amortization of premiums and discounts | 136 | (1,751) |
| Allowance for doubtful accounts and for losses | (778) | 829 |
| Gain on sale of investments | 5,955 | 4,154 |
| Loss (gain) on disposal of capital assets | 443 | (1) |
| Unearned revenue received | 7,084 | 7,336 |
| Changes in assets and liabilities relating to operations | 44,029 | (88,325) |
| Net cash provided by operating activities ⁽¹⁾ | 209,935 | 215,141 |
| Investing activities: | | |
| Proceeds from repayments of loans receivable | 378,003 | 376,610 |
| Loan disbursements | (437,101) | (389,373) |
| Purchase of investments | (1,047,287) | (1,403,900) |
| Proceeds on disposal of investments | 955,465 | 1,052,106 |
| Net cash utilized by investing activities | (150,920) | (364,557) |
| Capital activities: | | |
| Purchase of tangible capital assets | (5,481) | (6,902) |
| Proceeds on disposal of tangible capital assets | 31 | 6 |
| Net cash utilized by capital activities | (5,450) | (6,896) |
| Financing activities: | | |
| Borrowing from the Government of Alberta | 850,000 | 1,145,000 |
| Contributions restricted for capital | 3,445 | 4,868 |
| Repayment of borrowing from the Government of Alberta | (821,092) | (1,128,779) |
| Net cash provided by financing activities | 32,353 | 21,089 |
| Net increase (decrease) in cash during the year | 85,918 | (135,223) |
| Cash at beginning of year | 294,430 | 429,653 |
| Cash at end of year | \$ 380,348 | \$ 294,430 |

⁽¹⁾ Net cash provided by operating activities includes \$68,234 (2018 \$68,028) of interest paid.

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

Notes to the Financial Statements

Year Ended March 31, 2019

(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, AgrilInsurance, 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 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 AgrilInsurance and Hail Insurance programs. A corresponding premium contribution from the Governments of Canada and Alberta is also recognized on policies sold under the AgrilInsurance 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)), AgrilInvest, 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 (continued)

Year Ended March 31, 2019

(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, 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 (continued)

Year Ended March 31, 2019

(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 and 8).

(e) Non-Financial Assets

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

(f) Cash

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.

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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

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

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.

(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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Tangible Capital Assets including Capital Leases (continued)

The discount rate used to determine the present value of the lease payments is the Corporation's 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 per cent for AgriStability and AgriRecovery programs because the programs are delivered by the Corporation and at 40 per cent 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 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 AgriInsurance, 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. 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).

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(n) AgrilInsurance Accumulated Surplus Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the AgrilInsurance accumulated surplus of \$2,814,351 (2018 \$2,694,432) is restricted for AgrilInsurance 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).

(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 \$1,256 for the estimated remaining remediation (2018 \$1,330).

(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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(s) Future Accounting Changes (continued)

• 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.

Note 3 Accounts Receivable

| | 2019 | 2018 |
|--|-----------------|------------------|
| AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs: | | |
| Overpayments | \$ 3,982 | \$ 5,047 |
| Administration fees | 337 | 328 |
| Premiums from insured persons | | |
| Livestock insurance program | 2,308 | 1,064 |
| AgriInsurance program | 2,004 | 3,708 |
| Hail insurance program | 204 | 542 |
| Other | 1,834 | 7,394 |
| | <u>10,669</u> | <u>18,083</u> |
| Allowances for doubtful accounts | | |
| At beginning of year | (6,249) | (9,248) |
| Decrease (increase) for this year | 1,193 | 1,199 |
| Write offs, net of recoveries | (27) | 1,800 |
| | <u>(5,083)</u> | <u>(6,249)</u> |
| | <u>\$ 5,586</u> | <u>\$ 11,834</u> |

Included in the allowances for doubtful accounts is \$3,982 (2018 \$5,047) 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 (continued)

Year Ended March 31, 2019

(in thousands)

Note 4 Loans Receivable

Loans receivable are comprised of the following:

| | 2019 | | | 2018 |
|--------------------------------------|---------------------|-------------------|---------------------|---------------------|
| | Farm | Commercial | Total | Total |
| Performing loans - non concessionary | \$ 2,013,912 | \$ 247,623 | \$ 2,261,535 | \$ 2,215,176 |
| Performing loans - concessionary | 1,443 | - | 1,443 | 2,130 |
| Impaired loans | 2,391 | 39,613 | 42,004 | 30,570 |
| | <u>2,017,746</u> | <u>287,236</u> | <u>2,304,982</u> | <u>2,247,876</u> |
| Accrued interest | 26,450 | 1,202 | 27,652 | 26,026 |
| Loan discount | (18) | - | (18) | (27) |
| | <u>2,044,178</u> | <u>288,438</u> | <u>2,332,616</u> | <u>2,273,875</u> |
| Allowances | (3,615) | (22,622) | (26,237) | (25,830) |
| Net carrying value | <u>\$ 2,040,563</u> | <u>\$ 265,816</u> | <u>\$ 2,306,379</u> | <u>\$ 2,248,045</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 | 2019 | 2018 |
|----------------------------------|-----------------|------------------|------------------|------------------|
| At beginning of year | \$ 4,807 | \$ 21,023 | \$ 25,830 | \$ 36,768 |
| Increase (decrease) for the year | (1,191) | 1,606 | 415 | 2,028 |
| Write-offs | (1) | (7) | (8) | (12,966) |
| At end of year | <u>\$ 3,615</u> | <u>\$ 22,622</u> | <u>\$ 26,237</u> | <u>\$ 25,830</u> |
| Specific allowance | \$ 552 | \$ 19,379 | \$ 19,931 | \$ 13,687 |
| General allowance | 3,063 | 3,243 | 6,306 | 12,143 |
| | <u>\$ 3,615</u> | <u>\$ 22,622</u> | <u>\$ 26,237</u> | <u>\$ 25,830</u> |

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

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 \$5,190,911 (2018 \$4,966,477).

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 4 Loans Receivable (continued)

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

| | 2019 | 2018 |
|---------------------------------------|---------------------|---------------------|
| Effective annual Interest Rate | | |
| Less than or equal to 2% | \$ 175,509 | \$ 198,672 |
| 2.01% to 3.00% | 294,212 | 430,595 |
| 3.01% to 4.00% | 716,110 | 706,808 |
| 4.01% to 5.00% | 729,605 | 504,046 |
| 5.01% to 6.00% | 267,725 | 285,645 |
| 6.01% to 7.00% | 112,169 | 108,179 |
| 7.01% to 8.00% | 8,553 | 11,691 |
| Over 8% | 1,081 | 2,213 |
| | 2,304,964 | 2,247,849 |
| Accrued interest | 27,652 | 26,026 |
| Allowance for doubtful accounts | (26,237) | (25,830) |
| | <u>\$ 2,306,379</u> | <u>\$ 2,248,045</u> |
| Weighted average annual interest rate | 4.01% | 3.85% |

Note 5 Investments

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Bonds and debentures: | | |
| Government of Canada, direct and guaranteed | \$ 1,278,851 | \$ 1,283,128 |
| Other provincial, direct and guaranteed | 96,885 | 87,921 |
| | 1,375,736 | 1,371,049 |
| Corporate securities: | | |
| Asset backed securities, AAA rated | 684,433 | 602,882 |
| Senior bank notes | 485,858 | 486,282 |
| | 1,170,291 | 1,089,164 |
| | 2,546,027 | 2,460,213 |
| Accrued interest | 12,086 | 11,825 |
| | <u>\$ 2,558,113</u> | <u>\$ 2,472,038</u> |

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 5 Investments (continued)

The fair value of investments at March 31, 2019 is \$2,560,272 (2018 \$2,430,696). 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⁾ | | | | |
|----------------------|---------------------------------|---------------------|------------------|---------------------|---------------------|
| | Within 1 Year | 1 to 5 Years | 6 to 10 Years | 2019 | 2018 |
| Bonds and debentures | \$ 151 | \$ 1,375,585 | \$ - | \$ 1,375,736 | \$ 1,371,049 |
| Yield ⁽²⁾ | 1.73% | 1.75% | - | 1.75% | 2.02% |
| Corporate Securities | 3,920 | 1,156,371 | 10,000 | 1,170,291 | 1,089,164 |
| Yield ⁽²⁾ | 2.35% | 2.28% | 2.46% | 2.29% | 2.49% |
| Accrued interest | 4,071 | 2,531,956 | 10,000 | 2,546,027 | 2,460,213 |
| | 3 | 11,970 | 113 | 12,086 | 11,825 |
| | <u>\$ 4,074</u> | <u>\$ 2,543,926</u> | <u>\$ 10,113</u> | <u>\$ 2,558,113</u> | <u>\$ 2,472,038</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

| | 2019 | 2018 |
|--|------------------|------------------|
| Supplies and services | \$ 12,788 | \$ 9,759 |
| Salaries, wages and employee benefits | 4,852 | 4,935 |
| Reinsurance Premiums to Government of Canada | 18 | 19 |
| Other | 65 | 542 |
| | <u>\$ 17,723</u> | <u>\$ 15,255</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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

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

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.

Breakdowns of the amounts owing is as follows:

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Premiums collected | \$ 27,514 | \$ 22,703 |
| Indemnities paid | (17,709) | (17,247) |
| Administration costs receivable | (154) | (364) |
| Reinsurance premiums | (7,438) | (4,613) |
| Reinsurance expense net of ceded premiums | 2,353 | 2,353 |
| | <u>\$ 4,566</u> | <u>\$ 2,832</u> |

Note 8 Indemnities Payable

| | 2019 (Note 2(l)) | 2018 (Note 2(l)) |
|---|---------------------|---------------------|
| AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs | | |
| Current claim year | \$ 148,686 | \$ 149,300 |
| Prior claim years | <u>49,461</u> | <u>110,198</u> |
| | 198,147 | 259,498 |
| AgriInsurance | 44,092 | 17,860 |
| Wildlife compensation | 2,469 | 1,022 |
| Hail insurance | 93 | - |
| Livestock price insurance | <u>3,534</u> | <u>10,160</u> |
| | <u>\$ 248,335</u> | <u>\$ 288,540</u> |

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 8 Indemnities Payable (continued)

Estimated indemnities payable of \$248,335 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 estimated indemnities for the current year would be in the range of \$116,330 to \$187,574. In four of the past five years, actual indemnities fell outside of 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 \$32,995 to \$55,187.

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.

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. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 9 Borrowing from Government of Alberta (continued)

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

| | 2019 | 2018 |
|---------------------------------------|---------------------|---------------------|
| Effective annual Interest Rate | | |
| Less than or equal to 2% | \$ 370,000 | \$ 355,000 |
| 2.01% to 3.00% | 833,000 | 683,000 |
| 3.01% to 4.00% | 657,373 | 759,238 |
| 4.01% to 5.00% | 375,751 | 400,751 |
| 5.01% to 6.00% | - | 9,227 |
| | <u>2,236,124</u> | <u>2,207,216</u> |
| Accrued interest | 14,839 | 14,198 |
| Unamortized premium | <u>(2,242)</u> | <u>(1,124)</u> |
| | <u>\$ 2,248,721</u> | <u>\$ 2,220,290</u> |
| Weighted average annual interest rate | 3.07% | 3.06% |

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

| | | |
|-----------------------|------------|---------------------|
| Year ending March 31, | 2020 | \$ 393,109 |
| | 2021 | 225,000 |
| | 2022 | 181,432 |
| | 2023 | 136,431 |
| | 2024 | 294,431 |
| | Thereafter | <u>1,005,721</u> |
| | | <u>\$ 2,236,124</u> |

The estimated fair value of borrowings as at March 31, 2019 is \$2,336,510 (2018 \$2,272,966). Fair value is an approximation of market value to the holder.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 10 Deferred Revenue

| | 2019 | 2018 |
|--------------------------------------|------------------|------------------|
| Unearned revenue | \$ 7,084 | \$ 7,336 |
| Spent deferred capital contributions | 17,544 | 19,282 |
| | <u>\$ 24,628</u> | <u>\$ 26,618</u> |

| | 2019 | | | | 2018 |
|--------------------------------------|----------------------|-----------------|-----------------------|------------------|------------------|
| | Government of Canada | Non-government | Government of Alberta | Total | Total |
| Unearned revenue | | | | | |
| Balance at beginning of year | \$ - | \$ 7,336 | \$ - | \$ 7,336 | \$ 5,810 |
| Received during year | - | 7,084 | - | 7,084 | 7,336 |
| Less amounts recognized | - | (7,336) | - | (7,336) | (5,810) |
| Balance at end of year | <u>\$ -</u> | <u>\$ 7,084</u> | <u>\$ -</u> | <u>\$ 7,084</u> | <u>\$ 7,336</u> |
| Spent deferred capital contributions | | | | | |
| | | | | | |
| Balance at beginning of year | \$ 11,220 | \$ 582 | \$ 7,480 | \$ 19,282 | \$ 19,475 |
| Transferred capital assets received | 2,067 | - | 1,378 | 3,445 | 4,868 |
| Less amounts recognized as revenue | (3,052) | (97) | (2,034) | (5,183) | (5,061) |
| Balance at end of year | <u>\$ 10,235</u> | <u>\$ 485</u> | <u>\$ 6,824</u> | <u>\$ 17,544</u> | <u>\$ 19,282</u> |

Unearned revenue represents premiums received from producers for AgriInsurance programs, fees collected for the AgriStability program relating to the next fiscal year and amounts collected in advance from other provincial governments for licensing fees for the Western Livestock Price Insurance Program. Spent deferred capital contributions represent contributions received from the federal and provincial governments that are restricted for the acquisition of tangible capital assets.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 11 Tangible Capital Assets

| | Land | Building | Furniture and Fixtures | Computer Equipment and Software | | |
|-------------------------------------|-----------------|-----------------|---------------------------|---------------------------------------|------------------|------------------|
| Estimated Useful Life | Indefinite | 25 - 40 years | 5 - 10 years | 2 - 10 years | 2019 | 2018 |
| Cost | | | | | | |
| At beginning of year | \$ 1,831 | \$ 10,259 | \$ 12,179 | \$ 112,004 | \$ 136,273 | \$ 134,337 |
| Additions | 596 | - | 394 | 4,491 | 5,481 | 6,902 |
| Disposals | - | - | (191) | (3,213) | (3,404) | (4,967) |
| | <u>2,427</u> | <u>10,259</u> | <u>12,382</u> | <u>113,282</u> | <u>138,350</u> | <u>136,272</u> |
| Accumulated amortization | | | | | | |
| At beginning of year | - | 6,196 | 9,814 | 85,624 | 101,634 | 97,068 |
| Amortization expense | - | 186 | 648 | 7,401 | 8,235 | 9,526 |
| Disposals | - | - | (122) | (2,808) | (2,930) | (4,961) |
| | <u>-</u> | <u>6,382</u> | <u>10,340</u> | <u>90,217</u> | <u>106,939</u> | <u>101,633</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> | |
| Net book value at March 31, 2018 | <u>\$ 1,831</u> | <u>\$ 4,063</u> | <u>\$ 2,365</u> | <u>\$ 26,380</u> | | <u>\$ 34,639</u> |

Computer equipment and software costs include \$4,284 (2018 \$3,056) 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, 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 \$5,218 for the year ended March 31, 2019 (2018 \$5,808).

At December 31, 2018, the Alberta Management Employees Pension Plan reported a surplus of \$670,700 (2017 surplus \$866,006), the Local Authorities Pension Plan reported a surplus of \$3,469,347 (2017 surplus \$4,835,515), the Alberta Public Service Pension Plan reported a surplus of \$519,218 (2017 surplus \$1,275,843) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$70,310 (2017 deficiency \$54,984). 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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 13 Contingencies, Contractual Obligations and Commitments

Contingent Liability

| | 2019 | 2018 |
|-----------------|----------|----------|
| Loan guarantees | \$ 5,933 | \$ 9,686 |

Included in loan guarantees is \$2,955 (2018 \$7,365) 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 (2018 two claims totaling \$312).

Contractual Obligations

| | 2019 | 2018 |
|-------------------------------|-----------|------------|
| | | (Restated) |
| Reinsurance | \$ 5,962 | \$ 28,898 |
| Operating leases | 9,513 | 11,187 |
| Other contracts | 6,259 | 6,636 |
| Total contractual obligations | \$ 21,734 | \$ 46,721 |

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

| | | |
|-----------------------|------------|-----------|
| Year ending March 31, | 2020 | \$ 12,856 |
| | 2021 | 2,826 |
| | 2022 | 1,856 |
| | 2023 | 1,136 |
| | 2024 | 879 |
| | Thereafter | 2,181 |
| | | \$ 21,734 |

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 13 Contingencies, Contractual Obligations and Commitments (continued)

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 55 per cent for Livestock insurance and 30 per cent for Hail insurance.

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

Commitments

| | 2019 | 2018 |
|-----------------------------|------------|------------|
| Approved, undisbursed loans | \$ 204,655 | \$ 195,932 |

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.

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

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| Loans receivable | \$ 2,306,379 | \$ 2,248,045 |
| Investments | 2,558,113 | 2,472,038 |
| Due from Government of Canada | 194,824 | 226,853 |
| Due from Government of Alberta | 57,820 | 106,461 |
| Accounts receivable | 5,586 | 11,834 |
| Loan guarantees | 5,933 | 9,686 |
| Total commitments | \$ 5,128,655 | \$ 5,074,917 |

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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

Investments - AFSC invests surplus funds generated by Production and Hail 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.

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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

| | 2019 | | 2018 | |
|--|---------------------|-------------|---------------------|-------------|
| | Dollar | Percentage | Dollar | Percentage |
| Loans receivable by individual sector: | | | | |
| Grain and Oilseeds | \$ 1,260,479 | 55% | \$ 1,189,275 | 53% |
| Cattle | 681,432 | 29% | 635,419 | 28% |
| Accommodations and Other Services | 118,061 | 5% | 137,467 | 6% |
| Other Livestock | 77,807 | 3% | 73,872 | 3% |
| Manufacturing | 63,416 | 3% | 83,456 | 4% |
| Trade - Retail and Wholesale | 31,966 | 1% | 34,905 | 1% |
| Commercial and Industrial | 16,459 | 1% | 20,669 | 1% |
| Transportation and Warehousing | 13,143 | 1% | 21,457 | 1% |
| Professional Services | 12,725 | 1% | 15,943 | 1% |
| Other | 57,128 | 2% | 61,412 | 3% |
| Allowance | (26,237) | -1% | (25,830) | -1% |
| | <u>\$ 2,306,379</u> | <u>100%</u> | <u>\$ 2,248,045</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.

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

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

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 | 2019 | 2018 |
|-----------------------|------------------------------------|--------------------|--------------------|-------------------|---|------------------|---------------------|
| | Within 1 Year | 1 to 5 Years | 6 to 10 Years | Over 10 Years | | Total | Total (Restated) |
| Loan balances | \$ 199,742 | \$ 625,076 | \$ 642,976 | \$ 814,315 | \$ 24,270 | \$ 2,306,379 | \$ 2,248,045 |
| Yield | 3.87% | 4.05% | 4.17% | 4.22% | - | 4.09% | 3.88% |
| Borrowing from | | | | | | | |
| Government of Alberta | \$ 393,109 | \$ 837,294 | \$ 755,721 | \$ 250,000 | \$ 12,597 | \$ 2,248,721 | \$ 2,220,290 |
| Yield ⁽³⁾ | 3.14% | 3.19% | 3.10% | 3.09% | - | 3.16% | 3.21% |
| Net gap | <u>\$(193,367)</u> | <u>\$(212,218)</u> | <u>\$(112,745)</u> | <u>\$ 564,315</u> | <u>\$ 11,673</u> | <u>\$ 57,658</u> | <u>\$ 27,755</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 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 AgriInsurance 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

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

Liquidity Risk (continued)

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. As a result of an assessment made by management, there are no transactions to report.

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:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Revenues: | | |
| Grants | \$ 299,524 | \$ 356,855 |
| Other | - | 60 |
| | <u>\$ 299,524</u> | <u>\$ 356,915</u> |
| Expenses: | | |
| Accommodation | \$ 602 | \$ 619 |
| Other services | 2,739 | 2,362 |
| Interest | 68,349 | 67,953 |
| | <u>\$ 71,690</u> | <u>\$ 70,934</u> |
| Payable to: | | |
| Ministry of Agriculture and Forestry | \$ 650 | \$ - |
| Ministry of Treasury Board and Finance | 2,248,721 | 2,220,290 |
| Ministry of Service Alberta | - | - |
| Receivable from: | | |
| Ministry of Agriculture and Forestry | 57,820 | 106,461 |
| Deferred Revenue from: | | |
| Ministry of Agriculture and Forestry | 6,824 | 7,480 |
| | <u>\$ 2,314,015</u> | <u>\$ 2,334,231</u> |

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

(in thousands)

Note 16 Crop Reinsurance Funds

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

| | AgrilInsurance Reinsurance Fund of Alberta | | AgrilInsurance Reinsurance Fund of Canada for Alberta | |
|--------------------|---|------------------|--|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Opening net assets | \$ 33,641 | \$ 33,642 | \$ 34,530 | \$ 34,531 |
| Contributions | - | (1) | - | (1) |
| Closing net assets | <u>\$ 33,641</u> | <u>\$ 33,641</u> | <u>\$ 34,530</u> | <u>\$ 34,530</u> |

The net assets balance in the Crop Reinsurance Fund of Alberta is consolidated in the AgrilInsurance Fund in Schedule 1.

Note 17 Reinsurance Expense

| | AgrilInsurance | Hail Insurance | Livestock Insurance | 2019 | 2018 |
|-----------------------------------|------------------|-----------------|------------------------|------------------|------------------|
| Brokerage | | | | | |
| Brokerage rebate | \$ (905) | \$ (160) | \$ (216) | \$ (1,281) | \$ (1,358) |
| Excess loss | | | | | |
| Reinsurance expense | 17,077 | 917 | 2,850 | 20,844 | 22,614 |
| Recoveries | - | - | - | - | - |
| Quota Share | | | | | |
| Ceded premiums and commissions | - | 11,055 | 8,011 | 19,066 | 21,769 |
| Ceded losses | - | (5,643) | (832) | (6,475) | (13,495) |
| Net reinsurance expense | <u>\$ 16,172</u> | <u>\$ 6,169</u> | <u>\$ 9,813</u> | <u>\$ 32,154</u> | <u>\$ 29,530</u> |

Note 18 Budget

The budget reported in the Statement of Operations was included in the 2018-19 Government Estimates.

Note 19 Comparative Figures

The 2018 figures have been reclassified and restated where necessary to conform to 2019 presentation.

Schedule 1: Schedule of Operations

Year ended March 31, 2019

(in thousands)

| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
|--|----------------|----------------|----------------------------------|----------------------------------|-----------|-----------|-------------------|-------------------|------------------------|------------------------|------------------------------------|------------------------------------|--------------|--------------|
| | AgrilInsurance | AgrilInsurance | Agriculture Income Support | Agriculture Income Support | Lending | Lending | Hail Insurance | Hail Insurance | Livestock Insurance | Livestock Insurance | Wildlife Damage Compensation | Wildlife Damage Compensation | Total | Total |
| | Note 2(n) | Note 2(n) | | | | | | | | | | | | |
| Revenues: | | | | | | | | | | | | | | |
| Premiums from insured persons | \$ 267,683 | \$ 282,834 | \$ - | \$ - | \$ - | \$ - | \$ 35,010 | \$ 42,534 | \$ 20,083 | \$ 22,763 | \$ - | \$ - | \$ 322,776 | \$ 348,131 |
| Interest | 680 | 541 | 133 | 66 | 87,671 | 85,052 | 114 | 95 | 45 | 81 | - | - | 88,643 | 85,835 |
| Contribution from Government of Alberta | 229,614 | 242,670 | 45,927 | 101,775 | 12,955 | 12,547 | - | - | 794 | 737 | 10,234 | (874) | 299,524 | 356,855 |
| Contribution from Government of Canada | 194,308 | 203,150 | 33,100 | 112,252 | - | - | - | - | 1,103 | 1,089 | 9,648 | (478) | 238,159 | 316,013 |
| Investment income | 46,328 | 35,203 | 758 | 271 | 763 | 532 | 554 | 245 | 591 | 329 | (72) | (6) | 48,922 | 36,574 |
| Fees and other income | (122) | 48 | 9,833 | 10,336 | 2,788 | 2,805 | 263 | 393 | 93 | 716 | 100 | 136 | 12,955 | 14,434 |
| | 738,491 | 764,446 | 89,751 | 224,700 | 104,177 | 100,936 | 35,941 | 43,267 | 22,709 | 25,715 | 19,910 | (1,222) | 1,010,979 | 1,157,842 |
| Expenses: | | | | | | | | | | | | | | |
| Indemnities | 557,515 | 439,683 | 77,292 | 210,716 | - | - | 14,267 | 14,779 | 904 | 16,375 | 18,287 | (3,168) | 668,265 | 678,385 |
| Salaries, wages and employee benefits | 28,091 | 26,332 | 8,488 | 9,411 | 19,003 | 19,643 | 657 | 662 | 1,118 | 1,127 | 924 | 937 | 58,281 | 58,112 |
| Supplies and services | 13,533 | 12,800 | 3,834 | 4,035 | 6,422 | 5,969 | 613 | 600 | 657 | 594 | 499 | 623 | 25,558 | 24,621 |
| Amortization of tangible capital assets | 3,320 | 4,004 | 881 | 1,087 | 2,833 | 2,988 | 485 | 699 | 602 | 615 | 114 | 133 | 8,235 | 9,526 |
| Interest | - | - | - | - | 69,250 | 68,405 | - | - | - | - | - | - | 69,250 | 68,405 |
| Reinsurance (Note 17) | 16,172 | 18,587 | - | - | - | - | 6,169 | 8,525 | 9,813 | 2,418 | - | - | 32,154 | 29,530 |
| Allowance for doubtful accounts and for losses (Note 3 & 4) | (59) | (115) | (1,100) | (1,089) | 414 | 2,028 | (21) | 17 | (12) | (12) | - | - | (778) | 829 |
| | 618,572 | 501,291 | 89,395 | 224,160 | 97,922 | 99,033 | 22,170 | 25,282 | 13,082 | 21,117 | 19,824 | (1,475) | 860,965 | 869,408 |
| Annual surplus | 119,919 | 263,155 | 356 | 540 | 6,255 | 1,903 | 13,771 | 17,985 | 9,627 | 4,598 | 86 | 253 | 150,014 | 288,434 |
| Accumulated surplus at beginning of year | 2,694,432 | 2,431,277 | 1,761 | 1,221 | 85,175 | 83,272 | 30,691 | 12,706 | 31,093 | 26,495 | 1,547 | 1,294 | 2,844,699 | 2,556,265 |
| Accumulated surplus at end 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 |

Schedule 2: Schedule of Salaries and Benefits

Year ended March 31, 2019

(in thousands)

| | 2019 | | | 2018 | |
|--|-------------------------------|--|---|-------|-------|
| | Base Salary ⁽¹⁾ | Other Cash Benefits ⁽²⁾ | Other Non- cash Benefits ⁽³⁾ | Total | Total |
| Chair of Board ⁽⁴⁾ | \$ 43 | \$ - | \$ 1 | \$ 44 | \$ 48 |
| Board Members ⁽⁵⁾ | 89 | - | 2 | 91 | 106 |
| Executive Members | | | | | |
| Chief Executive Officer ⁽⁶⁾ | 286 | - | 61 | 347 | - |
| Chief Financial & Innovation Officer ⁽⁷⁾ | 210 | 9 | 51 | 270 | - |
| Vice-President, Legal & Compliance, General Counsel ⁽⁸⁾ | 80 | 148 | 19 | 247 | 234 |
| Interim Vice-President, Innovation & Product Development ⁽⁹⁾ | 182 | 4 | 44 | 230 | 249 |
| Interim Vice-President, Operation & Sales | 173 | 7 | 42 | 222 | 222 |
| Chief People Officer | 173 | 4 | 42 | 219 | 199 |
| Chief Information Officer | 174 | - | 42 | 216 | 229 |
| Chief Risk Officer ⁽¹⁰⁾ | 37 | - | 13 | 50 | - |
| Interim CEO ⁽¹¹⁾ | 20 | - | 5 | 25 | 318 |
| Interim Chief Financial Officer ⁽¹²⁾ | 15 | 1 | 3 | 19 | 154 |
| Chief Operating Officer ⁽¹³⁾ | - | - | - | - | 81 |

(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 twelve months during 2018/19 (eleven months in 2017/18).

(5) The amounts relate to twelve months during 2018/19 (eleven months in 2017/18).

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

(7) The amounts relate to eleven months during 2018/19.

(8) The amounts relate to six months during 2018/19 (twelve months in 2017/18). Included in other cash benefits is \$134 in severance benefits paid as a result of a termination agreement.

(9) The amounts relate to eleven months during 2018/19 (twelve months in 2017/18).

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

(11) The amounts relate to one month during 2018/19 (twelve months in 2017/18).

(12) The amounts relate to one month during 2018/19 (eight months during 2017/18).

(13) The amounts relate to one month during 2017/18.

Environmental Protection and Enhancement Fund

Financial Statements

March 31, 2019

Environmental Protection and Enhancement Fund

Financial Statements

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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 March 31, 2019, 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 Fund as at March 31, 2019, 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 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 other information comprises the information included in the *Agriculture and Forestry Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Agriculture and Forestry 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 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 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 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. However, future events or conditions may cause the Fund 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 27, 2019
Edmonton, Alberta

Statement of Operations

Year ended March 31, 2019

| | 2019 Budget | 2019 Actual (in thousands) | 2018 Actual |
|--|-------------------|----------------------------------|-------------------|
| Revenues | | | |
| Government transfers | | | |
| Government of Alberta grants (Note 9) | \$ - | \$ 192,463 | \$ 201,488 |
| Timber royalties and fees | 28,486 | 30,526 | 19,217 |
| Investment income | 889 | 369 | 159 |
| Other revenue | - | 35 | 2,195 |
| | 29,375 | 223,393 | 223,059 |
| Expenses (Note 2(b) and Schedule 1) | | | |
| Forest Fires | 11,707 | 200,874 | 210,286 |
| Flat Top Complex | 14,927 | 12,292 | 11,687 |
| Forest Health Program | 487 | 214 | 409 |
| Environmental Emergency Response | 1,974 | 10,013 | 677 |
| Intercept Feeding and Fencing | 80 | - | - |
| Debt Servicing Costs | 200 | - | - |
| | 29,375 | 223,393 | 223,059 |
| Annual surplus | - | - | - |
| Accumulated surplus at beginning of year | 150,000 | 150,000 | 150,000 |
| Accumulated surplus at end of year | \$ 150,000 | \$ 150,000 | \$ 150,000 |

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

Statement of Financial Position

As at March 31, 2019

| | 2019 (in thousands) | 2018 |
|---|------------------------|-------------------|
| Financial assets | | |
| Cash (Note 4) | \$ 14,136 | \$ 18,959 |
| Due from Government of Alberta | 148,042 | 211,994 |
| Accounts receivable | - | 5 |
| | 162,178 | 230,958 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 6,146 | 4,772 |
| Due to Government of Alberta | - | 75,000 |
| Liability for contaminated sites (Note 6) | 6,032 | 1,186 |
| | 12,178 | 80,958 |
| Net assets | 150,000 | 150,000 |
| Net assets | | |
| Accumulated surplus | 150,000 | 150,000 |
| | \$ 150,000 | \$ 150,000 |

Contractual obligations (Note 7)

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

Statement of Change in Net Financial Assets

Year ended March 31, 2019

| | 2019 Budget (in thousands) | 2019 Actual | 2018 Actual |
|--|----------------------------------|----------------|----------------|
| Annual surplus | \$ - | \$ - | \$ - |
| Change in net financial assets | - | - | - |
| Net financial assets at beginning of year | 150,000 | 150,000 | 150,000 |
| Net financial assets at end of year | \$ 150,000 | \$ 150,000 | \$ 150,000 |

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

Statement of Cash Flows

Year ended March 31, 2019

| | 2019 | 2018 |
|---|------------------|------------------|
| | (in thousands) | |
| Operating transactions | | |
| Annual surplus | \$ - | \$ - |
| Decrease/(increase) in accounts receivable | 63,957 | (33,273) |
| (Decrease)/increase in accounts payable and accrued liabilities | (73,626) | 11,749 |
| Increase/(decrease) in liability for contaminated sites | 4,846 | (936) |
| Cash applied to operating transactions | (4,823) | (22,460) |
| Decrease in cash | (4,823) | (22,460) |
| Cash at beginning of year | 18,959 | 41,419 |
| Cash at end of year | \$ 14,136 | \$ 18,959 |

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

Notes to the Financial Statements

Year Ended March 31, 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

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 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 year end 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 revenue 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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

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

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 year 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 |

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 or finance future operations and are not for consumption in the normal course of operations.

Financial assets are limited to financial claims, such as advances to and receivables from other organizations.

Liabilities

Liabilities are present obligations of the Fund to external organizations and individuals arising from past transactions or events occurring before the year 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.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

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

Liability for Contaminated Sites - 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. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from an operation(s) that is no longer in productive use and is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Fund is directly responsible or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- 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.

The Liability for Contaminated Sites, recognized as \$142 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.

(b) Change in Accounting Policy

The Fund was not impacted by PS 3430 Restructuring Transactions effective April 1, 2018

Note 3 Future Accounting Changes

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

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

This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

Note 3 Future Accounting Changes (continued)

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

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

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

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 March 31, 2019, securities held by the Fund have a time-weighted return of 1.820% per annum (2018: 1.035% 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)

| | 2019 | 2018 |
|---------------------------------------|-----------------|-----------------|
| Accounts Payable – General | \$ 746 | \$ 1,073 |
| Salaries, Wages and Employee Benefits | 366 | 389 |
| Grants | - | 2,500 |
| Supplies and Services | 5,034 | 810 |
| | <u>\$ 6,146</u> | <u>\$ 4,772</u> |

Note 6 Liability for Contaminated Sites (in thousands)

The composition of liabilities is as follows:

| | 2019 | Total 2018 |
|--|-----------------|-----------------|
| Liabilities at beginning of year | \$ 1,186 | \$ 2,122 |
| Additions to liabilities during the year | - | - |
| Change in estimate related to existing sites | 5,890 | - |
| Remediation work performed | (1,044) | (936) |
| Liabilities at end of year | <u>\$ 6,032</u> | <u>\$ 1,186</u> |

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

Note 6 Liability for Contaminated Sites (continued)

The Fund has 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 unspent funding will be carried forward into the 2019-20 fiscal year. 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.

A new amount was recorded in 2018-19 due to a reassessment of the estimated liability. This change in estimate relates to work that will be completed by Department of Environment and Parks.

Note 7 Contractual Obligations (in thousands)

Contractual obligations are obligations of the Fund to others that will become liabilities in the future when the terms of those contracts or agreements are met.

| | 2019 | 2018 |
|--|------------------|------------------|
| Obligations under contracts and programs | \$ 14,994 | \$ 21,675 |
| | <u>\$ 14,994</u> | <u>\$ 21,675</u> |

Estimated payment requirements for each of the next three years are as follows:

| | |
|---------|------------------|
| 2019-20 | \$ 7,532 |
| 2020-21 | 4,894 |
| 2021-22 | 2,568 |
| | <u>\$ 14,994</u> |

Note 8 Net Assets (in thousands)

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

Notes to the Financial Statements (continued)

Year Ended March 31, 2019

Note 9 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.

| | 2019 | 2018 |
|--------------|-------------|-------------|
| Forest Fires | \$ 192,463 | \$ 201,488 |

Note 10 Budget Figures
(in thousands)

The revenue and expense budget amounts disclosed in these financial statements agree with the 2018-19 Government Estimates.

Note 11 Approval of the Financial Statements

The financial statements were approved by the senior financial officer and the deputy minister.

Schedule 1: Expenses – Detailed by Object

As of March 31, 2019
(in thousands)

| | Budget | 2019 Actual (in thousands) | 2018 Actual |
|---------------------------------------|------------------|----------------------------------|-------------------|
| Salaries, wages and employee benefits | \$ 10,358 | \$ 27,750 | \$ 29,672 |
| Supplies and services | 15,317 | 184,447 | 189,887 |
| Grants | 3,500 | 5,306 | 3,500 |
| Other | 200 | 5,890 | - |
| Total expenses | <u>\$ 29,375</u> | <u>\$ 223,393</u> | <u>\$ 223,059</u> |

Schedule 2: Related Party Transactions

As of March 31, 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 | |
|-------------------------------|--------------------------|-------------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | |
| Grants | \$ 192,463 | \$ 201,488 | \$ - | \$ - |
| Other | - | - | - | 12 |
| | <u>\$ 192,463</u> | <u>\$ 201,488</u> | <u>\$ -</u> | <u>\$ 12</u> |
| Expenses | | | | |
| Grants | \$ - | \$ - | \$ - | \$ - |
| Other services | 38 | 235 | 10,672 | 1,457 |
| | <u>\$ 38</u> | <u>\$ 235</u> | <u>\$ 10,672</u> | <u>\$ 1,457</u> |
| Payable to | | | | |
| Agriculture and Forestry | \$ 196 | \$ 294 | \$ - | \$ - |
| Environment and Parks | - | - | 9,131 | 165 |
| Justice and Solicitor General | - | - | 116 | 25 |
| Municipal Affairs | - | - | 240 | - |
| Treasury Board and Finance | - | - | - | 75,000 |
| | <u>\$ 196</u> | <u>\$ 294</u> | <u>\$ 9,487</u> | <u>\$ 75,190</u> |
| Receivable from | | | | |
| Agriculture and Forestry | \$ 148,039 | \$ 200,730 | \$ - | \$ - |
| Municipal Affairs | - | - | - | 11,262 |
| Environment and Parks | - | - | - | - |
| | <u>\$ 148,039</u> | <u>\$ 200,730</u> | <u>\$ -</u> | <u>\$ 11,262</u> |

Other Financial Information

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Statement of Remissions, Compromises, and Write-Offs

* Information on this page has not been audited *

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs

| | | |
|---|-----------|------------------|
| Departmental accounts receivable | \$ | - |
| Agriculture Financial Services Corporation | | (650,656) |
| Total remissions, compromises and write-offs | \$ | (650,656) |

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

| Program/Borrower | Amount of Guarantee or Indemnity | Payments | Recoveries |
|---|---|-------------|-----------------|
| Agriculture Financial Services Corporation | \$ 5,932,715 | \$ - | \$ 9,159 |
| Total guarantees and indemnities given | \$ 5,932,715 | \$ - | \$ 9,159 |

Statement of Credit or Recovery (unaudited)

Department of Agriculture and Forestry
STATEMENT OF CREDIT OR RECOVERY (Unaudited)
 For the year ended March 31, 2019
(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 | | | | | |
| Ministry Support Services | \$ 268 | \$ 254 | \$ - | \$ 254 | \$ (14) |
| Intergovernmental Relations, Trade and Environment | 970 | 1,030 | - | 1,030 | 60 |
| Food and Value-Added Processing | 1,683 | 1,523 | - | 1,523 | (160) |
| Livestock and Crops | 4,851 | 2,782 | - | 2,782 | (2,069) |
| Forests | 4,447 | 1,824 | - | 1,824 | (2,623) |
| Climate Leadership Plan | - | - | - | - | - |
| Canadian Agricultural Partnership | 41,830 | 33,272 | - | 33,272 | (8,558) |
| | <u>\$ 54,049</u> | <u>\$ 40,685</u> | <u>\$ -</u> | <u>\$ 40,685</u> | <u>\$ (13,364) ⁽¹⁾</u> |
| Program Capital Investments | | | | | |
| Ministry Support Services | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Relations, Trade and Environment | - | - | - | - | - |
| Food and Value-Added Processing | 410 | - | 289 | 289 | (121) |
| Livestock and Crops | 177 | 174 | - | 174 | (3) |
| Forests | - | - | - | - | - |
| Climate Leadership Plan | - | - | - | - | - |
| Canadian Agricultural Partnership | - | - | - | - | - |
| | <u>\$ 587</u> | <u>\$ 174</u> | <u>\$ 289</u> | <u>\$ 463</u> | <u>\$ (124) ⁽¹⁾</u> |

Ministry Support Services credit or recovery initiatives include fees for sale of publications (\$87), farm implement dealers' licenses (\$27) and strategy policy and extension (\$140).

Intergovernmental Relations, Trade and Environment credit or recovery initiatives include fees and contributions for Irrigation and Farm Water (\$341) and Environment Stewardship (\$689).

Food and Value-Added Processing credit or recovery initiatives include fees and contributions for Food Safety (\$268), Food and Bio Processing (\$973) and program contributions (\$282)

Livestock and Crops credit or recovery initiatives include contributions for Research & Extension (\$2,527), Animal Health and Assurance (\$253) and Marketing Council (\$151).

Forests credit or recovery initiatives include federal revenue through agreements with the Government of Canada to fund various forestry programs such as the country-wide framework for synthesizing data and reporting on the status of Canadian forests, as well as conducting risk analysis impacts of national significance. Contributions to Forestry Youth Programs and Hinton Training Centre fees are also included.

The revenue of each initiative is included in the Statement of Operations.

⁽¹⁾ Shortfall is deducted from current year's authorized spending, as disclosed in Schedule 4 to the financial statements.

Lapse/Encumbrance (unaudited)

Department of Agriculture and Forestry
LAPSE/ENCUMBRANCE (Unaudited)
For the year ended March 31, 2019
(in thousands)

| | Voted Estimate (1) | Supplementary Supply (2) | Adjustments (3) (in thousands) | Adjusted Voted Estimate | Voted Actuals (4) | Unexpended (Over Expended) |
|--|-----------------------|-----------------------------|-----------------------------------|----------------------------|----------------------|----------------------------------|
| Program - Operating Expense | | | | | | |
| 1 Ministry Support Services | | | | | | |
| 1.1 Minister's Office | \$ 877 | \$ - | \$ - | \$ 877 | \$ 935 | \$ (58) |
| 1.2 Deputy Minister's Office | 783 | - | - | 783 | 792 | (9) |
| 1.3 Farmers' Advocate | 955 | - | - | 955 | 822 | 133 |
| 1.4 Corporate Services | 8,209 | - | - | 8,209 | 12,013 | (3,804) |
| | <u>10,824</u> | <u>-</u> | <u>-</u> | <u>10,824</u> | <u>14,562</u> | <u>(3,738)</u> |
| 2 Intergovernmental Relations, Trade and Environment | | | | | | |
| 2.1 Policy, Strategy and Intergovernmental Relations | 7,562 | - | - | 7,562 | 6,538 | 1,024 |
| 2.2 Environmental Stewardship | 11,804 | - | - | 11,804 | 11,176 | 628 |
| 2.3 Irrigation and Farm Water | 7,992 | - | - | 7,992 | 10,434 | (2,442) |
| 2.4 Economics and Competitiveness | 3,659 | - | - | 3,659 | 3,392 | 267 |
| | <u>31,017</u> | <u>-</u> | <u>-</u> | <u>31,017</u> | <u>31,540</u> | <u>(523)</u> |
| 3 Food and Value-Added Processing | | | | | | |
| 3.1 Rural Development | 37,699 | 7,600 | - | 45,299 | 42,654 | 2,645 |
| 3.2 Food Safety | 15,478 | - | - | 15,478 | 14,123 | 1,355 |
| 3.3 Food and Bio-Processing | 9,753 | - | - | 9,753 | 9,026 | 727 |
| 3.4 Agricultural Service Boards | 11,598 | - | - | 11,598 | 11,678 | (80) |
| 3.5 Agricultural Societies and Exhibitions | 11,462 | - | - | 11,462 | 11,462 | - |
| 3.6 Agriculture Initiatives | - | - | - | - | - | - |
| | <u>85,990</u> | <u>7,600</u> | <u>-</u> | <u>93,590</u> | <u>88,943</u> | <u>4,647</u> |
| 4 Livestock and Crops | | | | | | |
| 4.1 Animal Health and Assurance | 14,677 | 162 | - | 14,839 | 13,106 | 1,733 |
| 4.2 Research and Extension | 38,275 | - | - | 38,275 | 33,205 | 5,070 |
| 4.3 Marketing Council | 884 | - | - | 884 | 1,170 | (286) |
| | <u>53,836</u> | <u>162</u> | <u>-</u> | <u>53,998</u> | <u>47,481</u> | <u>6,517</u> |
| 5 Agriculture Insurance and Lending Assistance | | | | | | |
| 5.1 Lending Assistance | 12,955 | - | - | 12,955 | 12,955 | - |
| 5.2 Insurance | 249,126 | (11,805) | - | 237,321 | 239,642 | (2,321) |
| 5.3 Agriculture Income Support | 52,759 | 3,192 | - | 55,951 | 46,270 | 9,681 |
| | <u>314,840</u> | <u>(8,613)</u> | <u>-</u> | <u>306,227</u> | <u>298,867</u> | <u>7,360</u> |
| 6 Forests | | | | | | |
| 6.1 Wildfire Management | 94,947 | 193,000 | 202 | 288,149 | 284,058 | 4,091 |
| 6.2 Flat Top Complex | 8,394 | - | - | 8,394 | 7,748 | 646 |
| 6.3 Forest Management | 52,112 | - | 550 | 52,662 | 45,761 | 6,901 |
| 6.4 Forest Tenure, Trade and Policy | 4,282 | - | - | 4,282 | 7,247 | (2,965) |
| | <u>159,735</u> | <u>193,000</u> | <u>752</u> | <u>353,487</u> | <u>344,814</u> | <u>8,673</u> |
| 7 Climate Leadership Plan | <u>41,640</u> | <u>-</u> | <u>-</u> | <u>41,640</u> | <u>36,470</u> | <u>5,170</u> |
| 8 Canadian Agricultural Partnership | <u>46,630</u> | <u>-</u> | <u>-</u> | <u>46,630</u> | <u>38,078</u> | <u>8,552</u> |
| Program - Capital Grants | | | | | | |
| 2 Intergovernmental Relations, Trade and Environment | | | | | | |
| 2.5 Irrigation Infrastructure Assistance | <u>14,000</u> | <u>-</u> | <u>-</u> | <u>14,000</u> | <u>14,000</u> | <u>-</u> |
| 3 Food and Value-Added Processing | | | | | | |
| 3.1 Rural Development | <u>3,400</u> | <u>-</u> | <u>-</u> | <u>3,400</u> | <u>3,425</u> | <u>(25)</u> |
| Credit or Recovery (Shortfall) (Schedule 2) | <u>-</u> | <u>-</u> | <u>(2,069)</u> | <u>(2,069)</u> | <u>-</u> | <u>(2,069)</u> |
| Total | <u>\$ 761,912</u> | <u>\$ 192,149</u> | <u>\$ (1,317)</u> | <u>\$ 952,744</u> | <u>\$ 918,180</u> | <u>\$ 34,564</u> |
| Lapse | | | | | | <u>\$ 34,564</u> |

Other Financial Information

| | Voted Estimate (1) | Supplementary Supply (2) | Adjustments (3) (in thousands) | Adjusted Voted Estimate | Voted Actuals (4) | Unexpended (Over Expended) |
|--|-----------------------|-----------------------------|-----------------------------------|----------------------------|----------------------|----------------------------------|
| Program - Capital Investment | | | | | | |
| 1 Ministry Support Services | | | | | | |
| 1.4 Corporate Services | \$ 448 | \$ - | \$ - | \$ 448 | \$ 228 | \$ 220 |
| 2 Intergovernmental Relations, Trade and Environment | | | | | | |
| 2.2 Environmental Stewardship | - | - | - | - | 215 | (215) |
| 2.3 Irrigation and Farm Water | 200 | - | - | 200 | 317 | (117) |
| 3 Food and Value-Added Processing | | | | | | |
| 3.2 Food Safety | 380 | - | 120 | 500 | 249 | 251 |
| 3.3 Food and Bio-Processing | 416 | - | 410 | 826 | 801 | 25 |
| 4 Livestock and Crops | | | | | | |
| 4.1 Animal Health and Assurance | - | - | - | - | 72 | (72) |
| 4.2 Research and Extension | 650 | - | 27 | 677 | 725 | (48) |
| 6 Forests | | | | | | |
| 6.1 Wildfire Management | 9,511 | - | 343 | 9,854 | 8,793 | 1,061 |
| 6.2 Flat Top Complex | 2,100 | - | 202 | 2,302 | 1,940 | 362 |
| 6.3 Forest Management | - | - | - | - | 114 | (114) |
| 7 Climate Leadership Plan | 200 | - | 300 | 500 | 500 | - |
| 8 Canadian Agricultural Partnership | - | - | - | - | - | - |
| Credit or Recovery (Shortfall) (Schedule 2) | - | - | (3) | (3) | - | (3) |
| Total | \$ 13,905 | \$ - | \$ 1,399 | \$ 15,304 | \$ 13,954 | \$ 1,350 |
| Lapse | | | | | | \$ 1,350 |
| Financial Transactions | | | | | | |
| 6 Forests | | | | | | |
| 6.1 Wildfire Management | 1,310 | 500 | (441) | 1,369 | 1,341 | 28 |
| Total | \$ 1,310 | \$ 500 | \$ (441) | \$ 1,369 | \$ 1,341 | \$ 28 |
| Lapse | | | | | | \$ 28 |

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program" and "Financial Transaction Vote by Program" page of 2018-19 Government Estimates.

(2) Per the Special Warrant (No. 001/2019) for Supplementary Supply approved on March 29, 2019 (Order in Council No. 084/2019). This disclosure is made pursuant to section 30 of the Financial Administration Act.

(3) Adjustments include capital carry over amounts and credit or recovery increases approved by Treasury Board and credit or recovery shortfalls (Schedule 2). 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.

(4) 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, 2019 (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 \$13,440 (2018 - \$17,547) and accounts payable includes \$120 (2018 - \$0) relating to payments under agreements.

Amounts paid and payable under agreement with other government organizations are as follow:

| | 2019 | 2018 |
|---------------------------|------------------|------------------|
| Canadian Governments | \$ 16,001 | \$ 16,957 |
| United States Governments | 1,388 | 2,253 |
| | <u>\$ 17,389</u> | <u>\$ 19,210</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 the Public Interest Disclosure Office between April 1, 2018 and March 31, 2019.

