

Agriculture, Food and Rural Development

Business Plan 1998-99 to 2000-01

Accountability Statement

This Business Plan for the three years commencing April 1, 1998 was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as at January 20, 1998 with material economic or fiscal implications of which I am aware have been considered in preparing the Business Plan.

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



Ed Stelmach
Minister of Agriculture, Food and Rural Development
January 21, 1998

Additional copies of the Ministry's Three Year Business Plan can be obtained by contacting the department's Administration Division at (403) 427-2151. Also, copies of the Ministry's Research Plan can be obtained by contacting Research Division at (403) 427-1956, and copies of the Ministry's Regulatory Reform Workplan can be obtained by contacting the Policy Secretariat at (403) 422-2070.

Introduction

- ◆ The agri-food sector continues to be a key contributor to Alberta's economic prosperity:
 - ◆ Farm production is Alberta's largest renewable resource-based industry. In 1996, the primary sector generated a record \$6.4 billion in farm cash receipts, representing 22.6 percent of Canada's primary agricultural output. Alberta farmers continue to increase their farm cash receipts relative to other provinces. Alberta averaged 20.1 percent of Canada's primary output between 1989 and 1993.
 - ◆ Secondary processing, including food and beverage processing industries, is Alberta's largest manufacturing sector. Shipments also set a new record for output in 1996 at \$6.6 billion in sales. Alberta shipments now represent 12.1 percent of Canadian food and beverage shipments, up from the average 10.9 percent over the period 1989 to 1993.
 - ◆ Primary agriculture and the food and beverage manufacturing industry together were the third largest employer in the province in 1996. Employment in agriculture and food averaged 116,200 people during 1996.
- ◆ The agri-food sector offers significant potential for expansion in the years ahead:
 - ◆ The industry and the Ministry believe there is a global market opportunity for Alberta's industry to grow to \$20 billion in value-added shipments and \$10 billion in farm cash receipts by 2005.
 - ◆ Achieving these growth levels would result in a sizable increase in direct employment in primary production and in the food and beverage sector, as well as contributing to the further development of rural Alberta.
- ◆ The Ministry (which includes the department and nine agencies¹) is committed to working with others to help the industry realize its potential.
- ◆ The Ministry contributes to rural development by encouraging technology adoption, leadership and skill development, economic growth, environmental stewardship, risk management, physical infrastructure and regulations that are aligned with the goals and opportunities of self-reliant communities and industries.
- ◆ This document is the Ministry's fifth, three-year business plan. It outlines further refinements to AFRD's programs, policies and procedures to respond to client needs, while dealing with fiscal realities.
- ◆ AFRD contributes to the government's three core businesses — ***People, Prosperity and Preservation***. Our primary focus is on the second core business — working with others to promote prosperity for Alberta through a strong, market-driven agriculture and food industry. **"Agriculture is Growing More Than Food . . . It's Growing Alberta"**.

¹ The nine agencies reporting to the Minister are Agriculture Financial Services Corporation (AFSC); Alberta Agricultural Research Institute (AARI); the Alberta Dairy Control Board (ADCB); Farmers' Advocate; Irrigation Council; Surface Rights Board; Land Compensation Board; Agricultural Products Marketing Council; and Alberta Grain Commission.

Business Plan Foundation

Shared Industry/Government Vision

- ◆ AFRD's strategic direction continues to be based on the shared industry/government vision developed through the 1992/93 *Creating Tomorrow* public consultation process and the 1997 renewed public consultation led by the Agriculture and Food Council, which resulted in the following updated vision and goals.

Growing Alberta: Accelerating global competitiveness in food, agriculture and agri-business.

- Goal 1: To increase Alberta's share of world food, agriculture and agri-business markets.
- Goal 2: To improve sustainable resource and environmental management.
- Goal 3: To expand the vision, competency and quality of life of people in the industry.

- ◆ The Agriculture and Food Council was formed as a result of the *Creating Tomorrow* consultation process and includes a broad representation of leaders from industry, government and the educational community. Since 1992/93, Council has been active in working with Alberta's agriculture and food industry and government to realize the vision.

Ministry Vision, Mission and Goals

- ◆ Vision: **We are a Ministry of competent and valued staff working together and in partnership with others to achieve a world class industry.**
- ◆ Mission: **We will enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.**
- ◆ Goals:
 1. Improved access to domestic and world market opportunities.
 2. Improved competitiveness of industry commodities, products and services.
 3. Improved amount of value added to industry commodities, products and services.
 4. Increased diversity of industry commodities, products and services.
 5. Increased responsibility of industry to manage risk.
 6. Improved environmental stewardship.
 7. Improved management of the Ministry's resources.
- ◆ In addition to the above, a number of AFRD's agencies have developed their own mission and goals which are compatible with the Ministry's direction.

Primary Clients

- ◆ AFRD will continue to direct most of its efforts towards its primary clients — defined as: **those people and organizations who are interested in and capable of contributing to a competitive and sustainable agriculture and food industry.**

Measurable Results

- ◆ The Ministry contributes to 15 of the government's 23 core performance measures as identified in the 1996/97 *Measuring Up* document. (*Measuring Up: Third Annual Report on the Performance of the Government of Alberta*).
- ◆ In addition, the Ministry's seven overall performance measures reflect change at the macro level. These macro measures with related benchmarks, forecasts and targets are included on pages 8 and 9.
- ◆ Forecasts for 1996 measures, as set out in last year's business plan, were exceeded in the following instances:
 - ◆ value of out-of-province shipments for 1996 above by 3.1 percent,
 - ◆ value of shipments of the food and beverage industry above by 3.1 percent,
 - ◆ farm cash receipts above by 10.3 percent,
 - ◆ land productivity above by 0.2 percent, and
 - ◆ employment in agriculture and food above by 5.6 percent.
- ◆ Government program payments to Alberta farmers were forecast to be \$255 million in 1996. Actual payments were just \$150 million as a result of lower payments under the Crop Insurance and Farm Income Disaster Programs.
- ◆ The contribution by the agriculture and food industry to the 1996 provincial gross domestic product was 5.16 per cent compared to the forecast of 5.45 per cent. Even though the agri-food industry had an excellent year, the contribution by the energy sector to provincial gross domestic product was substantially higher than anyone had projected. The resulting increase to the total provincial gross domestic product caused a reduction in the agriculture and food industry's share.
- ◆ AFRD's department and agencies have also developed specific key results, performance measures and indicators particular to their operations. These are included in their respective business plans.
- ◆ All of these measures are being monitored in an effort to identify opportunities and concerns to guide future action.

Core Business and Strategies

- ◆ The mission statement describes the Ministry's core business of enabling industry growth. Key Strategies for application in 1998/1999 to 2000/2001 include:
 - ◆ Develop and administer essential policy and legislation.
 - ◆ Develop new information and technology through research and development.
 - ◆ Package and transfer information and technology.
 - ◆ Provide opportunities for people in industry and the Ministry to increase essential knowledge, skills and abilities.
 - ◆ Develop and implement opportunities for cost sharing, cost recovery and privatization.
 - ◆ Provide essential financial support and offer unique financial services to help customers fulfil their business goals.
 - ◆ Manage public lands for agricultural, industrial and public benefit.
 - ◆ Facilitate regional development to maximize geographic comparative advantages.
 - ◆ Encourage stronger strategic business alliances in the industry.
- ◆ Further specific strategies and actions for 1998/99 to 2000/01 are included in the department and agency business plans.

Key Directions

- ◆ The Ministry remains committed to facilitating the growth and development of the industry, while looking for new and innovative ways to improve its products and services and reduce net spending.
- ◆ Research and value-added development continue to be areas of increased emphasis.
- ◆ The Ministry will seek to continue its provincial agencies. Under the sunset clause of the Financial Administration Act, all provincial agencies are discontinued on January 1, 1999 unless they are specifically continued by the Legislature.
- ◆ Significant actions to be implemented over the next three years include:

Goal	Significant Actions for 1998/1999 - 2000/2001
<p>Goal 1: Improved Market Access</p>	<ul style="list-style-type: none"> ◆ Increase marketing choices for Alberta's farmers by: <ul style="list-style-type: none"> ◆ Introducing diversity in marketing alternatives. ◆ Providing choices in the marketing of grain. ◆ Building on and supporting the new open marketing system for hogs. ◆ Support improved quality and safety of Alberta's food products to increase consumer acceptance. ◆ Advocate trade liberalization for agriculture and food commodities. ◆ Continue to enhance ministry capabilities in economic and market research, opportunity identification, and competitive intelligence. ◆ Facilitate feeder cattle movement between the U.S. and Canada. ◆ Focus on Alberta/Canada beef achieving preferred Chinese market penetration.
<p>Goal 2: Improved Competitiveness of Industry Commodities, Products and Service</p>	<ul style="list-style-type: none"> ◆ Advocate changes to marketing, handling and transportation operations to achieve cost reductions to farmers, accountability and efficiency. ◆ Investigate crop insurance alternatives like: <ul style="list-style-type: none"> ◆ premium based whole farm insurance; ◆ water based coverage; ◆ non-subsidized private sector price insurance; and, ◆ private sector reinsurance initiatives. ◆ Strengthen supply chain development through initiatives such as the Pork Quality Assurance Program and the Pork Alta Fund. ◆ Expand the delivery of the Ministry's extension and business management information on the Internet. ◆ In response to client needs, as expressed in the results of the highly positive 1997 survey of district offices' services, continue to provide unbiased, integrated extension services to the agricultural industry through a network of front-line specialists. ◆ Assist industry bridge the gap between research and industry adoption. ◆ Foster the implementation of quality assurance programs from production to retailing. ◆ Encourage the further development of private sector capability for laboratory testing and quality assurance. ◆ Encourage and conduct research that will improve crop and livestock production while sustaining and improving resources. ◆ Encourage private industry to increase its delivery of information services. ◆ Continue to implement the Ministry's Regulatory Reform Work plan by: <ul style="list-style-type: none"> ◆ reviewing all remaining Ministry regulations, including the Marketing Plans and Regulations of all 16 Boards and Commissions, by 1998/99. ◆ updating operating procedures to reduce the costs of regulatory compliance by Albertans, and to improve internal operating efficiency; and ◆ reviewing the Irrigation Act and all Ministry Acts to update penalties for offences.

Goal	Significant Actions for 1998/1999 - 2000/2001
<p>Goal 3: Increased Value Added</p>	<ul style="list-style-type: none"> ◆ Continue to work with the management of AVAC Ltd. to encourage the long-term growth and development of the agri-food and fibre sector. ◆ Increase industry's ability to attract equity capital by promoting investment opportunities and identifying sources of capital in new markets. ◆ Work with investors to provide expanding value added businesses with investment capital. ◆ Assist new entrepreneurs and existing processors to pursue business opportunities. ◆ Through the Agriculture Value-Added Engineering Centre and the Food Processing Development Centre, partner with industry to conduct research, produce information, and encourage the adoption of new or better value added processes.
<p>Goal 4: Increased Diversity of Industry Commodities, Products and Services</p>	<ul style="list-style-type: none"> ◆ Identify and support opportunities for the development of new ways to use agricultural products. ◆ Conduct industry-driven analytical research to identify neuraaceutical opportunities for potential Alberta products. ◆ Facilitate the development and commercialization of plant biotechnology in Alberta. ◆ Conduct and fund research and development into diversified crops, livestock and food products. ◆ Continue to develop unique, specialized financial products and services for the commercialization of new value added businesses. ◆ Develop crop insurance for new and emerging crops. ◆ Continue applied research on the potential for grass carp production in the province. ◆ In conjunction with Alberta's Irrigation Districts, develop a comprehensive set of maintenance guidelines to ensure investment in irrigation infrastructure is protected for the long term.
<p>Goal 5: Increased Responsibility of Industry to Manage Risk</p>	<ul style="list-style-type: none"> ◆ Conduct an evaluation of the Farm Income Disaster Program pilot project. ◆ Use the Beginning Farmer Program to assist more new farmers to enter the industry, become viable and increase primary production in Alberta. ◆ Develop and evaluate crop insurance coverage concepts to allow customers to customize insurance protection to their business needs. ◆ Develop and implement a new set of Canada-Alberta safety net agreements. ◆ In partnership with others, implement provincial and national farm safety programs. ◆ Modify the provincial rural business management program to respond to the federal downloading of farm management training programs. ◆ Examine alternative means of delivering the Farm Fuel Distribution Allowance in 1998/99, including a review of potential misuse of the program.
<p>Goal 6: Improved Environmental Stewardship</p>	<ul style="list-style-type: none"> ◆ Work with the Alberta Environmentally Sustainable Agriculture (AESAs) Council to promote improved stewardship in the industry. ◆ Participate in the implementation of government policy resulting from the Agricultural Lease Review Committee's recommendations. ◆ Develop and implement a Livestock Expansion and Development (LEAD) team to assist the livestock industry to expand in an environmentally responsible manner. ◆ In partnership with Environmental Protection and industry, develop and implement an efficient, self directed Wellsite Reclamation Program. ◆ Identify and recommend changes to proposed federal and provincial environmental legislation (e.g., Environmental Protection Act and endangered species legislation) where the legislation has the potential to adversely affect agricultural production and the property rights of Alberta farmers.

Goal	Significant Actions for 1998/1999 - 2000/2001
<p>Goal 6: Improved Environmental Stewardship (continued)</p>	<ul style="list-style-type: none"> ◆ Develop a Peer Review Board to help resolve nuisance and environmental disputes arising from intensive livestock operations under the Agriculture Operations Practices Act (Alberta's right to farm legislation). ◆ Develop options, in consultation with stakeholders, for a new regulatory approach to intensive livestock operations. ◆ Continue to work with Patrons' Associations to convert all Provincial Grazing Reserves to grazing management agreements by December 31, 1998. ◆ Work with partners, customers and the public to deliver the Special Places Program.
<p>Goal 7: Improved Management of the Ministry's Resources</p>	<ul style="list-style-type: none"> ◆ Continue to work with the Agriculture and Food Council and the Alberta Economic Development Authority Agriculture Committee to integrate strategic plans and policies within the industry's vision and goals. ◆ Subject to successful negotiations with federal and municipal government, transfer the responsibility for provincial food inspection to a Federal/Provincial Corporation. ◆ Explore with industry, ways to privatize brand inspection. ◆ Implement an integrated electronic information management system which increases the quality of public land use decision-making and improves client service. ◆ Privatize the direct delivery of fee-for-service programs for irrigation management, on-farm irrigation systems evaluation, and water licensing application support and drainage. ◆ Encourage farmers to make use of Environment Canada's weather forecasting services as a replacement for the Ministry's Farm Weather Line Service, which is to be discontinued in March 1998. ◆ Evaluate the privatized insurance adjusting services pilot project in Central Alberta. ◆ Maintain the lowest administrative delivery costs for crop insurance of any jurisdiction in North America, as it has been for the past seven consecutive years. ◆ Replace or enhance AFSC's computer system to improve customer service and address year 2000 issues. ◆ Develop and implement a more formalized process to obtain customer feedback on Ministry performance. ◆ Develop a Ministry leadership and succession planning system. ◆ Continue to amalgamate Public Lands, Regional Advisory Services, and AFSC Lending and Insurance offices. ◆ Implement new financial and human resource systems to improve management information and reduce costs. ◆ Initiate a pilot project in knowledge management to strengthen the Ministry's efficiency and capability in harvesting, storing, managing and sharing information with the objective of providing better customer service.

Ministry Macro Performance Measures

Note: Unless otherwise stated, the 1989/1993 Benchmarks for all measures are five-year averages for 1989 to 1993. Sources for data are Statistics Canada and Alberta Agriculture, Food and Rural Development.

1. Percentage of Canadian Farm Cash Receipts Alberta farmers and ranchers account for.

Alberta Farm Cash Receipts

	1989-1993 Benchmark	1995 Actual	1996 Estimate	1997 Forecast	1998 Forecast	1999 Forecast	2001 Target
Total Receipts (\$000)	4,604,076	5,890,913	6,401,492	6,400,000	6,600,000	6,700,000	6,800,000
Alberta as a % of Canada	20.1	21.8	22.6	24.0	24.0	24.0	24.0

2. Government program payments to Alberta farmers and ranchers.

Direct Program Payments

	1989-1993 Benchmark	1995 Actual	1996 Estimate	1997 Forecast	1998 Forecast	1999 Forecast	2001 Target
Total Payments (\$000)	556,781	177,378	149,889	240,000	240,000	240,000	240,000
Payments as a % of Farm Cash Receipts	12.1	3.0	2.3	3.8	3.6	3.6	3.5

(**Note:** Direct program payments represent dollars paid directly to Alberta farmers and ranchers from provincial and federal programs. Program payments presented here are not net of producer premiums.)

3. Percentage contributed by Alberta's food and beverage industry to Canada's total value of shipments.

Alberta Food and Beverage Industries' Value of Shipments

	1989-1993 Benchmark	1995 Actual	1996 Estimate	1997 Forecast	1998 Forecast	1999 Forecast	2001 Target
Total Value of Shipments (\$000)	4,866,687	6,334,620	6,604,554	7,200,000	7,760,000	8,300,000	11,000,000
Alberta as a % of Canada	10.9	11.6	12.1	12.9	13.3	14.1	15.5

4. Value of shipments of agriculture and food products from Alberta to other provinces and countries.

Value of Out-of-Province Shipments of Agriculture and Food Products

	1989-1993 Benchmark	1995 Actual	1996 Estimate	1997 Forecast	1998 Forecast	1999 Forecast	2001 Target
Total Value (\$000)	4,141,224	6,479,612	6,700,000	6,700,000	7,000,000	7,400,000	8,500,000

5. Importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product.

Contribution to Alberta's Gross Domestic Product

	1989-1993 Benchmark	1995 Actual	1996 Estimate	1997 Forecast	1998 Forecast	1999 Forecast	2001 Target
% of total GDP	4.80	4.97	5.16	5.11	5.20	5.20	5.40

6. Employment in agriculture and food.

Employment (thousands of people)

	1989-1993 Benchmark	1995 Actual	1996 Estimate	1997 Forecast	1998 Forecast	1999 Forecast	2001 Target
Primary Agriculture	88.0	96.0	96.0	97.0	100.0	105.0	120.0
Food and Beverage	<u>17.3</u>	<u>17.4</u>	<u>20.2</u>	<u>21.5</u>	<u>23.0</u>	<u>25.0</u>	<u>30.0</u>
Total	105.3	113.4	116.2	118.5	123.0	130.0	150.0

7. Alberta land productivity indicator.

Output (tonnes/acre)

	1971-1980 Benchmark	1995 Actual	1996 Estimate	1997 Forecast	1998 Target	1999 Target	2001 Target
Indicator	0.783	0.962	0.952	0.962	0.969	0.970	0.973

(Note: This indicator is the best available proxy for long-term land productivity. Crop production per acre for the various crops grown in the province was converted to a standard base — tonnes per acre of wheat. This conversion allows for differences in yields of the various crops. Although soil degradation is still a concern on some lands, most producers use land management practices which will ensure long-term sustainability of agriculture in Alberta.)

**Agriculture, Food and Rural Development
Ministry Consolidated Income Statement**
(thousands of dollars)

	Comparable 1996-97 Actual	Comparable 1997-98 Budget	Comparable 1997-98 Forecast	1998-99 Estimates	1999-2000 Target	2000-01 Target
REVENUE						
Internal Government Transfers	180,599	172,851	163,111	177,342	177,722	181,963
Transfers from Government of Canada	46,479	119,968	98,625	78,946	87,606	87,122
Investment Income	105,617	82,590	81,048	63,339	61,630	59,835
Premiums, Fees and Licences	105,119	103,798	93,818	99,014	98,321	96,872
Other Revenue	13,676	4,283	10,343	4,979	5,105	5,054
<i>Consolidation Adjustments</i>	<i>(180,599)</i>	<i>(172,851)</i>	<i>(163,111)</i>	<i>(177,342)</i>	<i>(177,722)</i>	<i>(181,963)</i>
Consolidated Revenue	270,891	310,639	283,834	246,278	252,662	248,883
EXPENSE						
Program						
Farm Income Support	119,705	99,962	91,315	103,220	104,938	106,696
Lending	18,423	20,051	19,613	15,524	15,976	16,370
Insurance	117,916	211,293	123,701	202,871	199,187	199,010
Departmental Support Services	15,229	16,057	16,581	19,538	20,408	20,547
Planning and Development	18,493	17,208	16,628	18,339	18,415	18,426
Production, Processing and Marketing	70,342	35,132	39,869	36,077	33,532	33,587
Field Services	25,251	25,268	27,269	27,805	27,880	26,812
Public Lands	10,211	9,376	10,286	10,389	8,892	8,095
Agricultural Research Assistance	10,403	10,659	11,202	12,254	10,365	10,120
Irrigation Rehabilitation Infrastructure	21,392	14,700	14,702	17,200	17,200	17,200
Valuation Adjustments	2,867	2,307	2,427	1,850	2,230	3,110
Transfers to Own Funds and Agencies	167,778	172,851	163,111	177,342	177,722	181,963
<i>Consolidation Adjustments</i>	<i>(167,778)</i>	<i>(172,851)</i>	<i>(163,111)</i>	<i>(177,342)</i>	<i>(177,722)</i>	<i>(181,963)</i>
Consolidated Program Expense	430,232	462,013	373,593	465,067	459,023	459,973
Debt Servicing Costs						
Agriculture Financial Services Corporation	73,662	67,997	60,211	60,075	52,948	53,949
Consolidated Expense	503,894	530,010	433,804	525,142	511,971	513,922
Gain (Loss) on Disposal of Capital Assets	(3)	-	-	-	-	-
NET OPERATING RESULT	(233,006)	(219,371)	(149,970)	(278,864)	(259,309)	(265,039)