

GOVERNMENT OF ALBERTA

Annual Report

Agriculture and Forestry

2020-2021

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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 20 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and a comparison of actual performance results to desired results set out in the government's strategic plan, previously published in one volume entitled Measuring Up report.

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

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

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2021, was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government's accounting policies. All of the government's policy decisions as at June 4, 2021 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Honourable Devin Dreesen
Minister of Agriculture and Forestry

Message from the Minister



COVID-19 created significant challenges for the agriculture and forest sectors in 2020-21. Alberta's government stepped up with programs and services to help manage the impacts of market disruptions and production challenges and to provide support to the agriculture and forest sectors.

When there were temporary closures or slow-downs in meat-packing plants, the AgriRecovery Cattle Set-Aside Program and the Hog AgriRecovery Program allowed affected livestock producers to hold slaughter-ready animals on maintenance feed rations. We also increased the interim payment under AgriStability from 50 per cent to 75 per cent for the hog and potato industries and extended the AgriStability deadline to July 3, 2020.

For the forest sector, government deferred holding and protection charges for six months to support forest industry short-term cash flow and offered an extension on about \$36 million in timber dues. We also introduced enhanced safety measures for the 2020 wildfire season by hiring an additional 200 firefighters as travel restrictions threatened our ability to accept support from out of province through mutual aid agreements.

Agriculture and Forestry responded to pandemic-related challenges while continuing to focus on important core programs. Our annual report highlights the great work this ministry completed throughout the year to accomplish the outcomes in our business plan. We worked hard to support the growth and sustainability of Alberta's agriculture and forest sectors, focusing on public health and safety, responsible resource management, and investing in rural communities.

Growth and Sustainability

Agriculture and Forestry is supporting Alberta's Recovery Plan with a focus on economic recovery and job creation.

We announced the three pillars of the Agri-Food Sector Investment and Growth Strategy in 2020-21. The strategy aims to attract \$1.4 billion in investments and create 2,000 jobs in the agri-food sector by 2023-24. It sets export growth targets of 7.5 per cent for primary agriculture commodities like canola and wheat, and 8.5 per cent for value-added agricultural products like flour and beverages. The strategy also supports hiring four new agriculture-specific staff in Alberta international offices to open markets to Alberta products. Finally, we announced an historic \$815 million investment partnership to grow and improve Alberta's irrigation infrastructure.

In 2020-21, government announced an increase to the Agriculture Financial Services Corporation (AFSC) individual lending limit from \$15 million to \$30 million to support larger agricultural opportunities in Alberta and encourage economic growth, starting in 2021-22. AFSC's total borrowing limit will increase to \$3.6 billion by 2023-24 to increase access to capital to support primary producers, agribusinesses and value-added agri-processors. AgriInsurance premiums were also reduced by 20 per cent for 2021-22, which is expected to save farmers more than \$55 million on crop insurance premiums and help ease the financial burden on Alberta's producers.

The Forest Jobs Action Plan was announced in May 2020 to show government's commitment to sustainable, long-term fibre access for forest companies. The goal is to increase fibre supply by up

to 13 per cent for eligible companies in the medium-term, with a long-term goal of a 33 per cent increase. The ministry awarded new timber quotas to create new jobs and approved long-term forest management plans to ensure the forests are managed sustainably and provide fibre security for the companies.

Agriculture and Forestry took action in 2020-21 to cut red tape and reduce regulatory burdens for Albertans. We have made great progress this year, streamlining the Meat Inspection Regulation and revising the *Forests Act* to increase efficiencies and promote long-term competitiveness. Agriculture and Forestry met the target to reduce regulatory requirements by 12 per cent in 2020-21 and will continue to work towards the Government of Alberta's one-third reduction target by 2023-24.

Public Health and Safety

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

Alberta Wildfire does great work to prevent, manage and suppress wildfires. This team developed a new wildfire app and web-based status map that includes more detailed information about wildfires, fire bans, mountain pine beetle and fire danger ratings. Alberta Wildfire has also embraced technology and innovation by leading a national project to design, develop and build an aerial simulation training system.

Agriculture and Forestry also does essential work in food safety and security, supporting crop and animal health and Alberta's food processing sector. Alberta maintained a safe and secure food supply chain despite challenges faced due to COVID-19. This is a testament to the strength and commitment of our entire food supply chain and the processes in place to protect food safety and security. Early in the COVID-19 pandemic, we trained provincial meat inspectors to help inspect federally inspected abattoirs when needed. In 2020-21 our inspectors provided 30 inspection days in those facilities. Food, crop and animal health and safety is the foundation for the continued success of our agriculture sector.

Responsible Resource Management

Results Driven Agriculture Research (RDAR) was announced March 30, 2020 as a non-profit, arm's length agriculture research organization that ensures agricultural research reflects the priorities of farmers and ranchers. RDAR began its inaugural targeted research call in October 2020, and by January 2021, RDAR announced funding decisions to support farmer-led research in Alberta.

Agriculture and Forestry, in partnership with RDAR, began transitioning research programs to Alberta post-secondary institutions in the fall of 2020, finalizing the ministry's transition out of completing research.

In 2020-21, Agriculture and Forestry successfully lobbied the Government of Canada for a three-year, \$60 million provincial/federal funding partnership to enhance the Mountain Pine Beetle (MPB) Management Program. This brought overall funding for MPB control efforts to about \$26 million in 2020-21.

Thriving Rural Communities

Budget 2020 provided secure, predictable funding for rural utilities, irrigation districts and agricultural societies that provide essential services and contribute to a high quality of life in rural Alberta.

Grant funding for the Rural Gas Program supported the construction and upgrading of an estimated 1,435 services and 913 kilometres of distribution pipeline. Funding provided through the Rural Electric Program helped more than 142 rural Albertans to construct new electricity services to their farms and rural properties.

As a result of COVID-19, most agricultural society events did not happen in 2020. In early 2021, Agriculture and Forestry announced changes to the 2021-22 funding formula based on five-year averages, and expedited the grant process to provide predictable, stable funding for agricultural societies regardless of the number of events days they hosted.

Alberta's agriculture, food, and forest industries are cornerstones of our economy, and will be key contributors to our economic recovery as we respond to the impacts of the COVID-19 pandemic. I look forward to working with these sectors and ministry staff to find solutions and cultivate opportunities for our province's agriculture and forest sectors.

[Original signed by]

Honourable Devin Dreeshen
Minister of Agriculture and Forestry

Management's Responsibility for Reporting

The Ministry of Agriculture and Forestry includes:

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

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

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

Responsibility for the integrity and objectivity of the accompanying ministry financial information and performance results for the ministry rests with the Minister of Agriculture and Forestry. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, which includes the financial information, performance results on all objectives and initiatives identified in the Ministry Business Plan, and performance results for all ministry-supported commitments that were included in the 2020-23 Government of Alberta Strategic Plan. The financial information and performance results, out 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 2020.

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]

Shannon Marchand

Deputy Minister of Agriculture and Forestry

June 4, 2021

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, diversify, and contribute to Alberta's economic recovery. The ministry's role is diverse, ranging from food safety and market access to wildfire and sustainable forest management. Agriculture and Forestry also supports rural programs that help create a strong foundation for resilient agriculture and forest sectors.

The ministry focuses on the following:

- **Growth and Sustainability** – Agriculture and Forestry aspires to grow investment and trade, and enhance access to domestic and international markets. The ministry supports diversification through the growth of value-added businesses that build on the strengths of Alberta's established primary agriculture and forest industries to create new jobs and drive economic recovery.
- **Public Health and Safety** – Agriculture and Forestry aims to enhance the effectiveness of its assurance systems, particularly within the spheres of food safety and wildfire management. Through effective wildfire prevention and suppression, and the adoption of science-based food safety and biosecurity practices, the ministry prioritizes public health and safety and builds public confidence.
- **Responsible Resource Development** – The ministry uses evidence-based decision making to drive sustainable resource management. Areas of focus include sustainable forestry practices, water-use, and energy efficiency.
- **Rural Communities** – Agriculture and Forestry has a long standing history of contributing to rural communities at the heart of Alberta's agriculture and forest industries. The ministry funds local agricultural societies, supports programs for youth, and helps address the affordability of living and doing business in remote areas.

In 2020-21, the ministry worked to achieve the following outcomes:

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

Organizational Structure

In 2020-21, the ministry's organizational structure underwent significant updating to allow for better delivery of government priorities and commitments, and to help ensure effective and efficient organization of divisions and branches. Main updates included:

Division Level:

- The Strategy, Planning and Governance division was disbanded. In its place, the Financial Services Division was created.
- The former Processing, Trade and Intergovernmental Relations Division was rebranded as the Trade, Investment and Food Safety Division.

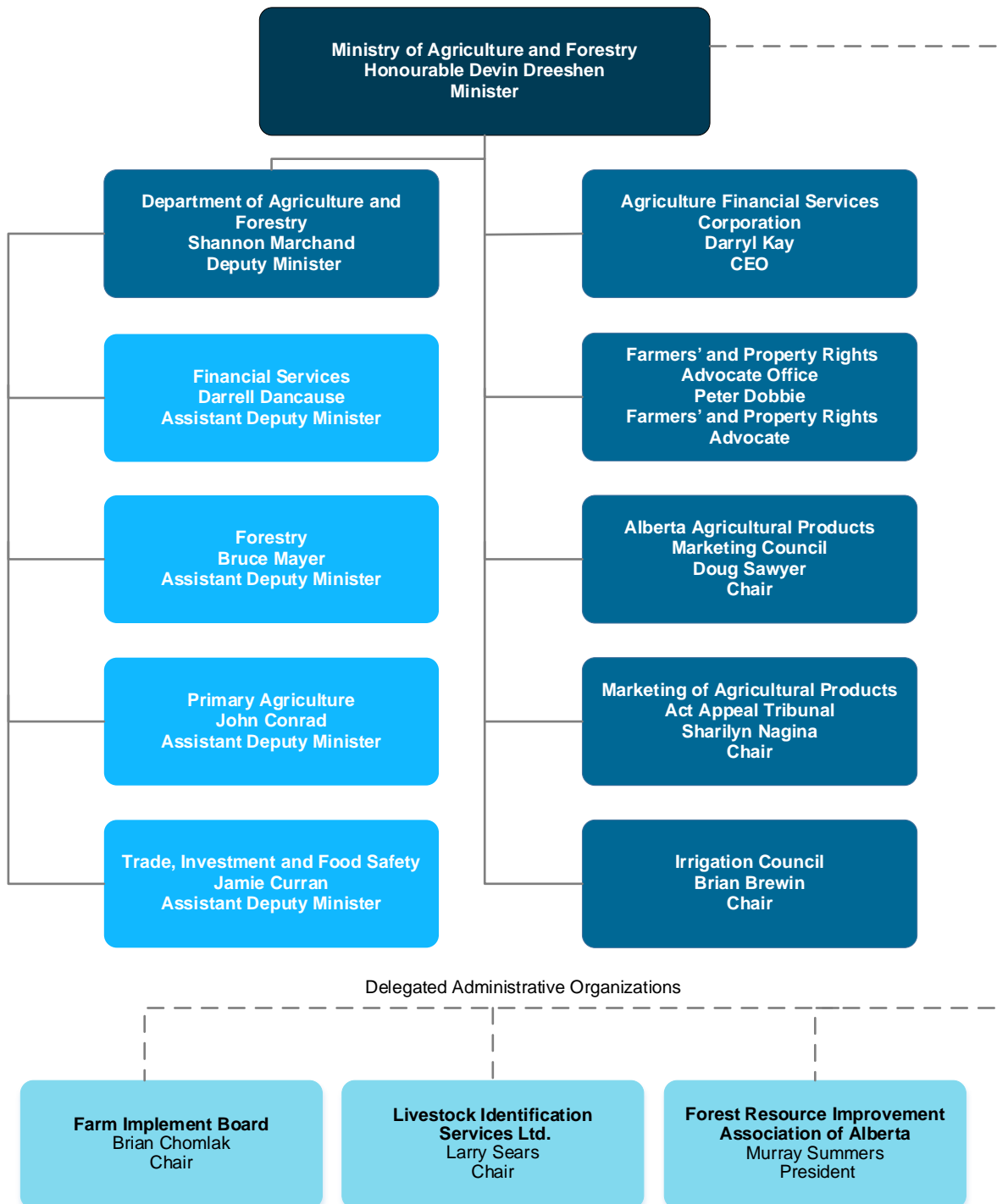
Branch Level:

- The Policy Services, Planning and Innovation Branch was created.
- The Export and Investment Branch was created.
- The Marketing Council and Research Coordination Branch was replaced by the Industry Governance and Rural Utilities Branch.
- The Crop Health and Assurance Branch was rebranded as the Crop Assurance and Rural Programming Branch.
- The Intergovernmental Relations and Trade Branch was rebranded as the Intergovernmental and Trade Relations Branch.
- The Environmental Stewardship and Irrigation and Farm Water branches were amalgamated to form the Natural Resource Management Branch.

Entities:

- The Farmers' Advocate Office became the Farmers' and Property Rights Advocate Office.

Division-level updates are reflected in the organizational chart on the following page.



Operational Overview

Department of Agriculture and Forestry

Financial Services Division

The Financial Services Division includes:

- Financial Services Branch;
- Emergency Management Section; and
- Facilities and Fleet Services Section.

The division provides leadership in establishing fiscal management for two ministries: Agriculture and Forestry, and Environment and Parks. With Agriculture and Forestry, this division also delivers support services in emergency management, fleet and facilities management, and the 1GX transition. Additionally, the division serves as the ministerial liaison with the Agriculture Financial Services Corporation (AFSC), with Service Alberta for Freedom of Information and Protection of Privacy (FOIP) and Information Technology (IT) management, and with the Public Service Commission for Occupational Health and Safety (OHS).

Forestry Division

The Forestry Division includes:

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

The division delivers wildfire and sustainable forest management through forest, pest, disease, and wildfire management legislation, policies and actions. It ensures that Alberta's Crown forested lands are managed to promote forest health, resiliency and productivity for the benefit of Albertans. The division provides the programs and services necessary for Alberta's forest sector to be positioned for increased growth and diversification. The division also provides wildfire pre-suppression and response operations to help protect Albertans, communities, the province's forest resources, and other values at risk from wildfires.

Primary Agriculture Division

The Primary Agriculture Division includes:

- Animal Health and Assurance Branch;
- Crop Assurance and Rural Programming Branch;
- Industry Governance and Rural Utilities Branch; and
- Natural Resource Management Branch.

The division supports the sustainable development and competitiveness of the livestock and crop industries through surveillance, sustainable resource management, rural utilities, and irrigation. It supports businesses by identifying new opportunities; supporting innovation; focusing on growth and diversification of Alberta's livestock and crops sectors; and developing solutions for industry to succeed. The division fosters industry growth and sustainability by enhancing industry leadership and self-governance. The division also enables regulatory frameworks to advance and protect animal health and cropping systems.

Trade, Investment and Food Safety Division

The Trade, Investment and Food Safety Division includes:

- Export and Investment Branch;
- Food and Bio-Processing Branch;
- Food Safety Branch; and
- Intergovernmental and Trade Relations Branch.

The division focuses on development and growth of the agriculture and food industry through value-added processing development, business development, investment attraction, international relations and market access, and export development. It supports businesses by identifying new opportunities; supporting innovation; focusing on growth and diversification of Alberta's agri-processing industry; and developing market opportunities and solutions for industry to succeed. The division focuses on building a strong culture of food safety and proactively identifying and mitigating food safety issues. It supports the growth of new and emerging food and bio-based companies with access to expertise, equipment and facilities for product/process development, interim processing, and commercial scale up. The division also conducts applied economic and competitiveness analysis.

Policy Services, Planning and Innovation Branch

The branch provides policy advice, analysis, review, tracking, and coordination to teams across the department. The branch also takes a lead role on broader cross-divisional or cross government policy initiatives. The branch leads the development of ministry business plans, annual reports, strategic plans, and red tape reduction work. The branch also provides legislative services, manages appointment processes, supports public engagement processes, and drives innovation within the ministry.

Other Entities

Agriculture Financial Services Corporation (AFSC)

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

Alberta Agricultural Products Marketing Council

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

Farmers' and Property Rights Advocate Office

The Farmers' and Property Rights 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. In addition, the office provides assistance to all Albertans in navigating property right mechanisms provided by the Government of Alberta. The Farmers' and Property Rights Advocate 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 Farm Implement Inspector.

Forest Resource Improvement Association of Alberta

The Forest Resource Improvement Association of Alberta (FRIAA) is a not-for-profit association with authority delegated by the Minister of Agriculture and Forestry. 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 Government of Alberta.

Irrigation Council

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

Livestock Identification Services Ltd.

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

Marketing of Agricultural Products Act Appeal Tribunal

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

Key Highlights in the Past Year

The following table represents Agriculture and Forestry's significant achievements for 2020-21, including progress toward commitments in the 2020-23 Government of Alberta Strategic Plan.

Economic Recovery and Job Creation

Agri-Food Sector Investment and Growth Strategy

- The ministry completed the Agri-Food Sector Investment and Growth Strategy in 2020-21 to increase the value of the agriculture and agri-processing sector in Alberta's economy and enable job creation.
- Cabinet approved the strategy's targets in June 2020: attract \$1.4 billion in investments and create 2,000 jobs in the agri-food sector by 2023-24. In addition, Agriculture and Forestry is targeting annual export growth rates of 7.5 per cent and 8.5 per cent for primary agriculture commodities and value-added agriculture products, respectively.
- In 2020-21, the ministry enabled the investment of \$359 million in the agriculture and agri-processing sector. This investment is expected to lead to the creation of 1,147 full and part-time jobs.

Irrigation Investment

- The total irrigation infrastructure expenditures was \$11.5 million in 2020-21. Approximately 26 kilometres of open canals were converted to pipeline under the Irrigation Rehabilitation program in 2020.
- To make progress on the irrigation pillar of the Agri-Food Sector Investment and Growth Strategy, the ministry negotiated an agreement with the Canadian Infrastructure Bank and eight irrigation districts to invest \$815 million between 2021 and 2028 to modernize and expand infrastructure. The province will contribute \$244.5 million (30 per cent) towards this investment.
- As a result of this investment, total irrigated acres is expected to increase up to 208,000 and up to 6,800 new permanent jobs and 1,280 construction jobs will be created.

Borrowing and Lending Limits

- In 2020-21, government approved an increase to AFSC's individual lending limit from \$15 million to \$30 million beginning in 2021-22. This increase will allow AFSC to support larger agricultural opportunities in Alberta and encourage economic growth.
- The Government of Alberta agreed to increase access to capital to support primary producers, agribusinesses, and value-added agri-processors. By 2023-24, AFSC's total borrowing limit will increase to \$3.6 billion.

Reduction of Crop Insurance Premiums

- A decision was made to reduce AgriInsurance premiums by 20 per cent for 2021-22, which is expected to save farmers more than \$55 million on crop insurance premiums. This will help ease the financial burden on Alberta's producers and increase their competitiveness.

Fibre Access

- The Forest Jobs Action Plan was announced in May 2020 to signify government's commitment to sustainable, long-term fibre access for forest companies. The goal is to increase the fibre

supply by up to 13 per cent for eligible companies in the medium-term, with a long-term stretch goal of 33 per cent with support from Alberta Environment and Parks.

- In 2020-21, Agriculture and Forestry is finalizing negotiations for renewal of two Forest Management Agreements (FMAs) including Tolko High Prairie and Weyerhaeuser Pembina. These agreements ensure there is continued access to timber resources and help to secure forest sector jobs.
- Three new timber quotas were awarded or were in the final stages of awarding to allow companies to generate jobs and economic benefits in the Slave Lake and Grande Prairie regions.
- Three long-term forest management plans were approved, including Weyerhaeuser Grande Prairie, Blue Ridge Lumber, and Edson Forest Products. These plans ensure the forests are managed sustainably and provide fibre security for the companies.

Rural Utilities

- Grant funding for the Rural Gas Program supported the construction and upgrading of an estimated 1,435 services and 913 kilometres of distribution pipeline.
- Latest results show that funding provided through the Rural Electric Program assisted 142 rural Albertans to construct new electricity services to their farms and rural properties in 2019-20.

Red Tape Reduction

- The 2020-21 target to reduce the regulatory requirements by 12 per cent was met. Agriculture and Forestry will continue to work towards the Government of Alberta's one-third reduction by 2023.

Transitioning Agricultural Research

Results Driven Agriculture Research

- Results Driven Agriculture Research (RDAR) was announced March 30, 2020 as a non-profit, arm's length agriculture research organization that ensures agricultural research reflects the priorities of farmers and ranchers. RDAR was incorporated under the *Canada Not-for-profit Corporations Act* on July 22, 2020.
- RDAR began its inaugural targeted research call for \$4 million in October 2020. By January 2021, RDAR announced funding decisions from this call, including the allocation of an additional \$3 million to fund successful research projects.
- In February 2021, a permanent board of directors was elected by member organizations, with Dr. Mark Redmond appointed as CEO.

Research Program Transfers

- In fall 2020, Agriculture and Forestry, in partnership with RDAR, began transitioning research programs to Alberta post-secondary institutions. Six post-secondary institutions received access to various research-related infrastructure under agreed upon three-year pilots. These programs were formerly managed and undertaken by the ministry.
- Agriculture and Forestry finalized its transition out of research following the successful completion of all anticipated agreements in 2020-21.

Managing Risk for Natural Resources, Farming, and Food

Business Risk Management

- AFSC continued to coordinate industry feedback for consideration by the Federal-Provincial-Territorial (FPT) Business Risk Management (BRM) review team, and continues to seek input on potential new design ideas for BRM programs for the medium to long term.
- In 2020-21, short-term changes focused mainly on AgriStability with the removal of the reference margin limit and increases in the contribution level. At the March 25 FPT meeting, all three prairie provinces voted in favour of removing the reference margin limit.

Mountain Pine Beetle

- Budget 2020 maintained \$30 million funding to manage the spread of mountain pine beetle (MPB) through aggressive survey and control activities.
- In 2020-21, Agriculture and Forestry successfully lobbied the Government of Canada for a three-year, \$60 million provincial/federal funding partnership to enhance the Mountain Pine Beetle Management Program. This brought the overall budget funding for MPB control efforts to \$52 million in 2020-21, with actual expenditures of approximately \$26 million.
- Approximately 65,000 infested trees were treated to control MPB infestation in 2020-21.
- Aerial surveys conducted over 7.8 million hectares in 2020-21 indicated that MPB killed 147,046 trees, down significantly from 244,247 in 2019.

Wildfire

- FireSmart Alberta, an arm's length, not-for-profit organization, was established in June 2020 with an objective of fostering an all-of-society approach to wildfire resiliency in Alberta across all seven FireSmart disciplines. A provincial FireSmart committee will inform strategic and collaborative actions to improve FireSmart programming.
- A new wildfire app and web-based status map was developed that includes more detailed information about nearby wildfires, fire bans, mountain pine beetle, and fire danger ratings. This will allow Albertans to stay up-to-date on wildfire in Alberta.
- Wildfire management plans for Grande Prairie and Peace River were completed in 2020-21.
- The ministry embraced technology and innovation by leading a national project to design, develop and build an aerial simulation training system (federal, industry, and nonprofit partnership).

COVID-19 Challenges

- COVID-19 created significant challenges for the agriculture and forest sectors in 2020-21. Alberta's meat processing industry was hit particularly hard. There have been 25 outbreaks declared since the onset of the pandemic through March 31, 2021, affecting 15 meat processing facilities. Early on, to ensure the continuous operation of Alberta's food supply chain, the ministry partnered with the Canadian Food Inspection Agency (CFIA) to increase food inspector capacity. For the forest sector, COVID-19 caused drastically reduced production of wood panel and lumber, which later caused record high prices due to the low supply. A number of measures were implemented to adapt to the demands of fighting wildfires during a pandemic.

- The ministry implemented programs and services throughout 2020-21 to manage the impacts of market disruptions and production challenges in the agriculture and forest sectors. A few examples are provided below.

Agriculture Sector

- In June 2020, the AgriRecovery Cattle Set-Aside Program was launched, allowing beef producers to hold slaughter-ready cattle on maintenance feed rations. As of January 2021, the program committed more than \$12 million in benefits for the 324,729 head that were set aside.
- In March 2021, the Hog AgriRecovery Program was put in place to support Alberta hog producers to offset the extraordinary costs associated with the temporary closure of slaughter plants. Within a month, 53 applications were received covering 95,091 hogs that were delayed in getting to market.
- Increased the interim payment under AgriStability from 50 per cent to 75 per cent for the hog and potato industries.
- Extended the AgriStability deadline to July 3, 2020.

Forest Sector

- Deferred holding and protection charges for six months to support forest industry short-term cash flows to address liquidity concerns.
- Offered an extension on approximately \$36 million in expected forest industry timber dues.
- Facilitated a COVID-19-relief funding program with the Government of Canada to offset the cost of preventative health measures for tree planters and other contractors supplying the forest sector.
- Introduced enhanced safety measures at the onset of the 2020 wildfire season, including invoking an early fire ban, implementing Off Highway Vehicle (OHV) restrictions, hiring and training an additional 200 firefighters, and doubling fines for contravening a fire ban or OHV restrictions.

Discussion and Analysis of Results

Red Tape Reduction

The Ministry of Agriculture and Forestry is committed to the ongoing review of programs and services to ensure that the best possible outcomes are being achieved for Albertans. As part of this ongoing review, the ministry is committed to making life easier for hard-working Albertans and job creators by reducing regulatory requirements by one-third by 2023, and eliminating administrative burden through more efficient processes. This work will improve service delivery for Albertans; foster economic growth, innovation and competitiveness; create a strong and attractive investment climate; and make Alberta one of the freest and fastest moving economies in North America.

To reduce regulatory requirements, Agriculture and Forestry is removing unnecessary requirements, costs and other administrative hurdles that agriculture and forest industries must clear to access ministry services or programs, carry out business, or pursue legislated privileges. The ministry is in ongoing contact with industry and stakeholders and continues to identify initiatives to reduce regulatory burden.

A summary of ministry accomplishments on red tape reduction initiatives for 2020-21 are presented in the following table categorized into six broad outcomes: economic growth and job creation; improved service delivery; smart regulation; deregulation; and digital transformation. Additional details on each initiative can be found in the corresponding key objective sections of this report.

Recommended By	Status	Initiative	2020-21 Results	Key Objective
Economic Growth and Job Creation				
Ministry	Ongoing	Streamlining Program Delivery at AFSC	AFSC undertook a review of its lending and insurance processes in 2020-21 to identify unnecessary requirements and duplication of efforts. The work is being completed in phases.	1.3
Agriculture, Food and Bio-Industrial Industry Panel	Completed	Improving the Meat Inspection Regulation	The Meat Inspection Regulation was amended to allow for farm-direct opportunities to Albertans, and create a new revenue stream for licensed abattoir owners to sell meat by-products.	2.3
Forest Companies	Completed	Amending the <i>Forests Act</i> and Associated Regulations	In fall 2020, the <i>Forests Act</i> was amended to reduce red tape, increase administrative efficiencies, promote long-term forest sector	1.3

Recommended By	Status	Initiative	2020-21 Results	Key Objective
			competitiveness, and enhance market access. The associated Regulations were approved in the spring 2021 and enabled on May 1, 2021.	
Improved Service Delivery				
Agriculture, Food and Bio-Industrial Industry Panel	Ongoing	Amending the <i>Marketing of Agricultural Products Act</i>	Amendments were made to the <i>Marketing of Agricultural Products Act</i> (MAPA) to change the authority for making regulations and plebiscites from the Lieutenant Governor in Council to the Minister of Agriculture and Forestry, resulting in significantly improved approval times for regulations.	1.3
Ministry	Completed	Eliminating the User Fee for Personal Use Forest Products Permits	Amendments were made to the Timber Management Regulation in 2020 to remove the five-dollar user fee to obtain a Personal Use Forest Products Permit for harvesting Christmas trees, firewood, roundwood or tree transplants in designated Crown land areas.	1.3
Agriculture, Food and Bio-Industrial Industry Panel	Ongoing	Modernizing the Canadian Agricultural Partnership Program Suite	In 2020-21, the ministry began the process of modernizing the Canadian Agricultural Partnership suite of programs. The proposed changes are expected to reduce administrative burden and regulatory requirements by streamlining application processes and consolidating programs.	1.3
Smart Regulation				
Ministry	Completed	<i>Agricultural Operation</i>	Amendments to the regulation to allow more	3.1

Recommended By	Status	Initiative	2020-21 Results	Key Objective
		<i>Practice Act</i> Standards and Administration Regulation Amendment	flexibility around materials used for manure storage facilities as well as addressing soil nitrate and soil electrical conductivity limits.	
Digital Transformation				
Ministry	Completed	Online Insurance Claims at AFSC	Implemented online applications for wildlife damage claims, and the acceptance of e-signatures.	1.3
Agriculture, Food and Bio-Industrial Industry Panel	On-going	Addition of Video for Pre- Slaughter Inspections	The addition of video pre- slaughter inspections allows for timely euthanasia and slaughter in emergency situations.	2.3

Outcome 1: Growth and Sustainability of Alberta's Agriculture and Forest Sectors

This outcome focuses on the ministry's work to maximize the contribution of the agriculture and forest sectors to Alberta's economic recovery. Emphasis is placed on increasing investment, creating jobs, securing domestic and international market access, and improving value-added processing capacity.

In 2020-21, the ministry identified two key initiatives that helped make progress toward achieving growth and sustainability of Alberta's agriculture and forest sectors:

- Delivering AgriInsurance to support the agricultural economy. AgriInsurance coverage is part of the suite of Business Risk Management programs the Agriculture Financial Services Corporation (AFSC) provides to assist Alberta producers in managing risks associated with livestock and crop production, such as production shortfalls, falling commodity prices, and rising input costs.
- Delivering the Canadian Agricultural Partnership through the bilateral Canadian Agricultural Partnership Agreement to support 18 programs that help ensure Alberta's agriculture, agri-food, and agri-based industries are profitable and innovative. CAP is a five-year cost-shared agreement between Alberta and Canada.

Key Objectives

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

This key objective reflects a broad range of trade-related services, such as trade advocacy, business matching, trade missions and promotional activities, network facilitation, and market research. These services build demand for Alberta's high quality products and lead to increased export opportunities for the agriculture, food, and forest sectors, supporting Alberta's Recovery Plan and the Agri-food Sector Investment and Growth Strategy.

In 2020-21, COVID-19 disrupted Agriculture and Forestry's international market development activities as countries closed their borders and restricted travel, and trade show organizers postponed or cancelled major events. Given the disruptions, the ministry quickly pivoted to deliver international market development services, such as export readiness webinars, business-to-business meetings, virtual trade shows, and restaurant/hotel and in-store promotions to companies in a virtual environment. In addition, Agriculture and Forestry relied more heavily on its agriculture officers in the Alberta International Offices (AIOs) for in-market company support and intelligence. Despite the COVID-19-related restrictions, the ministry was able to provide services to a larger number of clients. One explanation may be that virtual events and business-to-business meetings have enabled market development services to reach more companies and recruit more participants. The resumption of Agriculture and Forestry's market development activities will depend on countries lifting travel restrictions, trade show organizers' ability to host large events, the willingness of Alberta companies to travel, and the Government of Alberta's own travel policy, among other factors. As the timeline for these factors remains unclear, the ministry will continue to update its market development activities based on the latest information and circumstances. Agriculture and Forestry has successfully adapted its business practices to the virtual environment and will continue to leverage technology and innovative methods of delivering services and supporting companies when travel and health restrictions ease and in-person meetings resume. Agriculture and Forestry will continue to monitor the success that virtual delivery methods had on sector growth and development.

Canadian Agricultural Partnership

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

In 2020-21, the ministry delivered CAP through 18 programs and two internal initiatives in five priority areas that are represented in key objectives that span across all of the ministry's outcomes. The priority areas are:

- **Environmental Sustainability:** Five programs that build sector capacity to mitigate agricultural greenhouse gas emissions, protect the environment, and adapt to climate change by enhancing sustainable growth, while increasing production. This priority area includes programs in key objectives under Outcome 3.
- **Products, Market Growth and Diversification:** Three programs and one internal initiative that support the continued growth of the value-added agriculture and agri-food processing sectors. This priority area includes programs in key objectives under Outcome 1.
- **Public Trust:** Three programs that support industry efforts to improve the public's understanding and perception of agriculture and food in Alberta. This priority area includes programs in key objectives under Outcome 3.
- **Risk Management:** Five programs and one internal initiative that aim to improve industry's anticipation, preparedness, and mitigation of risks that could affect food safety, plant health, animal health, humane slaughter, water conveyance, and worker safety. The CAP Agriculture Training support Program was delivered in collaboration with Labor and Immigration in response to COVID-19. This priority area includes programs in key objectives under Outcomes 1, 2 and 4.
- **Science and Research:** Two programs to accelerate the adoption of innovative technologies, products, practices, and processes that will improve industry growth and competitiveness. This priority area includes programs in key objectives under Outcome 1.

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

Priority Area	2020-21 Actual (\$ millions)
Products, Market Growth and Diversification	\$13.7
Science and Research	\$11.2
Environmental Sustainability	\$9.1
Risk Management	\$5.4
Public Trust	\$1.2
Total	\$40.6

Export growth is key to Alberta's economic recovery and is one of three key pillars of the Agri-food Sector Investment and Growth Strategy. Within the strategy, Agriculture and Forestry has set targets for annual export growth rates of 7.5 per cent for primary agriculture commodities and 8.5 per cent for value-added agriculture products. In 2020-21, primary agriculture commodity exports were \$5.8 billion, an increase of nine per cent, and value-added agriculture product exports were \$6.7 billion, an increase of five per cent. The results can be attributed to the rebound in exports of canola seed, wheat, pork, beef and prepared animal feed to China and U.S. To achieve these targets, the ministry provides a suite of business and market development services to assist agriculture and food companies in gaining knowledge about international opportunities, building export capacity to meet market demands, and addressing market barriers. Together, these services are expected to help grow exports by allowing companies to seize additional export opportunities in new or emerging markets while maintaining their established markets. The 2020-21 International Market Development Strategic Plan, implemented in April 2020, supports industry competitiveness and growth by enabling focused trade services to enhance international market development efforts.

In 2020-21, Agriculture and Forestry led 194 international market development initiatives including export readiness webinars, business-to-business meetings, virtual trade shows, and in-market promotions to assist companies in accessing new markets and channels – particularly e-commerce – and adapt to the COVID-19 business environment. A total of 1,225 Alberta clients participated in these initiatives, 365 of whom reported that connections were made with international buyers due to participation in export development initiatives. Through the Products to Markets program under the CAP Products, Market Growth and Diversification (PMGD) priority area, nearly \$173,000 was invested to support international market development initiatives.

The Canada Food Expo Virtual Tradeshow and Matchmaking, Japan and Korea took place in November 2020. This initiative was designed to provide export-ready, small and medium-sized food and beverage processors an opportunity to showcase their products to targeted Japanese and South Korean buyers. The Alberta delegation, consisting of 14 companies secured 26 new virtual business-to-business meetings in Japan and Korea. As a result, several Alberta companies sent samples to Japan at the request of importers, and at least two companies were offered deals to sell their products to reputable importers.

Regional strategies target established, new, and emerging markets and help provide direction for international market development. In 2020-21, regional strategies were updated for the following priority international markets: the U.S., Mexico, South and Central America, European Union, Greater China, Japan and South Korea, South East Asia, South Asia, Middle East and North Africa, Sub-Saharan Africa, and Eurasia including Turkey. The types of products targeted for export include processed food and beverage products, semi-processed food ingredients, animal protein products, plant-based protein products, grains, seeds, pulses, animal feed and pet food, animal genetics, agriculture equipment, and technology and inputs. The ministry will continue to support the efforts of Alberta's agriculture and food industries in the 12 priority international markets going forward, and will adjust for any market access or geo-political issues that may arise.

New Alberta International Offices (AIOs)

Four new AIOs will be set up in Mexico, Singapore, European Union, and United States.

Alberta's International Offices (AIOs) continue to be critical partners in advancing Alberta's priorities in international markets. Agriculture specific staff in Tokyo, Seoul, Beijing, and New Delhi work to generate market intelligence, identify trade and investment leads, and facilitate business matchmaking between Alberta companies and international decision makers. In 2020-21, Agriculture and Forestry worked with the Tokyo office to secure space for several Alberta companies on a year-

long promotion of a leading Japanese e-commerce site, Rakuten. Working with the Seoul office, the ministry designed and launched an e-commerce website specifically for Alberta companies in

Korea. A successful online and in-person restaurant/hotel promotion followed the website launch and reached millions of consumers in Korea. In 2020-21, ministerial approval was obtained to add agriculture-specific staff capacity in four new AIO locations: Mexico, Singapore, the United States, and the European Union. New staff will conduct proactive investment engagement and promote trade to meet targets defined in the Agri-food Sector Investment and Growth Strategy. Staffing in all four new locations is expected to be finalized in 2021.

Agriculture and Forestry is actively working to expand market opportunities for Alberta's wood products, such as spruce, pine, and fir lumber, and oriented strand board, by promoting their use in commercial, industrial, and institutional construction, and increasing awareness of non-traditional applications for these products. In 2020-21, the ministry provided Canada Wood with a \$200,000 grant to educate Asian buyers, including government and industry, on the properties of Canadian wood that make it a reliable building material and to facilitate relationships between Alberta producers and Asian customers.

Alberta's market development and export growth goals are affected by Canada's participation in international trade agreements. Removing tariff and non-tariff trade barriers is critical to expand market access for Alberta's agri-food and forest products exports. Alberta continues to engage the Government of Canada to resolve current market access issues, such as India's trade barriers on export of pulse crops, and the European Union's trade restrictive carcass wash protocols to help expedite the province's economic recovery. Alberta is also urging the Government of Canada to resolve Italy's mandatory country of origin labelling requirements for pasta as it has negatively affected Alberta's durum wheat exports to Italy. The ongoing dispute between Canada and China has impacted Alberta farmers and producers in the canola sector since 2019. Canola seed exports to China significantly increased in 2020 to 702,521 tonnes. This is a 69.5 per cent increase from 2019 canola exports to China, but these levels still have not rebounded to reach 2018 levels, before trade restrictions were enacted. Overall, Alberta's canola seed exports to the world in 2020 were 3.2 million tonnes. This is a 45.1 per cent increase from 2019 levels. Total canola export levels have now surpassed their 2018 levels by 4.6 per cent (i.e. from total canola exports before China's trade restriction). The current trend in canola trade shows some market diversification taking place with other countries increasing their purchase of Alberta's canola seed, including Pakistan, United Arab Emirates, France, Germany, and Bangladesh. The ministry has robust pest and weed surveillance programs in place to help mitigate the risk of crop loss and maintain assurance and market access for Alberta's agricultural products. Alberta will continue to advocate on behalf of agricultural producers to ensure that market access for their products is not limited based on unfounded claims of contamination.

The ministry continues to assist producers and exporters entering foreign and local markets through trade agreements. The Canada-United States-Mexico Agreement (CUSMA) came into force on July 1, 2020. CUSMA allows for the continuation of existing duty-free access to the U.S. market that was available under its predecessor, the North American Free Trade Agreement. In addition, Canada has secured a new significant duty free quota (9,600 tonnes/year) from the U.S. for refined sugar that will support Alberta's sugar beet industry which produces nearly all of Canada's sugar beets for sugar exports to the U.S.

Agriculture and Forestry is continuing to advocate for expanded membership in the Comprehensive Progressive Trade Agreement for Trans-Pacific Partnership (CPTPP). The United Kingdom has formally applied to join CPTPP; Alberta is supportive of this request as inclusion will broaden market access within CPTPP. Although a formal launch of the Canada and Association of South-East Asian Nations (ASEAN) trade negotiation has not occurred, Canada started trade negotiations with select member countries of ASEAN in 2020-21, including a potential free trade agreement with Indonesia. In 2020-21, the ministry prepared input on Alberta's agricultural trade interest with Indonesia and shared this input with the Ministry of Jobs, Economy and Innovation for submission

Transportation Network

Alberta is supporting the renewal of federal funding for investments in the Vancouver gateway in priority road, rail, and port infrastructure projects required through 2030 to address bottlenecks and congestion. These projects are critical to increase the capacity, efficiency, and resiliency of the supply chain in moving Alberta agriculture and forest products to markets in the Asia Pacific region.

Alberta is continuing to partner with other prairie Agriculture and Transportation Ministers to advocate for stronger representation on the Vancouver Port Authority. Improved representation will enable the prairie provinces to influence port development plans.

to the Government of Canada. Agriculture and Forestry is working to provide input to federal trade negotiators for a permanent Canada-United Kingdom trade agreement and a Canada-India limited trade agreement. The objective of the input is to ensure Alberta's market access interests are reflected in Canada's trade agreements. A provisional trade continuity agreement between Canada and the United Kingdom came into force on April 1, 2021, allowing trade to continue under the current Canada-European Union Comprehensive Economic and Trade Agreement provisions until a permanent free trade agreement is negotiated.

The ministry, in partnership with the forest industry, the Government of Canada, and other provinces, is continuing to defend Alberta's forest sector against the imposition of U.S. softwood lumber duties by providing input into the Canada-U.S. softwood lumber dispute appeals processes. In November 2020, the U.S. Department of Commerce (USDOC) issued its final ruling in the First Administrative Review significantly

reducing the retroactive duties owed on lumber exported between April 2017 and December 2018, and duty deposits owed on exports going forward. The Second Administrative Review was initiated by USDOC in March 2020. The preliminary ruling in the Second Administrative Review was issued in May 2021 and the final determination of duty rates are expected in late November 2021. Agriculture and Forestry is actively preparing Alberta's defense of the Third Administrative Review, which was initiated in March 2021. Alberta will continue to support Canada in its ongoing efforts to push for the free flow of trade for the benefit of both nations, Alberta's forest industry, and the communities the industry supports.

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

Supply Chain

The agriculture and forest sectors were faced with significant challenges to operate in a pandemic. At the onset, COVID-19 created supply chain issues and a reduction in demand for wood fibre products. Alberta was quick to protect supply chains by declaring agricultural businesses and operations essential services on March 27, 2020, soon after the World Health Organization declared COVID-19 a pandemic.

This key objective aims to leverage the ministry's manufacturing technologies, market intelligence, partnerships, and specialized services to enhance value-added processing capacity in support of Alberta's Recovery Plan and the Agri-food Sector Investment and Growth Strategy.

COVID-19 impacted the Agriculture and Forestry's product development work in number of ways in 2020-21. Most significantly, ministry resources were re-directed to produce approximately 2,500 litres of hand sanitizer for front line Government of Alberta staff out of the Bio Processing Innovation Centre (BPIC). This facility was also instrumental in helping private companies formulate, produce, and package

hand sanitizers. Travel restrictions prevented clients from being on-site at the ministry's specialized facilities, which impacted project progress. Restrictions have also limited the ability for staff to work at client sites and has significantly reduced the number of facility tours provided to

potential clients and other stakeholders. A number of processors were not able to invest in product development and commercialization or market development as originally planned in their grant agreements. This resulted in some product and market development projects being delayed.

Agriculture and Forestry supports the successful development and introduction of value-added agricultural products to market by providing product development and processing assistance, incubation programming, and supplying specialized facilities and expertise to clients. Grant programs under the CAP PMGD priority area support value-added processors that are developing new products, actively pursuing new market opportunities, and engaging in export readiness initiatives to grow their business and create jobs. Providing funding encourages growth in priority sectors identified in the Agri-food Sector Investment and Growth Strategy, such as canola processing, pork industry, plant proteins, hemp processing, and other food processing. In 2020-21, 115 Alberta-based value-added processors received 121 grants totaling \$11.8 million through programs under the PMGD priority area. These programs continue to be in demand and the department continues to receive more funding requests than we are able to support.

The ministry's Food Processing Development Centre (FPDC), Agrivalue Processing Business Incubator (APBI) and Bio Industrial Opportunities Section provide infrastructure and services to support the establishment and growth of new companies and new business ventures in Alberta. In 2020-21, the ministry entered into 131 client service contracts with food and bio processing companies which supported the development and introduction of 64 new products to market. Agriculture and Forestry is continuing to work with clients on industry projects that focus on bioplastics, recycled agricultural materials, and fibre characterization. The ministry has built a suite of capabilities and expertise in processing and testing for mechanical properties of natural fibre, hemp hurd/polymer compounds, as well as recycled plastics, such as beehive foundation and grain bags.

Infrastructure improvements continued to take place at the ministry's food processing facilities in 2020-21. Agriculture and Forestry entered into an agreement with Western Economic Diversification in July 2020 for the purchase of \$2.8 million worth of fractionation equipment intended to improve the efficiency of APBI's plant-protein fractionation suite and make it more attractive to industry. Installation is scheduled for completion in November 2022. Expansion of the APBI began in January 2021 where 2,300 square metres will be added to the facility. The expansion is targeted for completion in mid-2022. In partnership with the federal Agricultural Clean Technology Program, the ministry completed a three-year project to enhance the processing capabilities at the Vegreville Fibre Processing Pilot Plant. The equipment and control optimization upgrades are expected to support growth and development of Alberta's fibre industry. Upgrades to the plant started in April, 2021.

As part of the Government of Alberta's Recovery Plan, a one-time \$27.8 million capital grant was approved in 2020-21 to support the construction of a new 270,000 square foot Agri-Food Hub and Trade Centre at Exhibition Park in Lethbridge. This new facility is intended to showcase Lethbridge as a world-class agricultural region, facilitate trade, drive investment, incubate new agricultural businesses to expand market access, and create new jobs within the agri-food sector in this region.

Beekeepers Hive Replacement Program

A new one-time \$1 million CAP program was developed under the Risk Management priority area to support the 182 commercial beekeepers in Alberta to adapt to bee-stock scarcity challenges due to COVID-19. Many of the province's beekeepers saw substantial winter losses in their colonies which forced them to split their colonies and introduce new queens. The pandemic restrictions made obtaining the hives necessary for this process more difficult, as they are traditionally imported from New Zealand and Australia.

A total of 80 beekeepers signed up for the program and supported over \$685,000 in domestic colony and queen replacement.

Upon completion, it is expected that the Agri-food Hub and Trade Centre will have the capability to host up to 7,000 delegates, increasing existing utilization at Exhibition Park by nearly 25 per cent. The grant will be paid out to Lethbridge & District Exhibition in installments over 2020-21 and 2021-22.

The ministry is working to encourage growth in secondary wood products manufacturing by engaging in collaborative partnerships to promote the use of Alberta's products domestically and internationally – with a specific focus on Asian markets. In 2020-21, a grant of \$200,000 was provided to the Alberta Forest Products Association to support Alberta Wood *WORKS!* initiatives, including consultation with key industry stakeholders on the potential use of Alberta wood products and promoting mass timber building projects in Alberta. With this funding, Alberta Wood *WORKS!* advanced 35 build with wood projects influencing wood sales by \$35 million. In addition, Alberta Wood *WORKS!* provided more than 8,000 hours of training to more than 3,000 building professionals.

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority 1:

Supporting job creation

Objective 5:

Revitalizing and sustaining key industries

Action:

Create economic opportunities in Alberta's forest sector in partnership with Alberta's forest workers and companies.

Results:

- The Forest Jobs Action Plan was announced in May 2020 to signify government's commitment to sustainable, long-term fibre access for forest companies and help to secure forest sector jobs. The goal is to increase the fibre supply by up to 13 per cent in the medium-term, with a long-term goal of 33 per cent.
- *The Forests (Growing Alberta's Forest Sector) Amendment Act, 2020*, received royal assent on Dec. 9, 2020, and came into force on May 1, 2021. Amendments to this Act will bolster Alberta's competitive forest sector by supporting reliable and consistent access to trees.
- The Timber Management Regulation, Forests (Ministerial) Regulation and Forest Resources Improvement Regulation were amended to enable a number of key changes to support red tape reduction, increase administrative efficiencies, promote long-term forest sector competitiveness, and enhance market access.

The ministry is working toward the establishment of a Secondary Wood Product Advisory Committee. This committee will identify opportunities for continuous improvement in secondary wood product development and commercialization and promote product development research and innovation through the introduction of a new grant pilot program. Activities undertaken by the committee will be crucial in improving the profile of Alberta's secondary wood products and encouraging industry growth to support Alberta's economic recovery.

1.3 Identify strategic opportunities to create the environment for business success by reviewing existing policies, processes and regulatory instruments to eliminate red tape.

This key objective aims to build an attractive, business friendly environment to support Alberta's agriculture and forest sectors through the implementation of specific red tape reduction initiatives

intended to streamline regulatory requirements, reduce the cost of doing business, and help manage risk in emerging sectors. The ministry is continuing to streamline and simplify ministry programs and services to provide better services for business and continuing to review legislation and implement regulatory reform to reduce the burden of ineffective regulatory requirements on the agriculture and forest industries.

The ministry continues to monitor annual performance expectations as it works to reduce regulatory burden and meet the Government of Alberta's baseline count reduction targets. For 2020-21, the target reduction in baseline count was 12 per cent. As of March 31, 2021, the count of regulatory requirements had been reduced by 12.06 per cent. This is the second successive year Agriculture and Forestry has met the Government of Alberta's target for regulatory count reduction.

AFSC undertook a review of its lending and insurance processes in 2020-21 to identify unnecessary requirements and duplications of effort. As a result of this review, AFSC took the following steps to improve client services:

- Reduced staff checks from four to three during the inspection review of wildlife insurance claims, resulting in a reduction in the claim resolution time by three days.
- Implemented an online application process for wildlife claims.
- Switched from a consecutive to concurrent review in the loan disbursement process, saving three hours of time per loan.
- Reduced the number of questions on the Hail Claim form from 24 to four.
- Eliminated the duplicate review in the Post-Harvest Payment by Declaration process, and reduced the number of review process questions from 12 to one.
- Introduced payment by declaration for low-risk cases, allowing for more a more expedient payment process. This also allows AFSC to allocate internal resources to complex claims.
- Reduced the average loan approval turnaround time from 6.2 days to five days.
- Instituted automatic renewals for loans in good standing and began accepting electronic signatures.
- Introduced online filing of applications and information for AgriStability participants through AFSC Connect.

In 2020-21 amendments were made to the *Forests Act* and associated regulations with a focus on red tape reduction, industry competitiveness, and improved fibre access. Bill 40, the *Forests (Growing Alberta's Forest Sector) Amendment Act*, received royal assent on December 9, 2020. The amended *Forests Act* and regulations came into force on May 1, 2021. Amendments made to the *Forests Act* include:

- The Minister of Agriculture and Forestry now has the authority to update the timber dues collected from forest companies in a timelier manner.
- Increasing the flexibility for forest companies to make business decisions that account for changes in demand for wood products.
- Ensuring the money forest companies pay the province to harvest timber on Crown land accurately reflects current market and financial conditions.
- Reducing red tape in Forest Management Agreements while remaining committed to Alberta's sustainable forest management system. Agreements are now fully at Ministerial discretion, reducing approval times by several months.

This modernized legislation paves the way for future regulatory changes that will have a significant impact on the way forest companies do business and will enable the forest sector to be a key driver in Alberta's economic recovery.

Amendments were made to the Timber Management Regulation in 2020 to remove the five-dollar user fee to obtain a Personal Use Forest Products Permit for harvesting Christmas trees, firewood, roundwood or tree transplants in designated Crown land areas. Since the fees were waived in November 2020, more than 28,000 permits were issued at no charge to the public, including permits for:

- Christmas trees – 17,734
- Firewood – 10,094
- Roundwood – 501
- Transplants – 127

Amendments were made to the *Marketing of Agricultural Products Act* (MAPA) on July 23, 2020 as part of the *Red Tape Reduction Implementation Act* (Bill 22). The authority for making agriculture marketing board and commission (MBC) Plan Regulations and plebiscites was transferred from the Lieutenant Governor in Council to the Minister of Agriculture and Forestry, resulting in significantly improved approval times for MBC Plan Regulations. Prior to the MAPA amendments, it took six months to a year to obtain Cabinet approval for MBC Plan Regulations. Ministerial approval is now being obtained within two to three months – a three month improvement in processing time. The amendments also established authority for MBCs to develop bylaws and for the Alberta Agricultural Products Marketing Council to issue directives. A minimum reduction of 20 requirements per MBC Plan Regulation is anticipated when an MBC establishes bylaws. By early 2022, it is anticipated there will be a minimum of 100 regulatory requirements reduced from MAPA's baseline count as Plan Regulations for five MBCs are expected to be amended to establish bylaws.

In 2020-21, the ministry began the process of modernizing the CAP suite of programs to align with Red Tape Reduction initiatives, the Agri-food Sector Investment and Growth Strategy, and Alberta's Recovery Plan. This included Minister-led stakeholder engagement sessions to determine potential program changes. The proposed changes are expected to reduce administrative burden and regulatory requirements by streamlining application processes and consolidating programs. The relaunch is expected to be in place for the 2021-22 year, and will result in the reduction of approximately 500 regulatory requirements, faster processing times, and administrative efficiencies.

1.4 Develop and implement a strategy to attract \$1.4 billion in investments over the next four years, enhance value-added processing, and grow agriculture and agri-food exports. This growth strategy will have the potential to create 2,000 jobs in key sectors such as canola processing, pork industry, plant protein, greenhouse, food processing malt industry, agri-technology, and other emerging sectors.

This key objective describes the ministry's work to develop and implement the Agri-food Sector Investment and Growth Strategy to increase the value of the agriculture and agri-processing sector in Alberta's economy and enable business success by:

- attracting investment;
- increasing exports; and
- expanding irrigation infrastructure.

Details reported in this key objective are limited to the ministry's work on investment attracted to value-added processing in 2020-21. Information on the ministry's work to increase exports in 2020-21 is reported under Key Objective 1.1, and work to expand irrigation infrastructure is reported under Key Objective 3.2.

The Agri-food Sector Investment and Growth Strategy was approved by Cabinet in July 2020. Results toward the achievement of investment and jobs goals will be reported as a key ministry performance measure in Agriculture and Forestry annual reports, beginning in 2021-22. The Agri-food Sector Investment and Growth Strategy identified eight priority sectors with growth potential for targeting investment activity:

- canola processing;
- pork processing;
- plant protein;
- emerging sectors (hemp, cannabis, bio-products/materials);
- greenhouse production;
- grain processing;
- agri-technology; and
- other food processing.

In 2020-21, Agriculture and Forestry facilitated investments through 59 projects in the emerging sectors, plant protein fractionation, greenhouse production, grain processing, and other food processing priority sectors.

These agriculture and agri-food investments are crucial to the creation of jobs and economic diversification. In 2020-21, an Alberta-based value-added food processor of appetizers and entrees committed to build a 100,000 square foot facility, which is on track to be completed in summer 2021. By investing in state-of-the-art manufacturing and research and development activities, the company will almost double its current production. Agriculture and Forestry enabled this project through a concierge approach that combines a unique blend of expertise, including introductions and meetings with financial institutions, virtual meetings to discuss development permits, sharing funding program opportunities, and support to purchase new production and automation equipment through CAP PMGD programs. The project is expected to lead to the creation of 150 jobs.

Agriculture and Forestry collaborated with Jobs, Economy and Innovation and the Invest Alberta Corporation to implement a concierge service model that aligns with the Government of Alberta's

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority 1:

Supporting job creation

Objective 5:

Revitalizing and sustaining key industries

Action:

Develop and implement a strategy to attract investment, enhance value-added processing and increase agriculture and agri-food exports.

Results:

- As part of a larger government growth and investment strategy, the ministry developed and implemented the Agri-food Sector Investment and Growth Strategy.
- The Agri-food Sector Investment and Growth Strategy targets include:
 - Attract \$1.4 billion in investments and create 2,000 jobs in the agri-food sector by 2023-24.
 - Grow primary agriculture commodities exports by 7.5 per cent annually.
 - Grow value-added agriculture products exports by 8.5 per cent annually.
- In 2020-21, Agriculture and Forestry facilitated \$359 million in investment in the agri-food sector. This investment is expected to lead to the creation of 1,147 full and part-time jobs.
- Primary agriculture commodities exports grew by nine per cent in 2020.
- Value-added agriculture product exports grew by five per cent in 2020.

Investment and Growth Strategy. The model is a client-centric approach that provides investors with a single access point to government programs and services to encourage value-added investment by reducing or eliminating potential and existing obstacles to invest in Alberta.

COVID-19 restrictions, such as border closures and restricted travel, have disrupted Agriculture and Forestry's investment attraction activities. Foreign investors have been unable to travel to Alberta and domestic companies have been less inclined to make investment decisions to establish new operations or expand existing operations in an uncertain environment.

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

This key objective describes the activities undertaken by AFSC to provide Alberta producers with insurance coverage to assist in managing risks associated with livestock and crop production.

AFSC is the provincial Crown corporation responsible for providing agricultural insurance and income stabilization products to Alberta's crop and livestock producers. Programming under the CAP Business Risk Management suite, including AgriInsurance, AgriStability, AgriRecovery, and AgriInvest, help producers mitigate the inherent risks of farming.

In 2020-21, COVID-19 had a significant impact on Alberta's producers, most notably in increased expenses related to production backlogs and market disruptions. The closure of numerous processing plants caused more than 130,000 slaughter-ready cattle to accumulate on farms, and producers were faced with the extraordinary cost of keeping these cattle on maintenance rations. In June 2020, a joint \$43.2 million Canada-Alberta AgriRecovery initiative was launched to help compensate producers who were required to hold slaughter-ready cattle on site. AgriRecovery is a federal-provincial disaster relief framework to help producers with recovery costs following natural disaster events. This initiative contained two components:

- Fed Cattle Feed Assistance: a retroactive payment for cattle set aside from May 1, 2020 to June 30, 2020. A total of 251 producers received more than \$12 million for 324,729 head through Fed Cattle Feed Assistance.
- Bid Set Aside: a retroactive payment for cattle set aside starting June 29, 2020. As of March 31, 2021, a total of \$10.7 million had been paid to producers through the Bid Set-Aside. An additional \$5 million will be paid upon proof of retirement of eligible animals.

In March 2021, the \$4 million Canada-Alberta Hog Recovery initiative was launched to support Alberta's hog producers facing similar backlogs due to COVID-19 related processing plant closures. The initiative provided \$0.95 per animal per day to hog producers owning market-ready hogs intended for processing between February 8 and March 31, 2021, held back from shipping due to reduced processing capacity. A total of 53 producers received \$652,987 for 95,091 head through the hog recovery initiative, and an additional \$535,182 was provided as a provincial top up by the Government of Alberta.

In addition to AgriRecovery programming, AFSC extended the AgriStability deadline from April 30 to July 3, 2020, allowing producers more time to sign up and manage COVID-19 related impacts. AgriStability is an income support program that provides agricultural producers with protection against large declines that threaten the viability of their farm and are beyond their capacity to manage. The interim payment under AgriStability was increased from 50 per cent to 75 per cent to assist the hard-hit hog and potato industries by putting cash back into the hands of producers. The hog industry has faced low pig prices and higher farm costs, and the potato industry has been impacted by low sales due to the closure of dine-in service at restaurants.

In 2020-21, AFSC approved a 20 per cent discount on AgriInsurance premiums to begin in 2021-22. This discount has the potential to save up to \$55 million in annual producer premiums. AgriInsurance provides cost-shared insurance against natural hazards to reduce the financial impact of production or asset losses.

The following table represents the 2020-21 actual expenditures for the insurance coverage provided by the AFSC under this key objective, which was budgeted at \$405.5 million¹.

AFSC AgriInsurance Initiative (Outcome 1: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Annual and Perennial Crops	\$778.9
AgriInsurance	\$720.6
Hail Insurance	\$27.2
Wildlife Insurance	\$31.1
Western Livestock Price Insurance	\$69.3
Total	\$848.2

The more than \$440 million increase in indemnifications for crop insurance in 2020-21 is attributed to:

- over one million insured unharvested acres from the previous crop season, and excessive spring moisture resulted in 560,000 acres reported as unseeded, which triggered unseeded acre benefits payments three times higher than the average from the prior five years;
- intense hail storms resulted in higher losses which caused hail claims to increase by approximately 20 per cent over the average from the prior five years; and
- excessive spring moisture impacted crop yields which caused crop insurance payments to increase by more than 20 per cent from the average payments for the prior five years.

As of March 31, 2021 AFSC had insured 14.9 million annual crop acres and 7.4 million perennial crop acres through AgriInsurance for the 2020 crop year. A total of 8,330 claims were made for annual crops, resulting in payment of \$688.9 million. There were 1,278 total claims for perennial crops, resulting in payments of \$31.8 million. Several adjustments were made to AgriInsurance for the 2020 crop year to increase coverage scope and improve client services.

The Hail Insurance Program provides protection for spot-loss damage to viable annual crops or perennial crops (excluding pasture) caused by hail, accidental fire, and fire caused by lightning. In 2020-21, a total of 766 claims were reported, resulting in payments of \$21.6 million. Producers in northern Alberta have continued to face challenges due to consecutive years of excessive moisture. In 2020-21, AFSC offered producers a refund on hail premiums due to non-viable (i.e. where the possible crop yield is not considered worth the cost of harvesting) insured acres resulting from this excessive moisture through two programs. Under Hail Endorsement, 718 client applicants reported 212,238 non-viable insured acres resulting in estimated premium refunds of more than \$1.8 million. Under Straight Hail Insurance, 152 client applicants reported 38,269 non-viable insured acres resulting in premium refunds of \$397,405.

The Wildlife Damage Compensation Program compensates agricultural producers for losses to eligible unharvested crops due to migratory waterfowl, big game animals, and upland game birds.

¹ Budget includes inter-entity transactions.

All costs for this program are paid by the Government of Canada and provincial governments; producers pay no premium or administration cost except for the appraisal fee. Beginning in September 2020, all wildlife damage became reportable through AFSC Connect, AFSC's online business management platform. In 2020-21, a total of 710 claims were reported, resulting in payments of \$8.3 million.

The Western Livestock Price Insurance Program provides coverage to eligible cattle and hog producers against declines in market place volatility and falling prices. In 2020-21, 2,207 policies were purchased with \$2.9 million of indemnities paid as of March 31, 2021.

Changes to AgriStability for the 2020 program year included the elimination of private sector insurance from the program year margin, meaning producers no longer have their AgriStability benefits reduced if they receive payments from private insurers. This change encourages producer participation in insurance products generally, private sector or otherwise, to mitigate agricultural production risks. As of March 31, 2021, AFSC had processed 5,507 of the 8,573 claims received for the 2019 program year and had paid out 1,192 claims for a total of \$68.4 million. The total payment through AgriStability for the 2019 program year will increase as the remaining claims are processed. As producer's tax information is required to process an AgriStability claim, reporting under this program is a year behind other programs reported in the 2020-2021 Annual Report.

Throughout 2020-21, AFSC actively engaged with producers and industry groups to best represent the interests of industry and support FPT discussions through the exploration of new BRM programming. In November 2020, the Government of Canada proposed short-term enhancements to the AgriStability Program. At the FPT meeting on March 25, 2021, all jurisdictions approved removing the reference margin limit from AgriStability for the 2020, 2021, and 2022 program years. As a result, AFSC has taken immediate action to undertake necessary system changes to effectively deliver the announced program changes to clients.

1.6 Transition to a farmer-led agricultural research model.

This key objective reflects the process undertaken by the ministry to transition to Results Driven Agriculture Research (RDAR), the new agriculture research model announced in 2020 to deliver on the government commitment that farmers, not government, should set the agricultural research priorities in Alberta. The new model is expected to increase competitiveness and profitability of Alberta's agriculture industry.

Government has committed to maintain annual funding to RDAR at \$37 million per year. Going forward, programs under the CAP Science and Research priority area and the Strategic Research and Development Grant Program will be transferred to RDAR.

In 2020-21, an additional \$1.4 million in grant funding was provided through the CAP Science and Research priority area to support the transition and RDAR's initial start-up and operating costs. RDAR was established as a non-profit corporation under the *Canada Not-for-Profit Corporations Act* in July 2020, and was officially launched in October 2020. The organization's goals include:

- being a highly respected, forward thinking leader in agriculture research funding;
- investing in producer-led research priorities;
- ensuring knowledge transfer;
- using resources efficiently; demonstrating fiscal responsibility;
- enhancing collaboration and optimizing research capacity;

- practicing intentional and effective communication;
- reflecting a responsive and respectful governance model; and
- maximizing commercial benefit of intellectual property.

In fall 2020, Agriculture and Forestry initiated the process of transitioning research to post-secondary institutions. Over the long term, RDAR will assume ongoing responsibility for the funding agreements with these institutions.

- The University of Calgary Faculty of Veterinary Medicine received a grant to launch a three-year pilot to expand its livestock diagnostic service unit. This investment will create animal disease and diagnosis welfare capacity at the university to provide pathology, bacteriology, and other testing services to the province's veterinarians.
- An agreement was reached to give Olds College access to the Field Crop Development Centre and the Barley/Triticale Research Program.
- Lethbridge College was given access to the Alberta Irrigation Technology Centre and the Brooks Greenhouse.
- An agreement was reached to transfer the Beef Genomics and Feed Efficiency, Reproductive Management in Beef and Dairy Cattle, and Poultry Innovation programs to the University of Alberta.
- Priority research programs, including Apiculture and Pollination, Specialty Crops and Irrigation Research, and Vegetable Irrigation and Potato Production, as well as a variety of research studies supporting the beef industry were transferred to the University of Lethbridge.
- In January 2021, an agreement was reached to transfer the Pulse Research and Beef Production Systems programs to Lakeland College.

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority 1:

Supporting job creation

Objective 5:

Revitalizing and sustaining key industries

Action:

Implement farmer-led research to ensure that farmers, not government, set key agricultural research priorities.

Results:

- Results Driven Agriculture Research (RDAR) was announced March 30, 2020 as a non-profit, arm's length agriculture research organization that ensures agricultural research reflects the priorities of farmers and ranchers. It is now fully operational.
- Agriculture and Forestry will provide RDAR with \$37 million annually for ten years to fund pure and applied research for the crop and livestock sectors in Alberta.
- In early 2021, RDAR announced \$7 million in grant funding decisions to support 117 agricultural research projects.
- In February 2021, a permanent board of directors was elected by member organizations, and Dr. Mark Redmond was appointed as the Chief Executive Officer.

RDAR has four research priority areas:

- enhanced productivity, profitability and competitiveness;
- sustainable and responsible agricultural production;
- market demands: food safety, quality, value-added products and diversification; and
- extension and knowledge transfer.

In October 2020, RDAR began its inaugural targeted research call for \$4 million in the priority areas of enhanced productivity, profitability and competitiveness, and sustainable and responsible agricultural production. A total of 117 research proposals were submitted in response to this call. In late January 2021, RDAR announced that funding decisions from this call had been determined. Due to the positive response, RDAR also announced its intention to allocate an additional \$3 million to fund these successful research projects.

RDAR's voting membership are either farmer-led marketing boards or commissions established under the *Marketing of Agricultural Products Act*, or not-for-profit farmer-led associations whose members are from organizations representing Alberta agriculture producers. RDAR is now fully operational. Agriculture and Forestry has finalized its transition out of research following the successful completion of all anticipated agreements in 2020-21.

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				2020-21 Target	2020-21 Actual
2016-17	2017-18	2018-19	2019-20		
315	218	401	433	280	383

Source: Agriculture and Forestry

Note: The result for 2019-20 has been revised to 433 to reflect the addition of 131 value-added agriculture products that were introduced into the marketplace in 2019-20 but were not validated before publication of the 2019-20 Agriculture and Forestry Annual Report. These additional products were declared in 2020-2021 due to the CAP grant programs allowing reimbursement for product development activities dating back to April 1, 2019.

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

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

Result and Variance Explanation: A total of 383 new value-added products were developed and introduced to market with assistance from Agriculture and Forestry in 2020-21. The actual result is 37 per cent higher than the forecasted target. The improvement in performance is due in part to continued uptake of the ministry's product development and commercialization programs, and

short term consultancy services provided to agri-processors. CAP-funded product development and commercialization programs provided grants to develop and commercialize 88 per cent of the new value-added products.

The 2020-21 result declined by 12 per cent compared to the prior year's result due to slowdown of the economy and sales expectation of agri-processors due to the COVID-19 pandemic. In periods of downturn in the economy, agri-processors usually cut back on development of new value-added products and reformulate existing value-added products. Reformulated products are not reported under this measure.

Key categories of products developed include:

- Food products and beverages (e.g., meat products, packaged entrees, salad dressings, flavoured water, fruit juices, and beer varieties);
- Specialty food products (e.g., vegan dairy products, keto bread, and artisanal cheese);
- Personal care products (e.g., hand sanitizer);
- Bio-fibre products for industrial applications in energy, transportation and agriculture;
- Cannabis oil concentrate for cannabis-based food and beverage products; and
- Specialty pet health foods (e.g., hemp-based nutraceuticals and treats).

Performance Measure 1.b:

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

Crops Under Production Insurance	Prior Years' Results				Target 2020	Actual 2020
	2016	2017	2018	2019		
Annual Crops	77%	71%	71%	73%	73%	71%
Perennial Crops	29%	28%	28%	29%	30%	29%

Source: Statistics Canada and Agriculture Financial Services Corporation

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

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

Result and Variance Explanation: In the 2020 calendar year, AFSC provided Production Insurance coverage for 14.9 million out of the estimated 21 million seeded acres for annual crops in Alberta, a 71 per cent uptake of annual crops insured under Production Insurance. This result is two per cent lower than the target and the prior year's result, due to:

- reduction in the insured seeded acres for annual crops due to excess moisture in late spring that prevented seeding in some parts of the southern Peace and north regions of the province. Approximately 560,000 acres were reported unseeded as of June 20, 2020; and
- weather challenges during the 2019 crop year that resulted in over one million acres of the 2019 crop remaining unharvested until the spring 2020.

In the 2020 crop year, Production Insurance claims for annual crops (including hail endorsement) totalled \$688.9 million and claims for perennial crops totalled \$31.8 million.

In the 2020 calendar year, AFSC provided Production Insurance coverage for 7.4 million out of the estimated 25.3 million seeded acres for perennial crops in Alberta, a 29 per cent uptake of perennial crops insured under Production Insurance. This result is identical to the preceding calendar year result and one per cent lower than the target, which is primarily due to good soil moisture reserves, considered near or above normal for most of the province in early 2020.

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

In total, perennial crop producers insured a combined \$348.1 million in risk and made claims totaling \$31.8 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 Indicator 1.c:

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

Prior Years' Results				Actual 2020-21
2016-17	2017-18	2018-19	2019-20	
69.9	139.9	125.9	99.2	413.6

Source: Agriculture and Forestry

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

Rationale: This indicator measures the economic benefits of Crown timber 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.

Result and Variance Explanation: In 2020-21, provincial revenues collected from royalties, rentals, and fees from timber harvested on Crown lands reached \$413.6 million, an increase of 317 per cent over the prior fiscal year's revenue of \$99.2 million. The increase was driven by a combination of:

- record high prices for lumber, panels, and plywood driven by increased demand for timber-based products for home renovation and housing construction for several months in 2020-21;
- Alberta mills running at their full operating capacities; and
- continued appreciation of the U.S. dollar for several months in the year; as forest product prices are denominated to the U.S. dollar, a strong U.S. dollar drove prices in Canadian dollars higher.

The breakdown of timber royalties and fees in 2020-21 was:

- timber royalties - \$401.7 million
- timber damage - \$6.3 million
- timber holding protection and penalties - \$5.6 million

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

Performance Indicator 1.d:

Alberta's agri-food exports by sector (\$ millions)

	Prior Years' Results				Actual 2020
	2016	2017	2018	2019	
Primary Agriculture Commodities	4,957	6,141	5,808	5,272	5,757
Percentage Growth	-8%	24%	-5%	-9%	9%
Value-Added Agriculture Products	5,036	5,584	6,074	6,372	6,669
Percentage Growth	5%	11%	9%	5%	5%
Total Agri-Food Exports	9,993	11,725	11,881	11,644	12,426
Percentage Growth	-2%	17%	1%	-2%	7%

Source: Statistics Canada and Agriculture and Forestry (results current as of May 12, 2021).

Description: This indicator tracks the type, monetary value and growth of Alberta's agri-food exports and provides an indication of whether there is a shift from primary commodities to value-added products exports. Primary commodities are products that are in a raw or unprocessed state, such as crops or livestock. Value-added products involve refining primary commodities to increase value, such as turning raw canola into canola oil or processing cattle into beef.

Rationale: Diversification of export products contributes to industry growth and the provincial economic recovery. 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. 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.

Result and Variance Explanation: In 2020, Alberta's total agri-food exports set another record at \$12.4 billion, of which value-added products accounted for 54 per cent of the total. Revenues from exports of value-added products and primary commodities both increased. Revenues from total agri-food exports in the first six months in 2020 were slightly below the values from the corresponding period in 2019 likely due to the effect of COVID-19 restrictions on transportation logistics, but they rebounded significantly in the second half of 2020 driven by increased shipments of canola seed, wheat and beef products.

Revenues from exports of primary commodities, at \$5.8 billion, increased by nine per cent from 2019, primarily due to the rebound in exports of canola seed and wheat to China and new growth markets in France, Netherlands, United Arab Emirates, Germany, Bangladesh and Peru. Exports of canola seed and wheat, the two largest primary agriculture commodities, combined grew by 28 per cent to \$4 billion due to the increased shipments. Despite the significant growth, primary commodities accounted for less than one-half (46 per cent) of Alberta total agri-food exports.

Revenues from exports of value-added products, worth \$6.7 billion, grew five per cent over the previous calendar year continuing the upward trend in results over the past seven consecutive years. The increase was driven by larger shipments of crude canola oil, pork, beef, and prepared animal feeds to the U.S. and China. For example, the export values of beef, the largest value-added agricultural product, grew three per cent to a record \$2.5 billion. The higher prices of beef products surpassed lower shipments, causing the overall increase in revenues from beef exports.

Overall, in 2020, value-added exports continued to outpace primary commodity exports in terms of percentage share of total agri-food exports.

Performance Indicator 1.e:

Alberta's forest products exports by sector (\$ millions)

	Prior Years' Results				Actual 2020
	2016	2017	2018	2019	
Primary Solid Wood	3,045	3,358	4,047	3,408	3,888
Percentage Growth	4%	10%	21%	-16%	14%
Value-Added Timber-Based Products	91	106	120	160	116
Percentage Growth	-2%	17%	13%	34%	-27%
Total Forest Products Exports	3,136	3,464	4,167	3,568	4,005
Percentage Growth	4%	10%	20%	-14%	12%

Source: Statistics Canada; Agriculture and Forestry (results current as of April 2021).

Description: This indicator measures the value, type, and growth of Alberta's primary and value-added products exports into international markets. Primary solid wood products involve the conversion of harvested timber logs into: sawmill and wood preservation products, veneer, plywood and engineered wood products, and pulp, paper and paperboard mills. Examples include: boards, dimension lumber, timber, poles, pulp, softwood and hardwood veneer and plywood; reconstituted wood sheets and boards; medium density fiberboard (MDF); oriented strand board (OSB), and paper or paperboard. Value-added timber-based products are created through the secondary manufacturing of primary solid wood products into manufactured wood products and manufactured paper products. Examples include: millwork (stair treads, shelving, doors, mantels, etc.), wood container, prefabricated wood building components, mobile homes components, paperboard containers, paper bags, and stationery products.

Rationale: Exports are an important indicator to Alberta's forest economy. Understanding the change in forest product exports is critical to understanding the markets in which Alberta's forest industry operates.

Result and Variance Explanation: In 2020, Alberta's forest products exports reached \$4.0 billion, an increase of 12 per cent over the 2019 result of \$3.6 billion. Increased sales of lumber and panels contributed to the increase.

The growth in actual revenues from forest products exports varies by type of forest products. Revenues from exports of primary solid wood products, worth nearly \$3.9 billion, grew by 14 per cent over the previous year, primarily due to record high prices of lumber, panels, and plywood driven by increased demand for primary solid wood products for home renovation and housing construction. In 2020, revenues from exports of value-added timber-based products, at just under \$116 million, declined by 27 per cent compared to the year before. The lower shipments (values and quantities) of prefabricated wood building products contributed to the decline.

Outcome 2: Public Health and Safety

This outcome focuses on the ministry's commitment to safeguard communities from the negative impacts of wildfires, and ensure the regulatory systems that support food safety and animal health effectively protect human health and maintain public trust. The key objectives aim to strengthen ministry assurance systems and evidence-based policies, and improve the ability to anticipate, detect, prevent, respond to, and recover from wildfires and other agriculture-related health and safety risks to Albertans.

In 2020-21, the ministry identified three key initiatives that helped make progress toward achieving public health and safety:

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

Key Objectives

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

This key objective describes the ministry's continuing work to provide strategic direction and budget funding for FireSmart program initiatives throughout the province. FireSmart is essential to the department's ability to achieve Alberta's wildfire management priorities. For this reason, Agriculture and Forestry increased FireSmart funding by \$20 million in 2020-21 to prepare for the wildfire season during the COVID-19 pandemic.

The following table represents the 2020-21 actual expenditures for the FireSmart Program administered by the ministry under this key objective.

Wildfire Management and Preparedness Initiative (Outcome 2: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
FireSmart Total	\$21.8

Note: Table 1 of 2 providing actuals for the wildfire management and preparedness initiative (total budget allocation: \$102.4 million including inter-entity transactions, plus \$25.0 million in-year funding approval for COVID-19 initiatives and \$0.5 million for National Aerial Firefighting Training Simulation System, less \$0.1 million in-year savings).

In 2020-21, Agriculture and Forestry spent more than \$1.3 million of its base budget to directly fund 17 FireSmart projects and five prescribed burn projects in Alberta's 10 Forest Areas. These

projects included the completion of FireSmart and prescribed fire planning in the Bow Valley Corridor to address the complex wildfire and vegetation management issues in this popular area. FireSmart vegetation management occurred at numerous locations throughout the province, including the River Road rural subdivision of the Rocky Mountain House Forest Area, and adjacent to the towns of Rainbow Lake and Fox Creek. Additionally, a number of FireSmart educational activities occurred in various communities, including Fort McMurray. Overall, FireSmart activities that occurred in 2020-2021 have resulted in enhanced community safety and created contract employment throughout Alberta.

The FireSmart program focuses on public safety and consists of a set of prevention measures designed to assist communities in reducing wildfire hazard and risk and mitigate the potential for wildfire loss and damage. Activities undertaken to mitigate and prepare for wildfire, such as education and vegetation and fuel management, help improve suppression capability, increase firefighter safety, and protect Albertans, their homes and communities, critical infrastructure, and natural resources from the threat of wildfire. Through participation in targeted FireSmart programming, homeowners, communities, and industrial operators improve their resilience to wildfire events. In 2020-21, a total of \$21.8 million was allocated to FireSmart programming through grants to five different organizations, representing an increase of \$14 million over 2019-20.

The Forest Resource Improvement Association of Alberta (FRIAA) is a delegated administrative organization that allocates FireSmart funding to eligible communities and organizations throughout Alberta for the implementation of FireSmart initiatives. In 2020-21 the organization received a grant for \$1.5 million to support communities in carrying out activities aimed at reducing the threat of wildfire. Funding supported a total of 52 community-based FireSmart projects including:

- Eight public education and outreach projects;
- 15 emergency planning projects;
- 11 interagency and cooperation and cross training exercises; and
- 18 vegetation management projects.

A total of \$20 million was allocated to FRIAA to administer the new Community Fireguard Construction Program (CFCP) in 2020-21. This program is intended to support the provincial FireSmart program by funding the construction of community fireguards that provide for enhanced public safety and improved protection of at-risk communities. In September 2020, communities were invited to submit proposals for funding under the CFCP, and by December 2020 all available grant funding was allocated. In total, 13 communities received funding to undertake community projects which are expected to construct approximately 2,712 hectares of fireguard.

In June 2020, FireSmart Alberta, a provincial chapter of FireSmart Canada, was established as a registered arm's length, not-for-profit organization. In response to the first recommendation in the Spring 2019 Wildfire Review, a FireSmart committee was established under FireSmart Alberta to inform strategic and collaborative actions to measurably improve FireSmart programming in the province. A grant for \$200,000 was provided to Community Wildfire Resilience Association of Alberta in late 2020-21 to review FireSmart programming and implement local solutions to help mitigate the risk to Albertans and their communities from wildfire. Results from the implementation of these community-based projects will be provided in the ministry's annual reports beginning in 2021-22.

Agriculture and Forestry continued to collaborate with FireSmart Canada on the development and implementation of public information and education initiatives in Alberta. In 2020-21, a grant for \$100,000 was provided to FireSmart Canada for programming focused on communities and homeowners. Several informational videos were developed to help homeowners prepare for

imminent wildfire events and understand the simple actions that can be taken to reduce the risk of wildfire damage to property. Similarly, the Farm and Acreage Guide to Reducing the Risk from Wildfire was developed to provide farm, ranch, and acreage owners with information on proactive actions to prevent wildfire, and actions to minimize damages, losses, and injuries in the event of an approaching wildfire.

The Indigenous Services Canada Wildfire Management Services Agreement is a 10-year agreement between the ministry and the Government of Canada that allows for the distribution of up to \$1.5 million annually to support FireSmart initiatives on Indigenous peoples' lands in the Forest Protection Area. In 2020-21, \$1.3 million was allocated to support 20 FireSmart, prescribed fire, and general wildfire prevention projects in Indigenous communities.

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

This key objective reflects Agriculture and Forestry's ongoing oversight work to detect possible threats to human and animal health. The key objective also describes the activities undertaken to enhance public and consumer confidence in the measures implemented by industry and government to mitigate and reduce the risk of threats to public health and food safety.

COVID-19 had a significant impact on agricultural producers and food security in 2020-21. Alberta hog producers were particularly hard hit, facing extraordinary costs due to temporary processing plant closures. To support hog producers and help mitigate these costs, additional funding of \$1.0 million was provided to Alberta Pork to defray the costs associated with market diversions. The funding also provided planning capacity to assist the Alberta swine industry the backlog of hogs that were unable to be shipped. In response to COVID-19, the ministry introduced the Agriculture Training Support program under the CAP Risk Management priority area in May 2020. Approximately \$806,000 was provided to 45 agriculture and horticulture applicants to offset the costs associated with COVID-19 training and to ensure safety protocols were in place for new hires. Ministry-led disease planning shifted to a virtual environment in 2020-21 due to COVID-19, and in-person emergency disease response exercises were delayed. Collaborative, cross-ministry work on health issues, such as antimicrobial resistance, was also delayed. Some processors were unable to invest in food safety initiatives, as originally planned in their grant applications, leading to project delays and the inability to achieve intended outcomes.

Although cross-ministry work to develop and implement animal health policies and programs to address antimicrobial resistance was delayed in 2020-21, Agriculture and Forestry is continuing to address the risk of antimicrobial resistance by engaging with other organizations, including the Council of Chief Veterinary Officers and the National Farmed Animal Health and Welfare Council. The ministry has also collaborated with western Canadian colleagues to establish a Western Canadian Animal Health Network to ensure there is a more coordinated approach to addressing antimicrobial resistance.

The programs under the CAP Risk Management priority area assist in improving the agriculture sector's anticipation, mitigation, and preparedness for risks that could have a major financial impact or affect the health and safety of Albertans. In 2020-21, Agriculture and Forestry delivered five programs under this priority area:

- Under the Animal Health Risk Mitigation program, approximately \$418,000 was provided to eight industry organizations to undertake projects in three key areas:
 - Implementing established national standards of species-specific biosecurity practices in Alberta.

- Increasing industry awareness and knowledge of current and emerging livestock disease risks and the implementation of mitigation measures to reduce risk in Alberta.
- Developing plans to reduce and mitigate current and emerging animal disease risks in Alberta.
- Under the Food Safety Risk Mitigation and Surveillance programs, more than \$445,000 was provided to 23 processors for:
 - projects that enable Alberta's food processors to plan and implement improved food safety measures and standards in their facilities; and
 - projects intended to increase the early detection of existing and emerging foodborne hazards affecting public health.
- Under the Animal Health Surveillance program, more than \$476,000 was provided to seven industry organizations to undertake projects to increase the early detection of existing and emerging livestock diseases and other risks affecting animal and public health, including continuing to enhance diagnostics capacity in the province.
- Under the Animal Health Emergency Preparedness program, more than \$49,000 was provided to eight municipalities and industry organizations to undertake projects to improve industry and regional authorities' capacity and readiness to prepare and respond to emergencies that could negatively impact human and animal health, and cause significant economic losses for Alberta's agriculture and food industry. Funding provided through this program decreased by nearly 96 per cent in 2020-21 and was diverted to support other emerging priorities. The inability to host in-person emergency exercises due to COVID-19 also contributed to the decrease.

Alberta saw a three-fold increase in the number of chronic wasting disease cases in the farmed cervid sector in the 2020 calendar year, from three positive tests to 10, likely related to contaminated feed sources in the wild cervid population. Agriculture and Forestry is working with the cervid industry to raise awareness and improve biosecurity to mitigate against this risk.

The ministry made significant advances in its African swine fever preparedness through collaborative work with Alberta Pork and the Canadian Food Inspection Agency in 2020-21. The Western Canadian response drill was successfully carried out in December 2020 to test incident command structure and communications across jurisdictions. This drill enhanced planning efforts for welfare cull destruction and disposal, and highlighted the potential financial pressures the industry could face in disease outbreak scenarios.

Protecting Animal Welfare

The Biosecurity Regulation, under the *Health of Animals Act* came into force on December 5, 2019 to protect against unauthorized entry to animal holding areas.

In 2020-21, a three-year agreement was reached between the governments of Canada and Alberta to invest more than \$3.4 million in a pilot project to expand critical animal health diagnostics at the University of Calgary's Faculty of Veterinary Medicine. This will create animal disease and diagnosis capacity at the university, which will provide diagnostic pathology, bacteriology, and other testing services to the province's veterinarians. These services will also include microbiological testing to support effective use of antimicrobials in livestock rearing. The enhanced diagnostic services were rolled out to the livestock industry in October 2020.

The ministry's crop health monitoring programs and activities reduce the risk to Alberta's crop production systems, including bee industry production systems. The following table represents the 2020-21 actual expenditures for the ministry's livestock and crop health monitoring programs and activities under this key objective, which was budgeted at \$14.3 million. The \$3.1 million variance is primarily due to costs associated with workforce adjustments.

Crop and Livestock Health Monitoring Initiative (Outcome 2: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Livestock Health Monitoring, Surveillance, and Disease Investigations	\$11.4
Crop Health Monitoring, Surveillance, and Disease Investigations	\$6.0
Total	\$17.4

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

This key objective reflects the oversight work done to proactively identify and mitigate food safety issues in provincially licensed meat and dairy facilities.

Agriculture and Forestry works to protect public health by providing oversight in provincially licensed meat and dairy facilities. Inspection, surveillance and testing, and outreach activities build public confidence and help the ministry to increase awareness of food safety risks and share mitigation strategies to address these risks. Surveillance programs inform science and evidence-based outreach, policy and inspection decisions. Evidence-based inspection decisions are prioritized based on the risk to public health. Emergency response policies and protocols are essential to the timely response and successful management of foodborne illness outbreaks. Effective emergency management minimizes potential declines in market sales and public confidence.

The following table represents the 2020-21 actual expenditures for the ministry's food safety programs and activities under this key objective, which was budgeted at \$12.6 million.

Food Safety Initiative (Outcome 2: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Lab Testing	\$5.2
Surveillance and Outreach	\$0.8
Inspection	\$7.3
Total	\$13.3

COVID-19 had a significant impact on the meat processing industry in 2020-21, causing the ministry to introduce new processes and modify existing processes in support of staff safety and business continuity. Thirty-eight of the 65 licensed poultry and meat plants at Hutterite colonies and one licensed red meat plant experienced a COVID-19 outbreak requiring joint follow-up from the ministry and Alberta Health Services (AHS). The formal closure of several federal slaughter facilities in 2020-21 resulted in increased slaughter backlog volumes. To help mitigate market disruptions due to these outbreaks, two agreements were developed: a Business Continuity Agreement with AHS and the Canadian Food Inspection Agency (CFIA); and a Meat Inspection Resource Sharing Agreement with the CFIA. Considerable time and resources were devoted to the development and implementation of these two agreements. As part of the Meat Inspection Resource Sharing Agreement, ministry meat inspectors provided 30 days of inspection in federally-licensed meat facilities, allowing these facilities to continue operating when CFIA inspectors were not available. Overall, an additional 70 inspection days and more than 350 additional hours of inspector overtime helped to maintain the food supply chain in Alberta and ultimately support Alberta's economic recovery. Four additional meat inspectors were hired to manage the increased workload. Despite COVID-19-related issues, the ministry was able to provide uninterrupted inspection services for the 160 provincially licensed and inspected meat and 14 dairy facilities in 2020-21.

The ministry's Meat and Dairy Inspection Section conducted COVID-19-related occupational health and safety inspections at 102 ministry licensed meat facilities to assess the safety of inspection

staff. In addition, extensive cross training took place in laboratories to mitigate against potential backlogs due to staff absences.

The Meat Inspection Regulation was amended in July 2020 following extensive consultation with industry and stakeholders. A line-by-line review of the regulation identified opportunities to reduce red tape, improve clarity, and become more outcome-based in more than 40 areas. Amendments to the regulation resulted in a net reduction of 16 regulatory requirements and provided more flexibility for industry and consumers while ensuring food safety and animal welfare standards are maintained. Changes include:

- Increased licensing options for personal use slaughter. Consumers now have the ability to purchase a live animal directly from a farm or ranch and have it slaughtered and processed on-site to take home for their personal consumption. This will result in costs savings for producers, and will open up more local, farm-direct opportunities to Albertans. As of March 31, 2021, 180 On-Farm Slaughter Operations were licensed and 728 animals including poultry, sheep, goats, cattle, elk, bison and hogs, were slaughtered.
- Allowance for Agriculture and Forestry licensed meat facilities to salvage and sell inspected meat by-products. Abattoirs are now able to expand into markets that use meat by-products for human consumption, pet food, and wildlife bait. This change will decrease animal wastage and create a new potential revenue stream for meat processors.
- Allowance for the use of video pre-slaughter inspections in emergency situations, such as unexpected animal injury. In an emergency, abattoirs will not have to wait for an appointed inspector to arrive in person on-farm to perform an inspection when animal welfare is at stake. The provisions allowing for video pre-slaughter inspections will come into force January 1, 2022.

Amendments to the Meat Inspection Regulation support economic recovery and make it easier for businesses to succeed in Alberta while achieving food safety, animal health, and animal welfare outcomes. These changes also demonstrate government's willingness to respond to the increased demand for access to local food.

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

This key objective reflects activities undertaken for wildfire management, presuppression, and response to protect Albertans, forest resources, and communities from the risks of wildfire. The ministry continues to explore ways to improve the effectiveness and efficiency of fighting wildfires.

The 2020 wildfire season was relatively quiet due to the diligence of Albertans, effective wildfire preparedness, and substantial rainfall in many areas of the province. In 2020-21 the wildfire season coincided with the beginning of the COVID-19 pandemic. As such, Agriculture and Forestry introduced proactive measures to mitigate the impacts of COVID-19 for the 2020 wildfire season, including:

- adopting strict health and safety protocols at wildfire camps to ensure staff safety;
- introducing an early fire ban in the Forest Protection Area and in Alberta Parks;
- implementing OHV restrictions;
- doubling the fines for disobeying fire bans and OHV restrictions; and
- investing \$5 million to hire an additional 200 firefighters.

Alberta Wildfire Status App

Launched in March 2020, the app provides easy access to the most up-to-date information on wildfire in Alberta. Albertans can see where wildfires are burning in real time, and be notified of area specific hazards.

Agriculture and Forestry's strict adherence to health and safety protocols was successful; there were no confirmed cases of COVID-19 among firefighters during the 2020 wildfire season. In addition, due to the relatively quiet fire season, Alberta sent firefighters to other jurisdictions to assist with their wildfire operations. Sixty-one firefighters and support staff were sent to Quebec; three to Northwest Territories; and 44 to Oregon. The department adhered to strict quarantine protocols developed by Alberta Health Services for the firefighters exported to the U.S.

The following table represents the 2020-21 actual expenditures for wildfire-related programs and activities, excluding FireSmart, supported by the ministry under this key objective.

Wildfire Management and Preparedness Initiative (Outcome 2: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Operations	\$49.0
Prevention and Mitigation (excludes FireSmart)	\$2.1
Program Support	\$49.4
Total	\$100.5

Note: Table 2 of 2 providing actuals for the wildfire management and preparedness initiative (total budget allocation: \$102.4 million including inter-entity transactions, plus \$25.0 million in-year funding approval for COVID-19 initiatives and \$0.5 million for National Aerial Firefighting Training Simulation System, less \$0.1 million in-year savings).

The Spring 2019 Wildfire Review was released in November 2020. A total of 15 recommendations were made in six categories, including prevention, readiness for wildfire response, wildfire response, information and technology systems, cost management, and risk management and strategic response. Agriculture and Forestry is working towards fully implementing all 15 recommendations. In 2020-21, the ministry undertook the following actions to address several of the review's recommendations:

- Established FireSmart Alberta, an arm's length, not-for-profit organization, to inform strategic and collaborative actions to improve FireSmart programming.
- Developed and launched a new wildfire app and web-based status map that includes more detailed information about fires nearest to app users, fire bans, mountain pine beetle, and fire danger ratings.
- Coordinated the fire weather and fire behaviour teams more closely to ensure all tools and information are used in decision-making.
- Developed a standard operating procedure for the immediate establishment of a senior incident commander during high-risk fire conditions when there are significant values threatened by wildfire.

The ministry is actively working to accelerate the development and approval of the outstanding Wildfire Management Plans as recommended in the 2019 Spring Wildfire Review. In 2020-21, the drafting of the Grande Prairie and Peace River Forest Area Wildfire Management Plans was completed. To date, seven out of 10 Wildfire Management Plans have been developed for the forest areas of Lac La Biche, Fort McMurray, Calgary, Rocky Mountain House, Edson, Grande Prairie, and Peace River. Development work on the Whitecourt Forest Area Wildfire Management Plan began in

2020-21 and the draft is expected to be completed in 2021-22. The High Level and Slave Lake wildfire management plans are expected to be completed by March 2022.

In 2020-21, Agriculture and Forestry provided a number of grants to different organizations to conduct wildfire-related research focusing on new technologies and innovative practices. A grant for \$400,000 was provided to the University of Alberta for Canada Wildfire to conduct research specific to the Horse River wildfire and other wildfire-related research in collaboration with universities and research organizations across Canada. FPInnovations received \$507,000 to test new technologies and conduct wildfire safety, suppression, and aircraft research. A grant for \$750,000 was provided to Alberta Innovates for a project to study and test new and existing wildfire detection technologies for potential opportunities to augment the ministry's current detection program. The Northern Alberta Institute of Technology received \$750,000 to test drone and Remotely Piloted Aircraft System technologies to help modernize wildfire detection and data. The ministry received a total of \$686,000 in federal funding which was provided to the Canadian Interagency Forest Fire Centre to further technological innovation in simulation training. In 2020-21, the ministry also worked with partners to evaluate the effectiveness of firefighting technologies, including structure protection equipment like sprinkler systems and aqueous gel products, high volume pumps, remote wildfire detection camera systems, and liquid water-enhancing gel mixtures for aerial firefighting. Evaluations will continue in 2021-22.

Agriculture and Forestry continues to conduct infrastructure upgrades at lookout towers and wildfire bases to support prompt and effective wildfire response. Significant projects in 2020-21 include:

- installation of a new 50 person camp at Fort Vermilion Fire Base following the destruction of the camp by the spring 2020 floods;
- technology upgrades at all 13 airtanker bases to provide real time 360 degree video imagery of the aerodrome, along with onsite available fuel, water, fire retardant, and weather information;
- installation of a new tower and power system at the Legend Lookout;
- installation of all new facilities at Moose Mountain Lookout, including video imagery and data capabilities; and
- installation of a new FireNet communication site at Mt. Loudon at Windy Point.

The ministry will continue to champion technology improvements and innovation in wildfire management and preparedness to gain efficiencies, save costs, and support effective practices that reduce losses and contribute to Alberta's economic recovery.

Performance Measure 2.a:

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

Prior Years' Results				Target 2020	Actual 2020
2016	2017	2018	2019		
97.1%	96.8%	96.9%	95.3%	97%	99.4%

Source: Agriculture and Forestry

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

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

Result and Variance Explanation: The 2020 fire season started on March 1, 2020, and ended on October 31, 2020 as legislated under the *Forest and Prairie Protection Act*. During this period, the ministry responded to 704 wildfires of which 99.4 per cent of these wildfires were contained before 10 a.m. the day following assessment. This result is two per cent higher than the target and four per cent higher than the prior year's result due to:

- a reduction in wildfire hazard resulting from timely and significant rainfall through much of the fire season, with the exception of southern Alberta; and
- the effects of the ministry's proactive initiatives to reduce human-caused wildfire events and improve wildfire containment. Key initiatives included hiring additional firefighters; fire bans, advisories, and restrictions; OHV restrictions; doubling administrative fines for contravening fire bans or OHV restrictions; and increasing FireSmart funding.

Almost all the remaining 0.6 per cent, or four wildfires, were contained within three days following assessment. The total burned area was approximately 3,269 hectares (8,078 acres) in the 2020 fire season, which was significantly lower than the five year average of approximately 393,134 hectares (971,455 acres) burned.

This measure is subject to variance due to the following external factors that are outside the control of the ministry:

- wildfire activity (number, size, and intensity);
- weather events (sustained high temperatures, strong winds, lightning, and low relative humidity);
- drought conditions; and
- forest fuel conditions.

Performance Measure 2.b:

Percentage of active Agriculture and Forestry licensed meat facilities that meet provincial slaughter and meat processing requirements

Prior Years' Results				Target 2020	Actual 2020
2016	2017	2018	2019		
86%	92%	89%	94%	100%	96%

Source: Agriculture and Forestry

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

The scope of provincial animal slaughter and meat processing requirements encompasses food safety risk factors associated with all aspects of animal slaughter and meat processing functions. This includes animal handling, slaughter and processing equipment upkeep, personnel hygiene practices, proper storage of meat products, cleaning and sanitation practices, ventilation and

lighting requirements, plumbing and sewer facilities, and maintenance of required written procedures for all slaughter and processing operations.

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

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

Result and Variance Explanation: In 2020, 96 per cent (154 out of 160) of active Agriculture and Forestry licensed and inspected meat facilities met or exceeded provincial animal slaughter and meat processing requirements at all slaughter and meat processing inspections. The result is a two per cent improvement over the prior calendar year's result of 94 per cent, and can be attributed to the ministry's continued efforts in education to achieve and maintain a high rate of compliance to provincial requirements, and regulatory oversight of non-compliant abattoirs to prevent relapsing into non-compliance in the future.

The result is four per cent below the 100 per cent target because six meat processing facilities did not meet slaughter and/or meat processing requirements and were issued corrective action reports for non-compliance for minor, correctable, operating procedure incidences such as sanitation, transportation, and hygiene. These low-risk food safety incidences did not affect food safety. Follow-up inspections of the meat facilities confirmed that all six meat facilities addressed all areas of non-compliance that were noted during their respective inspections.

These six meat facilities are being monitored to ensure continued compliance and to reduce the risk of lapsing into non-compliance in the future. Risk-based assessments were conducted on all non-compliant meat facilities to ensure all meat products were safe for further processing and human consumption. In total, 6,705 slaughter and 114 meat processing inspections were completed at 160 active ministry licensed meat facilities.

Outcome 3: Responsible Resource Management

This outcome focuses on the ministry's efforts to assist the agriculture and forest sectors in adopting sustainable practices through regulatory oversight of timber harvesting and reforestation, and the development of information and delivery of programs supporting effective resource management. The key objectives aim to provide opportunities for economic development through the promotion of environmentally sustainable practices within water management, bio-economy, agriculture, and timber production through policy development, outreach, and knowledge transfer.

In 2020-21, the ministry identified two key initiatives that helped make progress toward achieving responsible resource management:

- Delivering the Irrigation Rehabilitation Program (IRP) to help Alberta's 13 irrigation districts improve conveyance infrastructure and management techniques to enable improved water-use efficiency. The IRP is an annual cost shared program between the Government of Alberta and the irrigation districts.
- Conducting sustainable Crown forest management to ensure forest health and productivity. Sustainable Crown forest management includes the mountain pine beetle management program, which encompasses detection, monitoring, and control of mountain pine beetle populations across Alberta.

Key Objectives

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

This key objective aims to support the efforts of primary producers and agri-processors to grow their business and contribute to Alberta's economic recovery while minimizing environmental impacts and meeting the sustainability standards for domestic and international markets. This key objective also describes initiatives intended to grow the bioenergy sector, which are expected to support increased competitiveness, diversification, and job creation.

Agriculture and Forestry completed the first phase of modernizing the *Agricultural Operation Practices Act* (AOPA) in 2020-21, which included a technical review to identify process efficiencies and other red tape reduction opportunities, and updates to some of the Act's associated regulations. This first phase resulted in a regulatory count reduction of 18, for an overall regulatory reduction of five per cent. Due to the extensive disruptions to livestock operations from COVID-19, AOPA

Manure Storage

Amendments made in the first phase of AOPA modernization to the Standard and Administration Regulation to change requirements and materials used for manure storage can potentially save producers \$50,000 – \$100,000 per structure.

modernization engagement was delivered virtually. Phase two stakeholder engagement focusing on Part 2 of AOPA and the associated regulations will be postponed to late 2021. Engagement will address satisfaction with the AOPA permitting process and focus on opportunities to update the process to ensure it is fair, streamlined and in alignment with agriculture production practices. Overall, the anticipated legislative changes are expected to remove redundancies and support livestock producers to protect the environment, including surface water and ground water supply and quality, and ensure that Alberta's livestock industry can grow to meet the opportunity presented by local and world markets in an environmentally sustainable manner.

The ministry continued to deliver three programs under the CAP Environmental Sustainability priority area in 2020-21:

- Environmental Stewardship and Climate Change Producer program: a total of 153 agricultural producers received 190 grants for nearly \$2.2 million to help mitigate agri-environmental risks to the environment.
- Environmental Stewardship and Climate Change Group program: seven organizations received grant payments for nearly \$399,000 to conduct applied research, manage data, and provide extension on novel technologies and practices. For example, funding under this program allowed the Alberta Bee Keepers Commission to explore ways to reduce costs, reduce their greenhouse gas footprint, and explore alternative energy options to become more efficient.
- Efficient Grain Dryer program: a total of 204 agricultural producers received 208 grants for \$2.6 million to improve the energy efficiency of their grain drying systems, which will lead to greater energy conservation and lower energy costs for producers. In June 2020, 2.5 months after opening, the program was suspended after receiving funding requests more than double the program's budget.

In 2020-21, Agriculture and Forestry provided a \$350,000 grant to the Agriculture Research and Extension Council of Alberta through the Environmental Sustainability priority area for the delivery of the Environmental Farm Plan program. A total of 189 participants took part in six virtual training events and completed 230 Environmental Farm Plans. These voluntary, whole farm, self-assessments help producers identify their environmental risks and develop plans to mitigate identified risks.

The delivery of natural resource management datasets, decision support tools, and communications products provides evidence to inform policy and strategic direction for land use, farm inputs, alternative crop suitability, and natural resource benchmarking. In 2020-21, a new Sclerotinia Risk Management tool was developed for mobile and desktop devices and the Fusarium Risk Management Tool was updated to be relevant across the Canadian prairies. Two phases of the Agricultural Crop Adaptation and Atlas Database project were completed as a part of the federal-provincial agricultural risk management initiative in collaboration with Environment and Parks and the Prairie Adaptation Research Collaborative. This project supports decision making on alternative cropping under extreme climates to reduce risks to crop production in Alberta.

Agriculture and Forestry is continuing to work with Alberta's food and beverage manufacturing industry to add value to agri-food by-products and divert these items from landfills. Outputs of these efforts lead to growth of the bioenergy sector in areas like renewable fuels and electricity, which supports diversification, job creation, and greenhouse gas reduction. Ministry staff participate on a number of working groups with a variety of stakeholders that are designed to address challenges and opportunities in the bioenergy sector. In 2020-21, some key activities included:

- Finalizing a report on wastewater management at food processing facilities, in collaboration with Provision Coalition and Enviro-Stewards. This report will be used as a decision tool to help shape program design and an information tool for other ministries.
- Worked with BioRefinex and Egg Farmers Canada to improve fertilizer products through the use of animal by-products. These reformulated products generate a lower carbon footprint than chemical-based fertilizers, and the biogas generated can be used to produce renewable electricity or renewable natural gas. This project work will continue in 2021-22.
- Initiated a collaborative project with CoRise Inc. to develop a process for converting brewery industry by-products, specifically spent grains, into value-added agri-food products (e.g., cookies

and snacks products, and dry flour blend). Process and development work will carry over to 2021-22.

- Conducted a benchtop trial on behalf of the Alberta Sugar Beet growers to evaluate the potential to add value by extracting a food protein concentrate from sugar beet leaves currently left in the field. Further work is planned for fall 2021 to evaluate the feasibility of the benchtop process.

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

This key objective aims to improve the sustainable use of water resources for agriculture production through irrigation infrastructure replacement, rehabilitation, and expansion.

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority 1:

Supporting job creation

Objective 4:

Building public infrastructure

Action:

Invest \$48 million over four years in irrigation infrastructure rehabilitation projects to ensure that irrigation in Alberta remains sustainable and effective.

Results:

- The total irrigation infrastructure expenditures was \$11.5 million in 2020-21.
 - A \$10 million grant was provided to Alberta's 13 irrigation districts through the Irrigation Rehabilitation Program to invest in 13 rehabilitation projects.
 - \$1.5 million was provided through the CAP Irrigation Efficiency Program to 157 individual irrigators, farm businesses, and nonprofits to purchase efficient irrigation equipment and systems to achieve increased water savings and reduce energy use.
- Approximately 26 kilometres of open canals were converted to pipeline under the Irrigation Rehabilitation program in 2020. Irrigation infrastructure investment will drive economic growth, diversify the province's economy, and contribute to long-term value-added food processing in Alberta. Enhanced agricultural water management supports continued growth and long-term success of the agriculture industry.
- Irrigation Efficiency Program projects are expected to achieve a cumulative water savings of 4.98 million cubic meters per year, an energy savings of 1.04 million kilowatt hours per year, and a natural gas savings of 15,445 gigajoules per year upon completion.

In 2020-21, Agriculture and Forestry negotiated an agreement with the Canadian Infrastructure Bank and eight irrigation districts to invest \$815 million between 2021 and 2028 to modernize and expand irrigation infrastructure and increase water storage capacity. Projects will include more than 50 modernization projects and four off-stream reservoir storage projects. The agreement is cost shared: 30 per cent (\$244.5 million) Government of Alberta capital grants; 50 per cent (\$407.5 million) Canadian Infrastructure Bank loans to irrigation districts; and 20 per cent (\$163 million) provided by the eight irrigation districts. The investment is expected to increase primary agriculture production capacity and support a diversified value-added processing sector to help achieve the targets set out in the Agri-food Sector Investment and Growth Strategy. Irrigation

projects are also expected to increase Alberta's irrigated area by up to 208,000 acres, and create up to 6,800 direct and indirect permanent jobs, and up to 1,280 construction jobs.

The following table represents the 2020-21 actual expenditures for the Irrigation Rehabilitation program (IRP) administered by the ministry under this key objective, which was budgeted at \$10 million.

Irrigation Rehabilitation Initiative (Outcome 3: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Irrigation Rehabilitation Capital Grants Total	\$10.0

Agriculture and Forestry continues to fund rehabilitation of canals and structures to reduce water conveyance losses as well as water evaporation and seepage. Rehabilitation projects to replace open channel canals with buried pipelines protects water quality and improves the security of water delivery infrastructure. Along with targeted expansion activities, infrastructure improvement activities contribute to Alberta's economic growth and recovery. The IRP provides targeted support to Alberta's 13 irrigation districts for infrastructure improvement projects undertaken within the construction period August 1 to July 31. In 2020-21, dedicated funding provided through the IRP supported 13 rehabilitation projects in irrigation districts, including installation of pipeline, automation, and gates and controls, as well as canal rehabilitation.

The Irrigation Efficiency Program is provided under the Environmental Sustainability priority area of CAP to accelerate the on-going conversion of on-farm irrigation systems. The program offers financial assistance to producers to purchase efficient irrigation equipment and systems to achieve increased water savings and reduce energy use. In 2020-21, 157 grants provided to individual irrigators, farm businesses, and nonprofits supported upgrades to modern electronic control panels, variable-rate irrigation technologies, high-efficiency sprinkler nozzles, and drip irrigation.

The Farm Water Supply Program is also provided under the Environmental Sustainability priority area of CAP. The program supports producers to improve their water supply security, more effectively and efficiently manage their on-farm water resources, and protect their water resources through beneficial management practices. In 2020-21, more than \$831,000 was provided to 204 primary producers to secure and responsibly manage their water supplies for current needs and future growth opportunities. Development of a Long-Term Water Management Plan is a pre-requisite to obtaining grant funding under the Farm Water Supply Program. In 2020-21, a total of 342 agricultural producers completed plans that identified 648 potential projects to support water security. Adjustments were made to the Farm Water Supply program to work within the COVID-19 measures, including converting supporting documentation to electronic formats and implementing remote-based internal and external processes. Adoption of these changes allowed the ministry to provide the same level of technical support to agricultural producers and deliver the program successfully while adhering to COVID-19 restrictions.

A variety of project work was undertaken in 2020-21 related to water quality:

- In October 2020, the ministry published a report providing recommendations for management practices that minimize the impact of manure storage at confined feeding operations (CFO) on groundwater quality. The report was undertaken in partnership with the Natural Resource Conservation Board, who will work with CFO operators to adopt recommended actions.
- Assessing the quality of surface water resources in the Bow River basin through the Bow River Tributary Land Use Characterization project. Analysis was completed on the provision of land cover, land use demographics, and climate data.

- Compiled information on beneficial management practices and digital soils data to provide to the Land Stewardship Centre of Canada to support completion of the CAP-funded Ecosystem Service Benefits project.
- Completed a nutrient source tracking investigation within four irrigation districts to inform nutrient sources that lead to excess vegetation growth and reduced conveyance in irrigation canals. Recommendations for management practices to manage nutrient inputs into irrigation canals will be published in 2021.

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

This key objective reflects the work done to support industry in establishing systems that enable the demonstration of responsible resource management to improve transparency and strengthen market access. In addition, this key objective describes the ministry's important work to champion the agriculture and forest sectors by helping them share stories and demonstrate their contribution to Alberta's economic growth and recovery.

COVID-19 restrictions impacted programming under this key objective in 2020-21. Projects supported by the Public Agriculture Literacy program under the CAP Public Trust priority area are primarily extension-based and were unable to continue as planned. Completion dates were extended for five projects, while one additional project was ended early as it was not feasible to continue with restrictions in place. To assist stakeholders and partners with continued program delivery in the restricted environment, the ministry collaborated with industry to provide two webinars demonstrating how to pivot programming to an on-line delivery format. In addition, a factsheet was developed for participants on how to effectively measure the performance of programming delivered online.

The Working Well program is a collaboration between Agriculture and Forestry, Environment and Parks, Alberta Health, Alberta Health Services, individuals representing water well drillers, the Alberta Water Well Drilling Association, and the Association of Alberta Agricultural Fieldmen. Prior to the onset of COVID-19, multi-stakeholder Working Well program workshops were delivered in-person with hands-on learning components. To manage restrictions on in-person gatherings, the ministry adapted the workshop component of the program to fit a virtual format, which took into consideration potential barriers for virtual delivery to rural Albertans. The program only piloted one virtual workshop in the spring, but was able to transition to meet targets for fall and winter sessions. A total of 20 virtual workshops were delivered to 555 participants from across Alberta over fall and winter 2020. The workshops provided information and resources for Albertans to manage their wells and protect Alberta's groundwater resources.

Forestry programming such as school talks, walks, and seedling distribution to school-aged children was affected by the closure of schools to in-person learning in spring 2020. Select programs were able to proceed with adapted public engagement, including interactive trails and displays, capacity-reduced outdoor walks, and participation in COVID-19-safe events (e.g., a Christmas parade). Information stations at these events were staffed to promote wildfire prevention education. There was also a greater emphasis placed on interacting virtually and conducting talks online. Agriculture and Forestry will continue to explore options to deliver engagement online and invest more time in social media and video production to disseminate information.

The ministry continued to deliver a suite of public trust programs through the CAP Public Trust priority area in 2020-21. Program grants are provided to a wide scope of applicants, including

agricultural organizations, commodity groups, rural municipal governments, post-secondary institutions, and school districts.

- **Public Agriculture Literacy program:** a total of nine grants were provided to six applicants for more than \$456,000 to support increased public awareness and understanding of the agriculture and food system. Grants provided to the Canadian Centre for Food Integrity (CCFI) through this program allowed the organization to complete public trust research related to Albertan's perspective and attitudes towards agriculture and food systems in Alberta and Canada. In 2020-21 additional funding of \$73,000 was provided to increase the sample size of Alberta participants from approximately 100 to 625, analyze Alberta specific CCFI data, develop key messages about food and farming designed for the Alberta public, and test messaging with focus groups. The additional data provided valuable information to support policy decisions, and improvements to programs and services. The research results were provided via webinar to industry stakeholders. Survey results show the issues that Albertans are most engaged with are: nutrition and healthy eating, food safety, plant-based meat alternative products, environmentally and sustainable food production, and humane treatment of animals. Work will continue in 2021-22.
- **Agriculture and Food Sustainability Assurance Initiatives program:** more than \$387,000 was provided through six grants to six applicants to improve and expand food safety, plant health, and animal health assurance systems. Stakeholder-driven sustainability initiatives such as the Canadian Roundtable for Sustainable Beef (CRSB) are supported through this program. In 2020-21, the CRSB received a grant to close the Certified Sustainability Framework's supply-demand gap through collaborative extension that connects producers and processors.
- **Youth Agriculture Education program:** grants totalling more than \$180,000 were provided to six applicants to develop and deliver effective K-12 agriculture-related education programs that are science-based, topic-driven, and curricular-linked. These programs help students use critical thinking to engage in meaningful and informed conversations about issues that affect public trust in agriculture. In 2020-21, a total of nine public trust projects were supported with program grant funding, reaching more than 2,700 students and 280 teachers.

In addition to the CAP Public Trust Programs, the development of a public trust information-sharing network was initiated in 2020-21 by the Government of Alberta and the CAP Public Trust grant recipients to enhance industry's capacity to respond to public trust issues. This network is an inclusive collaboration that is working towards increasing the effective and efficient access to information as well as creating or enhancing connections to support building public trust in the agriculture industry.

The Champions of Agriculture initiative was publicly launched on May 5, 2020 along with the volunteer Agriculture Industry Advisory Committee (AIAC). The goal of this initiative is to build confidence in Alberta's agriculture industry by providing consumers with the facts on the industry and the food produced. In 2020-21, the AIAC met regularly to provide guidance to programs and services, review activities and progress on measures, and recommendations on future opportunities and emerging issues as they relate to consumer confidence. On advice from the AIAC, Agriculture and Forestry created a CAP grant program in 2020-21 through the Public Trust priority area to fund a credible, independent organization to provide consumers with the facts on agricultural practices and the safe and healthy food produced in Alberta. The Champions of Agriculture Public Outreach Program is expected to be delivered in 2021-22.

Alberta is actively involved in the Canadian Council of Forest Ministers' Forests in Mind Program. Through the program, various activities were undertaken in 2020-21 focusing on improving public trust and the environmental reputation of forest management practices, including:

- information gathering from trade commissioners, contracted survey work, and from other jurisdictions and organizations, such as the Forest Products Association of Canada;
- extensive scanning of issues related to public trust in forest management, both domestically and internationally; and
- message sharing regarding sustainable forest management practices.

As part of the Canadian Council of Forest Ministers, Agriculture and Forestry has been working to develop a new website that will share credible information and promote Canada's strong forest management practices. The website is expected to launch in 2021-22.

The Hinton Training Centre continued to provide professional job-skills training to ministry staff in 2020-21; however, due to COVID-19 restrictions, programming shifted to online learning. For the first time, several courses were delivered entirely online, permitting joint participation from other province's, territories, and Government of Alberta ministries. This included 35 participants in the Time Unit Leader course, with attendance from Alberta Environment and Parks; 26 participants in the Logistics course, with attendance from the Yukon; 42 participants in the Information Officer course, with attendance from Parks Canada; and 12 participants in the Safety Officer course. With most training running off-site, the Hinton Training Centre was opened up as a work-camp for wildfire crews as a COVID-19 mitigation measure.

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

This key objective reflects activities undertaken to protect and enhance Alberta's forest resources by understanding changes in pest-host dynamics and forest stress levels.

The following table represents the 2020-21 actual expenditures for the ministry's programs and activities related to enhancing and protecting the health of Alberta's forest resources under this key objective.

Sustainable Crown Forest Management Initiative (Outcome 3: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Forest Management (including Mountain Pine Beetle) and Forest Health Total	\$43.4

Note: Table 1 of 2 providing actuals for the sustainable Crown forest management initiative (total budget allocation: \$51.2 million including inter-entity transactions, plus \$25.4 million in-year funding approval for Mountain Pine Beetle and COVID-19 initiatives, less \$0.7 million in-year savings).

Work under this Key Objective was minimally affected by COVID-19. Physical distancing requirements resulted in minimal but acceptable impacts to operations and production by ministry staff and prime contractors.

In 2020-21, provincial funding for the ministry's Mountain Pine Beetle (MPB) Management Program was retained at \$30 million for aggressive survey and control activities to manage the spread of MPB. In addition, Agriculture and Forestry successfully lobbied the Government of Canada for a three-year, \$60 million provincial/federal funding partnership to enhance the MPB Management Program. The additional funding obtained through the partnership brought total budget for MPB control efforts to \$52 million in 2020-21, of which a total of approximately \$26 million was spent. Through the MPB Management Program, just over 65,000 MPB-infested trees were controlled in 2020-21, representing a 38 per cent decline from the 104,457 MPB-infested

trees controlled in 2019-20. Factors contributing to this significant drop in control numbers included the inability to fully utilize federal contributions to the MPB program due to timing of the agreement's execution, and slight administrative delays in executing survey and control contracts.

Throughout August and September 2020, detailed MPB aerial surveys were conducted on over 7.8 million hectares of forested area to detect the locations of active MPB populations. This survey area represented an increase of over one million hectares compared to 2019. In total, 147,046 MPB-killed trees were detected within the survey area in 2020-21, down significantly from the 244,247 MPB-killed trees detected in 2019-20. The significant reduction in the number of MPB-killed trees may be attributed to a combination of reduced MPB inflight in certain areas, weather, and swift and concentrated control activities. Information gathered from the surveys will be used to plan future assessment and control activities. Despite a significant decline in the number of MPB-killed trees detected in 2020-21, infestations continue to represent a threat to timber supply and healthy forest ecosystems in Alberta.

The MPB Management program is focused on four actions to control and limit MBP populations. Work undertaken on these action areas in 2020-21 included:

- Limiting the spread of MPB into the eastern boreal forest: aerial surveys conducted in the eastern boreal forest detected a total of 4,609 MPB-killed trees on the eastern edge of the infestation within the Slave Lake and Lac La Biche Forest Areas, a decrease of 28 per cent from the 6,362 MBP-killed trees detected in 2019-20.
- Limiting the spread of MPB along the eastern slopes of Alberta: aerial surveys conducted in the Rocky Mountain House Forest Area detected 15,169 MPB-killed trees, a decrease of 53 per cent from the 32,123 MBP-killed trees detected in 2019-20.
- Mitigating damage to Alberta's pine resources in locations where MPB is already established: Alberta's most damaging MPB populations are located in the Edson Forest Area. Aerial surveys conducted within this area detected 115,020 MPB killed trees, a decrease of 18 per cent from the 140,997 detected in 2019-20.
- Increasing knowledge and innovative management techniques through research on MPB: a grant for \$2 million was provided to fRI Research to conduct federal and provincial mountain pine beetle research. In addition, a grant for \$50,000 was provided to Forest Protection Ltd. to undertake SERG-International Research. More information can be found at: <https://serginternational.org>.

Aerial overview surveys were completed throughout June and July 2020 covering a vast majority of the province. These surveys are used to assess the occurrence, severity, and distribution of abiotic and biotic forest pest damaging agents. In total, nearly 2.5 million hectares of disturbance (excluding mountain pine beetle and wildfire) were mapped, which is a 35 per cent increase over 2019-20. Satin moth is a non-native broadleaf tree defoliator that has been present in some urban areas of Alberta for a number of years. In 2020-21, Agriculture and Forestry mapped satin moth defoliation in Alberta from the air for the first time. A total of 13,773 hectares of defoliation was surveyed. The infestation seen in 2020-21 may be the most extensive to date outside the white zone in Alberta, existing in small pockets stretching from the Porcupine Hills area to Calgary. Most patches are very small (less than half a hectare), but are numerous over a large area covering mostly white zone. Monitoring of this pest will continue to help determine control and treatment options going forward.

3.5 Manage Alberta's timber resources to balance economic, social, and environmental needs of Albertans.

This key objective reflects the initiatives undertaken to ensure Crown timber is harvested in accordance with approved Forest Management Plans, appropriate Crown dues are paid for the use of Crown timber, and the forest industry complies with forest related legislation, directives, and ministry forest-related sanctioned manuals.

The initial wave of COVID-19 restrictions in spring 2020 had significant impacts on the forest industry. The induced economic uncertainty caused panel and lumber distributors to drastically reduce their inventory. In turn, panel and lumber producers curtailed their production levels. These supply reductions proved to be excessive and difficult to reverse, as demand for wood products greatly exceeded first quarter expectations. To support the forest industry with short-term cash flows to address liquidity concerns, the ministry deferred holding and protection charges for six months on charges due for payment between April 1 and September 30, 2020. In addition, Agriculture and Forestry offered an extension on approximately \$36 million in expected forest timber dues. The Alberta Reforestation Information System reporting deadline was also extended from May 15 to June 30, 2020, offering forest companies relief from administrative timelines to provide added flexibility for allocating business time and resources. Since October 2020, Alberta has experienced record-breaking solid wood prices for western spruce-pine-fir, despite the COVID-19 pandemic initially reducing demand for pulp and paper products. Although lumber prices are at an all-time high, the risks of further COVID-19 restrictions threaten commercial markets for paper products, such as paper used in offices and restaurants.

The following table represents the 2020-21 actual expenditures for the ministry's forest operations and management programs and activities under this key objective.

Sustainable Crown Forest Management Initiative (Outcome 3: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Forest Trade and Tenure Total	\$8.5

Note: Table 2 of 2 providing actuals for the sustainable Crown forest management initiative (total budget allocation: \$51.2 million including inter-entity transactions, plus \$25.4 million in-year funding approval for Mountain Pine Beetle and COVID-19 initiatives, less \$0.7 million in-year savings).

Agriculture and Forestry continued work to develop a single Provincial Standard for Forestry Operations (Operating Ground Rules) in 2020-21. In collaboration with the Alberta Forest Products Association and other members of the forest industry, the ministry conducted a systematic review of the Timber Harvest and Operating Ground Rules. It is expected that consensus on a new set of rules will be reached in fall 2021, with training on the new rules to take place soon after.

The ministry is responsible for enforcing provincial forestry laws and regulations to ensure industry acts in compliance with legislation. The compliance and enforcement system focuses on education, continuous improvement, and corrective action on the part of Alberta's forest companies. Oversight activities undertaken by the ministry include timber production monitoring through timber scaling, auditing, revenue analysis, and applicable enforcement. Between April 1, 2020 and March 31, 2021, more than 1,200 inspections of forest sector operations were completed to monitor industry for compliance to standards, rules, and legislation resulting in eight administrative penalties levied and 10 warnings issued. In 2020-21, amendments were made to the Timber Management Regulation involving changes to the assessment and determination of administrative penalties. These amendments came into force on May 1, 2021, and the development of operational policy will follow. In collaboration with industry partners, a review and update of the

provincial enforcement framework will be completed to ensure the process is transparent and consistent.

Performance Measure 3.a:

Percentage of irrigated agriculture area under efficient irrigation systems within Alberta's thirteen irrigation districts.

Prior Years' Results				Target 2019	Actual 2019
2015	2016	2017	2018		
73%	75%	77%	80%	79%	80%

Source: 13 Irrigation Districts; and Agriculture and Forestry (results are current as of September 2020)

Description: This measure tracks the percentage of irrigated area using efficient on-farm water application systems (e.g., low pressure sprinkler irrigation systems, etc.) within the 13 irrigation districts. Irrigation efficiency measures how efficiently irrigation water is applied to field crops. The objective is to apply the water to the crop root zone to meet the crop water requirements and optimize yield. The measure is used to show how well on-farm water application systems are performing.

Rationale: High efficiency irrigation lowers operating costs, improves production per unit of water delivered, helps to promote better or improved use of water resources in agriculture, and leads to lower operating costs, and improved environmental benefit and management.

Result and Variance Explanation: During the 2019 irrigation season (May to September), more than 1.1 million out of the total 1.4 million acres of irrigated agricultural farm lands within the 13 irrigation districts were under efficient irrigation systems, a 80 per cent adoption of efficient on-farm water application systems. This result is identical to the target and one per cent higher than the prior year's result, continuing the upward trend in results over the past eight years. The improvement is due in part to financial grants provided to farmers to purchase more efficient on-farm irrigations systems (e.g., low-pressure pivot system) under the Irrigation Efficiency Program.

Performance Measure 3.b:

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

Sustainable Timber Harvest	Prior Years' Results				Target 2019-20	Actual 2019-20
	2015-16	2016-17	2017-18	2018-19		
Annual Allowable Cut (million cubic metres)	31	32	32	32	Harvest does not exceed the approved harvest	31
Harvest (million cubic metres)	22	23	23	23		24

Source: Agriculture and Forestry

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

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

Rationale: This measure is used to assess Agriculture and Forestry's ability to manage Alberta's timber resources in a sustainable manner in perpetuity. It indicates the status of Alberta's timber supply by comparing the timber harvest with the long-term annual allowable cut, as set by the ministry.

Result and Variance Explanation: The 2019-20 harvest level result of 24 million cubic metres represents the five-year average volume of timber harvested between April 1, 2015 and March 31, 2019, which is below the five-year average approved annual allowable cut of 31 million cubic metres. For 2019-20, as in prior years, the five-year volume of timber harvested was less than the five-year approved annual allowable cut because forest industries are not allowed to harvest Crown forest at a rate faster than the forest is able to regenerate.

The volume of annual allowable cut declined by three per cent due to reduction in the annual allowable cut in deciduous timber allocation driven by controls measures implemented to reduce the mountain pine beetle hazard and wildfires.

The harvest level increased by four per cent to 24 million cubic metres due to the high demand for lumber and reduced timber dues for harvesting fire-killed trees. The gap between the harvest level and annual allowable cut has decreased from nine million cubic metres to seven million cubic metres.

Between 2014-15 and 2019-20, the five-year average provincial AAC has ranged from 31 million to 32 million cubic metres, while the five-year average harvest has ranged from 21 million to 24 million cubic metres during the same time period. The gap between the harvested volume and allowable cut has decreased from 10 million to seven million cubic metres. Fluctuations in harvest volume from year to year reflect demand trends in lumber and pulp markets.

Performance Measure 3.c:

Percentage of forest regrowth as a result of reforestation

Prior Years' Results				Target 2019-20	Actual 2019-20
2015-16	2016-17	2017-18	2018-19		
98.3%	98.1%	98.5%	97.3%	98%	97.6%

Source: Agriculture and Forestry

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

Rationale: Reforestation is required by law and is a critical component of 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 the economic, social, and environmental values that Albertans expect from their forests.

Result and Variance Explanation: For the 2019-20 timber year (May 1, 2019 to April 30, 2020), 97.6 per cent of the Crown forest timber resources harvested were effectively regenerated following harvesting and wildfire events, which is 0.4 per cent lower than the target. The 2019-20 result increased slightly by 0.3 per cent over the prior year's result of 97.3 per cent. There was no significant variance from the target or the previous year's results. Variability is expected for each year's rate of regrowth results due to differences in harvesting techniques, reforestation techniques and treatments, seedling establishment and growth, and weather conditions that can affect the rate of forest regrowth.

Outcome 4: Thriving Rural Communities

This outcome focuses on the ministry's programs and services that strengthen rural communities. The key objectives aim to encourage continued development of the agriculture and forest sectors in rural Alberta through infrastructure investments in rural and remote areas, and targeted assistance to help young farmers, growing and established producers, agribusinesses, and food processors achieve their full economic potential.

In 2020-21, the ministry identified two key initiatives that helped make progress toward achieving thriving rural communities:

- Delivering and administering programs and services that contribute to rural economic growth and quality of life, such as the Rural Gas and Rural Electric grant programs, the Remote Area Heating Allowance, and the Agricultural Society grant program. This also includes support for agriculture related youth development programs.
- Delivering a suite of lending programs through AFSC to support the competitiveness of Alberta's primary agriculture, agribusiness, and value-added agri-processing sectors. Through these lending programs, AFSC supports young, new, and developing farmers to establish and grow their operations and entrepreneurs in the value-added and agribusiness sectors to create jobs and economic growth across Alberta.

Key Objectives

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

This key objective represents the ministry's targeted programs and grants for non-profit rural community organizations, including agricultural societies and rural electric and natural gas cooperatives, which are designed to make rural communities a good place to live and work.

The following table represents the 2020-21 actual expenditures for select grant programs administered by the ministry under this key objective.

Rural Programming Initiative (Outcome 4: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Rural Utilities	\$3.5
Rural Gas and Rural Electric capital programs	\$3.4
Remote Area Heating Allowance (RAHA)	\$1.4
Agricultural Society Grant program	\$11.5
Total	\$19.8

Note: Table 1 of 2 providing actuals for the rural programming initiative (total budget allocation: \$18.8 million).

The Rural Gas and Rural Electric grant programs aim to improve essential utility services by assisting distributors in providing gas and electric services to areas with low population densities that are otherwise uneconomical to serve at a level consistent with higher density urban and industrial areas. Funding provided under the Rural Gas Program supports distribution system expansion and the ongoing maintenance, upgrade, and repair to the natural gas distribution system to ensure the overall safety of people and property in accordance with legislative and industry standards. Funding provided under the Rural Electric Program supports expansion of new electricity services to farms and rural properties through the installation of infrastructure (e.g., wires, poles, and transformers).

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority 1:

Supporting job creation

Objective 4:

Building public infrastructure

Action:

Maintain grant funding for rural utilities and increase the Rural Gas Grant to support rural economies and rural utility planning for Alberta's future.

Results:

- In 2020-21, Agriculture and Forestry worked with the Federation of Alberta Gas Co-ops Ltd. (FedGas) to revise the Rural Gas Program to ensure it continues to meet the needs of rural communities and encourages economic development. As a result, the ministry will allocate an additional capital grant of \$2.5 million to the revised Rural Gas Grant Program in 2021-22 to support continued reliability of natural gas supply, and infrastructure safety and integrity.
- Grant funding for the Rural Gas Program was maintained at over \$2.7 million in 2020-21, which supported the construction and upgrading of an estimated 1,435 services and 913 kilometres of distribution pipeline.
- Maintained \$700,000 in grant funding for the Rural Electric Program in 2020-21. The most current data shows the program assisted 142 rural Albertans to construct new electricity services to their farms and rural properties in 2019-20.

In 2020-21, the ministry provided grants totalling more than \$2.7 million to FedGas, ATCO Gas and Pipelines Ltd. (ATCO), and APEX Utilities Inc. (APEX) through the Rural Gas Program to support rural gas infrastructure programs. FedGas is responsible for administering individual grants to natural gas co-ops based on application, which varies from year to year. On average, approximately 50 natural gas co-ops apply to receive grant funding. Grants provided through FedGas in 2020-21 supported the construction and upgrading of an estimated 1,100 services and 760 kilometres of distribution pipeline. ATCO and APEX each receive one grant to help offset the construction cost of approximately 335 new services and 153 kilometres of distribution pipeline.

The Rural Gas Program continues to be oversubscribed by approximately 30 per cent due to the funding required for distribution system expansion, and system maintenance and upgrades to ensure the necessary volume of natural gas remains available to existing services. To address this need, the ministry worked with FedGas to develop a revised Rural Gas Program for launch in 2021-22 that will see program funding increase to

\$5.2 million. Revisions also include a modified grant funding formula to help offset the cost of natural gas distribution systems to high demand farm operations like grain drying. Changes to the grant funding formula are expected to make large service construction more affordable, and it is anticipated that this will lead to a reduction in the number of Remote Area Heating Allowance (RAHA) applications related to grain drying.

Under the Rural Electric Program, a grant for \$700,000 was provided to the Alberta Federation of Rural Electrification Associations (AFREA) to support the construction of new electricity services to farms and rural properties. Like FedGas, AFREA is responsible for administering individual grants to eligible applicants. Information on the number of eligible applicants receiving funding through the program is made available in June of the following fiscal year. As a result, the reported number of rural Albertans receiving funding for new service installations lags by one year. Funding under the Rural Electric Program is demand-based and varies from year to year, but rarely exceeds \$700,000 annually.

RAHA is a rebate program designed to improve the affordability of heating for Albertans living in remote areas using propane or heating oil compared to the more economical natural gas alternative widely available to most Albertans. Eligible applicants for RAHA include primary residential, commercial operations, non-profit, and grain dryers. In 2020-21, rebates totaling nearly \$1.4 million were paid out on 2,484 eligible claims to reduce fuel costs. The average rebate was approximately \$560 per claim. A reduction of more than \$373,000 in rebates was paid out in 2020-21 compared to 2019-2020. Although the overall trend in both the number of RAHA applicants and rebate dollars has been increasing, the rebate program is significantly influenced by wet fall harvest conditions and colder than normal winters. As these conditions were not observed in 2020-21, fewer applications were received and smaller rebates were distributed.

The Agricultural Societies Program encourages improvement in agricultural practices and contributes to the quality of life in agricultural communities. In 2020-21, \$11.5 million was provided to Alberta's 290 Agricultural Societies through the Agricultural Societies Grant program. This grant funding helps communities operate and maintain hockey and curling rinks, halls, museums, outdoor recreational facilities, and riding areas. Events such as rodeos, fairs, exhibitions, livestock shows, and educational programming are also funded through the grant program. In 2020-21, Agricultural Societies across the province were required to cancel the majority of their events, which are a major source of revenue. Revenues across the 283 primary Agricultural Societies were down approximately 25 per cent over 2019-20, while revenues at the seven regional Agricultural Societies were down approximately 43 per cent. Event cancellations generally have a greater impact on the large regional Agricultural Societies as they tend to host more major events and have greater overhead costs. Base funding was maintained for Agricultural Societies in 2020-21 despite event cancellations to cover facility overhead costs. Traditionally, Agricultural Societies receive the provincial base grant and an operating grant to host agricultural events. To assist with revenue losses due to COVID-19-related event cancellations, this traditional grant funding formula

Celebrate Rural Awards

Three individuals were inducted into the Alberta Agriculture Hall of Fame.

Seventy-five farm families received the 100 year Century Farm and Ranch Award.

Six families received the 125 year Century Farm and Ranch Award.

will be revised in 2021-22 to allow Agricultural Societies to receive operating grants based on the number of events planned over a five-year average. The adjustment will help Agricultural Societies deal with the significant overhead costs related to maintenance and ownership of their facilities. Although Agricultural Societies cancelled many major events in 2020-21, they were able to adapt to COVID-19 restrictions and find innovative ways to deliver small scale events such as high school rodeos and farmers markets. Agricultural Societies conducted drive through events (e.g., food trucks, reverse parades, and Christmas lights displays), adopted virtual platforms for fairs and fundraising, and implemented timed entry protocols for their small scale events.

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

This key objective describes the lending activities undertaken by AFSC to support the development and competitiveness of Alberta's primary agriculture, agribusiness, and value-added agri-processing sectors.

Agribusiness lending activity was slower than anticipated in 2020-21 due to a reduced ability to market directly in-person as a result of COVID-19. Activities such as direct, in person marketing with lending partners were impacted by restrictions on in-person gatherings. AFSC provided lending clients with options for loan payment relief through interest-only payments, payment re-

amortization, or payment deferral in response to financial strains as a result of COVID-19. Between April 1, 2020 and March 31, 2021, AFSC processed 618 amendments for interest-only payments, loan re-amortizations, and payment deferrals.

Despite the impacts of COVID-19, lending totals increased for the third straight year indicating AFSC's lending programs implemented in October 2018 are continuing to provide value and are meeting the needs of Alberta producers and agribusinesses. A total of 1,747 loans for \$653.9 million were authorized for eligible primary agriculture, agribusinesses, and value-added agri-processors as of March 31, 2021. These totals are comprised of loans disbursed through a suite of six lending programs:

- The Agribusiness Loan Program (ABLP) provides Alberta's food processors, agribusinesses, agricultural suppliers, manufacturers, and rural utilities with a consistent source of fixed-rate term loans. As of March 31, 2021, 34 agribusiness loans had been provided for \$66.1 million through the ABLP – an increase of 13.3 per cent in loans and 86.1 per cent in direct lending compared to 2019-20.
- The Alberta Producer Loan Program (APLP) provides agricultural producers with an alternative source of fixed-rate term loans to acquire assets necessary to maintain and grow their farming operations. As of March 31, 2021, 52 loans had been provided for \$28.9 million through the APLP – an increase of two per cent in loans and 43.6 per cent in direct lending compared to 2019-20.
- The Developing Producer Loan Program (DPLP) provides emerging agricultural producers with a consistent source of fixed-rate loan terms to acquire assets necessary to expand their farming operation. As of March 31, 2021, 439 loans had been provided for \$110.6 million through the DPLP – an increase of 4.0 per cent in loans, and a decrease of 5.8 per cent in direct lending compared to 2019-20.
- The Next Generation Loan Program (NGLP) provides new entrants and young agricultural producers with a consistent source of fixed-rate term loans to establish their own farming operations. Eligible borrowers under the age of 40 years old, estimated to be 75 per cent of borrowers under the NGLP, may also qualify for the Young Producer Incentive – a one per cent reduction of the applicable interest rate for the first five-year term of the loan, on up to \$1 million in borrowings. As of March 31, 2021, 1,075 loans had been provided for \$414.8 million through the NGLP – an increase of 25.9 per cent in loans and 26.5 per cent in direct lending compared to 2019-20.
- The Revolving Loan Program (RLP) provides easy, convenient, and immediate access to working capital when required for individuals and companies involved in primary agriculture in Alberta. As of March 31, 2021, 144 loans had been provided for \$32.2 million through the RLP – a decrease of 9.4 per cent in loans and an increase of 13.8 per cent in direct lending compared to 2019-20.
- The Rural Business Loan Program (RBLP) provides small and medium-sized commercial and manufacturing businesses in rural Alberta with an alternative source of fixed-rate term loans. As of March 31, 2021, three loans had been provided for \$1.2 million – a decrease of 82.4 per cent in loans and 83.7 per cent in direct lending compared to 2019-20. Going forward, the RBLP is being discontinued in line with AFSC's new lending focus.

In February 2021, AFSC committed to their new lending mandate focusing on Agribusiness and Next Generation Lending. Beginning in 2021-22, AFSC will double the individual lending limit from \$15 million to \$30 million. AFSC is also increasing the overall borrowing limit from \$2.8 billion to \$3.6 billion by 2023-24. These increases will encourage economic growth in the province and continue to give farmers and ranchers reliable access capital and lending programs targeted to meet the unique needs of the agriculture sector.

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

This key objective represents a variety of different activities the ministry undertakes to encourage rural community development, including delivering specific K-12 education programs and youth development programs, and providing grant funding to support education and extension programs aimed at increasing awareness and understanding of farm safety practices.

Alberta's 69 Agriculture Service Boards (ASBs) support rural communities by improving the economic viability of the agriculture industry within their respective communities through promoting, celebrating, enhancing and protecting viable, sustainable agriculture. ASBs are key to Alberta's robust pest surveillance network that helps maintain market access by mitigating the risk of agricultural pest threats. This enables the industry to provide assurance to trading partners and continue to produce high value crops. Financial support is provided through the Agriculture Service Board Grant program, allowing ASBs to:

- provide weed and pest control;
- encourage and ensure soil and water conservation;
- assist in the control of animal diseases; and
- encourage sustainable agricultural practices.

In 2020-21, a total of \$10.2 million was provided to Alberta's 69 ASBs through the Agriculture Service Board Grant program to help their communities fulfill the requirements under the *Agriculture Service Board Act*. Through this funding, ASBs facilitated approximately 300 workshops for producers on various subjects including business opportunities, mental health, farm safety, new agricultural technologies, pest management, grant programs, and water management. Ten virtual workshops specific to agricultural fieldmen were also held in 2020-21 to provide information and updates on COVID-19 protocols and available grant programs. Over 60 Agricultural Fieldmen participated in each workshop. Pest surveillance activities were undertaken on more than 15,000 fields and Alberta's 67 seed cleaning plants were certified and inspected by Agricultural Fieldmen as per the *Weed Control Act*. Agriculture and Forestry is continuing to work with federal partners such as the CFIA and Agriculture and Agri-Food Canada to ensure new plant pests are reported and traced according to market and legislative protocols.

The Farm Safety Centre, a ministry partner, continued to deliver farm safety programs under the CAP Risk Management priority area for farm producers, non-profit organizations, and post-secondary institutions in 2020-21. The in-school Safety Smarts program for rural children from kindergarten through grade six delivered virtual farm safety presentations to 430 rural Alberta schools, reaching more than 8,000 students. The Sustainable Farm Families program for Hutterite Colonies was suspended for 2020-21 due to COVID-19 restrictions. Grant funding for Farm Safety Centre programming is currently scheduled to end in 2021-22; however, amendments to grant agreements are underway to extend this timeline to 2022-23 due to the impacts of COVID-19.

Agriculture and Forestry's Junior Forest Ranger (JFR) program gives youths age 16 to 18 the opportunity to work and train in the natural resources field over a seven-week period throughout July and August. The three core elements of the program include stewardship, leadership, and traditional ecological knowledge. The program collaborates with professionals in local organizations, industry, and different government branches. Typically, a total of nine crews and 72 youths are hired under the program each season; however, due to COVID-19 related challenges, only seven crews and 56 youths were hired in 2020-21. With reduced numbers, the program was able to successfully adapt to COVID-19 restrictions and operate safely in seven Forest Areas. Going

forward, JFR crews will be scaled back from eight-person to six-person to allow for better social distancing and to support vehicle and accommodation logistics.

The ministry continued to develop forestry and wildfire education materials to support curricula for school-aged children. In 2020-21, Agriculture and Forestry staff participated on an Education Steering Committee that developed forestry education and awareness curricula for pre-kindergarten through to grade three. In addition, the committee has been working with the Lesser Slave Forest Education Committee to create the career inspiration program Faces of Forestry for junior high and high school students. It is expected that these materials will be made available for teachers to access in the 2021-22 school year. Due to the ongoing COVID-19 restrictions on in-person gatherings, the Education Steering Committee is exploring options to develop curriculum modules by videoconferencing. In 2020-21, a personality quiz targeting youth and young adults interested in exploring careers in forestry was developed. The quiz is available online, and is available for use in school talks, career fairs, and trade shows.

The following table represents the 2020-21 actual expenditures for rural life enhancement programs administered by the ministry under this key objective.

Rural Programming Initiative (Outcome 4: Agriculture and Forestry Business Plan 2020-23)	2020-21 Actual (\$ millions)
Rural Life Enhancement and Programming Total	\$1.2

Note: Table 2 of 2 providing actuals for the rural programming initiative (total budget allocation: \$18.8 million).

The budgeted amount of \$18.8 million for the rural programming initiative was exceeded by \$2.2 million in 2020-21, which is primarily due to costs associated with workforce adjustments.

The Green Certificate program is an industry-driven apprenticeship style agriculture training program, focused on mastering entry-level, primary agriculture production skills. It seeks to educate the future workforce for the primary agriculture sector by connecting high school students with industry developed curriculum, and the possible career paths available in the agriculture industry. On average, the program has 1,100 to 1,200 students actively training at any given point. In 2020-21, the Green Certificate Program was delivered at 267 high schools across Alberta. There were 760 new registrants, 1,326 completed student tests, and 394 program completions. Although all client interactions, including registrations, orientations, testing, and workshops were required to transition to an online delivery format due to COVID-19, enrollment in the Green Certificate Program increased as it was one of only a few options that provided training and high school credits for students. The Green Certificate Program was delivered following the Chief Medical Officer of Health guidelines, and individual school COVID-19 policy. A blended approach of in-person and on-line testing was used to ensure student and tester safety.

In 2020-21, the 4-H Council, 4-H Foundation, and Agriculture and Forestry announced 4-H Alberta, a realigned organizational structure separate from government to modernize and enhance 4-H program delivery. In support of the new model, Agriculture and Forestry committed to provide stable grant funding of \$1 million annually to 4-H Alberta commencing in 2020-21. This grant funding will continue to support positive youth development opportunities to build and strengthen capacity in rural communities and the agriculture industry. The reported number of 4-H clubs and members was down in 2020-21 from previous years, which may be attributed to COVID-19 restrictions for in-person gatherings.

Performance Measure 4.a:

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

Prior Years' Results				Target 2020-21	Actual 2020-21
2016-17	2017-18	2018-19	2019-20		
535	421	478	596	840	772

Source: Agriculture Financial Services Corporation

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

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

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

Result and Variance Explanation: In 2020-21, AFSC lending services directly lent \$653.9 million to eligible primary agriculture, agribusinesses, and value-added agri-processors, resulting in a total leveraged investment of \$772 million in agriculture and rural business ventures. This leveraged investment is eight per cent lower than the forecasted target due to the reduction in direct face-to-face relationship building activities with lending partners during the COVID-19 pandemic, resulting in overall lower-than-expected result for the year.

The 2020-21 result is 30 per cent higher than the prior year's result, continuing the upward trend in results since 2017-18, which reflects:

- The effectiveness of AFSC's suite of loan products in targeting new and young producers, developing producers and agribusiness.
- The effect of providing loan repayment flexibility and relief through interest-only payments, and payment re-amortization or payment deferral options to reduce financial strain that COVID-19 presented to lending clients.
- The effect of lending process reviews which have streamlined delivery and improved client experience when applying for a loan at AFSC.

Performance Indicator 4.b:

Number of Alberta farmers receiving services from ministry-funded Rural Electric grant program.

	Prior Years' Results				Actual 2019-20
	2015-16	2016-17	2017-18	2018-19	
Number of Grants Issued	164	168	132	148	142
Total Grant	\$594,143	\$664,236	\$494,639	\$615,171	\$555,930

Source: Alberta Federation of Rural Electrification Associations; and Agriculture and Forestry

Note: The number of grants issued in 2019-20 was misreported in the 2019-20 Agriculture and Forestry Annual Report and has been corrected. The 2019-20 result of 142 is reported accurately in the 2020-21 Agriculture and Forestry Annual Report. Results lag by one year.

Description: This indicator tracks the number eligible applicants (e.g., Alberta producers who are actively farming where the electric service is being used) and the total grant value from the Rural Electric Grant Program. The program helps reduce the cost of installing farm electric services (i.e., power lines, poles and transformers). The program's objective is to bring rural living standards closer to urban levels, and to promote the development of rural business and agricultural enterprises while keeping families living in rural areas of Alberta.

Rationale: The indicator shows the number of rural Albertans that are able to access grant funding for essential electric utility services on their farms. These services are considered critical for farm operations and an improved standard of living encouraging rural Albertans to stay rural. With this program, Alberta farmers have been able to improve their overall efficiency and production and increase their sizeable contributions to thriving rural communities throughout rural Alberta.

Result and Variance Explanation: In 2019-20, the ministry assisted 142 Alberta farmers with approximately \$556,000 under the Rural Electric grant program to expand, upgrade and modernize farm electric infrastructure. The number of Alberta farmers that received assistance in 2019-20 decreased by four per cent, while the total grant payments decreased by 10 per cent compared to the prior fiscal years. The results are subject to some variability because the ministry's Rural Electric Grant Program is demand-driven by the farmers and farm enterprises. Factors influencing demand include the number of Alberta farmers (either Rural Electrification Association members or investor-owned utility company customers) undertaking construction of new electric infrastructure for their rural properties, demand for new grain drying or irrigation capacity, the age of the infrastructure owned and maintained by Alberta farmers that is in need of replacement, and the financial ability for farmers to seek improvements or expansion of electric infrastructure on their operations.

Performance Measure and Indicator Methodology

Performance Measure 1.a:

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

Methodology

The result for this measure is the total number of new value-added products confirmed in writing 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 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. Value-added products include value-added food, beverage, and bio-industrial products. 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.

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.

Source

Agriculture and Forestry

Performance Measure 1.b:

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

Methodology

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

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

The total eligible seeded acres for the annual crops insured under the Crop Insurance program is divided by the corresponding total seeded acres for annual crops, as reported in Statistics Canada's November 2020 Field Crop Reporting Series (Table 32-10-0359-01). The result is 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 2020 Field Crop Reporting Series, Statistics Canada (Table 32-10-0359-01)). The result is 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 2020 Field Crop Reporting Series. This Statistics Canada publication also provides a detailed methodology to the field crop data. The November estimate provides the most recent information available on seeded acreage in Alberta.

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

Source

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

Performance Indicator 1.c:

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

Methodology

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

The stumpage collected by the Alberta government is the per-cubic-metre log price a private forest 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 forest product produced from the logs (panels, pulp, or lumber).

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

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

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

Rental fees are the Holding and Protection (H&P) charges that all Forest Management Agreement (FMA) and timber permit holders pay annually to the province. The H&P charges for timber permit holders are \$0.10 per hectare for harvesting dead, damaged, diseased, or endangered coniferous timber, \$0.25 for harvesting green coniferous timber, and \$0.10 per cubic metre for harvesting deciduous timber. H&P for quotas are assessed on the basis of authorized annual cuts, \$0.02 per cubic meter for a deciduous allocation and \$0.15 per cubic meter for coniferous quotas. The H&P charges for FMA holders are initially set based on their annual allowable cut or FMA area. This initial H&P amount is indexed to the price index for government purchases of goods and services, and adjusted every year when the price index for government purchases of goods and services is revised.

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

Source

Agriculture and Forestry (Forest Revenue Scaling & Tenure System)

Performance Indicator 1.d:

Alberta's agri-food exports by sector (\$ millions): Primary agriculture commodities, and Value-added agriculture products

Methodology

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

This indicator report the total value and growth of Alberta's agri-food exports categorized into primary agriculture commodities and value-added agriculture products. Annual percentage growth in exports is calculated by subtracting the previous year's value from the current year's value, then dividing the result by the previous year's value. The result is expressed as a percentage.

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. Value-added 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 on agri-food from the International Accounts and 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 landing basis rather than by province of origin. Export statistics are subject to revisions, with revisions being conducted by Statistics Canada on a monthly basis. In this report, revisions are made only in the case when the difference in annual value of exports is greater than five per cent.

Source

Statistics Canada (customized data); Agriculture and Forestry

Performance Indicator 1.e:

Alberta's forest product exports by sector (\$ millions): Primary solid wood products, and Value-added timber-based products

Methodology

The result for this indicator is derived from the monetary value of Alberta's forest products leaving the province for a foreign destination market.

Forest products exports sales data are compiled by Statistics Canada using the North American Industry Classification System (NAICS) 2017. Statistics Canada assigns only one NAICS code for each timber-based manufacturing establishment based on the primary business activity that generates the most revenue for the establishment. Generally, the classification codes are derived from information that the business establishment has provided on surveys, forms, or administrative records. Statistics Canada generally uses revenue or value of shipments to determine an establishment's primary business activity.

NAICS is reviewed every five years for potential adjustments, so that the classification system can keep pace with the changing economy.

The total monetary value of forest products exports by Alberta-based business establishments is extracted from Trade Data Online (Statistics Canada) and categorized by into primary solid wood products and value-added timber-based products. Forest products exports data are subject to a one-year revision policy by Statistics Canada. In this report, revisions are made only 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 North American Industry Classification System (NAICS) Canada databases under five data files:

Primary solid wood products

- Sawmill and wood preservation (NAICS 3211)
- Veneer, plywood and engineered wood product manufacturing (NAICS 3212):
- Pulp, paper and paperboard mills (NAICS 3221)

Value-added timber-based products

- Other wood product manufacturing (NAICS 3219)
- Converted Paper Product Manufacturing (NAICS 3222)

Source

Statistics Canada (NAICS 3211; 3212; 3219; 3221 and 3222); Agriculture and Forestry

Performance Measure 2.a:**Percentage of wildfires contained before 10 a.m. the day following assessment****Methodology**

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

Wildfire events in the province are tracked for location, detection date and time, assessment date and time, control and containment time, cause of wildfire, and resources used. The results of the performance measure indicate how quickly Agriculture and Forestry contains 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 Agriculture and Forestry licensed meat facilities that meet provincial slaughter and meat processing requirements****Methodology**

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

All ministry-licensed meat 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 Agriculture and Forestry-licensed meat processing facilities 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 facility has met provincial animal slaughter or meat processing 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 a meat 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 Agriculture and Forestry-licensed meat facility receives a compliance designation for each food safety risk factor: Compliant (Meets Requirements) or Non Compliant. Meat facilities are expected to address areas of non-compliance within the timeframe established by a ministry inspector.

An active 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 meat 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 Agriculture and Forestry-licensed meat facilities.

Source

Agriculture and Forestry (Meat Inspection Program)

Performance Measure 3.a:

Percentage of irrigated agriculture area under efficient irrigation systems within Alberta's 13 irrigation districts.

Methodology

The result for this measure is derived by dividing the area under efficient on-farm irrigation systems within the 13 irrigation districts by the base total of irrigated agriculture area within the 13 irrigation districts. The result is expressed as a percentage.

An irrigation district is the geographical area consisting of the parcels of land included in the district. There are currently 13 irrigation districts in Alberta that operate under the authority of the *Irrigation Districts Act*.

Efficient on-farm irrigation systems are water application systems that enable the delivery of water to the root zone of the crop with minimum water loss in relation to the water applied to the field. Examples include low-pressure centre-pivot irrigation systems and sub-surface drip irrigation. Water application losses include evaporation from the air, soil surface, and plant leaf area; seepage from surface water channels or furrows; leaks from sprinkler systems or drip pipelines; percolation and deep drainage beneath the root zone; drift from sprinklers; or runoff from the field.

Each year during the irrigation season (May to October), staff from each irrigation district complete an annual inventory assessment of the type of irrigation technologies and

infrastructure systems that are used on all agriculture fields in their respective geographical area, including the following information:

- irrigated area in acres; and
- type of on-farm irrigation methods used and the corresponding irrigated area in acres.

Each irrigation district provides data on irrigation use to Agriculture and Forestry. The data is reviewed for accuracy, compiled and reported under this metric and in the ministry's Alberta Irrigation Information report available at <https://open.alberta.ca/dataset/c0ca47b0-231d-4560-a631-fc11a148244e>.

The measure represents the irrigation system types within the 13 irrigation districts, which make up more than 80 per cent of the provincial irrigated land base. Irrigation inventory data for private irrigation schemes is not reported under this measure.

Source

13 Irrigation Districts; and Agriculture and Forestry

Performance Measure 3.b:

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

Methodology

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

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 stored in a database and are totaled 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 forest company the right to establish, grow, and harvest timber. The ministry approves the company-recommended AAC following a technical review; ministry staff develop AACs for other forest management units.

Data from the Forest Revenue Scaling & Tenure System is used to determine the provincial harvest level (actual timber harvest). Certain volumes are not included in the harvest level for the purpose of comparability to the AAC. For example, fire salvage is not included in harvest levels if it does not contribute to the AAC. A five-year average including the reporting year of provincial actual timber harvest levels is calculated and reported as part of this measure.

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

Source

Agriculture and Forestry (Forest Revenue Scaling & Tenure System)

Performance Measure 3.c:

Percentage of forest regrowth as a result of reforestation

Methodology

The result for this measure is derived by dividing the total harvested area effectively regenerated by the total harvested area at the time of last mandated assessment. The result is 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 a fourteen-year lag between reporting regeneration treatment and assessment of effectiveness or forest performance, with the goal that over time all the harvested areas are effectively regenerated.

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

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

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

Source

Agriculture and Forestry (Alberta Regeneration Information System)

Performance Measure 4.a:

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

Methodology

Farms, rural commercial business, and agribusiness investments in rural areas are added together and reported as total dollar investment (all sources are included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party). This amount excludes all loans that were approved in the 2020-21 fiscal year and subsequently cancelled or withdrawn on or before March 31, 2021.

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:

Number of Alberta farmers receiving services from ministry-funded Rural Electric grant program

Methodology

Data displays the total number of applicants that were successful in applying for and receiving funds from the Rural Electric Grant Program, which is administered by the Alberta Federation of Rural Electrification Associations (AFREA) in accordance with program guidelines posted to their website.

- Grants are based on the most practical and economical route for overhead service and demand for irrigation/grain dryer services.
- Applicants must sign a declaration that they are farming and that the service is an eligible project under the AFREA grant guidelines.
- Individual grants are calculated based on a formula contained within the AFREA program guidelines, with a maximum grant per service per applicant of \$5,250.

Data is calculated and provided by AFREA to Agriculture and Forestry as part of their legislatively required annual report and is representative of grants provided based on the previous fiscal year (April 1, 2019 – March 31, 2020) as per the grant agreement.

Source

Alberta Federation of Rural Electrification Associations (AFREA); and Agriculture and Forestry

Appendix A: Agriculture and Forestry Statistics

Alberta Agriculture and Agri-Food Industry

	2019r ²	2020p ³	% Change
Employed Labour Force			
Agri-Food Industries (Number of Persons)	77,000	69,800	-9.4
% of Total Alberta Employment	3.4	3.3	
Agriculture Industries	49,000	42,500	-13.3
Food and Beverage Manufacturing Industries	28,000	27,300	-2.5
% of Total Manufacturing Industries	20.7	21.7	
Farm Income			
Total Farm Cash Receipts (\$ billions)	\$14.99	\$15.43	2.9
Crops	\$6.92	\$7.44	7.6
% of Total Farm Cash Receipts	46.2	48.2	
Livestock and Livestock Products	\$7.08	\$6.78	-4.2
% of Total Farm Cash Receipts	47.2	43.9	
Supply Management (Dairy, Poultry, and Eggs)	\$1.09	\$1.11	2.1
% of Livestock and Livestock Products Receipts	15.3	16.3	
Direct Program Payments	\$1.00	\$1.21	21.4
% of Total Farm Cash Receipts	6.7	7.9	
Farm Operating Expenses (After Rebates) (\$ billions)	\$12.05	\$12.05	-0.1
Net Cash Farm Income (\$ billions)	\$2.94	\$3.39	15.2
Realized Net Income (\$ billions)	\$1.03	\$1.42	38.5
Total Net Income (\$ billions)⁴	\$0.72	\$1.05	46.2
Food and Beverage Manufacturing Industries Value of Sales			
Food and Beverage Industries (\$ billions)	\$16.16	X⁵	n/a⁶
% of Total Alberta Manufacturing Sales	20.5	n/a	
Food Manufacturing	\$14.73	\$15.50	5.2
Beverage Manufacturing	\$1.43	X	n/a
Top Three Largest Food Manufacturing Sales Groups in 2020:			
1. Meat Products (including Poultry)	\$7.83	\$8.88	13.5
2. Grain and Oilseed Milling	\$2.00	\$1.78	-10.8
3. Dairy Products Manufacturing	X	\$1.39	n/a
Agri-Food Exports to All Countries			
Total Agri-Food Exports (\$ billions)	\$11.64	\$12.43	6.7

² r indicates "revised"

³ p indicates "preliminary, subject to revision"

⁴ Realized net income adjusted for inventory change

⁵ X indicates "confidential"

⁶ n/a indicates "not applicable"

	2019r ²	2020p ³	% Change
Primary Commodities (Animals and Crops)	\$5.27	\$5.76	9.2
Value-Added Products	\$6.37	\$6.67	4.7
Top Three Markets in 2020 (% Share of Total):			
1. United States (39.5%)	\$4.68	\$4.91	4.9
2. China (18.9%)	\$1.83	\$2.35	28.6
3. Japan (10.4%)	\$1.31	\$1.29	-1.5
Value of Farm Capital			
Total Value of Farm Capital as July 1 (\$ billions)	\$164.99	\$173.62	5.2
Livestock and Poultry	\$7.34	\$7.30	-0.6
Land and Buildings	\$141.52	\$149.82	5.9
Machinery and Equipment	\$16.13	\$16.51	2.3
Production of Top Three Major Field Crops			
All Wheat (tonnes)	10,263,200	11,041,000	7.6
% of Canada	31.4	31.4	
Canola (tonnes)	5,320,100	5,212,100	-2.0
% of Canada	27.1	27.8	
Barley (tonnes)	4,995,200	5,283,000	6.6
% of Canada	47.7	49.2	
Meat Production Quantity			
Beef – Western Canada ⁷ (tonnes)	974,248	969,442	-0.5
Pork – Alberta (tonnes)	229,302	254,636	11.0
Number of Livestock Slaughtered⁸			
Cattle and Calves – Western Canada (Head)	2,543,082	2,492,402	-2.0
Pork – Alberta (Head)	2,474,210	2,723,965	10.1
Livestock Inventory on Farms on January 1st	01/01/2020	01/01/2021	
Cattle and Calves (Head)	4,555,000	4,405,000	-3.3
% of Canada	40.4	39.5	
Hogs (Head)	1,550,000	1,565,000	1.0
% of Canada	11.1	11.2	
Sheep and Lambs (Head)	134,000	130,000	3.0
% of Canada	16.8	16.7	

7 Western Canada data only – breakdown for Alberta is unavailable

8 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 Alberta⁹	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 Type¹⁰			
Top Five Farm Types (Number of Farms):			
1. Grain and Oilseed	12,692	13,451	6.0
2. Beef Cattle (Including Feedlots)	12,022	12,282	2.2
3. Other Crops ¹¹ (Excluding Grain and Oilseed)	9,385	7,414	-21.0
4. Other Animals ¹² (Excluding Beef Cattle)	6,374	5,101	-20.0
5. Greenhouse, Nursery, Floriculture, and Mushroom	826	605	-26.8

⁹ Population information results are from the Census of Population.

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

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

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

Census of Agriculture – Alberta	2011	2016	% Change
Farms By Sales Class¹³			
% of Total Number of Farms:			
Under \$10,000	17.8%	14.2%	
\$10,000 to \$24,999	18.2%	14.8%	
\$25,000 to \$99,999	27.7%	26.3%	
\$100,000 to \$499,999	26.0%	28.5%	
\$500,000 and Over	10.3%	16.2%	
Land Area Seeded Using No-Till Practices			
Total Land Area Prepared for Seeding (Acres)	19,945,813	21,909,580	9.8
No-Till or Zero-Till Seeding Area	12,924,625	15,176,949	17.4
% of Total Land Area Prepared for Seeding	64.8%	69.3%	
Irrigation Area			
Irrigated Farmland (Acres)	1,241,411	1,517,089	22.2
% of Canadian Irrigated Area	65.2%	67.9%	

Notes:

- Per cent changes shown are based on unrounded data.
- Data shown in this table are current as of May 27, 2021.

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.

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

Alberta Forest Industry

	2019	2020	% Change
Employment (Number of Persons)¹⁴			
Forestry and Logging Industries	3,861	3,553	-8.0%
Wood Products Manufacturing	9,315	8,818	-5.3%
Pulp and Paper Manufacturing	2,103	2,296	9.2%
Capital Expenditures (\$ millions)¹⁵			
Forestry and Logging Industries	\$49.8	\$50.9	2.2%
Wood Products Manufacturing	\$232.9	\$188.8	-18.9%
Pulp and Paper Manufacturing	\$112.0	\$88.8	-20.7%
Pulp, Paper, and Wood Products Sales (\$ millions)¹⁶			
Wood Products Manufacturing	\$3,714	\$4,652	25.3%
Pulp and Paper Manufacturing	\$2,013	\$2,109	4.7%
Top Three Export Markets for Wood Products (\$ millions)¹⁷			
1. United States	\$1,397.0	\$2,175.1	55.7%
2. Japan	\$65.0	\$87.2	34.2%
3. China	\$52.9	\$50.6	-4.3%
Top Three Markets for Pulp and Paper Products (\$ millions)¹⁸			
1. United States	\$894.5	\$739.3	-17.4%
2. China	\$658.6	\$569.5	-13.5%
3. Japan	\$147.1	\$116.1	-21.1%

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.

14 Statistics Canada: Survey of Employment, Payroll, & Hours (SEPH); retrieved May 7, 2021.

15 Statistics Canada: Annual Capital and Repair Expenditures Survey (CAPEX); retrieved May 7, 2021.

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

17 Statistics Canada: Canadian International Merchandise Trade Database; retrieved May 7, 2021.

18 Statistics Canada: Canadian International Merchandise Trade Database; retrieved May 7, 2021.

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Reporting Entity and Method Consolidation

The financial information is 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, which includes the department and the entities making up the ministry, are consolidated using the line-by-line method.

Under this method, accounting policies of the consolidated entities are adjusted to conform to those of the government 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.

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

Ministry Financial Highlights

Statement of Revenues and Expenses (unaudited)

Year Ended March 31, 2021

(in thousands)

	2021		2020	Change from	
	Budget	Actual	Actual	Budget	2020 Actual
Revenues					
Federal government grants	\$ 293,394	\$ 313,430	\$ 371,219	\$ 20,036	\$ (57,789)
Investment income	157,118	166,193	157,956	9,075	8,237
Premiums, fees and licenses	465,006	793,282	473,339	328,276	319,943
Other	4,808	9,469	19,332	4,661	(9,863)
Ministry total	920,326	1,282,374	1,021,846	362,048	260,528
Inter-ministry consolidation adjustments	(1,612)	(1,417)	(1,819)	195	402
Adjusted ministry total	918,714	1,280,957	1,020,027	362,243	260,930
Expenses - directly incurred					
Programs					
Ministry Support Services	16,799	13,830	17,530	(2,969)	(3,700)
Rural Programming and Agricultural Societies	18,854	30,649	20,097	11,795	10,552
Processing, Trade and Intergovernmental Relations	34,006	32,238	35,578	(1,768)	(3,340)
Primary Agriculture	72,907	76,336	90,546	3,429	(14,210)
Forests	168,953	265,863	639,202	96,910	(373,339)
Climate Leadership Plan	-	-	1,944	-	(1,944)
Canadian Agricultural Partnership	42,254	40,701	41,913	(1,553)	(1,212)
Lending	34,122	25,666	47,945	(8,456)	(22,279)
Insurance	407,344	849,955	1,012,492	442,611	(162,537)
Agriculture Income Support	89,578	123,663	231,613	34,085	(107,950)
Debt Servicing Costs	72,374	69,497	69,496	(2,877)	1
Ministry total	957,191	1,528,398	2,208,356	571,207	(679,958)
Inter-ministry consolidation adjustments	(84,305)	(83,492)	(87,069)	813	3,577
Adjusted ministry total	872,886	1,444,906	2,121,287	572,020	(676,381)
Annual deficit	\$ 45,828	\$ (163,949)	\$ (1,101,260)	\$ (209,777)	\$ 937,311

Revenue and Expense Highlights

Revenues

Total revenue for the Ministry was over \$1.2 billion, \$362 million more than budget and \$261 million more than 2019-20.

Change from Budget 2020-21

- Premiums, Fees and Licenses were \$328 million higher than budget, primarily due to Timber Royalties and Fees \$304 million higher than budget as a result of higher demand and the price of softwood lumber at an all-time high. Premiums from Insured Persons were \$20 million lower due to lower participation in crop and hail endorsement and lower Livestock Insurance premiums due to reduced participation as a result of high volatility in cattle prices, partially offset by \$44 million higher reinsurance recoveries.
- Revenue from the Government of Canada was \$20 million more than budget, largely due to increased funding of \$18 million for AgriRecovery programs due to COVID-19, and increased funding of \$9 million for Wildlife Damage indemnities resulting from significant unharvested acres. These increases were partially offset by \$2 million lower revenue for AgriStability due to lower estimates for the 2019 program year and \$11 million lower revenue for AgriInsurance due to decreased participation in crop and hail endorsement. Additional funding of \$8 million for Mountain Pine Beetle also contributed to the overall increase.
- Investment Income was \$9 million higher than budget due to a \$13 million higher gain on sale of investments, partially offset by \$4 million lower interest revenue due to lower than targeted volumes in the loan portfolio.

Change from 2019-20 Actual

- Premiums, Fees and Licenses increased by almost \$320 million compared to last year, primarily due to a \$314 million increase in Timber Royalties and Fees resulting from increased demand and a significantly higher price for softwood lumber. In addition, AFSC livestock quota share reinsurance increased by \$7 million due to significant indemnities and a very high loss to premium ratio.
- Revenue from the Government of Canada decreased by \$58 million in 2020-21, mostly due to a \$63 million decrease for Agriculture Income Support. AgriStability program estimates were \$81 million lower, partially offset by an \$18 million increase in funding for AgriRecovery support programs. Hail Endorsement premiums were \$5 million lower due to non-viable acres, and Wildlife Damage indemnity payments were \$6 million higher due to a significant amount of unharvested acres in the prior crop year. Funding for Mountain Pine Beetle was \$8 million higher, while funding for wildfire prevention and suppression decreased by \$2 million due to a substantial decrease in the severity of the fire season in 2020-21.
- Investment Income increased by \$8 million from last year due to higher interest earned on investments and an increase in realized gains on sales of investments.

Expenses

Total expense for the Ministry was over \$1.5 billion, \$571 million more than budget but \$680 million less than 2020-21.

Change from Budget 2020-21

- Indemnities were \$476 million higher than budget, predominately due to \$371 million higher than anticipated AgriInsurance indemnities resulting from increased hail storms and excess moisture. Livestock Insurance indemnities were \$52 million higher than budget due to lower cattle prices earlier in the year resulting from COVID-19 market uncertainty, and Wildlife Damage indemnity payments were \$18 million higher due to a significant amount of crops snowed under from the prior year. AgriRecovery indemnities were \$29 million higher due to programs announced mid-year and AgriInvest indemnities were \$8 million higher due to government support for COVID-19.
- Grants were \$31 million higher than budget, mainly due to an additional \$30 million provided in-year for Alberta COVID-19 Recovery Plan initiatives.
- Supplies and Services were \$58 million higher than budget, primarily due to \$66 million in Contingency funding to support costs for wildfire presuppression and response. Higher costs of \$3 million were also incurred due to the impact of COVID-19 on wildfire management operations, and an additional \$9 million in costs associated with workforce adjustments was incurred. These costs were partially offset by lower spending on Mountain Pine Beetle control of \$10 million due to decreased activity and the weather, and \$10 million in lower spending on travel, supplies and events due to the COVID-19 pandemic.
- Salaries, wages and employee benefits were \$19 million higher than budget, due to \$11 million in contingency funding for wildfire presuppression and response. Costs associated with workforce adjustments were \$8 million higher than anticipated.
- Other Expenses were \$11 million below budget, due to a lower than anticipated Provision for Doubtful Accounts due to decreased risk from COVID-19 on the loan portfolio.

Change from 2019-20 Actual

- Indemnities decreased by \$270 million from the previous year, primarily due to a decrease of \$160 million in AgriInsurance indemnities resulting from an improved growing season and an improved harvest in September. Livestock Insurance indemnities were \$10 million lower due to the stabilization of cattle prices throughout the fiscal year after a volatile first quarter due to the onset of COVID-19 and limited processing capacity. Hail Insurance indemnities decreased by \$4 million due to the varying degrees of intensity of hailstorms. In addition, Agriculture Income Support indemnities were \$108 million lower, due to a decrease in prior and current year AgriStability program estimates. AgriRecovery programs and Wildlife Damage indemnity payments were \$11 million higher due to a significant amount of unharvested acres in the prior crop year.
- Supplies and Services were \$360 million lower than last year, mostly due to a decrease of \$350 million for wildfire management as it was an extreme fire season in 2019-20 which increased costs significantly in the prior year. Discretionary spending was \$10 million lower due to COVID-19.
- Salaries, wages and employee benefits were \$36 million lower than last year, primarily due to \$29 million in savings resulting from unfilled vacancies and the amalgamation of the Environmental Stewardship and Irrigation and Farm Water branches into the new Natural Resource Management branch. In addition, the less extreme fire season this year resulted in \$9 million in lower temporary staff costs.
- Grants were \$7 million higher than the previous year mainly due to the additional \$30 million in funding for Alberta COVID-19 Recovery Plan initiatives. This increase was partially offset by a \$25 million decrease in wildfire reforestation grants.

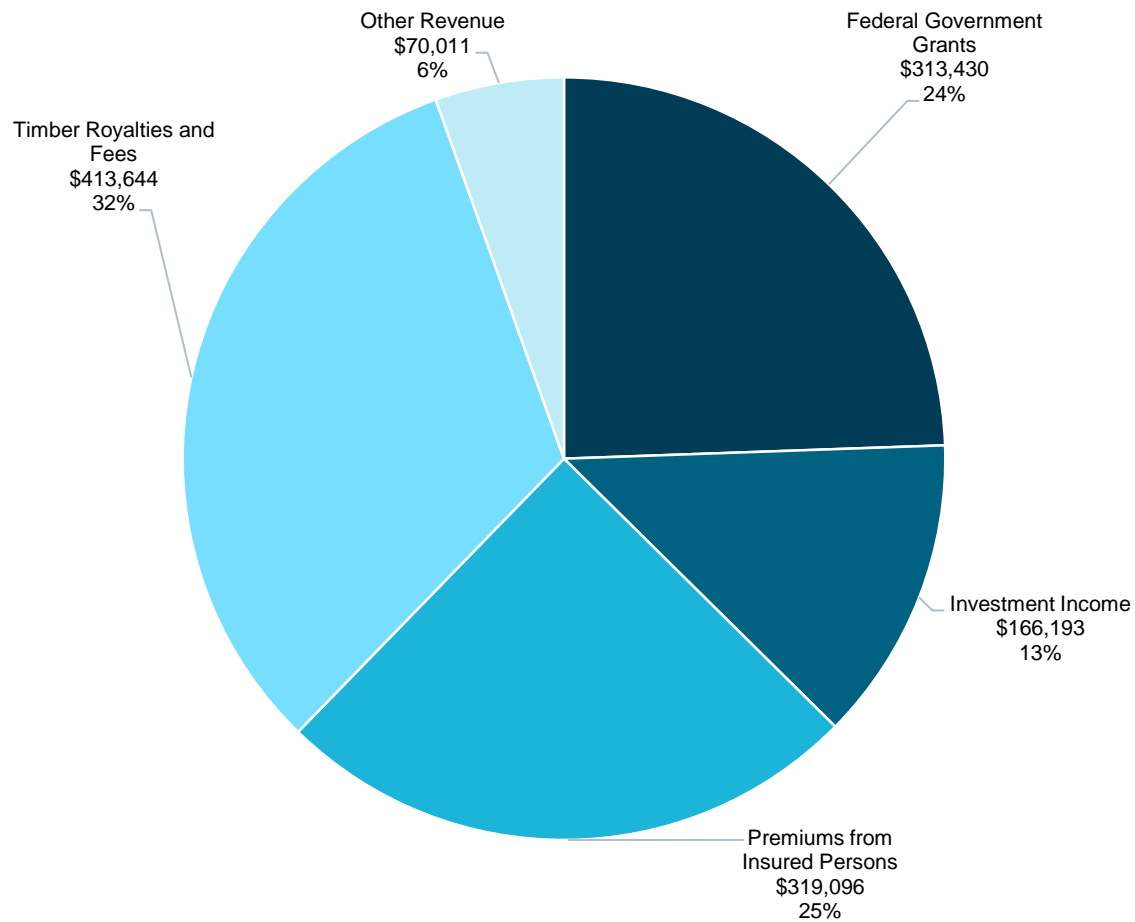
Breakdown of Revenues (unaudited)*(in thousands)*

	Budget	2021 Actual	2020 Actual
Government transfers			
Federal Government grants			
Agriculture Insurance	\$ 199,797	\$ 189,052	\$ 194,241
Agriculture Income Support	36,113	51,324	114,847
Canadian Agricultural Partnership	42,254	39,902	41,914
Other	15,230	33,152	20,217
	<u>293,394</u>	<u>313,430</u>	<u>371,219</u>
Investment income			
Agriculture Insurance	57,852	70,424	59,736
Lending	99,016	94,801	95,783
Other	250	968	2,437
	<u>157,118</u>	<u>166,193</u>	<u>157,956</u>
Premiums, fees and licenses			
Premiums from Insured Persons	338,950	319,096	321,197
Timber Royalties and Fees	109,300	413,644	99,202
Other	16,756	60,542	52,940
	<u>465,006</u>	<u>793,282</u>	<u>473,339</u>
Other revenue	<u>4,808</u>	<u>9,469</u>	<u>19,332</u>
Total ministry revenues	<u>\$ 920,326</u>	<u>\$ 1,282,374</u>	<u>\$ 1,021,846</u>

Breakdown of Revenues (unaudited)

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

2021 Actual (In thousands)



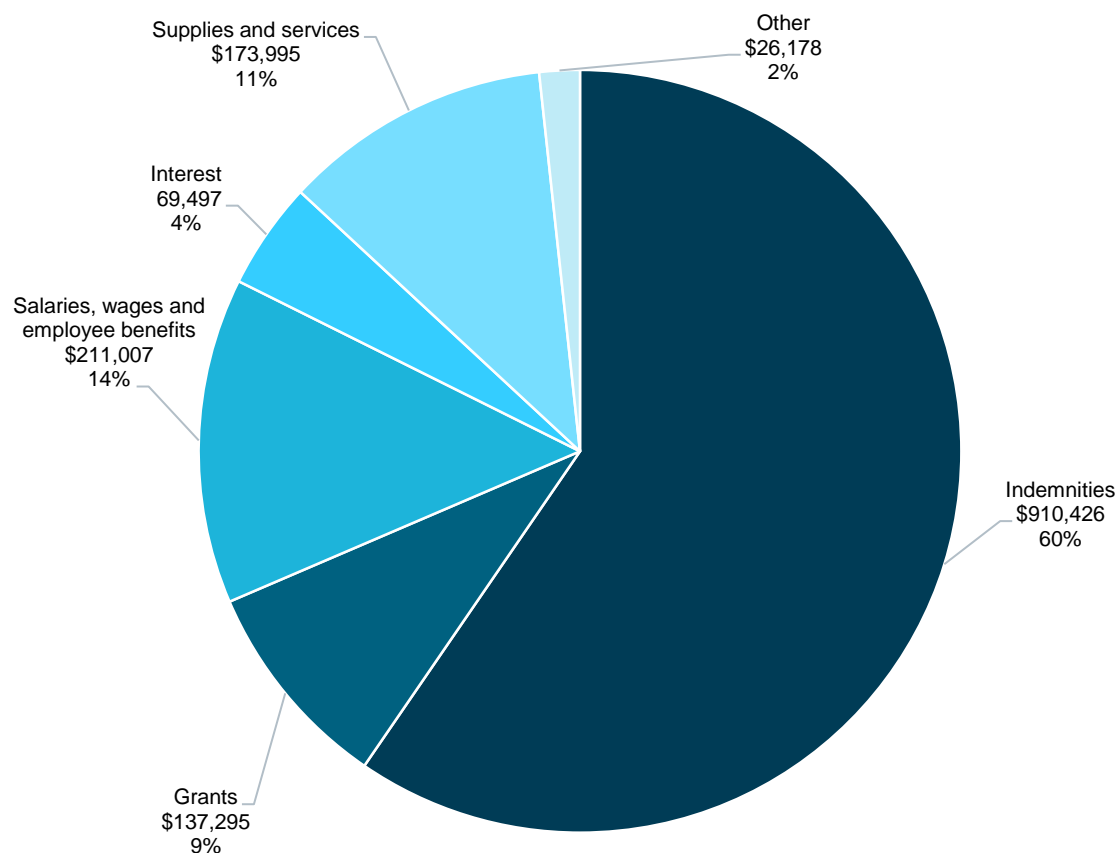
Expenses – Directly Incurred Detailed by Object (unaudited)*(in thousands)*

		2021	2020
	Budget	Actual	Actual
		<i>In thousands</i>	
Indemnities	\$ 434,776	\$ 910,426	\$ 1,180,809
Grants	106,415	137,295	130,099
Salaries, wages and employee benefits	191,921	211,007	246,940
Interest	72,374	69,497	69,496
Supplies and services	115,593	173,995	532,193
Other	10,746	(136) ¹	25,216
Amortization of tangible capital assets	25,366	26,314	23,603
Total ministry expenses	<u>\$ 957,191</u>	<u>\$ 1,528,398</u>	<u>\$ 2,208,356</u>

¹ Negative balance as a result of a large reduction to Provision for Doubtful Accounts and for Losses due to reduced risk from COVID-19 to the loan portfolio.

Expenses – Directly Incurred Detailed by Object (unaudited)

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

2021 Actual
(In thousands)

Supplemental Financial Information

Portfolio Investments (unaudited)

(in thousands)

	2021		2020	
	Book Value	Fair Value	Book Value	Fair Value
Interest-bearing securities				
Deposits and short-term securities	\$ 175,972	\$ 177,127	\$ 3,882	\$ 3,887
Bonds and mortgages	2,380,003	2,425,515	2,595,766	2,639,743
	<u>\$ 2,555,975</u>	<u>\$ 2,602,642</u>	<u>\$ 2,599,648</u>	<u>\$ 2,643,630</u>

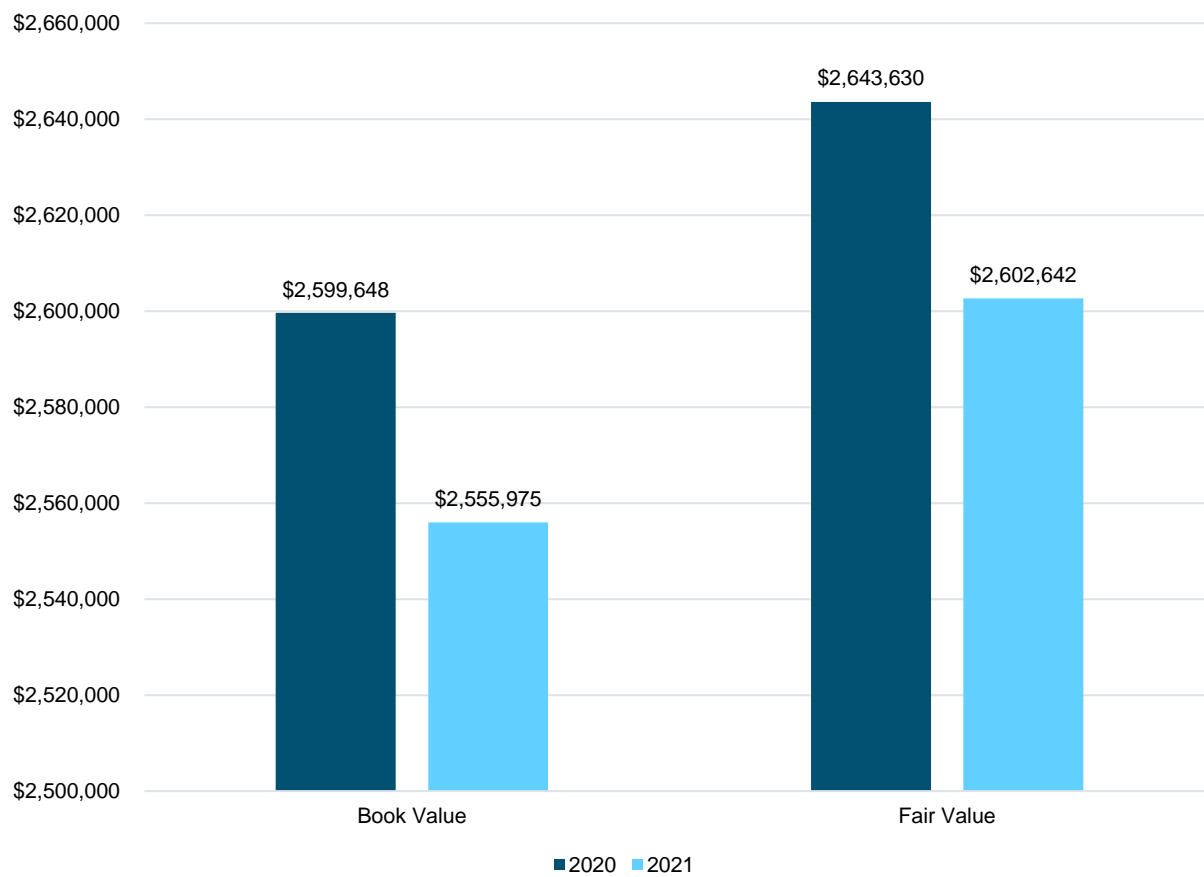
The following is a breakdown of portfolio investments:

	2021		2020	
	Book Value	Fair Value	Book Value	Fair Value
Operating				
Internally designated assets	\$ 2,555,975	\$ 2,602,642	\$ 2,599,648	\$ 2,643,630
Total portfolio investments	<u>\$ 2,555,975</u>	<u>\$ 2,602,642</u>	<u>\$ 2,599,648</u>	<u>\$ 2,643,630</u>

Portfolio Investments (unaudited)

(in thousands)

Comparison of Book Value to Fair Value as of March 31, 2021



Financial Statements of Other Reporting Entities

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Agriculture Financial Services Corporation

Financial Statements

March 31, 2021

Agriculture Financial Services Corporation**Financial Statements****Table of Contents**

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Independent Auditor's Report



**Auditor
General**
OF ALBERTA

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 (the Corporation), which comprise the statement of financial position as at March 31, 2021, 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 Corporation as at March 31, 2021, 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 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 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 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 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 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 Corporation to cease to continue as a going concern.

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

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

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

May 28, 2021
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2021

(in thousands)

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 354,286	\$ 360,089
Accounts receivable (Note 4)	3,274	35,340
Due from Government of Alberta	29,807	88,491
Due from Government of Canada	130,310	209,056
Loans receivable (Note 5)	2,520,276	2,436,388
Investments (Note 6)	2,569,034	2,612,013
	<u>5,606,987</u>	<u>5,741,377</u>
LIABILITIES		
Accounts payable and other accrued liabilities (Note 7)	13,058	10,005
Due to other Provincial Governments (Note 8)	3,768	2,191
Indemnities payable (Note 9)	256,144	458,636
Borrowing from Government of Alberta (Note 10)	2,480,111	2,442,330
Deferred revenue (Note 11)	7,307	7,616
	<u>2,760,388</u>	<u>2,920,778</u>
Net Financial Assets	<u>2,846,599</u>	<u>2,820,599</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	20,575	28,678
Prepaid expenses	7,615	5,895
	<u>28,190</u>	<u>34,573</u>
Net assets before deferred capital contributions	<u>2,874,789</u>	<u>2,855,172</u>
Spent deferred capital contributions (Note 11)	9,535	15,611
Net Assets	<u>\$ 2,865,254</u>	<u>\$ 2,839,561</u>
Net Assets		
Accumulated surplus	<u>\$ 2,865,254</u>	<u>\$ 2,839,561</u>

Contingencies, Contractual Obligations and Commitments (Note 14)

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

Approved by the Board:

Shannon Marchand, Chair of the Board of Directors
Darryl Kay, Chief Executive Officer

Statement of Operations

Year ended March 31, 2021

(in thousands)

	2021		2020
	Budget	Actual (Schedule 1)	Actual
Revenues:			
Premiums from insured persons	\$ 338,950	\$ 319,096	\$ 321,197
Interest	98,861	95,127	95,943
Contribution from Government of Alberta	280,422	293,618	357,381
Contribution from Government of Canada	243,077	256,816	319,431
Investment income	58,257	71,042	61,664
Fees and other income	15,285	59,362	51,428
	<u>1,034,852</u>	<u>1,095,061</u>	<u>1,207,044</u>
Expenses:			
AgrilInsurance	351,785	722,992	886,975
Agriculture Income Support	89,578	123,663	231,613
Lending	106,496	95,163	117,441
Hail Insurance	25,511	27,157	28,418
Livestock Insurance	18,646	69,253	78,767
Wildlife Damage Compensation	12,055	31,140	18,982
	<u>604,071</u>	<u>1,069,368</u>	<u>1,362,196</u>
Annual surplus (deficit)	<u>\$ 430,781</u>	25,693	(155,152)
Accumulated surplus at beginning of year		2,839,561	2,994,713
Accumulated surplus at end of year		<u>\$ 2,865,254</u>	<u>\$ 2,839,561</u>

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

Statement of Change in Net Financial Assets

Year ended March 31, 2021

(in thousands)

	2021		2020
	Budget	Actual	Actual
Annual (deficit) surplus	\$ 430,781	\$ 25,693	\$ (155,152)
Acquisition of tangible capital assets (Note 12)	(7,573)	(4,124)	(6,314)
Amortization of tangible capital assets (Note 12)	6,883	12,227	8,288
Loss on disposal of tangible capital assets	-	-	594
Proceeds on sale tangible capital assets	-	-	165
Change in prepaid expenses	-	(1,720)	(1,690)
Change in spent deferred capital contributions	-	(6,076)	(1,933)
Increase (decrease) in net financial assets in the year	430,091	26,000	(156,042)
Net financial assets, beginning of year	2,820,599	2,820,599	2,976,641
Net financial assets, end of year	<u>\$ 3,250,690</u>	<u>\$ 2,846,599</u>	<u>\$ 2,820,599</u>

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

Statement of Cash Flows

Year ended March 31, 2021

(in thousands)

	2021	2020
Operating transactions:		
Annual surplus (deficit)	\$ 25,693	\$ (155,152)
Non-cash items included in operating results		
Amortization of tangible capital assets (Note 12)	12,227	8,288
Deferred capital contribution recognized as revenue (Note 11)	(8,180)	(5,144)
Amortization of premiums and discounts	1,472	(6,393)
Allowance for doubtful accounts and for losses	(1,603)	21,157
Gain on sale of investments	(19,878)	(319)
(Gain) loss on capital assets	(560)	594
(Decrease) increase in net deferred revenue	(310)	532
Increase in prepaid expenses	(1,720)	(1,689)
Decrease (increase) in accounts receivable	35,828	(31,026)
Increase (decrease) in environment liabilities	1,001	(128)
(Decrease) increase in indemnities payable	(202,492)	210,300
Increase (decrease) in accounts payable and other accrued liabilities	4,145	(9,238)
Increase (decrease) in due to provincial and federal governments	113,719	(47,278)
Cash applied to operating transactions ⁽¹⁾	(40,658)	(15,496)
Investing transactions:		
Proceeds from repayments of loans receivable	484,967	372,395
Loan disbursements	(571,705)	(522,563)
Purchase of investments	(1,028,804)	(1,199,951)
Proceeds on disposal of investments	1,092,293	1,146,678
Cash applied to investing activities	(23,249)	(203,441)
Capital transactions:		
Acquisition of tangible capital assets	(3,564)	(6,314)
Proceeds on disposal of tangible capital assets	-	165
Cash applied to capital transactions	(3,564)	(6,149)
Financing transactions:		
Borrowing from the Government of Alberta	865,725	2,819,725
Contributions restricted for capital (Note 11)	2,104	3,211
Repayment of borrowing from the Government of Alberta	(831,450)	(2,618,109)
Borrowing from the Government of Canada	51,646	-
Repayment of borrowing from the Government of Canada	(26,357)	-
Cash provided by financing transactions	61,668	204,827
Decrease in cash and cash equivalents	(5,803)	(20,259)
Cash and cash equivalents at beginning of year	360,089	380,348
Cash and cash equivalents at end of year	\$ 354,286	\$ 360,089

⁽¹⁾ Net cash applied to by operating activities includes \$65,653 (2020 \$66,842) of interest paid.

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

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 1 Authority and Purpose

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

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

Note 2 Summary of Significant Accounting Policies and Reporting Practices

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

Basis of Financial Reporting:

(a) Revenue Recognition

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

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

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

Contributions received from the Governments of Canada and Alberta that are restricted for the acquisition of tangible capital assets are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired tangible capital assets.

Notes to the Financial Statements

March 31, 2021

(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, interest on arrears 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, and issuance costs.

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

(c) Valuation of Financial Assets and Liabilities

AFSC's financial assets and liabilities include cash and cash equivalents, accounts receivables, due from Government of Alberta, due from Government of Canada, loans receivable, investments, accounts payable and other accrued liabilities, due to other Provincial Governments, 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

March 31, 2021

(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 4, 5, 9 and 18).

On March 11, 2020, the World Health Organization declared the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus and provide financial assistance as necessary. The duration and impact of COVID-19 are still unknown at this time and it is not possible to reliably estimate the full effect of these developments on the financial statements. Additional information on the financial impact of COVID-19 has been disclosed in the relevant notes in the financial statements (See Notes 5, 9, 18 and 19).

(e) Non-Financial Assets

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

(f) Cash and Cash Equivalents

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

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

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

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

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

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

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

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

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

(h) Concessionary Loans and Loan Discounts

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

(i) Investments

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

(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.

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Tangible Capital Assets including Capital Leases

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

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

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

(l) AgriStability, AgriInvest and AgriRecovery Program

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

(m) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund 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 17).

In addition, the Corporation carries two different types of reinsurance through private reinsurance companies for the Hail and Livestock insurance programs. This includes both Excess of loss and Quota share reinsurance. Excess of loss is a type of reinsurance in which the reinsurer indemnifies the ceding company for losses that exceed a specified limit.

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(m) Reinsurance (continued)

Quota share is a type of pro rata reinsurance contract in which the insurer and reinsurer share premiums and indemnities according to a fixed percentage. To reflect the objective of reinsurance as cost recovery, all reinsurance transactions, including brokerage commissions, ceded premiums and indemnities recovered, are disclosed in Schedule 1 as Net reinsurance expenses or fees and other income if the indemnities recovered are greater than the ceded premiums. Disclosure of the actual amounts relating to brokerage fees, ceded premiums and indemnity recoveries have been disclosed in the financial statement notes (see Note 18).

(n) AgriInsurance Accumulated Surplus Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the AgriInsurance accumulated surplus of \$2,710,916 (2020 \$2,690,189) is restricted for AgriInsurance purposes only (see Schedule 1).

(o) Pensions

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

(p) Transactions with Related Parties

The Government of Alberta significantly influences the programs delivered by the Corporation and is a major contributor to the funding of the programs. Therefore, the Government is considered a related party. All related party transactions with the Government of Alberta have been recorded at the exchange amount which is the consideration paid or received as agreed to by the related party (see Note 16).

(q) Environmental Liabilities

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organisms that exceeds an environment standard, being introduced into soil, water or sediment. The Corporation 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 Other Accrued Liabilities (Note 7) is a liability of \$2,129 for the estimated remaining remediation (2020 \$1,128).

(r) Net Debt Model

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

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(r) Net Debt Model (continued)

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.

Note 3 Future Changes in Accounting Standards

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

- **PS 3280 Asset Retirement Obligations (effective April 1, 2022)**
This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.
- **PS 3400 Revenue (effective April 1, 2023)**
This standard provides guidance on how to account for and report on revenue, specifically, it differentiates between revenue arising from exchange transactions and non-exchange transactions.
- **PSG-8 Purchased Intangibles (effective April 1, 2023)**
This accounting guideline provides guidance on how to recognize purchased intangibles as non-financial assets.

AFSC has not yet accepted these standards. Management is currently assessing the impact of these standards on the financial statements.

Note 4 Accounts Receivable

	2021	2020
Due from reinsurers		
Livestock insurance program	\$ 386	\$ 31,702
AgriStability & Canadian Agricultural		
Income Stabilization (CAIS) programs:		
Overpayments	1,141	3,526
Administration fees	397	310
Premiums from insured persons		
Livestock insurance program	1,846	2,035
AgriInsurance program	1,046	1,971
Hail insurance program	49	273
Other	126	48
	<u>4,991</u>	<u>39,865</u>
Allowances for doubtful accounts		
At beginning of year	(4,525)	(5,083)
Decrease for this year	2,145	544
Write offs (recoveries)	663	14
	<u>(1,717)</u>	<u>(4,525)</u>
	<u>\$ 3,274</u>	<u>\$ 35,340</u>

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 4 Accounts Receivable (continued)

Included in the allowances for doubtful accounts is \$1,141 (2020 \$3,526) 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 balances. Actual write-offs realized in future periods could be materially different from management's estimates.

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2021			2020
	Farm	Commercial	Total	Total
Performing loans - non concessionary	\$ 2,303,972	\$ 185,740	\$ 2,489,712	\$ 2,406,111
Performing loans - concessionary	888	-	888	1,167
Impaired loans	2,964	30,014	32,978	40,991
	<u>2,307,824</u>	<u>215,754</u>	<u>2,523,578</u>	<u>2,448,269</u>
Accrued interest	28,338	834	29,172	30,093
Loan discount	(11)	-	(11)	(14)
	<u>2,336,151</u>	<u>216,588</u>	<u>2,552,739</u>	<u>2,478,348</u>
Allowances for doubtful accounts for loans	(6,330)	(26,133)	(32,463)	(41,960)
Net carrying value	<u>\$ 2,329,821</u>	<u>\$ 190,455</u>	<u>\$ 2,520,276</u>	<u>\$ 2,436,388</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	2021	2020
At beginning of year	\$ 5,921	\$ 36,038	\$ 41,959	\$ 26,237
Increase for the year	413	129	542	21,702
Write-offs	(4)	(10,034)	(10,038)	(5,979)
At end of year	<u>\$ 6,330</u>	<u>\$ 26,133</u>	<u>\$ 32,463</u>	<u>\$ 41,960</u>
Specific allowance	\$ 897	\$ 17,372	\$ 18,269	\$ 27,143
General allowance	5,433	8,761	14,194	14,817
	<u>\$ 6,330</u>	<u>\$ 26,133</u>	<u>\$ 32,463</u>	<u>\$ 41,960</u>

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

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 5 Loans Receivable (continued)

An additional allowance has been included in both the Specific allowance \$3,853 (2020 \$4,647) and the General allowance \$7,160 (2020 \$8,850) to estimate the additional risk due to the COVID-19 pandemic.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are \$5,703,140 (2020 \$5,658,542).

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

	2021	2020
Effective annual Interest Rate		
Less than or equal to 2%	\$ 219,253	\$ 145,093
2.01% to 3.00%	524,083	266,267
3.01% to 4.00%	824,279	903,574
4.01% to 5.00%	718,936	789,177
5.01% to 6.00%	172,077	252,498
6.01% to 7.00%	61,127	85,441
7.01% to 8.00%	3,057	5,326
Over 8%	755	879
	<u>2,523,567</u>	<u>2,448,255</u>
Accrued interest	29,172	30,093
Allowance for doubtful accounts for loans	(32,463)	(41,960)
	<u>\$ 2,520,276</u>	<u>\$ 2,436,388</u>
Weighted average annual interest rate	3.68%	3.99%

Note 6 Investments

	2021	2020
Bonds and debentures:		
Government of Canada, direct and guaranteed	\$ 1,106,676	\$ 1,269,056
Other provincial, direct and guaranteed	275,521	116,076
	<u>1,382,197</u>	<u>1,385,132</u>
Corporate securities:		
Asset backed securities, AAA rated	691,567	718,607
Senior bank notes	482,211	495,909
	<u>1,173,778</u>	<u>1,214,516</u>
	2,555,975	2,599,648
Accrued interest	13,059	12,365
	<u>\$ 2,569,034</u>	<u>\$ 2,612,013</u>

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 6 Investments (continued)

The fair value of investments at March 31, 2021 is \$2,602,642 (2020 \$2,643,630). 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⁾		2021	2020
	Within 1 Year	1 to 5 Years		
Bonds and debentures	\$ 12,575	\$ 1,369,622	\$ 1,382,197	\$ 1,385,132
Yield ⁽²⁾	0.21%	0.74%	0.74%	0.84%
Corporate Securities	163,397	1,010,381	1,173,778	1,214,516
Yield ⁽²⁾	0.42%	0.94%	0.87%	2.23%
	175,972	2,380,003	2,555,975	2,599,648
Accrued interest	691	12,368	13,059	12,365
	<u>\$ 176,663</u>	<u>\$ 2,392,371</u>	<u>\$ 2,569,034</u>	<u>\$ 2,612,013</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 7 Accounts Payable and Other Accrued Liabilities

	2021	2020
Supplies and services	\$ 7,548	\$ 5,434
Salaries, wages and employee benefits	5,410	4,342
Reinsurance Premiums to Government of Canada	18	18
Other	82	211
	<u>\$ 13,058</u>	<u>\$ 10,005</u>

Note 8 Due to (from) Other Provincial Governments

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

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 8 Due to (from) Other Provincial Governments (continued)

Breakdown of the amounts owing is as follows:

	2021	2020
Premiums collected	\$ 41,897	\$ 33,286
Indemnities paid	(35,022)	(28,556)
Administration costs receivable	(147)	(128)
Reinsurance premiums	(7,205)	(4,764)
Reinsurance expense net of ceded premiums	4,245	2,353
	<u>\$ 3,768</u>	<u>\$ 2,191</u>

Note 9 Indemnities Payable

	2021 (Note 2(l))	2020 (Note 2(l))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs		
Current claim year	\$ 148,051	\$ 215,667
Prior claim years	<u>89,431</u>	<u>61,819</u>
	237,482	277,486
AgriInsurance	17,288	128,121
Wildlife compensation	1,203	5,561
Livestock price insurance	105	47,466
Hail insurance	<u>66</u>	<u>2</u>
	<u>\$ 256,144</u>	<u>\$ 458,636</u>

Estimated indemnities payable of \$256,144 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.

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 9 Indemnities Payable (continued)

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.

There are some inherent limitations to the model such as the intrinsic uncertainty in agriculture market forecasts as well as uncertainty in forecasting participation. Applying macro adjustments may not be reflective of the sample of participants and the model cannot forecast disasters as it is biased to prior year results.

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 \$110,709 to \$180,549. In four out of the past five years, actual indemnities have fallen outside the range.

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

Estimated indemnities payable for the AgriInsurance program are based upon number of claims remaining to be paid and average claim payment amounts. The indemnities payable also includes claims deferred by producers. Based on that information the projected estimated indemnities would be in the range of \$13,757 to \$20,819.

Note 10 Borrowing from Government of Alberta

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

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

	2021	2020
Effective annual Interest Rate		
Less than or equal to 2%	\$ 385,000	\$ 510,725
2.01% to 3.00%	1,397,000	1,137,000
3.01% to 4.00%	400,721	500,721
4.01% to 5.00%	289,294	289,294
	<u>2,472,015</u>	<u>2,437,740</u>
Accrued interest	15,519	10,515
Unamortized premium	<u>(7,423)</u>	<u>(5,925)</u>
	<u>\$ 2,480,111</u>	<u>\$ 2,442,330</u>
Weighted average annual interest rate	2.67%	2.72%

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 10 Borrowing from Government of Alberta (continued)

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

Year ending March 31,	2022	\$	256,432
	2023		136,431
	2024		294,431
	2025		120,000
	2026		120,000
	Thereafter		<u>1,544,721</u>
			<u>\$ 2,472,015</u>

The estimated fair value of borrowings as at March 31, 2021 is \$2,575,394 (2020 \$2,546,063). Fair value is an approximation of market value to the holder.

Note 11 Deferred Revenue and Contributions

	2021	2020
Deferred revenue	\$ 7,307	\$ 7,616
Spent deferred capital contributions	<u>9,535</u>	<u>15,611</u>
	<u>\$ 16,842</u>	<u>\$ 23,227</u>

	2021			2020
	Government of Canada	Non-government	Government of Alberta	Total
Balance at beginning of year	\$ -	\$ 7,616	\$ -	\$ 7,616
Received during year	-	7,307	-	7,307
Less amounts recognized	-	(7,616)	-	(7,616)
Balance at end of year	<u>\$ -</u>	<u>\$ 7,307</u>	<u>\$ -</u>	<u>\$ 7,616</u>

	2021			2020
	Government of Canada	Non-government	Government of Alberta	Total
Balance at beginning of year	\$ 9,134	\$ 388	\$ 6,089	\$ 15,611
Transferred capital assets received	1,262	-	842	2,104
Less amounts recognized as revenue	(4,850)	(97)	(3,233)	(8,180)
Balance at end of year	<u>\$ 5,546</u>	<u>\$ 291</u>	<u>\$ 3,698</u>	<u>\$ 9,535</u>

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 11 Deferred Revenue and Contributions (continued)

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

Note 12 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	2021	2020
Historical Cost						
At beginning of year	\$ 1,707	\$ 10,210	\$ 12,496	\$ 117,390	\$ 141,803	\$ 138,350
Additions	560	-	244	3,320	4,124	6,314
Disposals including write-downs	-	-	-	(3,100)	(3,100)	(2,861)
	<u>2,267</u>	<u>10,210</u>	<u>12,740</u>	<u>117,610</u>	<u>142,827</u>	<u>141,803</u>
Accumulated amortization						
At beginning of year	-	6,547	10,798	95,780	113,125	106,939
Amortization expense	-	184	417	11,626	12,227	8,288
Effect of disposals including write-downs	-	-	-	(3,100)	(3,100)	(2,102)
	<u>-</u>	<u>6,731</u>	<u>11,215</u>	<u>104,306</u>	<u>122,252</u>	<u>113,125</u>
Net book value at March 31, 2021	<u>\$ 2,267</u>	<u>\$ 3,479</u>	<u>\$ 1,525</u>	<u>\$ 13,304</u>	<u>\$ 20,575</u>	
Net book value at March 31, 2020	<u>\$ 1,707</u>	<u>\$ 3,663</u>	<u>\$ 1,698</u>	<u>\$ 21,610</u>		<u>\$ 28,678</u>

Computer equipment and software costs include \$1,908 (2020 \$4,286) of costs incurred that are not amortized because they are still in the development stage.

Note 13 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 \$4,696 for the year ended March 31, 2021 (2020 \$5,078).

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 13 Pensions (continued)

At December 31, 2020, the Alberta Management Employees Pension Plan reported a surplus of \$809,850 (2019 surplus \$1,008,135), the Alberta Public Service Pension Plan reported a surplus of \$2,223,582 (2019 surplus \$2,759,320) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$59,972 (2019 deficiency \$44,698). 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.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the pension plans investments.

Note 14 Contingencies, Contractual Obligations and Commitments

Contingent Liability

	2021	2020
Loan guarantees	\$ 1,170	\$ 1,476

The Corporation has been named in one (2020 none) claim of which the outcome is not determinable. Specified amount totals \$15 (2020 nil). The resolution of the indeterminable claim may result in a liability, if any, may be significantly lower than the claimed amount.

Contractual Obligations

	2021	2020
Operating leases	\$ 9,374	\$ 9,953
Reinsurance	6,641	5,199
Other contracts	13,338	8,262
Total contractual obligations	\$ 29,353	\$ 23,414

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

Year ending March 31,	2022	\$ 20,658
	2023	3,488
	2024	1,702
	2025	1,444
	2026	1,064
	Thereafter	997
		<u>\$ 29,353</u>

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 14 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 27.5% for Livestock insurance and 30% for Hail insurance.

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

Commitments

	2021	2020
Approved, undisbursed loans	<u>\$ 301,947</u>	<u>\$ 210,335</u>

Note 15 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:

	2021	2020
Investments	\$ 2,569,034	\$ 2,612,013
Loans receivable	2,520,276	2,436,388
Due from Government of Canada	130,310	209,056
Due from Government of Alberta	29,807	88,491
Accounts receivable	3,274	35,340
Loan guarantees	1,170	1,476
Total	<u>\$ 5,253,871</u>	<u>\$ 5,382,764</u>

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

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 15 Financial Instruments and Financial Risk Management (continued)

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

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

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

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

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.

	2021		2020	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	\$ 1,402,862	56%	\$ 1,369,701	56%
Cattle	819,474	32%	745,895	31%
Accommodations and Other Services	90,684	4%	101,964	4%
Other Livestock	87,850	3%	75,608	3%
Manufacturing	46,775	2%	65,567	3%
Trade - Retail and Wholesale	24,416	1%	29,917	1%
Other	80,678	3%	89,696	4%
Allowance	(32,463)	-1%	(41,960)	-2%
	<u>\$ 2,520,276</u>	<u>100%</u>	<u>\$ 2,436,388</u>	<u>100%</u>

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 15 Financial Instruments and Financial Risk Management (continued)

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 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.

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 15 Financial Instruments and Financial Risk Management (continued)

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	2021	2020
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	\$ 199,571	\$ 649,680	\$ 662,583	\$ 989,036	\$ 19,406	\$ 2,520,276	\$ 2,436,388
Yield	3.54%	3.68%	3.82%	3.69%	-	3.70%	4.05%
Borrowing from							
Government of Alberta	\$ 256,432	\$ 670,862	\$ 1,329,721	\$ 215,000	\$ 8,096	\$ 2,480,111	\$ 2,442,330
Yield ⁽³⁾	2.79%	2.65%	2.42%	1.76%	-	2.60%	2.89%
Net gap	\$ (56,861)	\$ (21,182)	\$ (667,138)	\$ 774,036	\$ 11,310	\$ 40,165	\$ (5,942)

(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 Livestock Price Insurance and Hail Insurance providing significant protection against catastrophic losses. If all of the above are exhausted, the AgriInsurance program has a reinsurance agreement with the Government of Canada and the Government of Alberta to provide additional funding for claim payments. Additionally, the Corporation has access to advances from the Government of Alberta to meet short-term cash flow needs.

Note 16 Related Party Transactions

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 their close family members. Any amounts incurred were in the normal course of business and have been excluded from this schedule.

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 16 Related Party Transactions (continued)

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:

	2021	2020
Revenues:		
Grants	\$ 293,618	\$ 357,381
Expenses:		
Accommodation	\$ 560	\$ 571
Other services	2,421	2,619
Interest	67,469	68,146
	<u>\$ 70,450</u>	<u>\$ 71,336</u>
Payable to:		
Ministry of Agriculture and Forestry	\$ 587	\$ 650
Ministry of Treasury Board and Finance	2,480,111	2,442,330
Service Alberta	-	1
Receivable from:		
Ministry of Agriculture and Forestry	29,807	88,491
Deferred Revenue from:		
Ministry of Agriculture and Forestry	<u>3,698</u>	<u>6,089</u>
	<u>\$ 2,514,203</u>	<u>\$ 2,537,561</u>

Note 17 Crop Reinsurance Funds

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

	AgriInsurance Reinsurance Fund of Alberta		AgriInsurance Reinsurance Fund of Canada for Alberta	
	2021	2020	2021	2020
Opening net assets	\$ 33,641	\$ 33,641	\$ 34,530	\$ 34,530
Contributions	-	-	-	-
Closing net assets	<u>\$ 33,641</u>	<u>\$ 33,641</u>	<u>\$ 34,530</u>	<u>\$ 34,530</u>

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

Notes to the Financial Statements

March 31, 2021

(in thousands)

Note 18 Reinsurance Expense

	Hail Insurance	Livestock Insurance	2021	2020
Excess loss				
Reinsurance expense	\$ 858	\$ 2,625	\$ 3,483	\$ 3,328
Recoveries	-	(51,704)	(51,704)	(14,009)
Quota Share				
Ceded premiums and commissions	7,672	5,657	13,329	16,499
Ceded losses	(6,566)	(768)	(7,334)	(42,320)
Net reinsurance expense (recoveries)	<u>\$ 1,964</u>	<u>\$ (44,190)</u>	<u>\$ (42,226)</u>	<u>\$ (36,502)</u>

The net livestock insurance reinsurance expense is included in fees and other income on Schedule 1.

Note 19 Budget

The budget reported in the Statement of Operations was included in the 2020/21 Government Estimates.

Note 20 Comparative Figures

The 2020 figures have been reclassified where necessary to conform to 2021 presentation.

Schedule of Operations

Year ended March 31, 2021

(in thousands)

Schedule 1

	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<u>AgrilInsurance</u>	<u>AgrilInsurance</u>	<u>Agriculture Income Support</u>	<u>Agriculture Income Support</u>	<u>Lending</u>	<u>Lending</u>	<u>Hail Insurance</u>	<u>Hail Insurance</u>	<u>Livestock Insurance</u>	<u>Livestock Insurance</u>	<u>Wildlife Damage Compensation</u>	<u>Wildlife Damage Compensation</u>	<u>Total</u>	<u>Total</u>
	Note 2(n)	Note 2(n)												
Revenues:														
Premiums from insured persons	\$ 273,004	\$ 275,206	\$ -	\$ -	\$ -	\$ -	\$ 30,315	\$ 28,545	\$ 15,777	\$ 17,446	\$ -	\$ -	\$ 319,096	\$ 321,197
Interest	439	681	93	166	94,458	94,973	62	87	75	36	-	-	95,127	95,943
Contribution from Government of Alberta	211,208	233,469	61,416	105,980	4,083	7,407	-	-	798	714	16,113	9,811	293,618	357,381
Contribution from Government of Canada	189,052	194,241	51,324	114,847	-	-	-	-	1,128	1,069	15,312	9,274	256,816	319,431
Investment income	69,985	59,055	359	736	343	810	193	713	190	398	(28)	(48)	71,042	61,664
Fees and other income	31	161	10,741	10,278	3,946	3,380	180	159	44,295	37,332	169	118	59,362	51,428
	<u>743,719</u>	<u>762,813</u>	<u>123,933</u>	<u>232,007</u>	<u>102,830</u>	<u>106,570</u>	<u>30,750</u>	<u>29,504</u>	<u>62,263</u>	<u>56,995</u>	<u>31,566</u>	<u>19,155</u>	<u>1,095,061</u>	<u>1,207,044</u>
Expenses:														
Indemnities	681,501	841,320	111,232	219,160	-	-	21,731	26,105	67,094	76,640	28,868	17,585	910,426	1,180,810
Salaries, wages and employee benefits	25,735	29,134	8,451	8,053	16,933	17,969	990	670	1,136	1,069	1,376	860	54,621	57,755
Supplies and services	10,736	12,976	3,546	3,677	6,012	5,766	570	477	692	620	679	437	22,235	23,953
Amortization of tangible capital assets	4,920	3,618	2,684	1,169	2,179	2,509	1,896	454	331	438	217	100	12,227	8,288
Interest	-	-	-	-	69,497	69,496	-	-	-	-	-	-	69,497	69,496
Reinsurance (Note 17)	-	-	-	-	-	-	1,965	737	-	-	-	-	1,965	737
Allowance for doubtful accounts and for losses (Note 3 & 4)	100	(73)	(2,250)	(446)	542	21,701	5	(25)	-	-	-	-	(1,603)	21,157
	<u>722,992</u>	<u>886,975</u>	<u>123,663</u>	<u>231,613</u>	<u>95,163</u>	<u>117,441</u>	<u>27,157</u>	<u>28,418</u>	<u>69,253</u>	<u>78,767</u>	<u>31,140</u>	<u>18,982</u>	<u>1,069,368</u>	<u>1,362,196</u>
Annual surplus (deficit)	20,727	(124,162)	270	394	7,667	(10,871)	3,593	1,086	(6,990)	(21,772)	426	173	25,693	(155,152)
Accumulated surplus at beginning of year	2,690,189	2,814,351	2,511	2,117	80,559	91,430	45,548	44,462	18,948	40,720	1,806	1,633	2,839,561	2,994,713
Accumulated surplus at end of year	<u>\$ 2,710,916</u>	<u>\$ 2,690,189</u>	<u>\$ 2,781</u>	<u>\$ 2,511</u>	<u>\$88,226</u>	<u>\$80,559</u>	<u>\$ 49,141</u>	<u>\$ 45,548</u>	<u>\$ 11,958</u>	<u>\$ 18,948</u>	<u>\$ 2,232</u>	<u>\$ 1,806</u>	<u>\$2,865,254</u>	<u>\$2,839,561</u>

Schedule of Salaries and Benefits

Year ended March 31, 2021

(in thousands)

	2021				Schedule 2 2020
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non- cash Benefits ⁽³⁾	Total	Total
Chair of Board ⁽⁴⁾	\$ 19	\$ -	\$ -	\$ 19	\$ 42
Board Members ⁽⁵⁾	65	-	2	67	88
Executive Members					
Chief Executive Officer ⁽⁶⁾	206	109	34	349	410
Chief Client Officer ⁽⁷⁾	231	32	50	313	299
Chief Risk Officer	250	50	12	312	319
Chief Information Officer	221	2	48	271	219
Chief People Officer	221	-	48	269	223
Chief Financial & Innovation Officer ⁽⁸⁾	112	-	21	133	277
Interim Vice-President, Operation & Sales ⁽⁹⁾	-	-	-	-	18

(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 Chair of the Board was divided between two individuals (April 1, 2020 – April 11, 2020 and April 12, 2020 – October 8, 2020). The Chair of the Board for the remainder of the year was held by the Deputy Minister, Agriculture and Forestry.

(5) The amounts relate to six Board Members for six months and five Board Members for six months during 2020/21.

(6) The Chief Executive Officer amounts are divided between two individuals (one for April 1, 2020 – June 30, 2020 and the other October 1, 2020 – March 31, 2021) for nine months (twelve months in 2019/20). The period in between was handled by a contracted employee.

(7) The amounts relate to eleven months during 2020/21.

(8) The amounts relate to six months during 2020/21.

(9) The amount relates to one month during 2019/20.

Other Financial Information

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Trust Funds Under Administration (unaudited)

Department of Agriculture and Forestry

Year ended March 31, 2021

(in thousands)

The ministry administers trust funds that are regulated and other funds consisting of public money over which the legislature has no power of appropriation. As the department has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's financial statements.

At March 31, 2021 trust funds under administration were as follows:

	2021	2020
4-H General Trust	\$ -	\$ 12
Claude Gallinger Memorial Trust Fund	21	21
Performance Deposit Trust	2,811	1,532
Forests Act Securities General Trust	2,803	2,091
	<u>\$ 5,635</u>	<u>\$ 3,656</u>

In addition to the above trust funds under administration, the department holds bank guarantees in the form of letters of credit as follows:

	2021	2020
Performance Deposit Trust	\$ 4,671	\$ 5,262
Forests Act Securities General Trust	1,233	1,260
	<u>\$ 5,904</u>	<u>\$ 6,522</u>

Statements of Guarantees (unaudited)**Department of Agriculture and Forestry****Year ended March 31, 2021**

(in thousands)

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

	2021	2020	Expiry Date
<i>Feeder Associations</i>	\$ 85,845	\$ 82,130	Ongoing
<i>Agriculture Financial Services Corporation Guarantees</i>	1,050	1,476	Variable
	<u>86,895</u>	<u>83,606</u>	
Allowance for Loan Guarantees	-	-	
	<u>\$ 86,895</u>	<u>\$ 83,606</u>	

Feeder Associations Guarantee Act (authorized guarantee limit set by Order in Council is \$100 million).

Agriculture Financial Services Corporation Guarantees provides loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Statement of Credit or Recovery (unaudited)

Department of Agriculture and Forestry

Year ended March 31, 2021

(in thousands)

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

	Authorized ⁽²⁾	Actual Revenue Recognized	Unearned Revenue	Total Revenue Received/ Receivable	(Shortfall)/ Excess ⁽¹⁾
EXPENSE AMOUNTS					
Canadian Agricultural Partnership	\$ 42,254	\$ 39,908	\$ -	\$ 39,908	\$ (2,346)
Forest Stewardship and Trade	1,000	997	-	997	(3)
	<u>\$ 43,254</u>	<u>\$ 40,905</u>	<u>\$ -</u>	<u>\$ 40,905</u>	<u>\$ (2,349)</u>

⁽¹⁾ Shortfall is deducted from current year's corresponding funding authority.

⁽²⁾ Only expenditures are authorized.

Lapse/Encumbrance (unaudited)

Department of Agriculture and Forestry

Year ended March 31, 2021

(in thousands)

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjust- ments ⁽³⁾	Adjusted Voted Estimate	Voted Actuals ⁽⁴⁾	Over Expended (Unexpended)
EXPENSE VOTE BY PROGRAM						
Ministry Support Services						
1.1 Minister's Office	\$ 877	\$ -	\$ -	\$ 877	\$ 753	\$ (124)
1.2 Deputy Minister's Office	792	-	-	792	771	(21)
1.3 Farmers' Advocate	822	-	-	822	785	(37)
1.4 Strategy, Planning and Governance	13,355	(395)	-	12,960	11,183	(1,777)
	15,846	(395)	-	15,451	13,492	(1,959)
Rural Programming and Agricultural Societies						
2.1 Rural Programming	3,967	(213)	-	3,754	6,192	2,438
2.2 Agricultural Societies and Exhibitions	11,462	-	-	11,462	11,462	-
	15,429	(213)	-	15,216	17,654	2,438
Processing, Trade and Intergovernmental Relations						
3.1 Business Development and Programs	5,591	-	-	5,591	5,079	(512)
3.2 Food Safety	12,638	-	-	12,638	13,307	669
3.3 Food and Bio-Processing	8,184	(39)	-	8,145	7,931	(214)
3.4 Intergovernmental Relations and Trade	4,393	(20)	-	4,373	3,885	(488)
	30,806	(59)	-	30,747	30,202	(545)
Primary Agriculture						
4.1 Animal Health and Assurance	11,051	(118)	-	10,933	11,442	509
4.2 Crop Health and Assurance	3,386	-	-	3,386	5,955	2,569
4.3 Agricultural Service Boards	8,485	-	-	8,485	8,699	214
4.4 Livestock and Crop Research	25,715	(2,015)	100	23,800	24,623	823
4.5 Marketing Council	976	-	-	976	906	(70)
4.6 Natural Resource Management	11,194	(543)	-	10,651	14,370	3,719
	60,807	(2,676)	100	58,231	65,995	7,764
Agriculture Insurance and Lending Assistance						
5.1 Lending Assistance	4,083	-	-	4,083	4,083	-
5.2 Insurance	232,959	-	-	232,959	226,780	(6,179)
5.3 Agriculture Income Support	43,379	-	-	43,379	39,256	(4,123)
	280,421	-	-	280,421	270,119	(10,302)
Forests						
6.1 Wildfire Management	104,154	25,378	4,900	134,432	123,171	(11,261)
6.2 Wildfire Presuppression and Response	-	-	-	-	-	-
6.3 Forest Stewardship and Trade	51,259	24,711	-	75,970	51,959	(24,011)
	155,413	50,089	4,900	210,402	175,130	(35,272)
Climate Change Initiatives	-	-	-	-	-	-
Canadian Agricultural Partnership	42,254	-	3,000	45,254	40,619	(4,635)
CAPITAL GRANTS						
Rural Programming and Agricultural Societies						
2.1 Rural Programming	3,425	16,208	-	19,633	3,351	(16,282)
2.2 Agricultural Societies and Exhibitions	-	9,654	-	9,654	9,654	-
	3,425	25,862	-	29,287	13,005	(16,282)
Primary Agriculture						
4.7 Irrigation Infrastructure Assistance	10,000	-	-	10,000	10,000	-
Credit or Recovery (Shortfall)			(2,349)	(2,349)	-	2,349
Total	\$ 614,401	\$ 72,608	\$ 5,651	\$ 692,660	\$ 636,216	\$ (56,444)
(Lapse)/Encumbrance						\$ (56,444)

Lapse/Encumbrance (unaudited)

Department of Agriculture and Forestry

Year ended March 31, 2021

(in thousands)

CAPITAL INVESTMENT VOTE BY PROGRAM

Ministry Support Services							
1.4 Strategy, Planning and Governance	\$	1,730	\$	-	\$	-	\$ 1,730 \$ 102 \$ (1,628)
Processing, Trade and Intergovernmental Relations							
3.2 Food Safety		421		-		-	421 230 (191)
3.3 Food and Bio-Processing		2,666		-		-	2,666 391 (2,275)
		3,087		-		-	3,087 621 (2,466)
Primary Agriculture							
4.2 Crop Health and Assurance		-		-		-	- 57 57
4.4 Livestock and Crop Research		1,237		-		(100)	1,137 81 (1,056)
4.6 Natural Resource Management		159		-		-	159 - (159)
		1,396		-		(100)	1,296 138 (1,158)
Forests							
6.1 Wildfire Management		11,110		-		1,035	12,145 11,741 (404)
6.3 Forest Stewardship and Trade		-		-		-	- 4 4
		11,110		-		1,035	12,145 11,745 (400)
Total	\$	17,323	\$	-	\$	935	\$ 18,258 \$ 12,606 \$ (5,652)
(Lapse)/Encumbrance							\$ (5,652)

FINANCIAL TRANSACTIONS VOTE BY PROGRAM

Forests							
6.1 Wildfire Management	\$	1,310	\$	500	\$	(269)	\$ 1,541 \$ 1,424 \$ (117)
Total	\$	1,310	\$	500	\$	(269)	\$ 1,541 \$ 1,424 \$ (117)
(Lapse)/Encumbrance							\$ (117)

Voted Estimate	Supplementary Estimate	Adjustments	Adjusted Voted Estimate	Voted Actuals	Unexpended (Over Expended)
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CONTINGENCY AND DISASTER AND EMERGENCY ASSISTANCE ⁽³⁾

Agriculture Insurance and Lending Assistance							
5.3 Agriculture Income Support	\$	22,996	\$	-	\$	-	\$ 22,996 \$ 21,107 \$ (1,889)
Forests							
6.2 Wildfire Presuppression and Response		85,000		-		-	85,000 77,532 (7,468)
Total	\$	107,996	\$	-	\$	-	\$ 107,996 \$ 98,639 \$ (9,357)
(Lapse)/Encumbrance							\$ (9,357)

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program" and "Financial Transaction Vote by Program" page 36 of the 2020-21 Government Estimates.

(2) Per the Supplementary Supply Estimates approved on November 24, 2020.

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

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

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

Payments Based on Agreements (unaudited)**Department of Agriculture and Forestry****Year ended March 31, 2021**

(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 \$1,080 (2020 - \$3,787) and accounts payable includes \$3 (2020 - \$0) relating to payments under agreements.

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

	2021	2020
Canadian Government	\$ 6,894	\$ 34,582
United States Government	1,981	5,152
	<u>\$ 8,875</u>	<u>\$ 39,734</u>

Annual Report Extracts and Other Statutory Reports

Public Interest Disclosure (Whistleblower Protection) Act

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

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

There were no disclosures of wrongdoing filed with my office for your department between April 1, 2020 and March 31, 2021.

