

Agriculture and Rural Development

BUSINESS PLAN 2009-12

ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2009 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 of March 12, 2009 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.

George Groeneveld, *Minister of Agriculture and Rural Development*
March 19, 2009

THE MINISTRY

The Ministry of Agriculture and Rural Development consists of the Department of Agriculture and Rural Development, the Agriculture Financial Services Corporation and the Alberta Livestock and Meat Agency Ltd. The Ministry is also responsible for the Office of the Farmers' Advocate, Irrigation Council, Agricultural Products Marketing Council and Alberta Grain Commission.

VISION

To be a trusted partner, broker of knowledge and champion of change for successful industry and vibrant rural communities.

MISSION

We provide assurance to Albertans and facilitate excellence and competitiveness in the province's agriculture and food industries through effective policy, legislation, information, infrastructure and services. We support the ongoing development of vibrant rural communities through partnership and coordination.

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

Agriculture and Rural Development's business plan supports the Government of Alberta's vision of an innovative and prosperous province where Albertans enjoy a high quality of life built on vibrant rural communities and a healthy environment.

In striving to achieve its mission Agriculture and Rural Development contributes to Goal 1: *Alberta will have a prosperous economy.* The Ministry contributes to this goal by enhancing industry competitiveness and growth through several of its key initiatives including the Agriculture Workforce Strategy and the Alberta Livestock and Meat Strategy and by developing and implementing strategies that focus on opportunities and building capacity in rural Alberta.

Agriculture and Rural Development also contributes to Goal 4: *Alberta will have a financially stable, open and accountable government and maintain its strong position nationally and internationally.* This contribution is made by servicing the debt incurred by Agriculture Financial Services Corporation (AFSC) in providing service to their clients.

Government of Alberta Priority

Agriculture and Rural Development also works with the Ministry of Advanced Education and Technology to achieve the following government priority:

- *Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy.*

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

At the highest level, government fills three distinct roles from a public policy perspective: assurance, facilitation, and infrastructure. In order to fulfill these roles, Agriculture and Rural Development (ARD) works closely with stakeholders in the primary and value-added sectors and other government bodies to support strong sector development and assess emerging risks in a rapidly changing environment. Additionally, the Ministry works with rural communities and organizations to ensure strategies are in place that focus on building capacity in rural Alberta to sustain prosperity over the long term in all parts of the province. With a wide range of research, strategic information, policy, and extension programs, the Ministry identifies key opportunities and challenges and strives to develop responsive strategies and plans while allocating government resources effectively. Two key strategies that will, in part, address the following opportunities and challenges are Growing Forward – a federal/provincial/territorial policy and program agreement – and the Alberta Livestock and Meat Strategy.

Globalization, Competitiveness and Growth

The agriculture sector continues to operate in a global business environment, where technological advancements, lower labour costs and rapidly changing consumer demands are creating new opportunities while at the same time increasing challenges to all market participants. Potential opportunities exist to gain a competitive advantage by identifying markets for verified, high quality goods while ensuring Alberta's agri-based industry can continue to

compete and grow. Challenges include increased value of Canadian currency, increasing average age of producers, and increased demands relating to unprecedented growth in the province such as labour and resources. In addition, risk management tools and processes must continue to move the industry to a higher level of resiliency to climate change, weather variability, pests and disease, product pricing affected by market shifts, and technical and regulatory issues that either enhance or impede competitiveness.

Policy Frameworks

Effective policies, legislation and regulations are essential in enabling the growth of a globally competitive, sustainable agriculture and food industry while safeguarding the public interest. Alberta producers/processors can successfully compete globally if foreign markets are more open, trade is less distorted by subsidies and our domestic policies and regulations do not reduce our competitiveness. Challenges include continuing the liberalization of agricultural trade through policy direction and multilateral, regional and bilateral engagements; ensuring that legislative frameworks enable innovation and growth; and facilitating alignment and complementarity with policy and legislation held at other levels of government. Additionally, sound and robust rural policy is needed to enhance rural capacity through effective organizations, improved resource utilization, and an expanded leadership base.

Food Safety and Traceability

Consumers and the public continue to expect quality safe food and transparent origin and handling. The Ministry and industry are working towards implementing a traceability system that promotes both food safety assurance and animal health status, and increases market access based on promoting Alberta's excellent food products and practices. The Ministry will also continue to work with industry and other levels of government, including Alberta Health and Wellness, to encourage the adoption of food safety practices. In addition, the Ministry is working with industry on prevention, preparedness, response and recovery to emergencies and other challenges related to plant and animal disease.

Research, Development and Commercialization

Research, development and commercialization are powerful tools for improving competitiveness, profitability and growth. Advances in science and innovation create opportunities for enhancing industry productivity and product offerings. As a result of these efforts, the agriculture industry is now poised to meet consumer demand for conventional foods and new bio-products. In collaboration with leading research and development organizations, the Ministry is able to assist the agriculture industry to innovate and advance.

Environment

Increasing public awareness and pressure for the effective management of air, land and water resources are growing. The Ministry is continuing to work with partners within industry and across government to address these pressures. In addition, the Ministry is researching environmentally responsive solutions that enable producers and promote competitiveness. Opportunities exist to create competitive advantage through the development and implementation of agricultural practices and systems that manage environmental risks, improve efficiencies, and meet consumer and public expectations.

Rural Development and Sustainability

The dynamics of rural Alberta are changing in terms of economic, social, cultural and environmental conditions. Contributing factors include changing demographics, economic bases and conditions, influences of urban centres and increasing urban-rural linkages through information and communications technology. Rural policy must reflect the changing landscape and the importance of self determination as rural Albertans shape their futures recognizing that rural communities must build their capacity to act and advance their projects and initiatives to be sustainable and relevant.

STRATEGIC PRIORITIES 2009-12

Based on the opportunities and challenges facing Agriculture and Rural Development, the Agriculture and Rural Development Strategic Plan, and the linkages to the *Government of Alberta Strategic Business Plan*, the following strategic priorities have been identified:

CREATING AND PROTECTING OUR OPPORTUNITIES

- 1. Globally competitive business environment in support of a market-driven industry**

Linkage:
Goals 1, 2, 3, 4 and 5

The Ministry will strengthen and diversify the agriculture sector by increasing the market value of differentiated and value-added agricultural products and expanding into new markets and products. Additionally, the Ministry will work in partnership with the Alberta Livestock and Meat Agency Ltd. to implement the Alberta Livestock and Meat Strategy to revitalize the industry, enhance the value chain to better address customer preferences, and refocus efforts to establish a more competitive and profitable livestock sector. The Ministry continues its work on Growing Forward – a federal/provincial/territorial policy and program agreement to support industry competitiveness and sustainable growth. In partnership with industry and key stakeholders the Ministry will continue to facilitate the development of new business models, value added products, plant and animal health practices and agricultural services that respond to market opportunities and challenges. The Ministry will remain focused on enhancing domestic and international market access and will work with industry to provide better access to capital for farmers, agri-businesses and value added industries; and, to provide effective risk management tools, information and programs supporting events beyond the agri-business manager’s control.
- 2. Excellent food products and practices**

Linkage:
Goals 1 and 2

Effective plant and animal health measures are critical to accessing markets as well as to preventing or responding to potentially economically devastating impacts of foreign animal diseases or invasive plants. The Ministry will continue to work collaboratively with industry and other governments in implementing a traceability system. This will promote further food safety assurance which will help gain and enhance market access through promotion of Alberta’s excellent food products and practices. In addition, ongoing animal health and food safety surveillance within Alberta will aid in prevention, preparedness, response and recovery in the event of emergencies, foreign animal disease and risk management challenges.
- 3. Vibrant rural communities**

Linkage:
Goals 1, 2, 3, 4 and 5

By increasing rural capacity, communities enhance their ability to significantly contribute to Alberta’s prosperity and quality of life, and to act in the face of changing economic, social, cultural and environmental conditions. The Ministry will partner with other government ministries and key stakeholders to create a positive environment for rural development through policy and programs, and to work with rural communities to support locally developed initiatives, plans and projects.

GREENING OUR GROWTH

4. Environmental enhancement and stewardship

Linkage:

Goals 1, 2, 3, 4 and 5

Production systems that manage environmental risks and improve practices and efficiencies will benefit both the industry and the environment. The Ministry is focused on working collaboratively with industry and other stakeholders to identify market-based solutions enabling the industry to take advantage of new markets and create a competitive advantage based on meeting consumer and public expectations for the environment. This will be supported through collaborative models such as the Institute of Agriculture, Forestry and the Environment; the Agri-Environmental Partnership of Alberta; and the Alberta Livestock and Meat Agency Ltd.

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: Facilitate a market-driven, environmentally responsible industry

GOAL ONE **1** Globally competitive business environment

What it means

This goal recognizes the complexities involved in positioning an industry to be economically successful in an ever-changing global marketplace. A critical component to success is a business environment that establishes and maintains a competitive advantage for Alberta's agriculture, agri-food and agri-based industry.

The Ministry contributes to this goal through policy development and implementation that helps industry achieve economic success. It also works with industry partners on market-driven initiatives to enable long-term profitability and improve global competitiveness. The Ministry assists industry in developing relationships and building networks to support trade and market entry, and focuses on the capabilities that industry requires to successfully innovate, access capital, export, and grow.

Strategies

- 1.1 Implement recommendations of the Alberta Livestock and Meat Strategy by focusing Ministry resources to priority initiatives that create product differentiation, enhance the effectiveness of marketing and diversification efforts, reduce costs and regulatory barriers, and facilitate the evolution of livestock organizations in response to changing market realities.
- 1.2 Continue to work with industry to implement programs and services aimed at increasing worker recruitment, retention and productivity.
- 1.3 Provide better access to capital for farmers, agri-business and value-added enterprises to promote investment in the industry.
- 1.4 Develop and implement a new model to effectively deliver extension programs and services, research-based information and innovative business tools that help industry increase its value-added activity, enhance its productivity, adopt new technologies, enhance animal welfare practices and improve its global competitiveness.

- 1.5 Optimize industry's capability to compete by collaborating with partners on targeted research, supporting technology adoption and ensuring investment in essential physical infrastructure.
- 1.6 Work with industry to develop and implement trade and transition strategies and continue to showcase Alberta to enhance competitiveness and advance market access.
- 1.7 Develop and implement risk analysis programs with industry and other government partners to address sanitary and phytosanitary barriers and enable access to markets.
- 1.8 Assist export-ready Alberta businesses in developing networks and relationships to export products and services to international markets.

Performance Measures	Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
1.a Number of value added products developed and successfully introduced to market with assistance from Agriculture and Rural Development	69	70	75	80
1.b Research and development investment by collaborators leveraged through Ministry resources (\$ million)	6.9	7.5	8	9
1.c Total leveraged investment in agri-industry businesses (farm-business and agri-business) facilitated by AFSC lending services (\$ million) ¹	318	333	342	351

Note:

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

GOAL TWO Environmental stewardship

What it means

This goal recognizes it is the role of the Ministry to enable the industry to innovate, create and capture value, and build competitive capacity by meeting consumer and public expectations around the environment. The agriculture, agri-food and agri-based industry will build on opportunities to realize the benefits associated with production systems that manage risks, address public concerns, and improve efficiencies while stewarding Alberta's air, water, and land for the well being of current and future generations.

The Ministry contributes to this goal by developing integrated environmental policy and facilitating continuous improvement and best practices in environmental management through processes that certify, verify and recognize excellence. This will be accomplished through collaboration models such as the Institute for Agriculture, Forestry and the Environment; the Agri-Environmental Partnership of Alberta; and the Alberta Livestock and Meat Agency Ltd. and working in partnership with other Government of Alberta ministries.

Strategies

- 2.1 Enable the agriculture, food and agri-products industry to take actions that increase consumer and public confidence.
- 2.2 Work with industry to facilitate innovation through the development of targeted science and technology.
- 2.3 Work in partnership with the industry and other stakeholders to develop and implement policy, guidelines, and strategies to achieve agreed upon performance standards.
- 2.4 Develop indicators of success to communicate progress toward environmental health.
- 2.5 Provide a framework for development and implementation of market-based solutions that support a competitive advantage through the use of environmentally sound management systems.

Performance Measure	Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
2.a Average percentage of improved environmentally sustainable agriculture practices adopted by producers ¹	58%	63%	n/a	64%

Note:

- 1 Wording for performance measure 2.a has changed; however methodology remains the same as in prior years reporting. Results will be reported every two years as reflected in target dates.

GOAL THREE An Industry that better manages risk

What it means

This goal recognizes that risk is inherent at the individual business, supply chain and broader industry levels and can positively or negatively impact the overall performance and growth of the agriculture sector.

The Ministry contributes to this goal by providing information, products, services, programs and financial support to agribusiness managers enabling them to better identify, measure and respond to risk. Additionally, the Ministry is committed to establishing the necessary processes and plans to ensure it is equipped to fulfill its obligations under the *Emergency Management Act* and regulations.

Strategies

- 3.1 Work with agribusiness managers to assess evolving needs and advance long term risk management solutions.
- 3.2 Enable clients to identify, measure and respond to risk through the provision of information, training and analytical tools.
- 3.3 Build Ministry and industry capacity to develop and deliver risk management information, training, tools, programs and related services.
- 3.4 Assess current Ministry practices in order to improve our ability to coordinate and deliver risk management services and programs.

- 3.5 Design and deliver Business Risk Management programs through the Growing Forward agreement.
- 3.6 Develop and deliver programs and services that prepare for, and respond to significant events impacting business interruption and sustainability.

Performance Measures	Last Actual (year)	Target 2009-10	Target 2010-11	Target 2011-12
3.a Percentage of agricultural business managers surveyed, indicating the use of risk management tools for improved decision-making ¹	22% (2005-06)	n/a	n/a	35%
3.b Percentage of eligible seeded acres for major crop categories insured under Production Insurance				
• Annual Crops	67%	67%	68%	68%
• Perennial Crops	22%	22%	23%	23%
	(2007-08)			
3.c Percentage of Alberta farm cash receipts represented by Alberta participants in AgriStability Program	74%	75%	76%	76%

Note:

1 A formal evaluation is conducted every three years. The next survey will be conducted in 2011-12 and reported in June 2012.

Core Business Two: Excellent food products and practices

GOAL FOUR **4** Excellence in food safety

What it means

A verifiable reputation for excellence in food safety is essential to ensure the confidence of consumers and markets both domestically and internationally. Alberta takes a leadership role in Canada to drive the differentiation of our meat and agri-food products. Food safety is an ongoing responsibility that is shared by government, industry, and the consumer. The Ministry works collaboratively with industry as well as other government organizations such as the Canadian Food Inspection Agency, Agriculture and Agri-Food Canada, Health Canada, Alberta Health and Wellness and Alberta Health Services to achieve this goal.

Alberta's agri-food industry recognizes that a responsive and transparent food safety system means reduced liability and risk, and is essential to the creation of a competitive advantage in maintaining, restoring and expanding our markets. The Ministry encourages and supports industry's adoption of internationally accepted, science-based food safety and traceability systems and standards through legislation, regulations, research, education, awareness, and demonstration projects. Assurance of the effectiveness of industry's food safety systems is achieved through inspections, audits and ongoing surveillance.

Strategies

- 4.1 Contribute to the development and implementation of a national food safety strategy to increase and maintain Alberta's market access and enhance consumer protection.
- 4.2 Participate in the implementation of the Alberta Food Safety Strategy to enhance the effectiveness of the food safety system in Alberta.
- 4.3 Enhance the provincial meat industry's capability to access domestic markets.
- 4.4 Initiate the implementation of the Alberta Innovative Meat Inspection System plan to enhance food safety.
- 4.5 Support implementation of Alberta's Livestock and Meat Strategy through initiatives such as livestock traceability and on-farm food safety to respond to food safety and animal health issues and enhance industry's competitiveness.
- 4.6 Enable industry adoption of HACCP based systems to enhance food safety.

Performance Measures	Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
4.a Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system; Red Meat – Meat Facilities Standard	52%	85%	90%	95%
4.b Number of Alberta food processing facilities participating in the Alberta HACCP ¹ Advantage Program (cumulative)	148	225	230	240

Note:

- 1 HACCP is an acronym, which means Hazard Analysis Critical Control Point. HACCP is a system which identifies, evaluates, and controls hazards, which are significant for food safety.

Core Business Three: Relevant and vibrant rural communities

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GOAL FIVE **A vibrant rural Alberta**

What it means

This goal recognizes that a vibrant and sustainable rural Alberta with increased human and business capacity contributes to a prosperous province. An enhanced capacity enables rural communities to adapt, build networks, address challenges, and take advantage of opportunities that lead to economic diversification and self-reliance.

The Ministry contributes to this goal by working with public, private and not for profit sector organizations and agencies, educational institutions, and with industry to strengthen leadership and business skills and facilitate development of community infrastructure.

The Ministry also contributes to this goal by continuing to evolve and implement the strategic priorities of Alberta's Rural Development Strategy in collaboration with key partners, such as Rural Alberta's Development Fund.

Strategies

- 5.1 Collaborate with other ministries to advance key strategic initiatives that relate to community capacity, adaptation, economic opportunities, innovation, connectivity and rural stewardship.
- 5.2 Collaborate with educational institutions, partners and clients to facilitate innovative learning and skill development opportunities.
- 5.3 Expand rural Alberta's leadership base by working with youth and rural stakeholders.
- 5.4 Develop and enhance products and services that create new opportunities and provide better access to capital for rural businesses.
- 5.5 Work with Rural Alberta's Development Fund to achieve desired rural outcomes and evaluate future opportunities.
- 5.6 Strengthen rural utility and community infrastructure.

Performance Measures	Last Actual 2007-08	Target 2009-10	Target 2010-11	Target 2011-12
5.a Total investment leveraged in rural businesses facilitated through AFSC lending services (\$ million) ¹	372	450	466	482
5.b Number of ministry-supported, agricultural-related community activities; and the percentage of activities that focus on leadership development	1,882 31%	1,900 30%	1,910 30%	1,920 30%
5.c Number of rural youth and adults participating in ministry-supported programs; and the percentage of participants that report effective learning from those programs.	2,786 92%	3,400 90%	3,400 90%	3,400 90%

Note:

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

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable			2009-10 Estimate	2010-11 Target	2011-12 Target
	2007-08 Actual	2008-09 Budget	2008-09 Forecast			
Facilitate a market-driven, environmentally responsible industry	786,369	980,035	1,360,124	1,104,883	1,109,597	1,117,301
Excellent food products and practices	17,263	14,902	18,269	16,661	16,885	13,483
Relevant and vibrant rural communities	76,185	69,970	74,112	70,354	71,874	67,780
MINISTRY EXPENSE	879,817	1,064,907	1,452,505	1,191,898	1,198,356	1,198,564

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2009-10 Estimate	2010-11 Target	2011-12 Target
	2007-08 Actual	2008-09 Budget	2008-09 Forecast			
REVENUE						
Internal Government Transfers	22,220	22,220	22,220	20,720	20,720	20,720
Transfers from Government of Canada	171,233	332,577	348,318	374,127	383,240	379,646
Investment Income	104,708	110,812	102,059	107,824	119,582	130,048
Premiums, Fees and Licences	160,650	185,467	235,602	261,306	265,863	278,703
Other Revenue	10,863	6,323	9,040	7,295	7,295	7,310
MINISTRY REVENUE	469,674	657,399	717,239	771,272	796,700	816,427
EXPENSE						
Program						
Agriculture Income Support	192,478	334,904	699,984	346,834	370,038	360,080
Lending	24,685	26,688	26,100	26,116	27,320	28,000
Insurance	339,784	385,271	393,242	473,164	470,809	492,565
Policy and Environment	76,056	74,218	77,719	67,409	67,951	67,906
Rural Development and Regulatory Services	20,156	17,208	25,021	26,439	26,697	16,697
Industry Development and Food Safety	140,625	126,702	126,139	95,784	92,724	92,784
Livestock and Meat Strategy	-	-	5,500	55,090	39,570	33,370
Infrastructure Assistance	15,857	24,083	22,250	29,050	24,000	24,000
Ministry Support Services	14,589	16,509	18,212	16,341	16,614	16,631
Valuation Adjustments and Other Provisions	9,185	6,062	5,160	2,852	2,804	2,551
Program Expense	833,415	1,011,645	1,399,327	1,139,079	1,138,527	1,134,584
Debt Servicing Costs						
Agriculture Financial Services Corporation	46,402	53,262	53,178	52,819	59,829	63,980
MINISTRY EXPENSE	879,817	1,064,907	1,452,505	1,191,898	1,198,356	1,198,564
Gain (Loss) on Disposal of Capital Assets	(195)	-	-	-	-	-
NET OPERATING RESULT	(410,338)	(407,508)	(735,266)	(420,626)	(401,656)	(382,137)

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable					
	2007-08 Actual	2008-09 Budget	2008-09 Forecast	2009-10 Estimate	2010-11 Target	2011-12 Target
Ministry Revenue	469,674	657,399	717,239	771,272	796,700	816,427
<i>Inter-ministry consolidation adjustments</i>	(22,322)	(22,220)	(22,220)	(20,720)	(20,720)	(20,720)
Consolidated Revenue	447,352	635,179	695,019	750,552	775,980	795,707
Ministry Program Expense	833,415	1,011,645	1,399,327	1,139,079	1,138,527	1,134,584
<i>Inter-ministry consolidation adjustments</i>	(102)	-	-	-	-	-
Consolidated Program Expense	833,313	1,011,645	1,399,327	1,139,079	1,138,527	1,134,584
Ministry Debt Servicing Costs	46,402	53,262	53,178	52,819	59,829	63,980
Consolidated Expense	879,715	1,064,907	1,452,505	1,191,898	1,198,356	1,198,564
Gain (Loss) on Disposal of Capital Assets	(195)	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	(432,558)	(429,728)	(757,486)	(441,346)	(422,376)	(402,857)