

# Agriculture, Food and Rural Development

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## Business Plan 1997-1998 to 1999-2000

### Accountability Statement

*This Business Plan for the three years commencing April 1, 1997 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 April 10, 1997 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  
April 12, 1997

Copies of the Ministry's expanded Three Year Business Plan (including copies of the business plans for the department and the nine agencies reporting to the Minister) 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:
  - ◆ Primary agriculture is Alberta's largest renewable resource-based industry. In 1995, the primary sector generated a record \$5.85 billion in farm cash receipts, representing approximately 22% of Canada's primary agricultural output.
  - ◆ Alberta's food and beverage processing industry is the largest manufacturing sector in the Province. Estimated shipments in 1995 were \$5.97 billion, accounting for over 21% of Alberta's total manufacturing shipments.
  - ◆ Primary agriculture together with the food and beverage manufacturing industry were the third largest employer in the Province in 1995, directly employing 113,400 Albertans.
- ◆ The sector offers significant potential for expansion in the years ahead:
  - ◆ The Ministry of Agriculture, Food and Rural Development (AFRD) believes the agri-food and fibre industry has the potential to become a \$20 billion industry by 2005. Further, strong growth in value-added production will imply greater demand for primary production. Farm cash receipts could reach \$9-10 billion in the same time frame.
  - ◆ Achieving these growth levels could 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 agencies<sup>1</sup>) is committed to working with others to help the industry realize its potential. In addition, AFRD recognizes its role in coordinating the government's effort to encourage rural development.
- ◆ This document is the Ministry's fourth, 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**".

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

# Business Plan Foundation

## Industry Vision

- ◆ AFRD's strategic direction continues to be based on the shared industry/government vision developed through the 1992/93 *Creating Tomorrow* (CT) public consultation process. This vision states that **Alberta's agriculture and food industry will:**
  - ◆ be profitable
  - ◆ be globally competitive
  - ◆ be environmentally sustainable
  - ◆ and will value its people.
- ◆ The Agriculture and Food Council was formed as a result of the CT 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.
- ◆ In January 1997, Council held a major conference in Red Deer to encourage stakeholders to work together in support of the industry's goals. In conjunction with the conference, Council is revisiting the CT vision, goals and cooperative strategies.
- ◆ The Ministry is committed to reviewing its strategic plan in 1997, based on the results of Council's CT renewal process, and further input from the Alberta Economic Development Authority, the Alberta Science and Research Authority, and others.

## 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.**
- ◆ The Ministry's goals reflect its core businesses.
  - Goals:
    1. Improved access to domestic and world market opportunities.
    2. Improved industry service, quality and cost competitiveness.
    3. Increased 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 stewardship of natural resources for agricultural, industrial and public benefit.
    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 14 of the government's 23 core performance measures as identified in the 1995/96 *Measuring Up* document. (*Measuring Up: Second Annual Report on the Performance of the Government of Alberta*).
- ◆ In addition, the Ministry has agreed on seven overall performance measures which reflect change at the macro level. These macro measures with related benchmarks, forecasts and targets are included on pages 8 and 9.
  - ◆ Forecasts for 1995, as set out in last year's business plan, were either nearly met (Farm Cash Receipts - 99.7%) or exceeded. "Value of Alberta's Food and Beverage Shipments" exceeded expectations by 6.6% and "Value of Out-of-Province Shipments" was 27.1% higher.
  - ◆ For this year's plan, a measure of land productivity has been added to replace the "Acres of Summerfallow" measure. This will provide a better monitor of the work being done to ensure the continued long-term improvement in land productivity.
- ◆ 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.

## 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.
- ◆ The Ministry's main strategies include research; information, technology transfer and skill development; regulatory services; policy development; and financial and support services. More specific strategies and actions for 1997/1998 to 1999/2000 are included in the department and agency business plans.
- ◆ Research and value-added development continue to be areas of increased emphasis.

- ◆ Significant actions to be implemented over the next three years include:

Goal	Significant Actions for 1997/1998 - 1999/2000
<p>Goal 1: Improved Market Access</p>	<ul style="list-style-type: none"> <li>◆ Increase marketing choices for Alberta's farmers by:               <ul style="list-style-type: none"> <li>◆ encouraging implementation of the federal Grain Marketing Panel recommendations as a first step to change.</li> <li>◆ implementing the Alberta Marketing Choice Program, following confirmation of its legality by the courts.</li> <li>◆ challenging the legality of the Canadian Wheat Board contracting system.</li> <li>◆ building on and supporting the new open marketing system for hogs.</li> </ul> </li> <li>◆ Advocate trade liberalization for agriculture and food commodities.</li> <li>◆ Continue to enhance department capabilities in economic and market research, opportunity identification, and competitive intelligence.</li> <li>◆ Support improved safety, quality and consumer acceptance of Alberta agriculture and food products.</li> <li>◆ Facilitate feeder cattle movement between the U.S. and Canada.</li> <li>◆ Focus on Alberta/Canada beef achieving preferred Chinese market penetration.</li> <li>◆ Finalize the long-term approach regarding the role of AFRD's U.S. office.</li> </ul>
<p>Goal 2: Improved Industry Service, Quality and Cost Competitiveness</p>	<ul style="list-style-type: none"> <li>◆ Encourage and conduct research that will improve crop and livestock production while sustaining and improving resources.</li> <li>◆ Expand the delivery of the department's extension information on the Internet.</li> <li>◆ Encourage private industry to increase its delivery of information services.</li> <li>◆ Encourage the further development of private sector laboratories in support of all aspects of production and processing.</li> <li>◆ In cooperation with the Alberta Barley Commission, Alberta Public Works, Supply and Services, and others, plan and construct an advanced facility in Lacombe for cereal crop research and development.</li> <li>◆ Strive to keep the overall government costs of doing business in Alberta more competitive than elsewhere in North America.</li> <li>◆ Continue to implement the Ministry's Regulatory Reform Workplan by:               <ul style="list-style-type: none"> <li>◆ completing the scheduled review of Acts (including a full review of the Farm Implement Act and the Irrigation Act by 1998/99);</li> <li>◆ reviewing 27 Ministry regulations in 1997;</li> <li>◆ reviewing all remaining Ministry regulations, including the Marketing Plans and Regulations of all 16 Boards and Commissions, by 1998/99; and,</li> <li>◆ implementing the recommendations from the review of Ministry operating policies and procedures.</li> </ul> </li> </ul>
<p>Goal 3: Increased Value Added</p>	<ul style="list-style-type: none"> <li>◆ Work with the management of the newly-established agriculture value added corporation (AVAC) to encourage the long-term growth and development of the agri-food and fibre sector.</li> <li>◆ ARI, in cooperation with AVAC, will expand its activity to stimulate, support and promote research on the processing, upgrading and extraction of high value products from farm commodities.</li> <li>◆ Facilitate access to capital pools for expansion-oriented value-added processors and farm operators.</li> </ul>

Goal	Significant Actions for 1997/1998 - 1999/2000
<p>Goal 4: Increased Diversity of Industry Commodities, Products and Services</p>	<ul style="list-style-type: none"> <li>◆ Identify new diversification opportunities and encourage new diversification initiatives.</li> <li>◆ Facilitate the development and commercialization of plant biotechnology in Alberta.</li> <li>◆ Continue applied research on the potential for grass carp production in the Province.</li> <li>◆ 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.</li> </ul>
<p>Goal 5: Increased Responsibility of Industry to Manage Risk</p>	<ul style="list-style-type: none"> <li>◆ Monitor the performance of the Farm Income Disaster Program (FIDP) and pursue changes, as necessary, to ensure the program meets its objectives.</li> <li>◆ Develop a link between Net Income Stabilization Account (NISA) data and FIDP payments.</li> <li>◆ Implement new crop insurance coverage concepts.</li> <li>◆ Assess the impact of AFSC's Beginning Farmer Program.</li> <li>◆ In partnership with others, implement provincial and national farm safety programs.</li> <li>◆ In cooperation with municipal governments across Alberta, undertake active prevention and treatment programs for the control of Dutch Elm disease.</li> </ul>
<p>Goal 6: Improved Resource Stewardship</p>	<ul style="list-style-type: none"> <li>◆ Implement a new provincial Environmentally Sustainable Agriculture (ESA) Program to replace the Canada-Alberta Environmentally Sustainable Agriculture Agreement (CAESA).</li> <li>◆ In consultation with customers and partners, initiate a review of public lands policies, including grazing lease issues.</li> <li>◆ Work with Patron's Associations to convert all grazing reserves to grazing management agreements by December 31, 1998.</li> <li>◆ Work with partners and customers to deliver the Special Places 2000 Program.</li> </ul>
<p>Goal 7: Improved Management of the Ministry's Resources</p>	<ul style="list-style-type: none"> <li>◆ Review the Ministry's strategic plan in light of the output from the Agriculture and Food Council's Creating Tomorrow renewal process.</li> <li>◆ Develop and implement a more formalized process to obtain customer feedback on Ministry performance.</li> <li>◆ Develop a departmental leadership and succession planning system.</li> <li>◆ Continue to amalgamate Public Lands, Regional Advisory Services, and AFSC Lending and Insurance offices.</li> <li>◆ Subject to successful negotiations with federal and municipal governments, transfer the responsibility for provincial food inspection to the new national single food inspection agency.</li> <li>◆ Further implement fees for selected departmental services, materials and programs where there is direct benefit to individual users.</li> <li>◆ Implement new financial and human resource systems to improve management information and reduce costs.</li> <li>◆ Consider transferring the Livestock Patrons' Assurance Fund to industry.</li> </ul>

## Financial Plan

- ◆ The following table summarizes the income statements for the Ministry since 1992/93. More detailed statements are included on page 10.

(\$000)	Consolidated Income Statement			Expenditure Funded from GRF	% Reduction from 1992/93 Base
	Net Expense	Revenue	Expense		
1992/93 Base	516,231	668,385	1,184,616	510,035	—
1996/97 Forecast	279,183	264,058	543,241	341,751	33.0
1997/98 Estimate	219,064	310,639	529,703	301,359	40.9
1998/99 Target	267,220	267,929	535,149	293,776	42.4
1999/2000 Target	259,863	269,199	529,062	292,363	42.7

(Note: Figures for 1992/93 have been made comparable by adjusting for funds that are now considered part of the General Revenue Fund — GRF).

- ◆ Revenues of the department for 1997/98 to 1999/2000 include projections of amounts receivable under federal-provincial cost sharing agreements. Amounts receivable under the agreements will be affected by the decision of the federal government on January 7, 1997 to increase the number of commodities and to cover, what otherwise would have been, the provincial contribution to the Net Income Stabilization Accounts. As a result, annual consolidated revenues for 1997/98 to 1999/2000 may be overstated between \$15 million to \$25 million.
- ◆ Historical and projected "full time equivalent" (FTE) estimates are as follows:

1992/93 Base	1996/97	1997/98 Projection	1998/99 Projection	1999/2000 Projection
2,389	1,962	1,903	1,783	1,756

(Note: Figures for 1992/93 have been made comparable by adjusting for responsibilities that have since been transferred to AFRD from other ministries.)

## Conclusion

- ◆ This plan carries on with the direction AFRD has established in previous years. It sets out a clear course for the Ministry and will be reviewed and updated annually, based on feedback from clients, and changes in the industry and the government policy environment.

# Ministry Macro Performance Measures

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

### Alberta Farm Cash Receipts

	1989-1993 Benchmark	1994 Actual	1995 Forecast	1996 Forecast	1997 Target	1998 Target	2000 Target
Total Receipts (\$000)	4,604,406	5,495,131	5,846,060	5,800,000	5,900,000	6,000,000	6,200,000
Alberta as a % of Canada	20.1	21.3	22.0	21.5	21.5	21.8	22.0

(Note: Unless otherwise stated, the 1989-1993 Benchmarks for all measures are a five year average for 1989 to 1993. Sources of Benchmarks and Actuals; Statistics Canada and Alberta Agriculture, Food and Rural Development. Some figures have been restated as a result of additional information)

## 2. Government program payments to Alberta farmers.

### Direct Program Payments

	1989-1993 Benchmark	1994 Actual	1995 Forecast	1996 Forecast	1997 Target	1998 Target	2000 Target
Total Payments (\$000)	556,781	355,380	152,243	255,000	280,000	280,000	285,000
Payments as a % of Farm Cash Receipts	12.1	6.5	2.6	4.4	4.7	4.7	4.6

(Note: Direct program payments to Alberta farmers represent dollars paid directly to farmers from provincial and federal government programs. Included are payments from NISA, GRIP, crop insurance, tripartite programs, FIDP, drought, compensation for animal losses and dairy subsidies. Program payments presented here are not net of producer premiums and do not include payments under the Western Grain Transition Payments Program.)

## 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	1994 Actual	1995 Forecast	1996 Forecast	1997 Target	1998 Target	2000 Target
Total Value of Shipments (\$000)	4,866,687	5,758,800	5,971,000	6,400,000	7,000,000	7,500,000	9,000,000
Alberta as a % of Canada	10.9	11.6	11.6	12.3	12.5	12.9	15.0



#### 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	1994 Actual	1995 Forecast	1996 Forecast	1997 Target	1998 Target	2000 Target
Total Value (\$000)	4,141,224	5,856,005	6,479,612	6,500,000	6,700,000	7,000,000	8,000,000

#### 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	1994 Actual	1995 Forecast	1996 Forecast	1997 Target	1998 Target	2000 Target
% of total GDP	4.74	5.01	5.42	5.45	5.50	5.55	5.60

#### 6. Employment in agriculture and food

##### Employment (thousands of people)

	1989-1993 Benchmark	1994 Actual	1995 Forecast	1996 Forecast	1997 Target	1998 Target	2000 Target
Primary Agriculture	88	80	96	93	95	100	115
Food and Beverage	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>20</u>	<u>25</u>	<u>35</u>
Total	105	97	113	110	115	125	150

(Note: Alberta's agriculture industry continues to maintain a very low level of unemployment when compared to any of the major industries in Alberta.)

#### 7. Alberta land productivity indicator.

##### Output (tonnes/acre)

	1971-1980 Benchmark	1994 Actual	1995 Forecast	1996 Forecast	1997 Target	1998 Target	2000 Target
Indicator	0.78	0.90	0.96	0.95	0.96	0.97	0.98

(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 1992-93 Actual	Comparable 1993-94 Actual	Comparable 1994-95 Actual	Comparable 1995-96 Actual	Comparable 1996-97 Forecast	1997-98 Estimates	1998-99 Target	1999-2000 Target
<b>REVENUE</b>								
Department	20,031	56,173	18,861	10,508	8,717	62,278	29,848	37,900
Agriculture, Food and Rural Development								
Revolving Fund	-	-	-	11,652	10,443	9,175	9,150	8,200
Crop Reinsurance Fund of Alberta	15,028	16,156	12,893	16,012	18,360	12,180	12,649	12,649
Irrigation District Rehabilitation Fund	10,418	6,138	1,028	240	148	-	-	-
Livestock Patrons' Assurance Fund	505	478	550	581	535	660	700	720
Agriculture Financial Services Corporation	995,006	544,970	294,343	380,631	390,143	388,049	366,725	361,571
Alberta Agricultural Research Institute	2,205	6,536	7,781	8,325	10,293	10,382	10,387	8,658
Alberta Dairy Control Board	827	772	803	798	1,007	766	766	766
Northern Lite Canola Inc.*	(4,020)	(2,049)	-	-	-	-	-	-
Consolidation Adjustments	(371,615)	(246,637)	(67,032)	(202,397)	(175,588)	(172,851)	(162,296)	(161,265)
<b>Consolidated Revenue</b>	<b>668,385</b>	<b>382,537</b>	<b>269,227</b>	<b>226,350</b>	<b>264,058</b>	<b>310,639</b>	<b>267,929</b>	<b>269,199</b>
<b>EXPENSE</b>								
<b>Program</b>								
<i>Voted</i>								
Department	510,035	479,045	343,198	364,613	341,751	301,359	293,776	292,363
<i>Statutory</i>								
Agriculture, Food and Rural Development								
Revolving Fund	-	-	-	10,936	10,331	9,475	9,475	7,800
Crop Reinsurance Fund of Alberta	31,917	-	-	-	-	-	-	-
Irrigation District Rehabilitation Fund	-	-	8,957	7,234	1,781	-	-	-
Livestock Patrons' Assurance Fund	13	92	74	1,148	90	90	90	95
Agriculture Financial Services Corporation	812,285	408,515	152,493	242,130	279,657	312,224	317,608	317,263
Alberta Agricultural Research Institute	2,777	6,998	7,910	8,461	10,328	10,659	10,541	8,835
Alberta Dairy Control Board	732	746	751	766	1,159	750	750	750
Consolidation Adjustments	(282,202)	(240,416)	(167,515)	(209,455)	(175,588)	(172,851)	(162,296)	(161,265)
<b>Consolidated Program Expense</b>	<b>1,075,557</b>	<b>654,980</b>	<b>345,868</b>	<b>425,833</b>	<b>469,509</b>	<b>461,706</b>	<b>469,944</b>	<b>465,841</b>
<b>Debt Servicing Costs</b>								
Agriculture Financial Services Corporation	109,059	104,110	94,587	84,645	74,031	67,997	65,205	63,221
<b>Consolidated Expense</b>	<b>1,184,616</b>	<b>759,090</b>	<b>440,455</b>	<b>510,478</b>	<b>543,540</b>	<b>529,703</b>	<b>535,149</b>	<b>529,062</b>
<b>GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61)</b>	<b>299</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET REVENUE (EXPENSE)</b>	<b>(516,231)</b>	<b>(376,553)</b>	<b>(171,228)</b>	<b>(284,189)</b>	<b>(279,183)</b>	<b>(219,064)</b>	<b>(267,220)</b>	<b>(259,863)</b>

\* This entity is a commercial enterprise or Crown-controlled corporation that is reported in revenue on a net profit or loss basis (revenue less expenses). Thus, it does not appear in the expense portion of the income statement.

Revenues of the department for 1997/98 to 1999/2000 include projections of amounts receivable under federal-provincial cost sharing agreements. Amounts receivable under the agreements will be affected by the decision of the federal government on January 7, 1997 to increase the number of commodities and to cover, what otherwise would have been, the provincial contribution to the Net Income Stabilization Accounts. As a result, annual consolidated revenues for 1997/98 to 1999/2000 may be overstated between \$15 million to \$25 million.