

# Business Plan 2018–21

## Agriculture and Forestry

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### Accountability Statement

This business plan was prepared under my direction, taking into consideration our government's policy decisions as of March 7, 2018.

*original signed by*

Oneil Carlier, Minister

### Ministry Overview

The ministry consists of the Department of Agriculture and Forestry, the Agriculture Financial Services Corporation and the Environmental Protection and Enhancement Fund. The ministry is also responsible for the Office of the Farmers' Advocate, Irrigation Council, and the Alberta Agricultural Products Marketing Council for which funding is included in the department's budget. The Forest Resource Improvement Association of Alberta and Livestock Identification Services Ltd. are delegated administrative organizations operating outside of government and are accountable to the minister.

The ministry is responsible for the policies, legislation, programs and services to support the growth, diversification and sustainability of Alberta's agriculture and forest industries; and works collaboratively with other Government of Alberta ministries to enable resilient rural communities. The agriculture and agri-food sector is composed of all industries whose primary role is to produce food and agricultural products. It encompasses raising livestock and growing crops (e.g., primary production) as well as the refining of raw commodities to increase their value (e.g., agri-food). Agriculture and Forestry inspires public confidence in wildfire and forest management, quality and safety of food, and environmentally sustainable resource management practices through its programs and services.

A detailed description of Agriculture and Forestry and its programs and initiatives can be found at [www.agriculture.alberta.ca](http://www.agriculture.alberta.ca).

### Strategic Context

The outcomes and key strategies identified in this business plan are aligned with the strategic direction of the Government of Alberta.

Agriculture and forestry are, respectively, the second- and third-largest resource-based industries in Alberta. In 2016, agriculture covered a total farm area of 20.3 million hectares, while Alberta's forests covered 38 million hectares, of which an estimated 22.5 million hectares are available for timber harvest.

Market access, commodity market swings, agronomic conditions, rising production costs and supply chain logistics are some of the key issues impacting the agriculture industry. Variable weather conditions across the province in 2017 impacted crop production and grain prices. In 2016, the discovery of six cases of bovine tuberculosis in Alberta has had some market disruption effects. However, the province worked with the Government of Canada in providing assistance to affected producers, and the beef sector continues to be vibrant, with Alberta being the largest beef producer in Canada.

Key issues facing the forest industry include market access, commodity market swings and secure access to fibre. The November 2017 imposition of the final countervailing and anti-dumping duties by the United States on Canadian softwood lumber has created uncertain market access. Additionally, wildfires and the mountain pine beetle continue to threaten communities, forest health and long-term wood fibre access.

Despite challenges, Alberta producers and exporters continue to do well overall. In 2016, more than 90,000 Albertans were employed in the two industries. The revenues from primary production of Alberta farm businesses, or farm cash receipts, totalled \$13.5 billion in 2016, while total food and beverage manufacturing sales reached a record \$14.5 billion and was the highest among all manufacturing industries in the province. Alberta's agriculture and forest exports remain strong, reaching a combined total of \$13 billion in 2016. Both industries are also well positioned to capitalize on the Government of Canada's efforts to secure favourable trade access to other key markets. Overall, for the agriculture industry, adapting to changing demographics of both consumers and producers, monitoring consumer demand trends, safe food and assurance systems, and market access are critical to ensuring this continued success. For the forest industry, success depends on secure access to fibre, aggressive wildfire and mountain pine beetle management, and predictable and fair access to the United States market.

As consumer demand evolves and as forest and wildfire management become more complex, expectations increase for open, transparent management of land and natural resources by the province. Agriculture and Forestry is committed to collaborating and engaging across multiple sectors, government departments, and user groups to support integrated management of Alberta's natural resources (e.g., Integrated Resource Management System). The department will also continue to engage with Indigenous peoples on the stewardship of traditional lands based on the principles and objectives of the United Nations Declaration on Rights of Indigenous Peoples.

Industry is also challenged to address societal expectations while remaining competitive, and government must balance economic, social and environmental outcomes. Canada's international commitment to reducing greenhouse gas emissions and improving adaptability to climate change creates opportunities for the agriculture and forest industries to capitalize on competitive advantages in global markets, supported by the Climate Leadership Plan and the ministry's unique scientific and research capabilities, and the role Alberta's vast forests play in helping manage carbon.

Agriculture and Forestry also works collaboratively to support the Government of Alberta's efforts in advancing gender equality. Gender equality is intrinsically linked to social and economic growth and is vital to the realization of human rights for all. The ministry has operationalized this commitment through the adoption of Gender-based Analysis Plus (GBA+) and establishment of a Centre of Responsibility to assess the gender and diversity implications of engagement processes, policies, programs and initiatives.

## Outcomes, Key Strategies and Performance Measures

### **Outcome One: Alberta's agriculture and forest industries are innovative, diversified and competitive**

Alberta's agriculture and forest industries are important contributors to the province's economy. Alberta maintains its excellence by working with partners to improve domestic and international market access. Similarly, actively promoting the province as an attractive option for investment and supporting access to capital contributes to a robust and competitive business environment.

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

## Key Strategies:

- 1.1 Provide focused trade services for Alberta's agricultural and forest product companies to secure current markets and access new growth markets.
- 1.2 Increase Alberta's capacity to grow the agriculture and forest industries by:
  - Attracting investment to Alberta's value-added processing sector;
  - Expanding food processing capacity at the Agrivalve Processing Business Incubator to accelerate the scaling up of food product development and the establishment of new business ventures; and,
  - Developing a forest products sector strategy including an Alberta Wood Charter initiative to grow and diversify the industry.
- 1.3 Develop and implement programs under the Canadian Agricultural Partnership to drive sustainable growth, innovation and competitiveness in the agriculture industry.
- 1.4 Develop and implement a Science and Innovation Framework that supports ministry research priorities.

Performance Measures	Last Actual (2016-17)	Target 2018-19	Target 2019-20	Target 2020-21
1.a Number of value-added agriculture products developed and successfully introduced into the market with assistance from Agriculture and Forestry <sup>1</sup>	315	245	255	265
1.b Agriculture research and development investment by collaborators leveraged through ministry resources (\$ millions)	6.3	6.5	6.7	6.9

### Note:

- <sup>1</sup> The target for 2018-19 is lower than the last actual due to significant product commercialization activities in 2016-17 that are not expected to be repeated.

## Linking Performance Measures to Outcomes:

- 1.a Tracks progress of product development and commercialization activities of companies that are adding value to agricultural products, servicing niche markets and advancing economic diversification.
- 1.b Tracks funds leveraged to develop technologies and knowledge applied to agricultural problems and opportunities. Collaboration with industry is important for targeting investment efficiently and effectively.

Performance Indicators	Actual (Year)	Actual (Year)	Actual (Year)	Actual (Year)	Actual (Year)
1.a Alberta's agri-food exports by market (\$ millions):					
• United States	2,967 32%	3,050 35%	3,945 40%	3,998 39%	4,046 40%
• Rest of the World	6,243 68% (2012)	5,662 65% (2013)	5,809 60% (2014)	6,183 61% (2015)	5,946 60% (2016)
1.b Alberta's agri-food exports by sector (\$ millions):					
• Primary commodities	5,529 60%	5,061 58%	5,476 56%	5,380 53%	4,956 50%
• Processed / manufactured products	3,681 40% (2012)	3,651 42% (2013)	4,278 44% (2014)	4,802 47% (2015)	5,036 50% (2016)

Performance Indicators	Actual (Year)	Actual (Year)	Actual (Year)	Actual (Year)	Actual (Year)
1.c Alberta's market cash receipts <sup>1</sup> (\$ millions); and the share of Canadian market cash receipts	11,174 22% (2012)	11,148 21% (2013)	12,345 22% (2014)	12,940 22% (2015)	12,802 22% (2016)
1.d Alberta's food and beverage manufacturing sales (\$ millions); and the share of Canadian food and beverage manufacturing sales	12,600 13% (2012)	11,971 12% (2013)	12,265 12% (2014)	13,330 13% (2015)	14,538 13% (2016)
1.e Timber royalties and fees from harvested timber (\$ millions)	46.2 (2012-13)	61.2 (2013-14)	57.4 (2014-15)	51.3 (2015-16)	69.9 (2016-17)
1.f Sales of Alberta's forest products (\$ millions)	5,440 (2012)	6,080 (2013)	6,190 (2014)	6,115 (2015)	6,205 (2016)

**Note:**

<sup>1</sup> Market receipts refers to cash income from the sale of agricultural commodities (crops and livestock), but excludes direct program payments to producers.

## Outcome Two: Alberta's agriculture and forest assurance systems are effective

The ministry is committed to ensuring Albertans have safe food and sustainably-produced forest products. Through traceability, surveillance and inspection, Alberta's robust food safety system enhances the province's reputation as a supplier of quality and safe food products. Albertans also want assurance that all forest management plans and timber harvest activities are compliant with all provincial legislation and that forest ecosystems, communities and infrastructure are protected from the negative impacts of wildfires. Evidence-based policies, education, sharing of scientific and technological information, compliance activities and enforcement build trust and create reliable, cost-effective assurance systems. These systems protect human health, animal health and welfare, as well as Alberta's crops and forests.

### Key Strategies:

- 2.1 Implement refinements and enhancements to the wildfire management program to reduce the risk of wildfires to communities and to promote healthy ecosystems.
- 2.2 Develop and implement effective animal health policies and programs to reduce the risks associated with antimicrobial resistance in Alberta.
- 2.3 Enhance risk- and science-based inspection and surveillance systems and policies.
- 2.4 Effectively protect animals from distress and drive continuous improvement in animal welfare.

Performance Measures	Last Actual 2016	Target 2018-19	Target 2019-20	Target 2020-21
2.a Percentage of wildfires contained before 10 a.m. the day following assessment <sup>1</sup>	97.1%	97%	97%	97%
2.b Percentage of active provincial licensed abattoirs that meet provincial slaughter and meat processing requirements <sup>2</sup>	86%	100%	100%	100%

**Notes:**

<sup>1</sup> Results and targets have been revised to reflect the increase in the length of the legislated fire season. In December 2016, the *Forest and Prairie Protection Act* was amended to start the fire season one month early, from March 1 to October 31 (previously April 1 to October 31). The targets reflect the five-year average of the most recent published results. The targets are updated annually to account for new results and information, and reflect external variables that are outside the control of the ministry, such as wildfire conditions, location and activity.

<sup>2</sup> The last actual result represents the combined animal slaughter and meat processing functions for which Agriculture and Forestry has an oversight responsibility.

### Linking Performance Measures to Outcomes:

- 2.a Tracks wildfire containment time. Prompt containment reduces rapid spread, size and intensity of wildfire and impacts. It helps protect Albertans from the risk of wildfire and minimizes losses and costs.
- 2.b Linked to advancement of food safety culture through education and regulatory activities under the *Meat Inspection Act* and Meat Inspection Regulation.

### Outcome Three: **Alberta's land and natural resources are managed in an environmentally responsible and sustainable manner**

The ministry emphasizes evidence-based decision-making to drive sustainable resource management. Natural resources, such as clean water, healthy forests, and agricultural land are important for all Albertans.

Integrated environmental policy encourages the adoption of beneficial management practices for sustainable resource development and enhances environmental stewardship throughout the province. Research and knowledge transfer will help drive mitigation and adaptation strategies to effectively respond to climate change effects.

### Key Strategies:

- 3.1 Support Alberta's Climate Leadership Plan through energy efficiency programs to reduce greenhouse gas emissions.
- 3.2 Encourage the adoption of environmentally sustainable agriculture practices through research, extension and programs.
- 3.3 Support irrigated agriculture to increase water-use efficiency through improved water application technology, conveyance infrastructure and management techniques.
- 3.4 Deliver programming and education to enhance public trust in the agriculture and forest industries.
- 3.5 Review forestry practices to ensure the ongoing sustainability, economic viability, health and resilience of Alberta's forests.
- 3.6 Develop and implement an innovative program, in collaboration with Environment and Climate Change Canada, to enhance carbon sequestration in Alberta's public forests.

Performance Measures	Last Actual 2015-16	Target 2018-19	Target 2019-20	Target 2020-21
3.a Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey)	55%	n/a	59%	n/a
3.b Sustainable timber harvest by: <ul style="list-style-type: none"><li>• Annual allowable cut (million cubic metres)</li><li>• Harvest (million cubic metres)</li></ul>	31 22	Harvest does not exceed the approved harvest level		
3.c Percentage of forest regrowth as a result of reforestation <sup>1</sup>	98.3%	97.7%	97.8%	97.8%

### Note:

<sup>1</sup> The target is set to a five-year rolling average and adjusted for management's expectations for changes in silvicultural practices including site preparation, quality of planting stock and control of competitive tree species (e.g., herbicide to remove deciduous trees within coniferous cutblocks). No significant changes are expected/anticipated in these factors for the next three years.

### Linking Performance Measures to Outcomes:

- 3.a Tracks producers' progress in mitigating farm-level agri-environmental risks in a responsible and sustainable manner. Long-term agricultural productivity is dependent on appropriate conservation, stewardship of agricultural lands and the environment.
- 3.b Reflects a timber harvest level that ensures timber resources meet current environmental and economic needs for present and future generations. The volume of timber harvested must be less than or equal to the approved harvest level in order to achieve sustainable forest management goals.

3.c Reforestation is a critical component of forest sustainability following industrial harvesting. Attainment of predicted forest regrowth rates resulting from Alberta’s forest regeneration standards ensures sustainability of timber resources to meet current and future economic needs.

**Outcome Four: Alberta has thriving rural communities**

A thriving rural Alberta contributes to the long-term resiliency of the provincial economy and strengthens the agriculture and forest industries. Rural communities succeed when residents and businesses have the means to adapt to and benefit from a range of opportunities that leads to growth in diverse rural businesses, self-reliance and an improved quality of life.

Prosperous agriculture and forest industries, and related business services, contribute to the success of rural Alberta through community capacity building, job creation and business growth. The Agriculture Financial Services Corporation supports this by assessing credit market needs and tailoring its lending efforts in response to dynamic, changing conditions. Improved market-based insurance products, lending services and disaster recovery options help provide a stable platform from which businesses can achieve their full economic and growth potential. The ministry’s investment in people, businesses, communities and infrastructure enhances the quality of life for rural Albertans.

Collaboration with rural stakeholders, educational institutions and other ministries is fundamental to delivering new learning and skill development opportunities, enhancing farm and community safety, and increasing awareness of local food production.

**Key Strategies:**

- 4.1 Support access and awareness of local food to build capacity and strengthen Alberta’s local and regional food systems.
- 4.2 Implement the Agriculture Financial Services Corporation’s updated lending mandate to support the development and competitiveness of the agriculture industry.
- 4.3 Support the adoption of safe practices on Alberta farms through farm safety education and training.

Performance Measures	Last Actual (Year)	Target 2018-19	Target 2019-20	Target 2020-21
4.a Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services (\$ million) <sup>1</sup>	526 (2016-17)	454	487	523
4.b Percentage of eligible seeded acres for major crop categories insured under Production Insurance:				
• Annual Crops	77%	74%	75%	76%
• Perennial Crops	29% (2016)	27%	27.5%	28%

**Note:**

<sup>1</sup> The target for 2018-19 is lower than the last actual due to current lower levels of AFSC farm and commercial loan approvals that are not expected to fully recover until 2020-21.

**Linking Performance Measures to Outcomes:**

- 4.a Gauges success of AFSC in ensuring farm and rural businesses can access capital to foster development and growth.
- 4.b Indicates success of AFSC in providing insurance options to offset the risks of agriculture production.

## Risks to Achieving Outcomes

Key strategic risks include uncertain or reduced market access, major disease and pest outbreaks and extreme weather and wildfire events. Managing these risks requires collaboration with other ministries, industry, communities and governments.

International market access is crucial to the success of Alberta's agriculture and forest industries. While Canada continues to open new prospects through trade agreements and works to maintain and enhance market access, there remain obstacles to capitalizing on market opportunities. Key issues include the softwood lumber trade dispute, the renegotiation of the North American Free Trade Agreement, non-tariff barriers such as phytosanitary and technical standards, and export restrictions.

Outbreaks of foodborne, livestock or plant diseases and forest pests are a potential challenge for Alberta and pose a major risk to both industries and Albertans. The economic, social and environmental impacts of a disease or pest outbreak could be substantial, and the ministry would need to manage human and animal health issues, monetary losses, access to fibre, and consequences of cross-border trade closures, etc.

Finally, extreme weather events create challenges for both the agriculture and forest industries. For example, dry or hot conditions can lead to water shortages that affect crop and forage productivity and livestock water needs, as well as increasing the risk of extreme wildfires that threaten human lives, communities, ecosystems and economic interests.



## STATEMENT OF OPERATIONS

(thousands of dollars)	Comparable			2018-19 Estimate	2019-20 Target	2020-21 Target
	2016-17 Actual	2017-18 Budget	2017-18 Forecast			
<b>REVENUE</b>						
Internal Government Transfers	789	370	1,642	-	-	-
Transfers from Government of Canada	394,552	297,734	381,780	<b>314,998</b>	333,047	325,521
Investment Income	129,924	142,434	125,793	<b>136,149</b>	146,007	157,578
Premiums, Fees and Licences	460,660	428,625	453,940	<b>484,098</b>	501,465	516,406
Other Revenue	17,725	10,197	11,951	<b>8,856</b>	7,639	6,978
Ministry Total	1,003,650	879,360	975,106	<b>944,101</b>	988,158	1,006,483
Inter-Ministry Consolidations	(1,472)	(1,120)	(2,392)	<b>(1,150)</b>	(1,150)	(1,150)
Consolidated Total	1,002,178	878,240	972,714	<b>942,951</b>	987,008	1,005,333
<b>EXPENSE</b>						
Ministry Support Services	23,276	22,008	22,016	<b>23,412</b>	23,400	25,035
Intergovernmental Relations, Trade and Environment	49,009	51,244	51,356	<b>45,917</b>	41,597	40,893
Food and Value-Added Processing	86,260	100,272	99,415	<b>91,990</b>	91,303	93,493
Livestock and Crops	52,909	58,346	57,282	<b>55,936</b>	55,294	57,702
Lending	31,737	38,433	37,708	<b>34,825</b>	35,636	36,738
Insurance	683,273	476,341	572,064	<b>493,330</b>	512,253	494,078
Agriculture Income Support	187,835	122,144	256,365	<b>120,487</b>	120,861	121,466
Forests	424,187	201,702	406,760	<b>202,450</b>	205,867	209,059
Climate Leadership Plan	5,980	8,434	19,384	<b>41,640</b>	39,200	10,000
Canadian Agricultural Partnership	56,888	36,115	37,095	<b>46,630</b>	46,630	46,630
Debt Servicing Costs	68,664	70,735	69,010	<b>71,153</b>	72,740	76,118
Ministry Total	1,670,018	1,185,774	1,628,455	<b>1,227,770</b>	1,244,781	1,211,212
Inter-Ministry Consolidations	(10,742)	(11,304)	(11,312)	<b>(12,004)</b>	(11,704)	(11,704)
Consolidated Total	1,659,276	1,174,470	1,617,143	<b>1,215,766</b>	1,233,077	1,199,508
Net Operating Result	(657,098)	(296,230)	(644,429)	<b>(272,815)</b>	(246,069)	(194,175)
<b>CAPITAL INVESTMENT</b>						
Ministry Support Services	11	1,250	1,250	<b>1,248</b>	1,248	1,248
Intergovernmental Relations, Trade and Environment	585	570	570	<b>200</b>	200	200
Food and Value-Added Processing	1,493	796	1,638	<b>796</b>	796	796
Livestock and Crops	5,428	1,000	1,200	<b>650</b>	600	600
Lending	1,896	1,876	1,876	<b>1,877</b>	1,877	1,877
Insurance	3,940	4,044	4,044	<b>4,046</b>	4,046	4,046
Agriculture Income Support	1,530	1,650	1,650	<b>1,650</b>	1,650	1,650
Forests	11,037	12,643	12,613	<b>11,611</b>	11,343	11,343
Climate Leadership Plan	104	975	975	<b>200</b>	-	-
Canadian Agricultural Partnership	117	-	-	<b>-</b>	-	-
Ministry Total	26,141	24,804	25,816	<b>22,278</b>	21,760	21,760
Inter-Ministry Consolidations	-	(370)	(1,642)	<b>-</b>	-	-
Consolidated Total	26,141	24,434	24,174	<b>22,278</b>	21,760	21,760