

---

Agriculture and  
Rural Development

---

**Annual  
Report**  
2014-2015

*Alberta* 



# Agriculture and Rural Development

## 2014-15 Annual Report

<b>Preface</b>	<b>2</b>
<b>Message from the Minister</b>	<b>3</b>
<b>Management's Responsibility for Reporting</b>	<b>4</b>
<b>Results Analysis</b>	<b>5</b>
Review Engagement Report (Auditor General's Report)	6
Performance Measures Summary Table	7
Ministry Overview	8
Discussion and Analysis of Results	9
Appendix A: Organizational Descriptions	32
Appendix B: Agriculture and Agri-Food Statistics	36
Appendix C: Performance Measure Methodologies	38
<b>Financial Information</b>	<b>43</b>
Ministry of Agriculture and Rural Development Financial Statements	43
Department of Agriculture and Rural Development Financial Statements	67
Agriculture Financial Services Corporation Financial Statements	91
Alberta Livestock and Meat Agency Ltd. Financial Statements	119
<b>Other Information</b>	<b>133</b>

# Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Management Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 19 ministries.

The annual report of the Government of Alberta contains the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Agriculture and Rural Development contains the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

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

On May 24, 2015, the government announced a cabinet restructure. As a result, the Ministry of Agriculture and Rural Development was restructured and will assume responsibility for the Forestry programs, which were transferred from the Ministry of Environment and Sustainable Resource Development. The ministry is subsequently renamed "Agriculture and Forestry," and this most recent restructuring will be reflected in the 2015-16 Ministry Annual Report.

# Message from the Minister



The Ministry of Agriculture and Rural Development was responsible for providing the framework and services to help position Alberta's agriculture and food sector for growth, ensure public confidence in the quality and safety of food, support environmentally responsible production practices, and help maintain the conditions necessary to support thriving rural communities. The following report highlights the actions undertaken by the Ministry to meet these objectives during the 2014-15 fiscal year and the results achieved.

Our government recognizes Alberta has an economic and social diversity to be celebrated. As we move forward together, we will continue to foster the entrepreneurial spirit, hard work, innovation and commitment to excellence that is the foundation for the highest quality of life for Albertans.

The next year will be an exciting time as the responsibilities for agriculture, forestry and rural development are amalgamated within a single Ministry. The restructuring brings together areas that have much in common, including a focus on market access, economic development and sustainability.

I look forward to working with my colleagues, Ministry staff and our stakeholders to address the priorities of Albertans. As a government, we will support the sustainable development of the agriculture and forestry sectors and in our rural communities. We are committed to working together to overcome challenges and to seek new opportunities as we continue to build this great province.

[Original signed by]

**Neil Carlier**  
Minister, Agriculture and Forestry

# Management's Responsibility for Reporting

The Ministry of Agriculture and Rural Development includes:

- The Department of Agriculture and Rural Development
- Agriculture Financial Services Corporation
- Alberta Grains Council
- Agriculture Products Marketing Council
- Alberta Livestock and Meat Agency Ltd.
- Office of the Farmers' Advocate of Alberta
- Irrigation Council

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

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

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Agriculture and Rural Development. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information agrees with underlying data and the sources used to prepare it.
- Understandability and Comparability – current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness – performance measures and targets match those included in Budget 2014.

As Deputy Minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board, the Minister of Finance and the Minister of Agriculture and Rural Development information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Management Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by]

**Jason Krips**  
Deputy Minister of Agriculture and Rural Development  
June 2, 2015

# Results Analysis

## Review Engagement Report

To the Members of the Legislative Assembly

I reviewed three of nine performance measures in the Ministry of Agriculture and Rural Development's Annual Report 2014–2015. The reviewed performance measures are the responsibility of the ministry and are prepared based on the following criteria:

- *Reliability*—The information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- *Understandability*—The performance measure methodologies and results are presented clearly.
- *Comparability*—The methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- *Completeness*—The goals, performance measures and related targets match those included in the ministry's budget 2014.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the performance measures identified as reviewed by the Office of the Auditor General in the ministry's annual report 2014–2015 are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 19, 2015

Edmonton, Alberta

Performance measures reviewed by the Office of the Auditor General are marked with an asterisk (\*)  
on the Performance Measures Summary Table.



# Performance Measures Summary Table

Performance Measures	Prior Years' Results				Target	Current Actual
<b>Goal 1: Alberta's agriculture industry is positioned for growth through access and development of new and existing markets</b>						
1.a: Alberta's agri-food exports by market (\$ million)						
• United States	2,431	2,551	2,967	3,050	3,000	3,931
• China	1,069	937	1,646	1,511	1,702	1,324
• India	8	58	58	39	65	18
• CETA member countries	217	370	280	244	289	307
• TPP member countries (excluding U.S.)	1,456	2,023	2,232	2,061	2,308	2,023
• Rest of the World	1,594 (2010)	2,122 (2011)	2,026 (2012)	1,800 (2013)	2,100	2,110 (2014)
1.b: Alberta's agri-food exports by sector (\$ million)						
• Primary commodities	3,262	4,520	5,529	5,061	5,643	5,475
• Processed/manufactured products	3,513 (2010)	3,541 (2011)	3,681 (2012)	3,644 (2013)	3,757	4,238 (2014)
<b>Goal 2: Consumers have confidence and assurance that Alberta is an environmental steward and leader in farmed animal health and welfare, plant health, and safe food products</b>						
2.a: Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey)						
	n/a (2010-11)	55% (2011-12)	n/a (2012-13)	56% (2013-14)	n/a	n/a (2014-15)
2.b: Percentage of active provincial licensed meat processing plants that meet provincial meat processing standards						
	n/a (2010)	n/a (2011)	91% (2012)	94% (2013)	93%	96% (2014)
2.c: *Percentage of eligible seeded acres for major crop categories insured under Production Insurance						
• Annual Crops	73%	73%	75%	77%	77%	76%
• Perennial Crops	28% (2010)	23% (2011)	28% (2012)	26% (2013)	26%	25% (2014)
<b>Goal 3: Alberta's agriculture industry development initiatives maximize value and enable economic sustainability</b>						
3.a: Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development						
	90 (2010-11)	157 (2011-12)	216 (2012-13)	217 (2013-14)	216	220 (2014-15)
3.b: *Research and development investment by collaborators leveraged through ministry resources (\$ million)						
	7.4 (2010-11)	6.2 (2011-12)	6.4 (2012-13)	4.8 (2013-14)	6.4	5.2 (2014-15)
<b>Goal 4: Rural Alberta has the development opportunities necessary for ongoing economic success</b>						
4.a: *Total leveraged investment in rural businesses facilitated through AFSC lending services (\$ million)						
	640 (2010-11)	658 (2011-12)	663 (2012-13)	644 (2013-14)	680	716 (2014-15)
4.b: Percentage of ministry-supported, agricultural-related community activities that focus on leadership development						
	33% (2010-11)	29% (2011-12)	35% (2012-13)	34% (2013-14)	33%	35% (2014-15)

\* Indicates performance measures that have been reviewed by the Office of the Auditor General. These were selected for review by ministry management based on the following criteria established by government: enduring measures that best represent the goal; measures for which new data is available, and; measures that have well established methodology.

All notes regarding these measures appear under the corresponding goal in this report. Further information on performance measures methodology, including data sources and limitations, can be found in Appendix C starting on page 38.

# Ministry Overview

Our ministry provides the framework and services necessary for Alberta's agriculture and food sector to excel, to inspire public confidence in the quality and safety of food, to support environmentally sustainable production practices, and to lead the collaboration that enables resilient rural communities. In our 2014-17 Business Plan, our goals included:

- Alberta's agriculture industry is positioned for growth through access and development of new and existing markets.
- Consumers have confidence and assurance that Alberta is an environmental steward and leader in farmed animal health and welfare, plant health and safe food products.
- Alberta's agriculture industry development initiatives maximize value and enable economic sustainability.
- Rural Alberta has the development opportunities necessary for ongoing economic success.

In order to achieve our goals, we focus on providing extension and applied research services to industry, building strong relationships, and working collaboratively with industry, ministry partners across the Government of Alberta, other levels of government and stakeholders that have a vested interest in the continued success of the agriculture industry and vitality of rural communities.

We also partner with the federal government in the delivery of Growing Forward 2, a five-year program (running from 2013-18) that focuses on agricultural innovation, competitiveness, and market development. It also helps ensure producers and processors across Canada have the tools and resources they need to continue to innovate and capitalize on emerging market opportunities. In 2014-15, we administered the following through Growing Forward 2:

- \$15.1 million for Agri-Processing, Innovation, Automation, and Commercialization programs to assist industry in improving productivity, developing new products, and achieving growth in new and existing markets.
- \$1.9 million for the International Market Development and Investment Attraction Initiative to build market development strategies, in-market relationships, and in-market expertise, as well as facilitate investment attraction.
- \$8.9 million for Environmental Resource Management programs to address energy efficiency and environmental risks to water.
- \$16.2 million for Assurance Systems programs and initiatives to enhance food safety, biosecurity, plant and animal health, livestock welfare, and traceability.
- \$3.1 million for Water Management programs to improve the efficiency and security of rural and agricultural water supplies.
- \$1.5 million for the Research Opportunities and Innovation initiative to support applied research.
- \$4.6 million for Business Management, Opportunities, and Skills Development programs and initiatives to enable industry to pursue new business opportunities.

This Annual Report details some of the specific actions and results we took to support our business plan goals. Our consolidated accomplishments are presented in an integrated manner under common themes, rather than focusing on individual planned action items.

# Discussion and Analysis of Results

## Financial Results of Operations

### Expense by Function:

All Ministry Expenses, with the exception of debt servicing costs, are reported under the Government of Alberta function: Agriculture, Resource Management and Economic Development.

### Revenue:

Ministry revenue was \$760 million, \$58 million lower than 2013-14, and \$60 million lower than budget.

#### *Compared to 2013-14 Actual*

Lower revenues from the previous year are primarily due to lower spring commodity prices resulting in reduced AgrilInsurance premiums and lower spring price endorsement premiums. Federal government grants were lower due to reduced shareable insurance premiums.

#### *Compared to Budget 2014*

Lower revenues compared to budget resulting from lower than anticipated federal contributions for Growing Forward 2 programs, lower AgrilInsurance premiums, spring price endorsement premiums and federal insurance contributions resulting from lower spring commodity prices, and lower than anticipated endowment funding due to the repeal of the *Savings Management Act* in December 2014.

### Expense:

Ministry expense was over \$1 billion. Insurance and agriculture income support accounted for \$642 million or 62 per cent of total expense.

#### *Compared to 2013-14 Actual*

Total Expense was \$169 million higher than 2013-14.

- Insurance expense was \$74 million higher than the previous year mainly due to higher crop and hail insurance indemnity expenses as a result of adverse weather conditions in the 2014-15 growing season.
- Expenses for agriculture income support were \$61 million higher due to lower commodity prices on grains and oilseeds, lower quality products due to weather, and higher input costs for the cattle and hog industries.
- Higher allowance for doubtful accounts due to increases in specific lending reserves.
- Increased expenses on Growing Forward 2 strategic initiatives programming.
- Introduction of the Agriculture and Food Innovation Endowment Account in 2014-15.

#### *Compared to Budget 2014*

Total expense was \$33 million lower than budget.

- Reduced spending due to in-year cost-containment measures ministry-wide being implemented due to the drop in government resource royalty revenue.
- Lower than anticipated 2013 Alberta Flood disaster payments.
- Lower anticipated Innovation Endowment expenses due to the repeal of the *Savings Management Act* in December 2014.
- Debt servicing costs were \$3 million lower than budget due to lower interest rates.

# GOAL 1

## Alberta's agriculture industry is positioned for growth through access and development of new and existing markets

### What this means:

This goal involves providing effective extension services to grow businesses and industry, as well as building relationships that grow opportunities in the United States, Mexico, and several priority markets including Asia Pacific Basin, Europe, India and nations of the Trans-Pacific Partnership.

### Our responsibilities:

In pursuit of this goal, we facilitate investment attraction, promote opportunities for trade, and conduct trade missions in partnership with industry. We also provide factual information that helps the agriculture industry capitalize on new opportunities and remain competitive, develop policies, and administer enabling legislation and regulations aimed at creating a stable and secure business environment.

### Planned actions to achieve this goal included:

- **Develop and implement a market access plan for Alberta's agriculture sector that identifies priority markets, key relationships, outcomes and opportunities to work with key stakeholders.**
- **Work with industry to develop and expand access into China, India and Europe through the Canada-EU Comprehensive Economic Trade Agreement (CETA), and nations of the Trans-Pacific Partnership (TPP).**
- **Work with other ministries, provincial governments and the federal government to ensure that Alberta's agriculture products can reach markets effectively and efficiently.**
- **Address and maintain market access to the United States through effective engagement with both federal and state level stakeholders.**
- **Identify and pursue opportunities for growth in domestic agriculture markets.**

## Results and Contributions from 2014-15

### Trade Agreements and Advocacy

- Worked with the federal and provincial governments and the Government of Mexico to advocate the United States government end mandatory Country of Origin Labelling (COOL) requirements on beef and pork imports, following multiple rulings by the World Trade Organization (WTO) that COOL violates American trade obligations. COOL invokes substantial additional costs (estimated to be over \$1 billion annually) on the meat supply chain from animals born, reared or slaughtered outside the U.S., requiring them to be labelled to indicate the country or countries involved.
- Increased engagement with Europe in anticipation of the Comprehensive Economic and Trade Agreement (CETA) implementation. Trade and advocacy missions have been critical to enhancing market access, and increasing opportunities for Alberta's small and medium enterprises in international markets. Discussions with industry partners provide awareness of the opportunities created by the various trade agreements.
- Led 41 outgoing trade and advocacy missions to foreign markets, received 82 incoming delegations to Alberta, and introduced 83 exporters to new markets or market channels by working with Alberta agri-food companies. This led to anticipated sales of \$108 million and an increase in more than 1,300 new network contacts. We did face some specific challenges that had an impact on our results, including not being able to take advantage of new opportunities in Russia because of international sanctions and the *Bovine Spongiform Encephalopathy* (BSE) case causing some international markets to be temporarily closed. This reinforces the need for increased market awareness and the continued advocacy and conveyance of Alberta's strong food safety system in addressing animal health and food safety.

### Market Access

- Worked with our federal partners and embassies to bring awareness to issues that were affecting Alberta exporters. We resolved specific market access issues in getting canola oil to India, pet food to Turkey and China, and mutton meat to Mexico, among others.
- Developed and implemented regional strategic plans in consultation with Alberta's agri-food industry for 15 different geographic markets, including the Gulf Cooperation Council, India, China, and European Union. Additionally, we are undertaking an increased focus on client outreach and export readiness training to ensure the continued growth and capability of the export-ready sector.

### Investment Attraction

- Facilitated an estimated \$10 million to \$15 million investment by a European company into Alberta's food processing sector, as well as the retention of a dairy processing investment that secures 25 jobs in rural Alberta. We continue to work to attract domestic and international firms to invest in Alberta agri-businesses.

### Domestic Market Growth

- Identified opportunities for Alberta products with food service companies and retail grocers, which resulted in 71 existing products being introduced into new Canadian markets. Through the services we offer, 18 Alberta processing companies were matched with buyers and 68 food processors received in-depth market development coaching.

### Sector Development

- Provided access to capital through Agriculture Financial Services Corporation lending products and services to support Alberta's agriculture and commercial industries and sectors. In total, \$523 million in loans were approved, with a loan portfolio of \$2.08 billion, administered and supported through interest income, fees, and the Government of Alberta. This resulted in a total investment in Alberta of \$805 million by leveraging the direct lending by 1.54 times.

## GOAL 1

- Provided \$2.9 million in support of 60 livestock and meat initiatives through the Alberta Livestock and Meat Agency Ltd., to assist with business development, build market development strategies and in-market expertise, and increase skill development in the livestock and meat sector. Over \$276,000 was targeted toward industry participation in international trade missions, forums for dialogue on key trade agreement negotiations, and the development of industry trade strategies.

### Ministry Information Services

- Provided benchmark data, information, and analysis on Alberta's agri-food industry to producers, industry, government, and agri-businesses. This information is conveyed through a number of client focused products that track industry trends and performance, as well as inform public policy and program development. These include the Agriculture Statistics Yearbook, AgriProfit\$, CropChoice\$, Agricultural Marketing Guide, Alberta Food Consumer View, Weekly Crop Review, and Livestock Market Review. This data and information produced also serve as benchmarks in evidence based decision making relating to production, marketing, and competitiveness, where accuracy and reliability of unbiased information is of vital importance to our clients.

### Performance Measure 1.a

- Alberta's agri-food exports by market (\$ million)

	Year Ending December 31					
	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Target 2014
United States	2,431	2,551	2,967	3,050	3,931	3,000
China	1,069	937	1,646	1,511	1,324	1,702
India	8	58	58	39	18	65 <sup>1</sup>
CETA member countries	217	370	280	244	307	289 <sup>1</sup>
TPP member countries (excluding the U.S.)	1,456	2,023	2,232	2,061	2,023	2,308
Rest of the World	1,594	2,122	2,026	1,800	2,110	2,100

Source: Statistics Canada and Agriculture and Rural Development (results current as of May 5, 2015)

<sup>1</sup> Note: Targets for India and CETA member countries were interchanged in the 2014-17 ARD Business Plan and have been revised.

- This measure is an indicator of our success in facilitating industry growth through export market diversification for Alberta's agri-food products. By diversifying our agri-food export markets, we reduce demand uncertainties for agri-food products and raise the expected benefits of investing in agri-food processing. Further developing our current markets in addition to accessing new export markets is of central importance to the industry's growth and continued performance.
- While agri-food revenues are driven by market conditions and are not wholly under our control, growth in revenue does act as an indicator of our success in trade development activities. By providing market analysis services, maintaining existing markets, and opening new markets through domestic and international trade-related agreements, we are able to contribute to the results.
- In 2014, Alberta's total agri-food exports set a record at \$9.7 billion, which is approximately a 12 per cent improvement over the 2013 result of \$8.7 billion. This improvement in export performance was primarily driven by favourable market conditions, a low Canadian dollar, an increased volume of primary commodities and processed products, as well as high livestock prices (particularly for meat products). The export of beef and live cattle in 2014 was nearly 50 per cent higher in value than in 2013.
- The growth in agri-food export revenues varies by export market destination. Agri-food exports to the United States, CETA member countries, and the rest of the world showed significant growth in 2014 due to larger export values and quantities for both primary commodities and processed products.

- In contrast, the value for agri-food exports to China, India, and TPP member countries (excluding the United States) declined. Though China had increases in primary commodity exports, the value and quantity of processed product exports decreased with significantly lower exports of crude canola oil. For India, there was a significant reduction in export quantities of primary commodities, driven by dry peas. Exports to TPP member countries were lower due to reduced quantities and values of primary commodities, mainly crops such as canola seed, barley, oats, and dried beans.
- A larger share of processed high value products in total agri-food exports to China, India, and TPP members would improve the revenue obtained from agri-food shipments to these markets.

## Performance Measure 1.b

- Alberta’s agri-food exports by sector (\$ million)

Year Ending December 31

	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Target 2014
Primary commodities	3,262	4,520	5,529	5,061	5,475	5,643
Processed/manufactured products	3,513	3,541	3,681	3,644	4,238	3,757

Source: Statistics Canada and Agriculture and Rural Development (results current as of May 5, 2015)

- This measure tracks the type of Alberta’s agri-food exports and provides an indication of whether the industry is shifting from primary commodities to processed products. By increasing the export share of processed products relative to primary commodities, the industry is able to generate and retain a larger portion of revenues and economic benefits from global agri-food trade.
- Primary commodities are products that are in a raw or unprocessed state, such as crops or livestock. Processed or manufactured products involve refining primary commodities to increase its value, such as turning raw canola into the higher valued canola oil. The processing sector also fortifies a diverse range of secondary industries across the food supply chain, including transportation and logistics, refrigerated storage facilities, beverage manufacturing, wholesale and retail distributors, and the food service industry.
- While agri-food exports are driven by market conditions and are not wholly under our control, growth in agri-food exports does act as an indicator of our success in trade development activities. To enhance industry performance, we work with companies and producers to develop new agri-food products for domestic and international markets, promote Alberta agri-businesses as attractive investment opportunities to foreign and private investors, support provincial export-ready agri-food industries to access international markets, and stimulate demand through the promotion of our high-quality agri-food products.
- In 2014, Alberta’s total agri-food exports set another record at \$9.7 billion, of which processed agricultural products accounted for 44 per cent. Revenues from both primary commodities and processed products increased in 2014, but the growth in processed products revenues more than doubled that of primary commodities.
- The \$5.5 billion in actual revenues from primary commodity exports is eight per cent higher than the previous calendar year, reversing the drop experienced in 2013. This was primarily due to higher values and quantities in wheat, canola seed, and live animals.
- The \$4.2 billion in revenues from processed and manufactured product exports is 16 per cent higher than the previous calendar year and 15 per cent higher than the target of \$3.8 billion, primarily driven by higher export volumes and pricing levels for meat and other livestock products.

## Alberta advantage draws international investment

Investors from around the world continue to look at Alberta as an exciting place in which to invest.

Since 2012, Agriculture and Rural Development has assisted in securing investments for the agriculture and agri-food industry valuing over \$270 million dollars.

To facilitate these investments, a variety of services are offered to prospective investors from all across the globe. International trade missions are frequently used to promote Alberta as the ideal place to do business, sometimes with companies that had not previously considered the province for their operations.

When a large international company wanted to create a production facility in rural Alberta in 2012, ARD researched and presented several site selection options, worked with other ministries to deal with labour and transportation issues, and even provided advice on how to navigate required permits.

Sometimes companies have already set up shop in Alberta but want to expand operations. ARD has an advantage of being able to connect businesses to the variety of services available, whether it is financing through Agriculture Financial Services Corporation or efficiency improvement grants through the Growing Forward 2 agreement.

Successful businesses are critical drivers of the provincial economy and mean gainful employment for many Albertans employed in the agriculture industry. Hundreds of jobs can be traced back to the successful investments facilitated by ARD, but jobs aren't the only benefit. Increased processing capacity means greater profits for producers and expanded agriculture and agri-food products available to consumers.

With the expertise and guidance provided by the Department, a great number of risks for businesses can be reduced before they even set foot in the province.



# GOAL 2

## Consumers have confidence and assurance that Alberta is an environmental steward and leader in farmed animal health and welfare, plant health and safe food products

### What this means:

This goal involves creating and promoting disease management systems, meeting evolving consumer expectations of food safety, and supporting the sustainable use of environmental resources.

### Our responsibilities:

In pursuit of this goal, we focus on traceability systems, pest management, responsible management of natural resources, animal and plant health, animal welfare and protection, and supporting the industry to maintain food safety. We also provide inspections and surveillance, and maintain early-warning mitigation systems that enable the prevention, detection, response and recovery from disease and pest outbreak events. We develop policies and programs and facilitate the adoption of beneficial management practices in pursuit of being a leader in environmental stewardship. Additionally, we collaborate across government on the completion of regional plans under the Land-use Framework.

### Planned actions to achieve this goal included:

- Develop innovative policies and business models that facilitate the adoption of integrated environmental management practices.
- Work with other ministries toward the completion of regional plans for the remaining regions under the Land-use Framework.
- Work with Energy and Environment and Sustainable Resource Development to design and implement initiatives that will make Alberta the national leader in energy efficiency and sustainability.
- Implement Alberta's Irrigation Strategy to support the irrigation industry in achieving improvements in the areas of productivity, efficiency, conservation, water supply and environmental stewardship.
- In collaboration with stakeholders, establish and maintain effective warning and mitigation systems that enable government and industry to prevent, detect, respond to and recover from events that can impact trade, consumer confidence, the health of crops, and the health, welfare and protection of farmed animals.
- Support research and innovation that encourages the development of integrated systems relating to disease and pest management and environmental sustainability.
- Work with Health to ensure a coordinated and effective approach to food safety, including harmonized food safety policy and improved reporting.
- Work with stakeholders to enhance frameworks for animal protection and welfare.

## Results and Contributions from 2014-15

### Environmental Stewardship

- Enabled the completion of over 300 new Environmental Farm Plans, which are an on-farm self-assessment tool for producers that helps identify risk and provides guidance toward long-term solutions regarding on-farm stewardship. Utilizing a new online version of the plan, we continue to work through the Agriculture Service Boards and the applied research associations to deliver the program.
- Assisted producers with conducting more than 500 Long-Term Water Management Plans and more than 120 Long-Term Irrigation Management Plans. These plans are an assessment of a producer's current water management program and provide technical assistance on methods for improving water efficiency and security.
- Developed a Phosphorus Risk Assessment Tool for producers, which aids in assessing nutrient risks along watersheds. As part of the Bow River Phosphorus Management Project, which includes a variety of municipal and industry stakeholders, the tool helps producers determine risks, set priorities, and provide viable solutions in improving efficiencies or reducing nutrient losses.
- Provided information about energy saving technologies and practices to producers and provided total funding of just over \$3 million to 304 producer projects to adopt energy saving technologies and practices on their farms.
- Continued a three year pilot project to coach nine agri-processing companies in developing strategic plans to improve the use of energy, and reduce water consumption and waste.

### Traceability, Identification, Surveillance and Emergency Response

- Detected the first case of Chronic Wasting Disease in farmed cervids since 2003 and the first case of *Bovine Spongiform Encephalopathy* (BSE) in Alberta Cattle since 2011. Such early detection is attributable to having a strong surveillance system for disease in the province.
- Worked with the pork industry to enhance surveillance for the Porcine Epidemic Diarrhea Virus and Swine Delta Corona Virus, which have been spreading across much of North America and causing significant losses to the swine sector outside of Alberta. To date, no cases have been reported among Alberta pork operations. Strong biosecurity measures and surveillance systems that enable early detection and intervention are in place to help reduce any potential losses.
- Collaborated with provincial and federal partners to support an investigation and response to an *E.coli* outbreak, which included food safety expertise and laboratory support.
- Developed and delivered provincial Aquatic Invasive Species (AIS) initiatives in collaboration with Irrigation Districts and Environment and Sustainable Resource Development, focusing on education, extension, inspections, and water monitoring to prevent and detect the establishment of AIS in Alberta waters. Aquatic Invasive Species have the potential to cause annual damages estimated at \$75 million to Alberta's water infrastructure, as well as significant damage to aquatic ecosystems.

### Regional Planning

- Represented agricultural interests and developed specific agricultural content related to the development of the North Saskatchewan Regional Plan, as part of the Land-use Framework process. Regional plans constitute the core component of the government's Integrated Resource Management System (IRMS), which is being implemented to ensure Alberta's resources are developed and planned by taking economic, environmental, and social wellbeing into consideration. We are continuing to engage and educate all stakeholders and cross-ministry partners on the importance and contribution of agriculture to the Alberta economy and the environment.

## Animal Protection and Welfare

- Worked with the livestock and poultry industries to adapt and facilitate adoption of technology that will improve industry ability to humanely euthanize birds and animals in the event of an emergency.
- Facilitated an industry round-table on Pain Mitigation Strategies in livestock. This round-table included government representatives, producers, veterinarians, academia, and industry who worked to identify future focus areas for collaboration.

## Pest and Disease Management

- Developed and implemented the Wild Boar Containment Standards and the associated Action Plan, in consultation with Wild Boar Producers, Rural Municipalities, Agricultural Fieldmen, and Alberta Pork. The current boar-at-large population is estimated to be approximately 3,000 animals and creates concerns related to property and crop damage, disease, and the ecosystem. The Implementation Plan allows for minimum equivalency of containment standards in the short term and full compliance by December 2018. Our inspectors are continuing to work with identified producers and Agricultural Fieldmen to reach full compliance.
- Assumed responsibility for the administration of the provincial rabies program after the Canadian Food Inspection Agency ceased providing service for the rabies program (excluding laboratory testing) across the country.

## Irrigation and Water

- Completed a study about efficiency gains and water savings within the irrigation districts through rehabilitation of water conveyance infrastructure and upgrades of on-farm irrigation systems from 1999 to 2012. Efficiency gains provide opportunities for irrigation districts to expand their irrigated area without using more water and allow some of the water saved to be used for other purposes. Potential water savings ranged from about 170 million m<sup>3</sup> in wet years to 200 million m<sup>3</sup> in high demand years, even with 30,000 hectares of expansion during the same interval.
- Conducted applied research of irrigation management practices for optimum production of soybean and grain corn and for enhanced use of variable-rate (precision) irrigation technology. Applied research studies provide information for irrigation of new crops and for adaptation of new technologies for optimum production and water-use efficiency.
- Completed the Nutrient Beneficial Management Practices Evaluation Project, which was a multi-year field research project that quantifies the environmental impacts and operational costs of implementing agricultural beneficial management practices to protect water quality.

## Sector Development

- Administered the \$21 million Irrigation Rehabilitation Program to ensure an efficient and reliable irrigation and rural water supply system. This cost-sharing program supports irrigation districts to upgrade existing water conveyance infrastructure to more water-efficient technology. Approximately 1.4 million irrigation acres, multiple food processors, rural Albertans, and 50 towns and villages rely on water supplied through the irrigation infrastructure.
- Provided \$10 million in support of sustainability efforts to the livestock and meat industry, helping to bring Alberta to the forefront in sustainable production. With collaboration from the Canadian Roundtable for Sustainable Beef, producers, major beef processors, and retailers, the beef industry is a leader in providing verified sustainable beef to the consumer. In working with the Alberta Beef Producers, we are helping leverage efforts in forage research for improved yields and nutritional quality, grazing management, improved drought resistance, and carbon sequestration.

## GOAL 2

### Performance Measure 2.a

- Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey)

Year Ending March 31					
Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Target 2014-15
n/a	55%	n/a	56%	n/a	n/a

Source: Agriculture and Rural Development  
 Note: Survey is conducted every second year.

- This measure tracks the level of adoption of 41 key environmentally sustainable agriculture practices by Alberta producers within the areas of: manure management; water quality and quantity; wildlife habitat conservation; grazing management; general practices; agriculture waste management; energy and climate change; and soil conservation. Albertans are increasingly aware of potential environmental issues and the effects of crop and livestock production on soil, water, air, and biodiversity, and the need for the effective management of these resources.
- The Environmentally Sustainable Agriculture Tracking Survey is used to inform decision making related to our environmental programs on nutrient management, grazing, soil management, water management, agricultural waste management, and energy use. This biennial survey was last conducted in 2013-14, where the result of 56 per cent did show an improvement over the previous result of 55 per cent, indicating that producers in Alberta are working in a manner that protects the environment.
- Since the result is an overall average, there is variation in the level of adoption across the eight focus areas. For example, 75 per cent of applicable environmentally sustainable agriculture practices were adopted to address manure management, and water quality and quantity issues. In contrast, less than 25 per cent of applicable environmental practices were adopted to address soil conservation, agricultural waste management, and energy and climate change. These results are influenced in part by regional variability in environmental conditions, limited rural agriculture product disposal sites, or lower awareness of new energy technologies. Increasing awareness of new and effective soil conservation and no-tillage practices may accelerate improvements in areas where crop type and tillage leaves the soil exposed and vulnerable to erosive forces.
- We have an important role in working with industry and government partners to implement innovative, environmentally-responsive solutions that enable producers to be environmentally responsible and competitive. We have refocused research and extension capacity and incentive-based programming toward improving the adoption of environmentally sustainable agriculture practices. This focus includes: agriculture waste management solution options; research capacity and extension activities; strategic engagement with agriculture commodity associations to determine best approaches of measuring cumulative effects of agri-environmental risks; providing incentive based programming; and exploring alternative approaches of delivering customized information to producers.

### Performance Measure 2.b

- Percentage of active provincial licensed meat processing plants that meet provincial safe meat processing standards

Year Ending December 31					
Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Target 2014
n/a	n/a	91%	94%	96%	93%

Source: Agriculture and Rural Development  
 Note: Results prior to 2012 are not comparable because operating procedures for audits were changed from one scheduled audit to three unannounced inspections over the course of the year.

- This measure tracks the percentage of active Alberta-licensed meat processing plants that meet and/or exceed provincial safe meat processing standards under the *Meat Inspection Act* and *Meat Inspection Regulation*. An appropriate and transparent regulatory environment is essential in maintaining continued excellence in food safety at the meat processing level.
- An active provincial licensed meat plant is a poultry and/or red meat abattoir or mobile butcher plant licensed by Agriculture and Rural Development, which receives at least one processing inspection in a calendar year. It excludes provincially-licensed meat plants that either relinquished their licenses in the calendar year before a processing inspection occurred, or were not operating but retained their licenses in the calendar year.
- The scope of provincial meat processing standards, established under the *Meat Inspection Regulation*, encompasses food safety risk factors associated with: slaughter equipment; hot and cold potable water; protection from contamination; personnel hygiene practices; food contact surfaces; cool time and temperature; handling and storage of meat products; cleaning and sanitation practices; ventilation and lighting; plumbing and sewer facilities; and maintenance of written procedures for all processing operations (including the recall of meat products that is suspected to be inedible). Each plant is required to demonstrate continued knowledge and strict adherence of all food safety practices at all unannounced inspections. Food safety staff track and respond to areas of noncompliance by issuing a corrective action report when inspections reveal that processing practices or meat products create a potential food safety risk.
- Our role is to obtain consistency and compliance through inspection and enforcement activities, as well as enhance integrated food safety process controls by: maintaining a food safety surveillance system to validate the safety of meat products processed by provincially-licensed facilities; facilitating adoption of internationally accepted meat processing safety systems and standards; and delivering information, training, and other programs that enhance food safety awareness and emergency response.
- We licensed 145 meat processing plants (red meat, poultry, and mobile abattoirs) at the beginning of the 2014 calendar year, with 138 receiving at least one unannounced inspection. Seven meat processing plants were not inspected in 2014 because the inspections are unannounced and these operators were not processing at the time they were visited. This was due to the limited processing activities that occur in these facilities, and was identified as an inherent weakness of unannounced inspections for these facilities. Steps have been put in place for 2015 to ensure these facilities are processing at the time that a processing inspection would occur.
- Approximately 96 per cent (132 out of 138 plants) of the Alberta-licensed meat processing plants that received unannounced inspections met or exceeded provincial safe meat processing standards, with the remaining six not meeting standards during at least one of the unannounced inspections. Follow-up unannounced inspections confirmed that all six plants addressed all areas of noncompliance that were noted during their respective inspections, although two of these plants continue to be monitored to ensure continued compliance. This follow-up monitoring is designed as an educational tool to reduce the risk of lapsing into non-compliance.
- The high level of compliance among meat processing facilities is influenced by an increased familiarity and understanding of regulatory requirements by processors, though additional factors can impact compliance including: customer expectations; plant operator's buy-in to food safety standards; market drivers; internal competition between plants; and the relationship between the Department and the plant.
- We are working with Alberta Health and Alberta Health Services in reviewing ways to streamline and improve the effectiveness of food safety inspections along the meat processing continuum. A key objective of this initiative is to ensure consistency and uniformity in the application of meat inspection protocols and meat processing permits. As a result, this performance measure has been replaced by a new measure that focuses on the Department's role as it pertains to animal slaughter regulatory oversight.

## Performance Measure 2.c

- Percentage of eligible seeded acres for major crop categories insured under Production Insurance

Year Ending December 31

	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Target 2014
Annual crops	73%	73%	75%	77%	76%	77%
Perennial crops	28%	23%	28%	26%	25%	26%

Source: Statistics Canada and Agriculture Financial Services Corporation

- This measure indicates our success in providing customized insurance products to producers, based on type of crop, risk area, and coverage level selected (individual producer risk preference). Production Insurance (AgriInsurance) mitigates the effects of unstable production for Alberta producers by providing protection against losses caused by designated natural peril on annual and perennial crops.
- Agriculture Financial Services Corporation (AFSC) provides a wide variety of risk management products and financial services to fit the business needs of producers, the agriculture industry, and small businesses in Alberta. This includes the delivery of the federal/provincial AgriStability program, which provides compensation for the decline in farm margins relative to historical margins, regardless of the commodities they produce. Additional offerings include farm loans and guarantees for new and expanding farm businesses, as well as financing for those facing disastrous reductions in farm production or income.
- In the 2014 calendar year, Production Insurance claims for annual crops (including hail endorsement) totaled \$350.4 million and claims for perennial crops totaled \$9.3 million.
- The uptake of annual crops insured under Production Insurance was 76 per cent in 2014 and continues to be high, due to the financial risk involved in crop production, high input costs, and commodity prices. The result remains close to the maximum that could be expected to be insured (80 per cent), as smaller producers and a small percentage of large producers self-insure, and some producers are not eligible to insure due to outstanding premiums or fraud. In total, 14.5 million acres and \$3.4 billion in risk is insured on annual crops.
- The uptake of perennial crops insured under Production Insurance was 25 per cent in 2014 and has been more variable over the past few years, most likely related to good growing conditions and a reduced loss experience. The result was also influenced by hay supply, and after a strong 2013 year for hay producers, 2014 saw an increased carry-over of hay and other feed supplies. Typically, more insurance is purchased on perennial crops when the feed supply for producers is decreased. In total, 6.8 million acres and \$91.8 million in risk is insured on perennial crops.
- Overall results demonstrate that Alberta producers continue to view Production Insurance as an important risk management tool. With the variety of risk management tools being offered through AFSC, individual producer risk preferences are able to be met. By having a strong selection of choices, backed by sound financial management practices, Alberta producers are better protected against the risks of production.

## World-class Traceability System Key to Agricultural Prosperity

Where does your food come from?

It's a question that has gained a lot of traction in recent years. From grocery stores to farmers' markets, news reports to magazine articles – the source of food has been top of mind for more Canadians than ever before. Consumers are concerned about not only the safety and quality of their food, but also how and where that food was produced. But how does food get traced in a province where agriculture is such a huge business?

The Premises Identification (PID) system enables us to link livestock and poultry to geographic locations for disease, health, and food safety purposes. The system has also been used extensively and effectively to plan and respond to emergency events and natural disasters.

When a natural disaster occurs, such as the 2013 floods in southern Alberta, the PID system is used to determine if there are animals in the area that may be affected, or if government support is required to relocate them to a safe place. If carcass disposal is unfortunately necessary, the PID system can be used to map out the best route for the trucks to take in order to reduce the chance of exposing healthy populations to a particular contaminate.

While many producers have registered with the PID system, ARD has continued to promote registration through extension and introducing cross-compliance initiatives that provide that extra boost of encouragement. Producers are now being asked by dispensaries to demonstrate that they are registered before getting access to products and services they require. Producers understand the value of the system, but it will be even better when everyone is registered and we have a complete picture of livestock and poultry across the province.

Being able to quickly identify the geographic history of an infected animal greatly reduces the likelihood that disease will be transmitted to other animals, and makes it easier to nip a potential disease outbreak in the bud.

Producers in Alberta know all too well the devastating impact that disease can have on the agriculture industry, which makes it all the more important to invest in systems that can tackle the issue from several angles. Whether that is providing an additional \$1.35 million to Alberta Pork to help address the threat of pig diseases, or continuing to encourage producers to register with PID, Agriculture and Rural Development is taking steps toward a more proactive approach.

# GOAL 3

## Alberta's agriculture industry development initiatives maximize value and enable economic sustainability

### What this means:

This goal involves research, product development and commercialization activities that ensure Alberta has a variety of high quality products to meet consumer demands and that support producers in increasing the value of their products.

### Our responsibilities:

In pursuit of this goal, we invest in research that enables innovation, technology uptake and new methods of efficiently managing industry by-products, work collaboratively with industry and partners to share information and best practices, provide business development services, and develop strategic policies and practices that promote the capitalization of value-added opportunities.

### Planned actions to achieve this goal included:

- Enable the establishment of next generation and emerging industries through advanced research and business development tools that facilitate growth in food processing, technology and infrastructure.
- Engage with partner ministries and the federal government on the Temporary Foreign Worker program and immigration file to develop longer term solutions that address labour issues in the agricultural sector.
- Integrate and collaborate with other ministries, industry stakeholders, and provincial and federal counterparts on knowledge sharing, research and innovation systems, regulatory systems, and commercialization strategies and activities.
- Support and leverage industry investments in identifying new products, processes and services that result in increased diversification and value-added opportunities.
- Develop waste reduction strategies and targets to support innovative and sustainable food production systems.
- Support agricultural research and extension, emerging product development and commercialization opportunities.



## Results and Contributions from 2014-15

### Product Development and Commercialization

- Facilitated supply chain linkages and built upon value and supply chains established for bio chemicals, biomaterials, and renewable energy. Additionally, we helped successfully demonstrate pea protein extraction in a pilot plant, which has the potential for the first commercial crop fractionation plant in Alberta. Products from renewable agriculture feedstocks, biomass, and processing sidestreams offer the potential to develop high value and innovative ingredients and products, which reduces overall agriculture waste and enhances economic growth.
- Provided product development, sensory analysis, and interim processing services to strengthen and expand the capabilities of the agri-food processing sector in Alberta. Through the Food Processing Development Centre, we assisted industry in the development and commercialization of new products. The centre enables companies to develop food products from bench-top through to commercialization, with the assistance of experienced food scientists and state-of-the-art equipment and technology. Consolidated accomplishments on product development and commercialization are reported under Performance Measure 3.a.

### Partnerships and Agreements

- Developed an Alberta Beef, Forage, and Grazing Agreement, which is a platform for supporting and advancing research and extension activities related to the forage and beef sectors. This partnership between Agriculture and Agri-Food Canada, Alberta Beef, and Alberta Agriculture and Rural Development is a result of over three years of collaboration and provides long-term strategic goals that are supported by all parties toward responsible and efficient resource development.
- Implemented the Western Livestock Price Insurance Program (WLPIP) to include the remaining western provinces of British Columbia, Saskatchewan, and Manitoba, as part of the Growing Forward 2 Agreement, resulting in \$26 million in premiums and providing \$1.67 billion in coverage. Producers utilized the WLPIP suite of risk management programs to help protect themselves from price volatility. This is a four-year pilot program, administered by Agriculture Financial Services Corporation.

### Research and Innovation

- Assisted 28 companies and clients through Agri-Food Discovery Place by offering a suite of facilities, equipment, and expertise in support of Alberta's innovative value-added industries and technologies. Our capacities at the facility allow companies to develop, test, and improve their proof-of-concepts and processes before committing to a huge investment. Successes included building a model for sorting waste textile streams, turning resin acids (from black liquor soap) into gasoline via hydrogenation, and the production of polyurethanes from polyols made from forest waste.
- Created an organic waste management inventory that addresses deficiencies, such as waste composition, food processing and bi-products, and geographic distribution. The inventory is a key foundational piece to maximize value in the Alberta agri-food sector, since many high-value items (chemicals, materials, nutrients, and energy) can be made out of the bi-products from other core products. This inventory provides the ability for entrepreneurs and businesses to know what feedstocks are available for new high-value product streams and identifies inefficiencies and waste in existing products, which if eliminated, will result in higher value per unit product. This will also divert waste from landfills and reduce the environmental impact of agricultural processing and production.
- Developed a zero-waste nutrient recycling technology for use in food production, which uses a highly efficient microbial mineralization process to generate nutrient rich solutions from organic wastes. In areas such as greenhouse crops, which can exceed field crop uptake by 20 to 30 times, greenhouse food production is a means to remediate water and utilize manure from intensive livestock operations. Through this, food is produced while eliminating potential soil and water harm from excessive manure applications.

## GOAL 3

- Conducted research projects leveraging industry investments through the Crop Development Centres, Agri-Food Discovery Place, the Alberta Irrigation Technology Centre, and the Agricultural Technology Centre.

### Labour and Skills Development

- Enabled industry to pursue new business opportunities, innovative business solutions, and market development strategies as well as increase its adoption of best management practices and management capacity through the provision of Growing Forward 2 programming. A strong emphasis was given to employing Albertans in the agriculture and food processing industries through the use of job fairs, which linked Alberta employers with under and unemployed Albertans. Additional priority was given to address changes to the federal Temporary Foreign Worker (TFW) Program and in keeping employers up-to-date on the changes and how to further address labour force challenges.

### Sector Development

- Increased funding to \$3.5 million for the Agriculture Opportunity Fund (AOF), which supports industry and business development. The purpose of the AOF is to provide funding assistance to eligible organizations to enhance competitiveness at the farm gate and promote long term sustainability of the agriculture industry and rural communities in their areas. Funded projects encourage best practices and technology adoption that results in more than \$200 million in impacts to the agriculture economy per year, as reported by the applied research organizations based on the number of clients receiving extension support, the best practice adoption rate, and the economic value of the new technology or practice.
- Provided \$4.3 million through the Alberta Livestock and Meat Agency Ltd. (ALMA), in support of product differentiation initiatives. These funds supported new products and processes for livestock and meat industry growth, and helped introduce 30 new meat and dairy products to 21 new markets. Additionally, \$13.85 million was provided to enhance industry productivity, efficiencies, yields, health and safety, and energy reduction. By leveraging supports through ALMA, industry reported an additional 33.5 million kilograms of meat and dairy product capacity, estimated at nearly \$84 million in value.
- Provided \$8.27 million through the Alberta Livestock and Meat Agency Ltd. in support of research for new technologies and beneficial management practices for the livestock and meat sector. For example, genomics research will improve livestock productivity by enabling the selection of animals that have desired traits, such as robust, productive, healthy, and good carcass quality. Research efforts supported the education of 360 highly qualified personnel and the disbursement of results through scientific publications and industry communications.

## Performance Measure 3.a

- Number of value-added products developed and successfully introduced into market with assistance from Agriculture and Rural Development

Year Ending March 31					
Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Target 2014-15
90	157	216	217	220	216

Source: Agriculture and Rural Development

- This measure tracks the number of value-added products developed and successfully introduced into market with support from ministry staff. Value-added agriculture refers to manufacturing processes that increase the value or consumer appeal of a primary agricultural commodity. This value-added processing of agriculture commodities is facilitated using a food grade pilot plant and associated food technology and consumer science facilities at the Food Processing Development Centre, the Consumer Product Testing Centre, the Food Science and Technology Centre (Brooks), and the Agri-Value Processing Business Incubator.

- We facilitate new and diversified product development and commercialization by providing scientific, technical, and business development expertise, helping guide producers and agri-processors looking to market new value-added products. Our services help start-up companies reduce the risk for investment in product development and help established companies access short-term scientific consultancy services on a competitive fee-for-service basis.
- In 2014-15, a total of 220 new value-added products were developed and successfully introduced to market with assistance from Agriculture and Rural Development, continuing the upward trend in results over the past six years. This result is directly related to the improvement in uptake of our short-term consultancy services provided to agri-processors, which accounted for 12 per cent of these new value-added products. The result can also be partially attributed to the success of the Growing Forward Agreement, which provided grants to develop and commercialize 64 per cent of the new value-added products. Future performance may vary though, due to the difference in the length of time it takes to develop a product from concept to commercialization.
- Examples of the products, which focus on strong and broad-range niche market areas with significant growth potentials, include: bio-based products for industrial applications in energy, transportation and agriculture; gluten-free bakery products; skin and health products; energy drinks; and ready-to-eat healthy products.

### Performance Measure 3.b

- Research and development investment by collaborators leveraged through ministry resources (\$ million)

Year Ending March 31

Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Target 2014-15
7.4	6.2	6.4	4.8	5.2	6.4

Source: Agriculture and Rural Development

- This measure tracks the amount of funds leveraged from outside sources for applied agricultural research and development, and provides an indication of our success in building partnerships with external collaborators. External collaborators include industry organizations, producer groups, private companies, universities, government departments, and agencies.
- We collaborate with the agri-food industry to perform research and development because businesses are ideally positioned to understand their needs and to foresee opportunities. The research and development projects covered under this measure include: value added processing; livestock development; crop diversification; and environmental sustainability.
- In 2014-15, we collaborated with industry to conduct 78 research and development projects, leveraging \$5.2 million to fund innovative solutions in the primary agricultural production and value-added processing sectors relating to productivity, competitiveness, and profitability. Some of these projects included: technology-based solutions to product development and lean manufacturing; cost effective approaches for feeding livestock; improvements in crop varieties yields and yield stability; production of agricultural products in an ethically and environmentally sound manner; and response capability of emerging disease threats to crops and livestock production.
- While the result is approximately eight per cent higher than the previous year, it was still lower than our forecasted target. The target was based on historical performance from the preceding five years and was higher due to the completion of major external-funded projects in 2012-13 that are not likely to be repeated in the next three years.

## GOAL 3

- Grants for our scientific activities are used to support either basic research (research and development) or knowledge transfer and commercialization. We have been increasing our focus on funding knowledge transfer and commercialization opportunities in research projects because of the need to demonstrate tangible results for research investments in the short to medium term. As a result, a smaller amount is available to support basic research. Future performance results will be affected by the mix of our resources that are dedicated to basic research versus knowledge transfer and commercialization efforts.

### Facilities adding more than just value to the agriculture industry

New ideas are germinating at the Agri-Food Discovery Place (AFDP), and it's not just in crops research. This bio-product processing facility, shared between the University of Alberta and Agriculture and Rural Development (ARD), houses unique processing equipment and knowledgeable staff that are an asset to Alberta's research environment and business community.

AFDP provides an opportunity for industrial partners to use the state-of-the-art facility at competitive prices, while leveraging the expertise of world-class researchers. The facility allows pilot-scale processing of agri-food and agri-industrial products and the development of novel technologies through separation, conversion and application technologies that can all be found under one roof.

AFDP is just one of five research and development facilities run by ARD. The Food Processing Development Centre (FPDC), located in Leduc, is another - a modern, fully-equipped pilot plant and product development laboratory facility. The services provided at FPDC are intended to help companies meet the challenges of the marketplace through applying new technology or developing new and improved products. From labeling assistance to product packaging, the staff at FPDC help companies take their ideas to new levels.

Rounding out the list is a Sensory Evaluation Program that provides comprehensive sensory evaluation services for new products through the use of expert consumer panels, and the Food Science and Technology Centre, where applied research improves producers' know-how when it comes to the handling, storing and processing of crops.

Companies also have the opportunity to take up residence in the Agrivalue Processing Business Incubator, a multi-tenant facility that provides the infrastructure and services necessary to help support and establish new companies and business ventures in Alberta. The uniqueness of this arrangement is that business planning, accounting, marketing, distribution, and quality assurance advice can be provided to the Incubator clients in a shared environment. Red tape for the client is reduced and ARD is able to provide targeted services much more efficiently.

ARD has a full suite of programs and services available to support a business along the spectrum, from the testing of an idea, through commercialization and marketing, all the way to scaling up a start-up venture into an independently established facility. This may be ARD's best-kept secret but you need only look at the success stories to know why it shouldn't be a secret any longer.

# GOAL 4

## Rural Alberta has the development opportunities necessary for ongoing economic success

### What this means:

This goal involves supporting a positive economic environment in rural Alberta where businesses can succeed, where a productive and skilled workforce can capitalize on opportunities, and where families are able to enjoy a high quality of life. This strongly aligns with the focus of Alberta's Rural Economic Development Action Plan, which outlines areas to further advance the health of local economies and the sustainability of communities in rural Alberta.

### Our responsibilities:

In pursuit of this goal, we facilitate the development of community infrastructure, support the management of a sustainable water supply for economic development, work with industry and rural Alberta to promote and enhance farm safety, administer programs to reduce the costs of utility services for Albertans living in remote regions of the province, and provide loans, insurance products and farm income disaster assistance. We also facilitate connections between rural Alberta and the demands of international and domestic consumers. Rural communities are supported by actively building rural Alberta's leadership base in collaboration with youth and rural stakeholders, partnering with educational institutions to facilitate learning and skill development opportunities, and encouraging collaboration within and between regions to better focus planning and service delivery.

### Planned actions to achieve this goal included:

- Develop a rural economic development action plan addressing strategic agriculture infrastructure, leadership and entrepreneurial capacity, rural tourism and agricultural diversification, to help create the conditions for ongoing economic success in rural Alberta.
- Review and enhance financial tools and structures, utilizing AFSC to generate economic development, increase business investment and grow rural Alberta through enhanced programs and services.

## Results and Contributions from 2014-15

### Rural Economic Development

- Developed and released the Rural Economic Development Action Plan (REDAP), after engaging with over 200 stakeholders in eight rural communities across the province. The plan lays out clear strategies and specific actions that governments, industries, businesses and communities can take to increase economic development capacity, improve on the current suite of initiatives, and orchestrate new opportunities to enable rural Alberta's continued success.
- Provided funding to extend the Final Mile Rural Community Program to support additional broadband infrastructure projects in Lacombe County, Montana First Nation, and Saddle Hills County. Since 2012, the program has invested more than \$6.5 million to expand access to high-speed Internet in unserved or underserved locations in rural Alberta.

### Financial Instrument Improvements

- Doubled the maximum individual loan limit of the Feeder Association Loan Guarantee Program from \$500,000 to \$1 million, and the loan cap of \$100,000 for first time feeders was removed. The changes to the Feeder Association Loan Guarantee Program provide cattle feeders and new entrants with greater flexibility and access to capital in response to higher market prices. The program has a maximum loan guarantee of \$55 million, which translates into \$367 million in funding for producers. Because of market conditions, AFSC provided supplementary guarantees of \$5.8 million, under the Specific Loan Guarantee Program, to provide Alberta Feeders with access to an additional \$45 million in loan capital.

### Engagement and Leadership Development

- Released the recommendations of the Next Generation Advisory Council report and extended the mandate of the Council by 12 months. The Council's role is to provide advice and recommendations to support and enhance the next generation of agricultural, food and rural entrepreneurs. With the release of the Rural Economic Development Action Plan, the Council was mandated to advise government to help focus programs and ensure the needs of the next generation and new entrants are met.
- Engaged 5,898 youth and 2,197 adult volunteers in leadership development through 358 4-H clubs across the province and enrolled a record-high 1,479 students in the Green Certificate Program, with 378 obtaining certification. The Green Certificate Program is an approved complementary program available to all Alberta high schools and provides trainees with opportunities to earn credentials leading to a career in the agriculture sector. The apprenticeship style of delivery allows participants to learn through actively performing the skills required, providing relevant experience for today's modern agriculture industry.

### Business Coaching and Supports

- Provided business coaching services to over 344 entrepreneurial agriculture clients and 45 agri-food companies. One-on-one business coaching supports agricultural businesses in long-term planning and building a financially sustainable enterprise. These extension services help enable businesses to improve strategic planning, increase efficiencies, close performance gaps, and adopt new business management skills.
- Provided direct farm safety extension to 430 workers, owners, and rural youth through FarmSafe workshops, the Sustainable Farm Families program, and the Young Farm Worker program. In partnership with the Farm Safety Centre and rural community organizations, we reached nearly an additional 74,000 rural youth and their families. Through client coaching, building partnerships, and supporting community groups, we are able to expand our reach to more Albertans. While safety practices are voluntary on Alberta farms, teaching rural children safety practices is an effective way to influence the adoption of new practices.

## Legislation and Regulations

- Amended the *Agricultural Societies Act* to ensure legislation remains relevant to guide and support the operations of agricultural societies in Alberta. The 293 agricultural societies form partnerships with a variety of agricultural and community groups to develop programs, services, and facilities that encourage the improvement of agriculture and quality of life for communities across Alberta. The modernization of the Act was intended to support agriculture societies in having strong board governance and effective decision making.

## Milestones and Awards

- Awarded the Century Farm and Ranch Award to 65 families and inducted three new members to the Alberta Agriculture Hall of Fame. Through these initiatives, Alberta recognizes and celebrates the families who have made a multi-generational commitment to the agriculture industry, as well as those who have made significant contributions to the agriculture and food industry and to the development and sustainability of rural life in Alberta.
- Celebrated 22 agricultural societies for achieving over 100 years of dedicated service to their communities, recognizing their significant contribution to agriculture and the quality of life in rural communities.

## Funding and Grant Programming

- Reviewed the rural gas and rural electric grant programs as part of the 2013 decision to transfer the responsibility of administering capital grants for the rural gas and rural electric programs to industry associations. After completion of the first year of delivery and the improved delivery methods by the associations, we have entered into the second year of this program delivery for these capital grants. While budget funding remained the same, delivery methods were revised, which enables us to focus on our assurance function and continue to support rural development infrastructure needs.
- Provided \$1.2 million in funding through the Remote Area Heating Allowance Program to reduce the cost of heating fuels for Albertans who generally reside in remote regions of the province and do not have access to natural gas service. The program provides direct rebates of up to 25 per cent of the cost of fuel on consumption, up to 18,185 litres of propane or 12,275 litres of heating oil per year or a proportionate combination of both.
- Provided income stabilization programs to protect Alberta producers (including AgriStability) and Agrilnsurance through Agriculture Financial Services Corporation, supported by contributions from Alberta, Canada, and producers. Income stabilization programs resulted in \$1.9 billion in coverage and \$37 million in payments to Alberta producers, while Agrilnsurance (including hail insurance) provided \$4.2 billion in coverage for \$641 million in premium and paid \$425 million in indemnities.

## Performance Measure 4.a

- Total investment leveraged in rural businesses facilitated through AFSC lending services (\$ million)

Year Ending March 31					
Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Target 2014-15
640	658	663	644	716	680

Source: Agriculture Financial Services Corporation

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

- This measure gauges the success of Agriculture Financial Services Corporation’s (AFSC) direct contribution, partnership, and collaboration with stakeholders in providing funding to rural businesses for farming and/or commercial activities in rural Alberta. Without access to capital, rural businesses would not have an opportunity to prosper or continue to sustain a vibrant agriculture and commercial business sector in many rural communities in Alberta.
- Regardless of the economic cycles that can create difficulties in accessing capital for businesses in rural Alberta, AFSC lending services help ensure that primary agriculture producers and rural business enterprises can access the capital necessary to foster growth. These lending services are demand-driven by the agriculture and rural business community, with total dollar investment in agri-businesses and farm loans serving as a proxy value for investment based on loans approved. Dollar investment is any fund (i.e. debt, equity, or investment) that would be used to support the growth of farming and commercial activities.
- The \$716 million in investments leveraged in rural businesses in 2014-15 is significantly higher than the target and the actuals for the four preceding years, primarily due to AFSC’s participation in the Feeder Association Loan Guarantee Program (FALGP). The increased uptake of loan guarantee by the Feeder Associations resulted in \$147 million in total investment leveraged in the cattle industry, of which AFSC provided \$5.8 million in loan guarantees. Future performance results will be affected by the amount of loan guarantees provided under FALGP.



## Performance Measure 4.b

- Percentage of ministry-supported, agricultural-related community activities that focus on leadership development

Year Ending March 31					
Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Target 2014-15
33%	29%	35%	34%	35%	33%

Source: Agriculture and Rural Development

- This measure indicates our success in developing leadership capacity in rural communities, including the provision of diverse initiatives under our agricultural community programming. Leadership development is a key contributor in achieving a vibrant, resilient, and sustainable rural Alberta. Continued support for leadership activities, for both youth and adults, helps to develop those who wish to contribute to their communities.
- Activities provided under a variety of settings enhance the capacity of rural communities to nurture, retain, and enhance critical skills in management, public speaking, economic development, and rural stewardship. The breadth and diversity of agricultural-related community activities allows each rural community to address their specific needs under the general umbrella of rural development.
- In 2014-15, we provided funding for 3,187 agriculture-related community activities, of which 35 per cent, or 1,124 activities, focused on leadership development. We provide both block funding and project-specific funding to agricultural societies and community groups to initiate projects that address community-specific needs in terms of achieving a vibrant, resilient, and sustainable rural community. The funding arrangement provides flexibility on how rural communities use program funds, and is provided for eligible activities completed by community groups. The improvement in the result is the continued shared commitment we have with rural communities in enhancing leadership capacity.
- As part of effective performance measurement processes, all our performance measures are reviewed on an ongoing basis to ensure they are still providing relevant information for decision makers and appropriately gauging our progress toward our goals. Going forward, this measure has been removed from the business plan, as it focuses primarily on the internal activities of leadership development programs as opposed to result-oriented changes in behaviours, knowledge, and skills associated with leadership development. Results will continue to be monitored within our organization to enable management to assess the operational efficiency of our leadership development programs and services.

# Appendix A: Organizational Descriptions

The ministry is comprised of the:

- Department of Agriculture and Rural Development
- Agriculture Financial Services Corporation
- Alberta Livestock and Meat Agency Ltd.
- Office of the Farmers' Advocate of Alberta
- Alberta Grains Council
- Agricultural Products Marketing Council
- Irrigation Council

## Department of Agriculture and Rural Development:

The Department of Agriculture and Rural Development operates in three key sectors: Food Safety and Technology, Industry and Rural Development, and Policy and Environment.

### Food Safety and Technology:

The Food Safety and Technology Sector focuses on safe food production systems and animal health programs that protect public health and support market access for Alberta's agriculture and food industry. The sector facilitates the adoption of internationally-accepted food safety systems and standards; conducts surveillance for food safety and animal health; minimizes the impact of animal diseases on public health; provides essential non-routine animal disease investigation services; and plans for and responds to food safety and animal health emergencies. The sector supports the safe processing of meat and dairy products through technical support and regulation, and also ensures compliance with legislation through investigation and enforcement activities. The Office of the Chief Provincial Veterinarian (OCPV) is part of the sector and advocates the use of current scientific principles and information in the development of animal health legislation and disease control programs. The OCPV liaises with international, federal and other provincial governments, as well as industry, on food and animal health issues.

In addition, the sector administers and coordinates the development of legislation that provides the framework for the establishment and management of Agricultural Boards and Commissions. The sector is also responsible for working in partnership with program areas to optimize program delivery, contribute to business innovation and increase efficiencies by enabling modern technologies and through information management, as well as information sharing best practices. The sector provides the secure, robust and reliable technology infrastructure necessary to support the ministry's requirements for electronic service delivery and is responsible for the planning, development, organization, evaluation and delivery of information services including print and electronic publishing.

## Industry and Rural Development:

The Industry and Rural Development Sector supports the agriculture industry with a focus on business and technology development, and product and process testing in order to develop and support a competitive and self-reliant industry through technology transfer and extension activities. The sector provides relevant market information, opportunity identification and networking opportunities with the goal of positioning Alberta as a preferred supplier to support targeted export growth for Alberta agriculture products and services. Through a focus on the value-added processing of agriculture commodities through laboratory development, applied research and pilot plant scale-up, the sector facilitates development of new products, and supports the development of new companies and the attraction of new food processors to Alberta. In order to successfully grow the agriculture industry in Alberta, it is necessary to create and promote Alberta as a stable, credible and profitable location for agricultural and agri-food investors, as well as support the increase of agricultural exports and business services within Alberta's agriculture and agri-food industry. The sector establishes the overall strategic framework and implements strategies necessary to generate and attract international and domestic investment to the agriculture sector in the province and advocates for the growth of Alberta agriculture and agri-food export opportunities.

The sector also builds and implements food chain traceability initiatives, links these traceability systems to the national and provincial emergency response systems and provides policy advice on Alberta and national traceability initiatives and issues. To aid the growth and sustainability of rural communities, the sector provides financial support for the development of rural gas and electric infrastructure and facilitates the delivery of governance and leadership development programs. In addition, the sector assures the effective delivery of agriculture educational training, leadership and grant programs, as well as front-line client contact services for industry clients through the Ag-Info Centre, field offices and a variety of extension activities.

## Policy and Environment:

The Policy and Environment Sector continues to address the growth of agricultural trade through monitoring and advancing international agricultural policy and agreements. It also ensures that Alberta's policy and strategic frameworks enable business opportunities and innovation and strengthen rural communities through government-wide leadership of rural development policy. Through a focus on industry, social and economic trend analysis, strategic planning, policy development, market and competitiveness intelligence and rural business and infrastructure development, the Policy and Environment Sector advances the competitive position of Alberta's agriculture industry. The sector also focuses on the provision of statistical information, data on costs and returns, as well as market analysis to support sound decision-making by government and industry.

The sector supports the development and implementation of environmental stewardship best practices. By working collaboratively with industry and rural Alberta, the Policy and Environment Sector is building industry capacity and environmental opportunities that are outcome-focused, reportable and verifiable. This also involves working with Alberta's irrigation industry in addition to agricultural producers to ensure that good quality surface and ground water supplies meet current and future agricultural, municipal, wildlife and recreational needs. This work also ensures that management practices meet acceptable water quality guidelines and that management systems assist livestock and crop producers to deal with changing climate conditions.

## **Agriculture Financial Services Corporation:**

The Agriculture Financial Services Corporation (AFSC) provides a wide variety of unique financial services, including risk management products and lending capital to fit the business needs of producers, the agriculture industry, and small businesses in Alberta. Working closely with clients and rural Albertans, many made-in-Alberta products have been developed to address existing gaps in the marketplace where similar products are not available on a consistent and reliable basis from other sources. AFSC partners with agricultural producers, agri-business and commercial entities to support and advance agricultural development, to create new opportunities for businesses, and to improve the quality of life for rural Albertans

The corporation has helped position Alberta as a leader in business risk management programs for both crops and livestock, and plays a pivotal role in the development and delivery of insurance, income stabilization, and disaster recovery programs on behalf of the Alberta and Canadian governments under statute and intergovernmental agreements. AFSC is responsible for all portions of the multilateral Growing Forward 2 Framework agreement that governs the management of agriculture risk in Alberta, including: AgriInsurance, AgriStability, AgriInvest, AgriRecovery and the Wildlife Damage Compensation Program. The corporation offers agriculture financial services such as farm loans and guarantees for new and expanding farm businesses and financing for those facing disastrous reductions in farm production or income. AFSC also provides and facilitates sourcing of financing for companies in the agri-food and value-added industry, as well as the small business sector, with an emphasis on rural Alberta.

## **Alberta Livestock and Meat Agency Ltd.:**

The Alberta Livestock and Meat Agency Ltd. (ALMA) acts as a catalyst to help transition Alberta's livestock industry into competitiveness and sustainability and ensures effective implementation of programs and initiatives directed at Alberta's livestock industry.

ALMA provides ideas, information and investment opportunities to the livestock industry and advises on public policy related to regulations, legislation, programs and issues of importance to the livestock and meat sectors. As well, ALMA identifies solutions and engages the industry to foster collaboration and alignment between industry and government priorities. ALMA's programs stimulate innovation and encourage the adoption of best practices, develop new technologies and state-of-the-art processes. The agency's priority areas increased customer access and market development, enabled product differentiation, enhanced productivity, and sustainable development.

## **Office of the Farmers' Advocate of Alberta:**

The Office of the Farmers' Advocate of Alberta works closely with rural Alberta and provides the Minister with information on issues concerning rural Albertans. The agency exists so that rural Albertans can make informed risk management decisions, operate in a balanced legal environment, and have an outlet to settle disagreements. The Office of the Farmers' Advocate of Alberta also provides advice to rural Albertans, works with the ministry to ensure fair process for rural Albertans, and informs and explains issues regarding industry policies and procedures.

## **Alberta Grains Council:**

The Alberta Grains Council is an agency within the Ministry of Agriculture and Rural Development, comprised of up to eight Alberta Grains Council (AGC) farmer members appointed by the Minister of Agriculture and Rural Development. The AGC advises and makes recommendations to the Department and the Minister on current and emerging issues and trends in the grain industry, including grain transportation, competitiveness in cereals, and sustainable farming. The AGC maintains liaison with other governments, groups, and boards within and outside Alberta.

## **Agricultural Products Marketing Council:**

The Agricultural Products Marketing Council advises the Minister on matters related to the establishment, operation, and management of the marketing boards and commissions established under the *Marketing of Agricultural Products Act*. The Council also provides strategic support to marketing boards and commissions on board governance, leadership development, strategic and business planning, and regulatory and policy matters.

## **Irrigation Council:**

The Irrigation Council supports the Government of Alberta and Irrigation Districts by providing recommendations and advice, regulatory administration and strategic funding decisions that facilitate the responsible allocation, management, and use of water delivered through irrigation infrastructure. The Council is made up of five public members and two government representatives appointed by the Minister of Agriculture and Rural Development.

Further information about ministry programs and services can be found at: [www.agric.gov.ab.ca](http://www.agric.gov.ab.ca). The Ag-Info Centre is also available for additional information by calling toll-free in Alberta 310-FARM (3276).

## Appendix B: Agriculture and Agri-Food Statistics

		2013 (r)	2014 (p)	% Change
Real Gross Domestic Product (GDP) in 2007 Dollars	<b>Total Alberta Economy (\$ Billions)</b>	\$292.59	\$305.52	4.4
	• Agri-Food Industries	\$6.58	\$6.31	-4.1
	▫ Agriculture Industries	\$4.28	\$3.91	-8.7
	▫ Food Manufacturing Industries	\$2.30	\$2.40	4.5
Employed Labour Force	<b>Agri-Food Industries (Number of Persons)</b>	90,800	86,100	-5.2
	<i>% of Total Alberta Employment</i>	4.1%	3.8%	
	• Agriculture Industries	63,400	60,600	-4.4
	• Food and Beverage Manufacturing Industries	27,400	25,500	-6.9
	<i>% of Total Manufacturing Industries</i>	19.2%	17.6%	
Farm Income	<b>Total Farm Cash Receipts (\$ Billions)</b>	\$11.78	\$12.86	9.1
	• Crops	\$6.31	\$5.92	-6.2
	<i>% of Total Cash Receipts</i>	53.5%	46.0%	
	• Livestock and Livestock Products	\$4.78	\$6.39	33.7
	<i>% of Total Cash Receipts</i>	40.6%	49.7%	
	Supply Management (Dairy, Poultry, Eggs)	\$0.86	\$0.87	0.8
	<i>% of Livestock and Livestock Products</i>	17.9%	13.5%	
	• Direct Program Payments	\$0.70	\$0.55	-21.1
	<i>% of Total Cash Receipts</i>	5.9%	4.3%	
	<b>Farm Operating Expenses After Rebates (\$ Billions)</b>	\$9.54	\$10.08	5.6
	<b>Net Cash Farm Income (\$ Billions)</b>	\$2.24	\$2.78	24.0
	<b>Realized Net Income (\$ Billions)</b>	\$0.72	\$1.19	64.3
	<b>Total Net Income (\$ Billions) <sup>(1)</sup></b>	\$2.36	\$0.02	-99.2
Food and Beverage Manufacturing Industries Value of Sales	<b>Food and Beverage Industries (\$ Billions)</b>	\$12.51	\$13.73	9.7
	<i>% of Total Alberta Manufacturing Sales</i>	17.0%	17.3%	
	<b>Top Three Largest Food Manufacturing Sales Groups in 2014:</b>			
	1. Meat Products (Includes Poultry)	\$5.67	\$7.02	23.8
	2. Grain and Oilseed Milling	\$1.69	\$1.62	-4.1
	3. Dairy Products Manufacturing	\$1.65	\$1.39	-16.0
Agri-Food Exports to All Countries	<b>Total Agri-Food Exports (\$ Billions)</b>	\$8.71	\$9.71	11.6
	• Primary Commodities (Animals and Crops)	\$5.06	\$5.48	8.2
	• Value Added Products	\$3.64	\$4.24	16.3
	<b>Top Three Markets in 2014 (% Share of Total)</b>			
	• United States (40.5%)	\$3.05	\$3.93	28.9
	• China (13.6%)	\$1.51	\$1.32	-12.4
	• Japan (12.2%)	\$1.29	\$1.19	-8.0
	<b>Exports to TPP Countries (\$ Billions)</b>	\$5.11	\$5.95	16.5
Value of Farm Capital	<b>Total Value of Farm Capital at July 1 (\$ Billions)</b>	\$116.09	\$127.70	10.0
	• Livestock and Poultry	\$5.82	\$8.52	46.4
	• Land and Buildings	\$98.14	\$106.40	8.4
	• Machinery and Equipment	\$12.13	\$12.78	5.3
Production of Top Three Major Field Crops	<b>1. All Wheat (tonnes)</b>	11,301,800	9,348,900	-17.3
	<i>% of Canadian Production</i>	30.1%	31.9%	
	<b>2. Canola (tonnes)</b>	5,998,800	5,488,500	-8.5
	<i>% of Canadian Production</i>	33.4%	35.3%	
	<b>3. Barley (tonnes)</b>	5,545,400	4,131,300	-25.5
	<i>% of Canadian Production</i>	54.2%	58.0%	
Meat Production Quantity	Beef - Western Canada <sup>(3)</sup> (tonnes)	741,086	771,461	4.1
	Pork - Alberta (tonnes)	211,115	221,995	5.2
Number of Livestock Slaughtered <sup>(2)</sup>	Cattle and Calves - Western Canada <sup>(3)</sup> (Head)	2,035,537	2,122,774	4.3
	Hogs - Alberta (Head)	2,358,033	2,509,468	6.4

<b>Livestock</b>		<b>01/01/2014</b>	<b>01/01/2015</b>	
<b>Inventory on</b>	<b>Cattle and Calves (Head)</b>	<b>5,075,000</b>	<b>4,900,000</b>	<b>-3.4</b>
<b>Farms on</b>	<i>% of Canada</i>	<i>41.5%</i>	<i>41.1%</i>	
<b>January 1st</b>	<b>Hogs (Head)</b>	<b>1,445,000</b>	<b>1,480,000</b>	<b>2.4</b>
	<i>% of Canada</i>	<i>11.2%</i>	<i>11.2%</i>	
	<b>Sheep and Lambs (Head)</b>	<b>153,000</b>	<b>150,000</b>	<b>-2.0</b>
	<i>% of Canada</i>	<i>17.5%</i>	<i>17.5%</i>	
		<b>2012</b>	<b>2013 (p)</b>	<b>% Change</b>
<b>Annual Average</b>	<b>Average Household Expenditure on Food (Dollars)</b>	<b>\$8,414</b>	<b>\$9,295</b>	<b>10.5</b>
<b>Household Food Expenditure</b>	<i>% of Total Average Household Expenditure</i>	<i>8.7%</i>	<i>9.2%</i>	
		<b>2006</b>	<b>2011</b>	<b>% Change</b>
<b>Rural Population</b>	<b>Total Population of Alberta</b>	<b>3,290,350</b>	<b>3,645,257</b>	<b>10.8</b>
	• <b>Rural Population</b>	<b>590,499</b>	<b>614,855</b>	<b>4.1</b>
	<i>% of Total Population</i>	<i>17.9%</i>	<i>16.9%</i>	
	• <b>Population Centres (Urban) Population</b>	<b>2,699,851</b>	<b>3,030,402</b>	<b>12.2</b>
<b>Number of Farms</b>	<b>Number of Farms</b>	<b>49,431</b>	<b>43,234</b>	<b>-12.5</b>
	<i>% of Total Canadian Farms</i>	<i>21.6%</i>	<i>21.0%</i>	
<b>Farmland Area</b>	<b>Total Farmland Area (Acres)</b>	<b>52,127,857</b>	<b>50,498,834</b>	<b>-3.1</b>
	<i>% of Canadian Farmland Area</i>	<i>31.2%</i>	<i>31.5%</i>	
<b>Land Area in Crops</b>	<b>Land Area in Crops (Acres)</b>	<b>23,775,509</b>	<b>24,102,289</b>	<b>1.4</b>
	<i>% of Canada</i>	<i>26.8%</i>	<i>27.6%</i>	
<b>Average Farm Size</b>	<b>Average Farm Size (Acres)</b>	<b>1,055</b>	<b>1,168</b>	<b>10.7</b>
<b>Farm Operators</b>	<b>Number of Farm Operators</b>	<b>71,660</b>	<b>62,050</b>	<b>-13.4</b>
	• <b>Average Age of Farm Operators</b>	<b>52.2 years</b>	<b>54.5 years</b>	
	<i>% Distribution By Age Group:</i>			
	▫ <i>Under 35 years</i>	<i>8.8%</i>	<i>7.3%</i>	
	▫ <i>35 to 54 years</i>	<i>50.1%</i>	<i>43.1%</i>	
	▫ <i>55 years and over</i>	<i>41.1%</i>	<i>49.6%</i>	
<b>Farms by Type</b>	<b>1. Grain and Oilseed</b>	<b>12,562</b>	<b>12,692</b>	<b>1.0</b>
<sup>(4)</sup> : <b>Top Five Farm Types (Number of Farms)</b>	<b>2. Beef Cattle (Including Feedlots)</b>	<b>20,494</b>	<b>12,022</b>	<b>-41.3</b>
	<b>3. Other Crops (Excluding Grain and Oilseed)</b>	<b>5,361</b>	<b>9,385</b>	<b>75.1</b>
	<b>4. Other Animals (Excluding Beef Cattle)</b>	<b>7,414</b>	<b>6,374</b>	<b>-14.0</b>
	<b>5. Greenhouse, Nursery, Floriculture, and Mushroom</b>	<b>910</b>	<b>826</b>	<b>-9.2</b>
<b>Farms by Sales Class<sup>(5)</sup>: % of Total Number of Farms</b>	• <b>Under \$10,000</b>	<b>19.8%</b>	<b>17.8%</b>	
	• <b>\$10,000 to \$24,999</b>	<b>17.6%</b>	<b>18.2%</b>	
	• <b>\$25,000 to \$99,999</b>	<b>29.6%</b>	<b>27.7%</b>	
	• <b>\$100,000 to \$499,999</b>	<b>26.6%</b>	<b>26.0%</b>	
	• <b>\$500,000 and Over</b>	<b>6.4%</b>	<b>10.3%</b>	
<b>Land Area Seeded Using No-Till Practices</b>	<b>Total Land Area Prepared for Seeding (Acres)</b>	<b>18,726,144</b>	<b>19,945,813</b>	<b>6.5</b>
	• <b>No-Till or Zero-Till Seeding Area</b>	<b>8,950,836</b>	<b>12,924,625</b>	<b>44.4</b>
	<i>% of Total Land Area Prepared for Seeding</i>	<i>47.8%</i>	<i>64.8%</i>	
<b>Irrigation Area</b>	<b>Irrigated Farmland (Acres)</b>	<b>1,325,929</b>	<b>1,241,411</b>	<b>-6.4</b>
	<i>% of Canadian Irrigated Area</i>	<i>63.5%</i>	<i>65.2%</i>	

r = revised; p = preliminary, subject to revision

Note: % Changes are based on unrounded data. Data shown in this table are current as of June 9, 2015.

(1) Realized net income adjusted for inventory change. This fell sharply to \$20 million from \$2.4 billion in 2013.

(2) Federally and provincially inspected slaughter irrespective of origin.

(3) Western Canada data only; breakdown for Alberta is unavailable.

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

(5) Farms are classified by the gross farm cash receipts of the operation in the previous calendar year, or for the complete accounting (fiscal) year (2005 and 2010).

Sources: Statistics Canada; Agriculture and Rural Development; and Agriculture and Agri-Food Canada. Census data for 2006 and 2011 are from the Census of Population and Census of Agriculture.

More detailed statistical information can be found on the Statistics page on the ministry website [www.agric.gov.ab.ca](http://www.agric.gov.ab.ca).

# Appendix C: Performance Measure Methodologies

This section describes the methodology of each performance measure included in this Annual Report, including the calculation method, data source, data quality and review processes, and data limitations.

## Performance Measures 1.a and 1.b: Methodology

- Alberta's agri-food exports by market (\$ million) (United States; China; India; CETA member countries; TPP member countries, excluding the U.S.; and the Rest of the World)
- Alberta's agri-food exports by sector (\$ million) (Primary commodities; and Processed/manufactured products)
  - The results for these performance measures are derived from the monetary value of Alberta's agri-food products leaving the province through customs for a foreign destination market.
  - The total value of Alberta's agri-food exports categorized by country/region of destination is reported under Performance Measure 1.a, where the country of destination is the last known destination of the agri-food products at the time of export.
  - The total value of Alberta's agri-food exports categorized into primary commodities and processed/manufactured products components is reported under Performance Measure 1.b. Agri-food exports refer to domestic exports which exclude re-exports, and include primary commodities and processed or manufactured products. Primary commodities refer to all crops grown and livestock raised in Alberta that have not been materially transformed. Processed or manufactured products refer to processed crops and livestock products under broad groupings of food, beverages, animal feed, and inedible crude animal and plant products.
  - The CETA member countries include: Austria; Belgium; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Republic of Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; Netherlands; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden; and United Kingdom. Member countries of TPP (excluding the U.S.) are: Australia; Brunei Darussalam; Chile; Japan; Malaysia; Mexico; New Zealand; Peru; Singapore; and Vietnam. The "Rest of the World" represents all countries, excluding the U.S., China, India, and member countries of CETA and TPP.
  - The ministry purchases export statistics related to agri-food from the International Trade Division of Statistics Canada. This data set provides detailed breakdown of agri-food exports originating from Alberta and valued at "Free on Board" port of exit from Canada. Canadian international export statistics are developed from administrative files of Canada Border Services Agency and U.S. Border Protection. Information on Alberta's agri-food exports is compiled by the Statistics and Data Development Branch of Agriculture and Rural Development.
  - Statistics developed from administrative records of Customs may understate and/or incorrectly portray the destination of exports or the province of origin. Inaccuracies of exports data often result from the attribution of exports on a province of lading basis rather than by province of origin. Export statistics are subject to revisions, with revisions being conducted by Statistics Canada on a monthly basis. In this report, revisions are made only in the case when the difference in annual value of exports is greater than 5.0 per cent.



## Performance Measure 2.a: Methodology

- Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey)
  - The result for this measure is derived from 41 Environmentally Sustainable Agriculture (ESA) practices that could be used to address soil conservation, water management, wildlife habitat conservation, energy management, climate change adaptation, agricultural waste management, and grazing and manure management.
  - An eligible ESA practice (or group) for the base calculation is based on farm type, farm site characteristics and operation practices. The percentage of eligible environmentally sustainable agricultural practices adopted by each respondent is multiplied by a weighting factor to generate a weighted adoption score for each respondent. The result of this measure is the average weighted adoption score of all respondents expressed as a percentage.
  - The target population for this survey is based on a list of commercial farmers in Alberta maintained by Ipsos Reid Corporation. The random and representative sample size was 501, providing a margin of error in provincial results of  $\pm 4.4$  per cent at the 95 per cent confidence level. The response rate was 14 per cent.
  - Data limitations include: producers that are not included in Ipsos Reid Corporation's database (the source of the survey list); non-contactable subscribers (due to privacy legislation compliance); unreachable samples (due to wrong telephone numbers, answering machine, busy, no answer, etc.) and non-response; and disqualification due to failure to answer a required screening question.
  - Additional information can be found in Agriculture and Rural Development's 2013 Environmentally Sustainable Agriculture Tracking Survey.

## Performance Measure 2.b: Methodology

- Percentage of active provincial licensed meat processing plants that meet provincial safe meat processing standards
  - The result for this measure is derived by dividing the number of active Alberta-licensed meat processing plants that are compliant with the *Meat Inspection Regulation* by a base value of total number of active Alberta-licensed meat processing plants.
  - All meat processing plants (poultry, red meat abattoirs, and mobile butcher facilities) licensed by the ministry receive unannounced processing inspections as part of the Processing Inspection program. Each active Alberta-licensed meat processing plant receives three unannounced inspections over the course of a calendar year. The unannounced inspections are used to determine if a meat processing facility has met provincial safe meat inspection standards for the reporting calendar year.
  - Only compliance to processing inspections under the *Meat Inspection Regulation* is reported under this measure, and processing inspection findings are rated and recorded in the Processing Inspection Checklist Report. Each active Alberta-licensed meat processing facility receives a compliance designation of: Compliant, Requires Improvement, or Non-Compliant.
  - An active facility that receives either 'Compliant' or 'Requires Improvement' is deemed as compliant to the *Meat Inspection Regulation* for the inspection period. An active facility that complies with the *Meat Inspection Regulation* at all unannounced processing inspections is deemed to have met provincial meat processing standards for the entire reporting calendar year.

- An active meat processing plant that receives a compliance designation of 'Non-Compliant' for one or more unannounced inspections is deemed not to have met the *Meat Inspection Regulation* for the entire reporting calendar year. Active plants that comply with the *Meat Inspection Regulation* for some (but not all) unannounced processing inspections are not counted as having met provincial safe meat inspection standards. As a result, the performance result likely understates the level of compliance of *Meat Inspection Regulation* among active provincial licensed meat plants.
- The data for this measure is collated from the ministry's Meat Inspection Program.

## Performance Measure 2.c: Methodology

- Percentage of eligible seeded acres for major crop categories insured under Production Insurance (Annual crops; and Perennial crops)
  - Annual crops refer to those that are seeded every year. The annual crops included in this measure are: wheat (winter wheat, spring wheat, and durum wheat); oats; barley; fall rye; mixed grain; flaxseed; canola; corn for grain; dry peas; triticale; dry coloured beans; lentils; mustard seed; chick peas; sugar beets; and fodder corn.
  - Perennial crops refer to crops that do not need to be seeded every year and last for several years. Perennial crops are made up of seeded pasture, native/natural pasture, and tame hay.
  - The total eligible seeded acres for the annual crops insured under the Crop Insurance program is divided by the corresponding total seeded acres for annual crops, as reported in Statistics Canada's November 2014 Field Crop Reporting Series (released on December 4, 2014). The result is then expressed as a percentage. The corresponding eligible seeded acres of annual crops insured under the Crop Insurance program is supplied by Agriculture Financial Services Corporation.
  - The total eligible seeded acres for the perennial crops insured under the Crop Insurance program is divided by the corresponding total for seeded and native pastures (Census of Agriculture 2011, Statistics Canada) and tame hay pasture (November 2014 Field Crop Reporting Series, Statistics Canada (released on December 4, 2014)). The result is then expressed as a percentage. The corresponding eligible acres of perennial crops insured under the Crop Insurance program is obtained from Agriculture Financial Services Corporation.
  - Estimate for land (in acres) seeded to annual crops in Alberta is taken from Statistics Canada's November 2014 Field Crop Reporting Series. This Statistics Canada publication also provides a detailed methodology to the field crop data. The November estimate provides the most recent information available on seeded acreage in Alberta.
  - The Census of Agriculture is collected every five years, so acres may change during that time.

## Performance Measure 3.a: Methodology

- Number of value-added products developed and successfully introduced into market with assistance from Agriculture and Rural Development
  - The result for this measure is the total number of written confirmations provided by industry clients for products that were developed with assistance from the ministry and successfully introduced to market. Value-added products include value-added food, beverage and bio-industrial products.
  - The ministry tracks all new value-added products of industry clients that are developed with some assistance from its staff. A product development activity encompasses projects where ministry staff assisted industry clients in one or more of the following areas: product formulation, shelf-life, packaging, sensory evaluation, marketing and commercialization.
  - At year-end, each industry client is asked to provide a written confirmation to verify the number of new products that were developed with the assistance from the ministry and successfully introduced to market. “Introduced to market” refers to a product that has obtained a listing at retail or food service, domestically or internationally, as well as products that have been sold as ingredients for further manufacturing. The number of new products confirmed by written confirmations from industry clients are aggregated and reported for this measure. The data is collated from program areas within the ministry that are engaged in project development and commercialization.

## Performance Measure 3.b: Methodology

- Research and development investment by collaborators leveraged through ministry resources (\$ million)
  - The result for this measure is the sum of expended dollars from outside sources leveraged through ministry investment in research and development in four priority areas: value-added processing; livestock development; crop diversification; and environmental stewardship. The outside sources or collaborators include: industry organizations; private companies; universities; government departments; and agencies.
  - Research and development is creative work undertaken on a systematic basis in order to increase the stock of scientific and technical knowledge and to use this knowledge in new applications. The central characteristic of research and development is an appreciable element of novelty and it involves scientific investigations resulting in new knowledge, products or processes.
  - The reported result was collated from data supplied by ministry program areas that are involved in research and development activities. The questionnaire collects information on a division’s fiscal year research and development expenditures and expended amounts received from outside sources. An expended amount is an aggregate amount of revenue that has been used to offset part or all of project expenses.
  - Data on in-kind contributions from collaborators are not included in the calculation of this measure. As a result, the performance result likely understates the true amount of leveraged resources invested by collaborators. Measures of in-kind contributions are less reliable, as they are based on estimates that can be subjective in nature.

## Performance Measure 4.a: Methodology

- Total investment leveraged in rural businesses facilitated through AFSC lending services (\$ million)
  - Farms and commercial business investments in rural areas (any area outside Calgary or Edmonton) are added together and reported as total dollar investment (all sources are included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party). This amount excludes all loans that were approved in the 2014-15 fiscal year and subsequently cancelled or withdrawn on or before March 31, 2015.
  - Dollar investment is any fund (i.e., debt, equity, investment) that would be used to support the growth of farming and commercial activities. Total leveraged investment is a proxy for the total dollar investment as a result of AFSC's involvement with the facilitation of capital investment in agribusiness and farm loans through its lending products, services and partnerships.
  - Total dollar investment in rural businesses is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed. The data is collated from AFSC's lending activities.

## Performance Measure 4.b: Methodology

- Percentage of ministry-supported, agricultural-related community activities that focus on leadership development
  - The total of ministry-supported leadership development activities is divided by the total number of ministry-supported agricultural-related community activities and then expressed as a percentage.
  - Ministry-supported activities include educational workshops, sessions and rural community-initiated projects that focus on leadership development, agriculture education and agriculture-related activities such as livestock shows. The activities included in the measure address five priority areas: agriculture related activities; agri-business development; agriculture education and skill development; leadership development; and community improvements.
  - Data for this measure is collated from three program areas of the ministry: the Agricultural Society Program; the 4-H Program; and the Agricultural Initiatives Program.

# Ministry of Agriculture and Rural Development

CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended March 31, 2015

Independent Auditor's Report  
Consolidated Statement of Operations  
Consolidated Statement of Financial Position  
Consolidated Statement of Cash Flows  
Notes to the Consolidated Financial Statements  
Consolidated Schedule of Expenses – Directly Incurred Detailed by Object  
Consolidated Schedule of Budget  
Consolidated Schedule of Loans Receivable  
Consolidated Schedule of Investments  
Consolidated Schedule of Tangible Capital Assets  
Consolidated Schedule of Borrowing from the Government of Alberta  
Consolidated Schedule of Related Party Transactions  
Consolidated Schedule of Allocated Costs



## Independent Auditor's Report

To the Members of the Legislative Assembly

### **Report on the Consolidated Financial Statements**

I have audited the accompanying consolidated financial statements of the Ministry of Agriculture and Rural Development, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Agriculture and Rural Development as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 2, 2015

Edmonton, Alberta

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2015

	<b>2015 Constructed Budget (Schedule 2)</b>	<b>2015 Actual  (in thousands)</b>	<b>2014 Actual (Restated)</b>
<b>Revenues</b>			
Government Transfers			
Transfers from the Agriculture and Food Innovation	\$ 9,000	\$ 3,050	\$ -
Endowment Account			
Government of Alberta Grants	-	875	812
Federal Government Grants	332,213	287,769	294,847
Investment Income	123,822	132,188	118,022
Premiums, Fees and Licenses	358,006	324,941	394,663
Other Revenue	8,219	10,972	9,034
<b>Ministry Revenue</b>	<b>831,260</b>	<b>759,795</b>	<b>817,378</b>
<b>Expenses - Directly Incurred (Note 2(c) and Schedule 8)</b>			
<b>Program (Schedule 1)</b>			
Ministry Support Services	18,248	16,143	17,240
Agriculture Policy and Economics	17,955	16,443	14,671
Agriculture Environment and Water	56,670	53,694	50,001
Food Safety and Animal Health	51,156	45,716	43,041
Industry Development	122,471	115,453	110,589
Lending	37,829	34,301	22,432
Insurance	480,258	507,017	432,971
Agriculture Income Support	141,900	134,639	73,149
Livestock and Meat Strategy	37,122	33,144	28,964
2013 Alberta Flooding			
Non Disaster Recovery Program Expenses	17,283	630	114
Agriculture and Food Innovation Endowment Account	9,000	3,058	-
<b>Program Expense</b>	<b>989,892</b>	<b>960,238</b>	<b>793,172</b>
Other			
Debt Servicing Costs	72,807	69,892	67,931
	72,807	69,892	67,931
<b>Ministry Expense</b>	<b>1,062,699</b>	<b>1,030,130</b>	<b>861,103</b>
<b>Net Operating Results</b>	<b>\$ (231,439)</b>	<b>\$ (270,335)</b>	<b>\$ (43,725)</b>

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

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2015

	2015	2014 (Restated)
	(in thousands)	
<b>Assets</b>		
Cash and Cash Equivalents	\$ 227,708	\$ 240,529
Accounts Receivable	16,722	14,433
Due from Government of Canada	179,450	142,806
Loans Receivable (Schedule 3)	2,067,625	1,952,921
Investments (Schedule 4)	1,834,695	1,634,743
Tangible Capital Assets (Schedule 5)	72,016	76,929
	<b>\$ 4,398,216</b>	<b>\$ 4,062,361</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 48,261	\$ 44,018
Indemnities Payable	172,484	133,828
Deferred Revenue (Note 5)	22,531	24,574
Borrowing from Government of Alberta (Schedule 6)	2,023,926	1,946,568
	<b>2,267,202</b>	<b>2,148,988</b>
<b>Net Assets</b>		
Net Assets as adjusted at Beginning of Year	1,913,373	1,341,571
Adjustments to net assets	(66)	(43)
Net Operating Results	(270,335)	(43,725)
Net Financing Provided from General Revenues	488,042	615,570
Net Assets at End of Year	2,131,014	1,913,373
	<b>\$ 4,398,216</b>	<b>\$ 4,062,361</b>

Contractual obligations and contingent liabilities (Notes 6 and 7)

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



MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

	2015	2014 (Restated)
	(in thousands)	
<b>Operating Transactions</b>		
Net Operating Results	\$ (270,335)	\$ (43,725)
Non-cash items included in Net Operating Results		
Amortization of Tangible Capital Assets	16,509	16,739
Deferred Capital Contribution recognized as revenue	(2,554)	(3,139)
Amortization of premiums and discounts	3,102	4,921
Loss on Disposal of Tangible Capital Assets	106	8
Gain on Sale of Investments	(7,621)	(3,907)
	<b>(260,793)</b>	<b>(29,103)</b>
Net Change in Operating Assets and Liabilities	7,324	(53,694)
Cash Applied to Operating Transactions	<b>(253,469)</b>	<b>(82,797)</b>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(11,826)	(14,044)
Proceeds on Disposal of Tangible Capital Assets	59	45
Cash Applied to Capital Transactions	<b>(11,767)</b>	<b>(13,999)</b>
<b>Investing Transactions</b>		
Proceeds from Repayments of Loans Receivable	383,338	327,660
Loan Disbursements	(506,186)	(502,066)
Purchase of Investments	(1,064,288)	(1,088,998)
Proceeds on Disposal of Investments	870,245	574,696
Cash Applied to Investing Transactions	<b>(316,891)</b>	<b>(688,708)</b>
<b>Financing Transactions</b>		
Contributions Restricted for Capital	3,157	5,192
Borrowing from the Government of Alberta	123,586	332,578
Repayment of Borrowing from the Government of Alberta	(45,479)	(193,393)
Net Financing Provided from General Revenues	488,042	615,570
Cash Provided by Financing Transactions	<b>569,306</b>	<b>759,947</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(12,821)</b>	<b>(25,557)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>240,529</b>	<b>266,086</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 227,708</b>	<b>\$ 240,529</b>

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

## Notes to the Consolidated Financial Statements for the Year Ended March 31, 2015

### Note 1 Authority and Purpose

The Minister of Agriculture and Rural Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

---

### Note 2 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

#### (a) Reporting Entity

The Minister of Agriculture and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture and Rural Development and constitute the reporting entity.

<b>Organization</b>	<b>Authority</b>
Department of Agriculture and Rural Development (the Department)	<i>Government Organization Act</i>
Agriculture Financial Services Corporation (the Corporation)	<i>Agriculture Financial Services Act</i>
The Alberta Livestock and Meat Agency Ltd. (the Agency)	<i>Alberta Business Corporations Act</i>

The financial statements for the individual entities provide more detailed information about the operations of each entity.

#### (b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the ministry have been eliminated.

#### (c) Basis of Financial Reporting

**Revenue Accounting Policy** - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as deferred revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

## **Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

*Government transfers* - Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the ministry is eligible to receive the funds.

*Capital contributions* - Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

### **Expenses**

*Directly Incurred* - Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, loans, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

*Incurred by Others* - Services contributed by other entities in support of the ministry operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

**Assets** - Cash and Cash Equivalents consists of deposits in the Consolidated Cash Investment Fund, which is managed by the President of Treasury Board and Minister of Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; accounts payable and accrued liabilities; and indemnities payable. Fair values of loans receivable, investments, and borrowing from the Government of Alberta are disclosed in their respective schedules and notes.

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

Loans are recorded at the lower of cost and net recoverable value. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs. Valuation allowances are recorded to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured.

Loans made with significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the term of the related concessionary loan.

Tangible capital assets of the ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Amortization is only charged if the tangible capital asset is in use.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

**Liabilities** - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

**Net Assets** - Net assets represent the difference between the carrying value of assets held by the ministry and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgriInsurance net assets are restricted for AgriInsurance purposes only.

**Measurement Uncertainty** (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Accounts Receivable, recorded as \$16,722 in these financial statements, includes an allowance for doubtful accounts of \$14,352 (2014 – \$19,886) for estimated losses on premiums receivable and overpayments which is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

**Loans Receivable** - Loans receivable, recorded as \$2,067,625 (2014 Restated – \$1,952,921) in these financial statements, include a specific allowance of \$24,800 (2014 – \$15,622) and a general allowance of \$11,944 (2014 – \$16,969) that are subject to measurement uncertainty. The amount established for specific and general allowances of \$34,217 (2014 – \$32,591) to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Provisions are established for specifically identified potential losses on loans. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted net present value of the security and the cost of realization. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the ministry establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

**Indemnities Payable** - Estimated indemnities payable of \$172,484 (2014 – \$133,828) and corresponding contributions and receivables from the Government of Canada are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of \$88,621 to \$138,860.

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

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

## **Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

### **(d) Change in Accounting Policy**

#### **PS3260 Liability for Contaminated Sites**

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The ministry early adopted this accounting standard as of April 1, 2012. The ministry recognizes a liability for the sites no longer in use where the contamination has exceeded the relevant environmental standards and where the ministry has accepted responsibility. Included in Accounts Payable and Accrued Liabilities is a liability of \$743 for the estimated remaining remediation (2014 - \$755).

### **(e) Future Accounting Changes**

#### **PS 3450 Financial Instruments**

In June 2011, the Public Sector Accounting Board issued this accounting standard and subsequently extended the effective date to April 1, 2016 from April 1, 2015.

The ministry has not yet adopted this standard and has the option of adopting it in fiscal year 2016-17 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

#### **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions**

In March 2015, the Public Sector Accounting Board issued PS 2200 – Related party disclosures and PS 3420 – Inter- entity transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017.

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 – Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Management is currently assessing the impact of these new standards on the financial statements.

---

### Note 3 Restatement of Prior Year Figures

(in thousands)

Effective April 1, 2014, responsibility for funding the public affairs officer positions was transferred from the Ministry of Public Affairs Bureau to the ministry where they had previously been seconded.

Comparatives for 2014 have been restated as if the ministry had always been assigned with its current responsibilities.

	As Previously Reported	Tangible Capital Asset Adjustment	Transfer from Public Affairs Bureau	As Restated
Net Assets at March 31, 2013	\$ 1,341,571	\$ (34)	\$ (9)	\$ 1,341,528
Net Operating Result	(43,618)	10	(117)	(43,725)
Net Financing provided from General Revenues	615,456	-	114	615,570
<b>Net Assets at March 31, 2014</b>	<b>\$ 1,913,409</b>	<b>\$ (24)</b>	<b>\$ (12)</b>	<b>\$ 1,913,373</b>

Comparatives have also been adjusted to reflect an adjustment for duplicate tangible capital assets previously recorded in the amount of \$34.

### Note 4 Credit and Interest Rate Risk

(in thousands)

**Credit Risk** - Credit risk is the risk that a borrower may not pay amounts owing thus resulting in a loss.

The following breakdown of the loans receivable provides an indication of the concentration of credit risk in the loan portfolio.

	2015		2014 (Restated)	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	\$ 1,044,243	50%	\$ 945,750	48%
Cattle	514,474	25%	472,814	24%
Accommodations and Other Services	120,731	6%	122,898	6%
Manufacturing	98,280	5%	101,849	5%
Trade - Retail and Wholesale	74,220	4%	69,352	4%
Other Livestock	54,358	3%	68,073	3%
Commercial and Industrial	41,661	2%	49,174	3%
Transportation and Warehousing	36,755	2%	38,092	2%
Professional Services	30,110	1%	30,674	2%
Other	89,534	4%	88,314	5%
Allowance	(36,744)	-2%	(32,591)	-2%
	<u>\$ 2,067,622</u>	<u>100%</u>	<u>\$ 1,954,399</u>	<u>100%</u>
Property reclassified as tangible capital assets	-		(1,480)	
	<u>\$ 2,067,622</u>	<u>100%</u>	<u>\$ 1,952,919</u>	<u>100%</u>

#### Note 4 Credit and Interest Rate Risk (continued)

**Interest Rate Risk** - Interest rate risk is the impact future changes in interest rates has on cash flows and fair values of assets and liabilities. Loan receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The ministry allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an amount to bridge the gap between interest revenue from the loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the ministry's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment <sup>(1)</sup>				Not Interest Rate Sensitive <sup>(2)</sup>	2015 Total	2014 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	<i>(in thousands)</i>						
Loan balances	\$ 188,307	\$ 631,284	\$ 575,523	\$ 673,177	\$ (669)	\$ 2,067,622	\$ 1,954,399
Yield <sup>(3)</sup>	4.04%	4.10%	4.09%	3.21%	-	3.97%	4.34%
Rural utilities	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2
Borrowing from							
Government of Alberta	\$ 108,642	\$ 733,487	\$ 679,294	\$ 485,721	\$ 16,782	\$ 2,023,926	\$ 1,946,569
Yield <sup>(3)</sup>	3.57%	3.69%	3.49%	3.11%	-	3.57%	3.64%
Net gap	<u>\$ 79,667</u>	<u>\$ (102,203)</u>	<u>\$ (103,771)</u>	<u>\$ 187,456</u>	<u>\$ (17,451)</u>	<u>\$ 43,698</u>	<u>\$ 7,832</u>

<sup>(1)</sup> For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

<sup>(2)</sup> Includes specific and general allowance, accrued interest, and unamortized loan discount.

<sup>(3)</sup> Yield represents the rate which discounts future cash receipts to the carrying amount.

**Note 5 Deferred Revenue**

(in thousands)

	2015	2014
Unearned Revenue	\$ 8,524	\$ 11,171
Unspent deferred capital contribution Liability (i)	1,107	1,107
Spent deferred capital contributions (ii)	12,900	12,297
	<u>\$ 22,531</u>	<u>\$ 24,575</u>

(i) Unspent deferred capital contribution liability

	2015			2014
	Federal Government	Non- government	Total	Total
Balance, beginning of year	\$ 1,107	\$ -	\$ 1,107	\$ 708
Cash contributions received/receivable during year	2,393	764	3,157	5,192
Transferred to spend deferred capital contributions	(2,393)	(764)	(3,157)	(4,793)
Balance, end of year	<u>\$ 1,107</u>	<u>\$ -</u>	<u>\$ 1,107</u>	<u>\$ 1,107</u>

(ii) Spent deferred capital contributions

	2015			2014
	Federal Government	Non- government	Total	Total
Balance, beginning of year	\$ 10,979	\$ 1,318	\$ 12,297	\$ 10,643
Transferred capital assets received/receivable	-	-	-	-
Transferred from unspent deferred capital contribution	2,393	764	3,157	4,793
Less amounts recognized as revenue	(2,403)	(151)	(2,554)	(3,139)
Balance, end of year	<u>\$ 10,969</u>	<u>\$ 1,931</u>	<u>\$ 12,900</u>	<u>\$ 12,297</u>

**Note 6 Contingent Liabilities**

(in thousands)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The ministry has been named in one (2014: one) claim of which the outcome is not determinable. The claim has a specified amount totalling \$300 (2014: \$300). This claim is covered in whole by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.



## Note 7 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2015	2014
Obligations under Operating Leases, Contracts and Programs	\$ 94,665	\$ 71,347
Approved, Undisbursed Loans	<u>170,249</u>	<u>181,981</u>
	<u>\$ 264,914</u>	<u>\$ 253,328</u>

Estimated payment requirements for each of the next five years are as follows:

### Obligations Under Operating Leases, Contracts and Programs

	Total
2015-16	\$ 67,366
2016-17	19,421
2017-18	2,604
2018-19	1,586
2019-20	822
Thereafter	<u>2,866</u>
	<u>\$ 94,665</u>

### Loans and Advances

	Total
2015-16	<u>\$ 170,249</u>
	<u>\$ 170,249</u>

---

## Note 8 Guarantees

(in thousands)

	2015	2014	Expiry Date
Feeder Associations	\$ 54,879	\$ 48,417	Ongoing
Agriculture Financial Services Corporation Guarantees	<u>12,972</u>	<u>10,226</u>	Variable
	67,851	58,643	
Allowance for Loan Guarantees	<u>(150)</u>	<u>(150)</u>	
	<u>\$ 67,701</u>	<u>\$ 58,493</u>	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan. There are currently no outstanding guarantees under the *Rural Utilities Act*.

Included in Agriculture Financial Services Corporation guarantees is \$8.75 million guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in southern Alberta. Under the AFRLGP, the Corporation has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.

---

## Note 9 Trust Funds Under Administration

(in thousands)

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

As at March 31, 2015 trust funds under administration were as follows:

	2015	2014
4-H General Trust	\$ 106	\$ 110
Claude Gallinger Memorial Trust Fund	21	21
	<u>\$ 127</u>	<u>\$ 131</u>

---

## Note 10 2013 Alberta Flooding

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the Department of Municipal Affairs through the authority of the *Disaster Recovery Regulation*.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

---

## Note 11 Benefit Plans

(in thousands)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$18,396 for the year ended March 31, 2015 (2013 - \$17,355). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2014, the Management Employees Pension Plan reported a surplus of \$75,805 (2013 surplus - \$50,457), the Public Service Pension Plan reported a deficiency of \$803,299 (2013 deficiency - \$1,254,678) and the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$17,203 (2013 deficiency - \$12,384).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2015, the Bargaining Unit Plan reported an actuarial surplus of \$86,888 (2014 surplus - \$75,200) and the Management, Opted Out, and Excluded Plan an actuarial surplus of \$32,343 (2014 surplus - \$24,055). The expense for these two plans is limited to the employer's annual contributions for the year.

---

## **Note 12 Subsequent Events**

The following changes were made as a result of a new Cabinet announced on May 24, 2015 and Order in Council Number 121/2015 passed on May 25, 2015:

1. The name of the Ministry of Agriculture and Rural Development was changed to the Ministry of Agriculture and Forestry.
2. Certain Environment and Sustainable Resource Development programs were transferred from the Ministry of Environment and Parks to the newly renamed Ministry of Agriculture and Forestry or to their joint responsibilities. Concurrently responsibility for certain sections of the *Environmental Protection and Enhancement Act* was transferred to the common responsibility of the Ministry of Environment and Parks and the Ministry of Agriculture and Forestry.

A reasonable estimate of the impact on the results of operations of the Ministry of Agriculture and Forestry cannot be made at this stage.

---

## **Note 13 Comparative Figures**

Certain 2014 figures have been reclassified to conform to the 2015 presentation.

---

## **Note 14 Budget**

The 2014-2015 Government and Lottery Fund Estimates were approved on April 24, 2014.

---

## **Note 15 Approval of the Consolidated Financial Statements**

The consolidated financial statements were approved by the senior financial officer and the deputy minister.

---

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT  
CONSOLIDATED SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2015

	<b>2015</b>		<b>2014</b>
	<b>Constructed Budget</b>	<b>Actual</b>	<b>Actual (Restated)</b>
	(in thousands)		
Indemnities	\$ 519,263	\$ 548,546	\$ 410,739
Grants	163,223	141,550	125,599
Salaries, Wages, Employment Contracts and Benefits	167,391	166,099	158,145
Interest	80,807	69,892	67,931
Supplies and Services	68,291	56,164	54,511
Amortization of Tangible Capital Assets	17,220	16,509	16,739
Other Expenses	46,504	31,370	27,439
<b>Total</b>	<b>\$ 1,062,699</b>	<b>\$ 1,030,130</b>	<b>\$ 861,103</b>

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULE TO FINANCIAL STATEMENTS

## BUDGET

YEAR ENDED MARCH 31, 2015

	2014-15 Estimate	Adjustment to Conform to Accounting Policy (in thousands)	2014-15 Constructed Budget
<b>Revenues</b>			
Transfers from the Agriculture and Food Innovation Endowment Account	\$ 9,000	\$ -	\$ 9,000
Federal Government Grants	332,213	-	332,213
Investment Income	123,822	-	123,822
Premiums, Fees and Licenses	358,006	-	358,006
Other Revenue	8,119	100	8,219
	<u>831,160</u>	<u>100</u>	<u>831,260</u>
<b>Expenses - Directly Incurred</b>			
<b>Programs</b>			
Ministry Support Services	18,248	-	18,248
Agriculture Policy and Economics	17,955	-	17,955
Agriculture Environment and Water	35,670	21,000	56,670
Food Safety and Animal Health	51,156	-	51,156
Industry Development	118,571	3,900	122,471
Lending	37,829	-	37,829
Insurance	480,258	-	480,258
Agriculture Income Support	141,900	-	141,900
Livestock and Meat Strategy	34,122	3,000	37,122
2013 Alberta Flooding	17,283	-	17,283
Agriculture and Food Innovation Endowment Account	9,000	-	9,000
Program Expense	<u>961,992</u>	<u>27,900</u>	<u>989,892</u>
Debt Servicing Costs	<u>72,807</u>	<u>-</u>	<u>72,807</u>
Total Expense	<u>1,034,799</u>	<u>27,900</u>	<u>1,062,699</u>
<b>Net Operating Results</b>	<u>\$ (203,639)</u>	<u>\$ (27,800)</u>	<u>\$ (231,439)</u>
Capital Spending	<u>\$ 39,646</u>	<u>\$ (24,900)</u>	<u>\$ 14,746</u>

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF LOANS RECEIVABLE

YEAR ENDED MARCH 31, 2015

	<b>2015</b>	<b>2014</b> <b>(Restated)</b>
	<b>(in thousands)</b>	
Loans Receivable	\$ 2,077,497	\$ 1,959,337
Accrued Interest	<u>26,943</u>	<u>26,266</u>
	2,104,440	1,985,603
Less Allowance for Doubtful Accounts	\$ (36,745)	(32,592)
Less Loan Discounts	<u>(70)</u>	<u>(90)</u>
	<u><u>\$ 2,067,625</u></u>	<u><u>\$ 1,952,921</u></u>

Fair values of loans receivable are not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

The allowance for doubtful accounts of \$36,745 (2014 – \$32,592) includes a specific allowance of \$24,800 (2014 – \$15,622) on impaired loans outstanding of \$30,114 (2014 - \$30,035), excluding unamortized loan discounts.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF INVESTMENTS

YEAR ENDED MARCH 31, 2015  
(in thousands)

	<u>2015</u>	<u>2014</u>
Bonds and Debentures		
Government of Canada, direct and guaranteed	\$ 938,215	\$ 843,492
Other provincial, direct and guaranteed	<u>79,991</u>	<u>135,728</u>
	1,018,206	979,220
Corporate Securities	<u>804,647</u>	<u>646,547</u>
	1,822,853	1,625,767
Accrued interest	<u>11,842</u>	<u>8,976</u>
	<u>\$ 1,834,695</u>	<u>\$ 1,634,743</u>

	<u>Term to Maturity</u>			<u>2015 Total</u>	<u>2014 Total</u>
	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>		
Bonds and Debentures	\$ 162,415	\$ 724,874	\$ 130,917	\$ 1,018,206	\$ 979,220
Yield	0.59%	0.79%	1.37%	0.83%	1.40%
Corporate Securities	124,993	597,838	81,816	804,647	646,547
Yield	<u>1.07%</u>	<u>1.34%</u>	<u>1.70%</u>	<u>1.33%</u>	<u>1.90%</u>
	287,408	1,322,712	212,733	1,822,853	1,625,767
Accrued Interest	<u>1,400</u>	<u>8,917</u>	<u>1,525</u>	<u>11,842</u>	<u>8,976</u>
	<u>\$ 288,808</u>	<u>\$ 1,331,629</u>	<u>\$ 214,258</u>	<u>\$ 1,834,695</u>	<u>\$ 1,634,743</u>

The fair value of investments at March 31, 2015 is \$1,861,743 (2014 - \$1,639,850). Fair value is based on quoted market prices including accrued interest.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT  
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED MARCH 31, 2015  
(in thousands)

Estimated Useful Life	Land Indefinite	Buildings 25 - 40 years	Equipment and Vehicles 5 - 10 years	Computer		Rail Hopper Cars 35 years	Leasehold Improvements 5 years	2015 Total	2014 Total (Restated)
				Hardware and Software 2 - 10 years	Software 2 - 10 years				
<b>Historical Cost</b> <sup>(1)</sup>									
Beginning of Year	\$ 1,827	\$ 12,011	\$ 65,868	\$ 109,987	\$ 48,972	\$ 133	\$ 238,798	\$ 227,271	
Additions	-	-	5,723	6,103	-	-	11,826	14,044	
Disposals <sup>(2)</sup>	-	(66)	(519)	(1,202)	(219)	-	(2,006)	(2,517)	
	\$ 1,827	\$ 11,945	\$ 71,072	\$ 114,888	\$ 48,753	\$ 133	\$ 248,618	\$ 238,798	
<b>Accumulated Amortization</b>									
Beginning of Year	\$ -	\$ 5,273	\$ 42,546	\$ 67,614	\$ 46,309	\$ 127	\$ 161,869	\$ 147,594	
Amortization Expense	-	411	4,739	9,958	1,395	6	16,509	16,739	
Effect of Disposals	-	-	(432)	(1,134)	(210)	-	(1,776)	(2,464)	
	\$ -	\$ 5,684	\$ 46,853	\$ 76,438	\$ 47,494	\$ 133	\$ 176,602	\$ 161,869	
<b>Net Book Value at</b>									
<b>March 31, 2015</b>	\$ 1,827	\$ 6,261	\$ 24,219	\$ 38,450	\$ 1,259	\$ -	\$ 72,016	\$ -	
<b>Net Book Value at</b>									
<b>March 31, 2014</b>	\$ 1,827	\$ 6,738	\$ 23,322	\$ 42,373	\$ 2,663	\$ 6	\$ 76,929	\$ -	

<sup>(1)</sup> Historical cost includes work-in-progress at March 31, 2015 totaling \$11,045 comprised of: equipment \$972 (2014 - \$5,669) and computer hardware and software \$10,073 (2014 - \$3,846).

<sup>(2)</sup> Includes transfer of buildings to Alberta Infrastructure comprised of historical cost of \$66.



MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT  
CONSOLIDATED SCHEDULE OF BORROWING FROM THE GOVERNMENT OF ALBERTA

YEAR ENDED MARCH 31, 2015  
(in thousands)

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

	<b>2015</b>	<b>2014</b>
<b>Effective Annual Interest Rate</b>		
Less than or equal to 2%	\$ 170,000	\$ 120,000
2.01% to 3.00%	483,000	433,000
3.01% to 4.00%	809,238	784,238
4.01% to 5.00%	489,751	514,751
5.01% to 6.00%	<u>55,155</u>	<u>75,634</u>
	2,007,144	1,927,623
Accrued interest	14,431	14,045
Unamortized premium	<u>2,351</u>	<u>4,900</u>
	<u>\$ 2,023,926</u>	<u>\$ 1,946,568</u>

The estimated fair value at March 31, 2015 is \$2,232,195 (2013 - \$2,025,893). Fair value is an approximation of market value to the holder.

Scheduled principal repayments in each of the next five years and thereafter are as follows:

Year ending March 31,	2016	\$ 108,642
	2017	185,506
	2018	68,780
	2019	186,092
	2020	293,109
	Thereafter	<u>1,165,015</u>
		<u>\$ 2,007,144</u>

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT  
CONSOLIDATED SCHEDULE OF RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2015  
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the ministry.

The ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	<b>2015</b>	<b>2014</b> <b>(Restated)</b>
Revenues:		
Grants	\$ -	\$ -
Other	4,677	1,117
	<u>\$ 4,677</u>	<u>\$ 1,117</u>
Expenses - Directly Incurred:		
Grants	\$ 8,295	\$ 9,164
Accommodation	742	784
Other services	4,154	4,441
Interest	69,761	67,752
	<u>\$ 82,952</u>	<u>\$ 82,141</u>
Tangible Capital Assets Transferred (Out)		
Ministry of Infrastructure	\$ (66)	\$ -
	<u>\$ (66)</u>	<u>\$ -</u>
Payable to		
Ministry of Treasury Board and Finance	\$ 2,023,926	\$ 1,946,569
Ministry of Innovation and Advanced Education	2,744	3,177
Ministry of Service Alberta	7	4
Ministry of Infrastructure	-	66
	<u>\$ 2,026,677</u>	<u>\$ 1,949,816</u>
Receivable from		
Alberta Heritage Savings Trust	3,050	-
Ministry of Innovation and Advanced Education	1	1
Ministry of Education	64	-
	<u>\$ 3,115</u>	<u>\$ 1</u>
Deferred Revenue from		
Ministry of Innovation and Advanced Education	274	169
Ministry of Education	1,129	1,316
	<u>\$ 1,403</u>	<u>\$ 1,485</u>

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	<b>2015</b>	<b>2014</b>
Expenses incurred by others:		
Accommodation	\$ 26,858	\$ 26,478
Legal	1,108	1,141
Business services	4,485	4,631
	<u>\$ 32,451</u>	<u>\$ 32,250</u>

Note: The ministry receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED SCHEDULE OF ALLOCATED COSTS

YEAR ENDED MARCH 31, 2015  
(in thousands)

Program	2015 Expenses - Incurred by Others					Total Expenses	2014 Total Expenses (Restated)
	Expenses <sup>(1)</sup>	Accommodation Costs <sup>(2)</sup>	Legal Services <sup>(3)</sup>	Business Services <sup>(4)</sup>			
Ministry Support Services	\$ 16,143	\$ 9,783	\$ 522	\$ 4,453	\$ 30,901	\$ 24,798	
Agriculture Policy and Economics	\$ 16,443	3,384	37	5	\$ 19,869	\$ 16,813	
Agriculture Environment and Water	\$ 53,694	3,666	61	5	\$ 57,426	\$ 53,970	
Food Safety and Animal Health	\$ 45,716	2,993	296	8	\$ 49,013	\$ 48,998	
Industry Development	\$ 115,453	5,054	191	14	\$ 120,712	\$ 121,176	
Lending	\$ 34,301	778	-	-	\$ 35,079	\$ 23,249	
Insurance	\$ 507,017	835	-	-	\$ 507,852	\$ 433,731	
Agriculture Income Support	\$ 134,639	365	-	-	\$ 135,004	\$ 73,506	
Livestock and Meat Strategy	\$ 33,144	-	1	-	\$ 33,145	\$ 28,968	
2013 Alberta Flooding	\$ 630	-	-	-	\$ 630	\$ 114	
Agriculture and Food Innovation							
Endowment Account	\$ 3,058	-	-	-	\$ 3,058	\$ -	
	<u>\$ 960,238</u>	<u>\$ 26,858</u>	<u>\$ 1,108</u>	<u>\$ 4,485</u>	<u>\$ 992,689</u>	<u>\$ 825,323</u>	

<sup>(1)</sup> Expenses - Directly incurred per Consolidated Statements of Operations

<sup>(2)</sup> Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 7, allocated by budgeted full-time equivalent employment.

<sup>(3)</sup> Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

<sup>(4)</sup> Costs shown for Business Services include charges for IT support, vehicles, air transportation, internal audit services and other services on Schedule 7, allocated by costs in certain programs.



# Department of Agriculture and Rural Development

FINANCIAL STATEMENTS  
Year Ended March 31, 2015

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Revenues

Schedule 2 – Credit or Recovery

Schedule 3 – Expenses – Directly Incurred Detailed by Object

Schedule 4 – Budget Reconciliation

Schedule 5 – Lapse/Encumbrance

Schedule 6 – Lottery Fund Estimates

Schedule 7 – Salary and Benefits Disclosure

Schedule 8 – Related Party Transactions

Schedule 9 – Allocated Costs



## Independent Auditor's Report

To the Minister of Agriculture and Forestry

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Department of Agriculture and Rural Development, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Agriculture and Rural Development as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 2, 2015

Edmonton, Alberta

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2015

	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<b>Constructed</b>	<b>Actual</b>	<b>Actual</b>
	<b>Budget</b>		<b>(Restated)</b>
	<b>(Schedule 4)</b>		
	<b>(in thousands)</b>		
<b>Revenues (Schedule 1)</b>			
Government Transfers			
Transfers from the Agriculture and Food Innovation Endowment Account	\$ 9,000	\$ 3,050	\$ -
Government of Alberta Grants	520	1,778	1,715
Federal Government Grants	50,460	43,637	36,277
Premiums, Fees and Licenses	1,344	1,192	1,497
Other Revenue	6,598	9,055	7,614
	<b>67,922</b>	<b>58,712</b>	<b>47,103</b>
<b>Expenses - Directly Incurred (Note 2(b), Schedules 3, 5, and 8)</b>			
<b>Programs</b>			
Ministry Support Services	18,248	16,143	17,240
Agriculture Policy and Economics	17,955	16,443	14,671
Agriculture Environment and Water	57,170	54,208	50,521
Food Safety and Animal Health	51,156	45,716	43,041
Industry Development	128,801	122,780	115,946
Livestock and Meat Strategy	29,060	23,936	22,333
2013 Alberta Flooding			
Non Disaster Recovery Program Expenses	17,283	630	114
Agriculture and Food Innovation Endowment Account	9,000	3,058	-
Agriculture Insurance and Lending Assistance			
Lending	17,667	17,667	16,290
Insurance	248,921	205,278	269,625
Wildlife	3,329	2,137	4,878
AgriStability	66,079	64,696	37,885
	<b>664,669</b>	<b>572,692</b>	<b>592,544</b>
<b>Net Operating Results</b>	<b>\$ (596,747)</b>	<b>\$ (513,980)</b>	<b>\$ (545,441)</b>

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

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015

	2015	2014 (Restated)
	(in thousands)	
<b>Assets</b>		
Cash	\$ 504	\$ 408
Accounts Receivable (Note 4)	29,379	30,056
Tangible Capital Assets (Note 5)	29,313	30,128
	<b>\$ 59,196</b>	<b>\$ 60,592</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 89,996	\$ 65,765
Deferred Revenue (Note 7)	5,808	5,431
	<b>95,804</b>	<b>71,196</b>
<b>Net Liabilities</b>		
Net Liabilities as adjusted at Beginning of Year	(10,604)	(80,690)
Adjustments to opening net liabilities	(66)	(43)
Net Operating Results	(513,980)	(545,441)
Net Financing Provided from General Revenues	488,042	615,570
Net Liabilities at End of Year	(36,608)	(10,604)
	<b>\$ 59,196</b>	<b>\$ 60,592</b>

Contingent Liabilities and Contractual Obligations (Notes 8 and 9)

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



DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

	2015	2014 (Restated)
	(in thousands)	
<b>Operating Transactions</b>		
Net Operating Results	\$ (513,980)	\$ (545,441)
Non-cash Items Included in Net Operating Results		
Amortization (Note 5)	6,512	6,861
Deferred Capital Contribution recognized as Revenue (Note 7)	(324)	(280)
Loss on Disposal of Tangible Capital Assets	78	7
	<b>(507,714)</b>	<b>(538,853)</b>
Decrease in Accounts Receivable	677	940
Increase (Decrease) in Accounts Payable and Accrued Liabilities	24,231	(77,103)
Increase in Unearned Revenue	62	4,375
Cash Applied to Operating Transactions	<b>(482,744)</b>	<b>(610,641)</b>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets <sup>(1)</sup> (Note 5)	(5,876)	(5,613)
Proceeds on Disposal of Tangible Capital Assets	35	45
Cash Applied to Capital Transactions	<b>(5,841)</b>	<b>(5,568)</b>
<b>Financing Transactions</b>		
Contributions Restricted for Capital	639	735
Net Financing Provided from General Revenues <sup>(1)</sup>	488,042	615,570
Cash Provided by Financing Transactions	<b>488,681</b>	<b>616,305</b>
<b>Increase in Cash</b>	<b>96</b>	<b>96</b>
<b>Cash at Beginning of Year</b>	<b>408</b>	<b>312</b>
<b>Cash at End of Year</b>	<b>\$ 504</b>	<b>\$ 408</b>

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

<sup>(1)</sup> Includes Capital Asset Transfer from Livestock and Meat Agency Ltd. of \$0 (2014 - \$3)

## Notes to the Financial Statements for the Year Ended March 31, 2015

### Note 1 Authority and Purpose

The Department of Agriculture and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities. The Department is exempt from income taxes under the *Income Tax Act*.

---

### Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

#### (a) Reporting Entity

The reporting entity is the Department of Agriculture and Rural Development, which is part of the Ministry of Agriculture and Rural Development and for which the Minister of Agriculture and Rural Development is accountable. Other entities reporting to the Minister are Agriculture Financial Services Corporation and Alberta Livestock and Meat Agency Ltd. The activities of these organizations are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

#### (b) Basis of Financial Reporting

##### Revenue

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

*Government transfers* - Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the stipulations together with the department's actions and communications as to the use of the transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the transfer is authorized and the department meets the eligibility criteria (if any).

*Capital Contributions* - Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

*Credit or Recovery* - Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's Credit or Recovery Initiatives.

##### Expenses

*Directly Incurred* - Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and

## **Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

*Incurred by Others* - Services contributed by other entities in support of the department operations are not recognized and are disclosed in Schedule 8 and allocated to programs in Schedule 9.

### **Assets**

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included.

Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major system enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

### **Liabilities**

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

### **Net Liabilities**

Net Liabilities represent the difference between the carrying value of assets held by the department and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

### **Measurement Uncertainty (in thousands)**

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The department's contribution to Agriculture Financial Services Corporation for the department's share of program payments under the AgriInvest, AgriStability and AgriRecovery programs, recorded as \$64,696 (2014 – \$38,163) in these financial statements, is subject to measurement uncertainty. The department's contribution for these programs could change substantially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of \$47,127 to \$68,049.

## **Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

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

### **Valuation of Financial Assets and Liabilities**

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Receivable, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

### **(c) Future Accounting Changes**

#### **PS 3450 Financial Instruments**

In June 2011 the Public Sector Accounting Board issued this accounting standard and subsequently extended the effective date to April 1, 2016 from April 1, 2015.

The department has not yet adopted this standard and has the option of adopting it in fiscal year 2016-17 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

#### **PS 2200 Related party disclosures and PS 3420 Inter-entity transactions**

In March 2015 the Public Sector Accounting Board issued PS 2200 – Related party disclosures and PS 3420 – Inter-entity transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017.

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 – Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Management is currently assessing the impact of these new standards on the financial statements.

---

**Note 3 Restatement of Prior Year Figures**

(in thousands)

Effective April 1, 2014, responsibility for funding the public affairs officer positions was transferred from the Department of Public Affairs Bureau to the Department where they had previously been seconded.

Comparatives for 2014 have been restated as if the Department had always been assigned with its current responsibilities.

	As Previously Reported	Tangible Capital Asset Adjustment	Transfer from Public Affairs Bureau	As Restated
Net Liabilities at March 31, 2013	\$ (80,690)	\$ (34)	\$ (9)	\$ (80,733)
Net Operating Result	(545,334)	10	(117)	(545,441)
Net Financing provided from General Revenues	615,456	-	114	615,570
<b>Net Liabilities at March 31, 2014</b>	<b>\$ (10,568)</b>	<b>\$ (24)</b>	<b>\$ (12)</b>	<b>\$ (10,604)</b>

Comparatives have also been adjusted to reflect an adjustment for duplicate tangible capital assets previously recorded in the amount of \$34.

**Note 4 Accounts Receivable**

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	Gross Amount	2015 Allowance for Doubtful Accounts	Net Realizable Value	2014 Net Realizable Value
Accounts receivable	\$ 29,532	\$ 264	\$ 29,268	\$ 29,790
Refunds from suppliers	108	-	108	262
Loans and Advances	4	1	3	4
	<u>\$ 29,644</u>	<u>\$ 265</u>	<u>\$ 29,379</u>	<u>\$ 30,056</u>

**Note 5 Tangible Capital Assets**  
(in thousands)

	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2015 Total	2014 Total (Restated)
Estimated Useful Life	40 years	5 - 10 years	3 - 5 years	35 years		
<b>Historical Cost<sup>(1)</sup></b>						
Beginning of Year	\$ 2,024	\$ 54,741	\$ 14,212	\$ 48,972	\$ 119,949	\$ 115,975
Additions <sup>(2)</sup>	-	4,319	1,557	-	5,876	5,621
Disposals <sup>(3)</sup>	(66)	(373)	(961)	(219)	(1,619)	(1,647)
	<u>1,958</u>	<u>58,687</u>	<u>14,808</u>	<u>48,753</u>	<u>124,206</u>	<u>119,949</u>
<b>Accumulated Amortization</b>						
Beginning of Year	575	36,335	6,602	46,309	89,821	84,547
Amortization Expense <sup>(2)</sup>	49	3,535	1,533	1,395	6,512	6,869
Effect of Disposals	-	(337)	(893)	(210)	(1,440)	(1,595)
	<u>624</u>	<u>39,533</u>	<u>7,242</u>	<u>47,494</u>	<u>94,893</u>	<u>89,821</u>
<b>Net Book Value at</b>						
<b>March 31, 2015</b>	<u>\$ 1,334</u>	<u>\$ 19,154</u>	<u>\$ 7,566</u>	<u>\$ 1,259</u>	<u>\$ 29,313</u>	
<b>March 31, 2014</b>	<u>\$ 1,449</u>	<u>\$ 18,406</u>	<u>\$ 7,610</u>	<u>\$ 2,663</u>		<u>\$ 30,128</u>

(1) Historical cost includes work-in-progress at March 31, 2015 totaling \$4,822 comprised of: equipment \$972 (2014 - \$907) and computer hardware and software \$3,850 (2014 - \$3,172).

(2) Includes transfer of computer hardware from Alberta Livestock and Meat Agency Ltd. comprised of historical cost of \$0 (2014 - \$11) and accumulated amortization of \$0 (2014 - \$8).

(3) Includes transfer of buildings to Alberta Infrastructure comprised of historical cost of \$66 (2014 - \$0).

**Note 6 Accounts Payable and Accrued Liabilities**  
(in thousands)

	2015	2014 (Restated)
Accounts Payable – General	\$ 176	\$ 186
Manpower	11,969	12,754
Grants	72,025	49,192
Supplies and Services and Capital Purchases	5,826	3,633
	<u>\$ 89,996</u>	<u>\$ 65,765</u>

## Note 7 Deferred Revenue

(in thousands)

	2015	2014
Unearned Revenue	\$ 2,861	\$ 2,799
Unspent deferred capital contribution Liability (i)	1,176	1,194
Spent deferred capital contributions (ii)	1,771	1,438
	<u>\$ 5,808</u>	<u>\$ 5,431</u>

(i) Unspent deferred capital contribution liability

	2015				2014
	Government of Alberta	Federal Government	Non-government	Total	Total
Balance, beginning of year	\$ 87	\$ 1,107	\$ -	\$ 1,194	\$ 969
Cash contributions received/receivable during year	69	-	570	639	735
Transferred to spent deferred capital contributions	(87)	-	(570)	(657)	(510)
Balance, end of year	<u>\$ 69</u>	<u>\$ 1,107</u>	<u>\$ -</u>	<u>\$ 1,176</u>	<u>\$ 1,194</u>

(ii) Spent deferred capital contributions

	2015				2014
	Government of Alberta	Federal Government	Non-government	Total	Total
Balance, beginning of year	\$ 390	\$ 482	\$ 566	\$ 1,438	\$ 1,208
Transferred capital assets received/receivable	-	-	-	-	-
Transferred from unspent deferred capital contribution	87	-	570	657	510
Less amounts recognized as revenue	(63)	(184)	(77)	(324)	(280)
Balance, end of year	<u>\$ 414</u>	<u>\$ 298</u>	<u>\$ 1,059</u>	<u>\$ 1,771</u>	<u>\$ 1,438</u>

## Note 8 Contingent Liabilities

(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The department has been named in one (2014: one) claim of which the outcome is not determinable. This claim has a specified amount totalling \$300 (2014: \$300). This claim is covered in whole by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

**Note 9 Contractual Obligations**

(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2015	2014
Obligations under Operating Leases, Contracts and Programs	\$ 41,993	\$ 23,759
	<u>\$ 41,993</u>	<u>\$ 23,759</u>

Estimated payment requirements for each of the next five years are as follows:

**Obligations Under Operating Leases, Contracts and Programs**

	Total
2015-16	\$ 25,232
2016-17	16,086
2017-18	562
2018-19	73
2019-20	40
	<u>\$ 41,993</u>

**Note 10 Guarantees**

(in thousands)

	2015	2014	Expiry Date
Feeder Associations	\$ 54,879	\$ 48,417	Ongoing
	<u>\$ 54,879</u>	<u>\$ 48,417</u>	

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is \$55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is \$50 million). There are currently no outstanding guarantees under this act.

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

**Note 11 Trust Funds Under Administration**

(in thousands)

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

As at March 31, 2015 trust funds under administration were as follows:

	2015	2014
4-H General Trust	\$ 106	\$ 110
Claude Gallinger Memorial Trust Fund	21	21
	<u>\$ 127</u>	<u>\$ 131</u>



**Note 12 2013 Alberta Flooding**  
(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the Department of Municipal Affairs through the authority of the *Disaster Recovery Regulation*.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

---

**Note 13 Benefit Plans**  
(in thousands)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$11,592 for the year ended March 31, 2015 (2014 – \$10,842). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2014, the Management Employees Pension Plan reported a surplus of \$75,805 (2013 surplus - \$50,457), the Public Service Pension Plan reported a deficiency of \$803,299 (2013 deficiency - \$1,254,678) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$17,203 (2013 deficiency - \$12,384).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2015, the Bargaining Unit Plan reported an actuarial surplus of \$86,888 (2014 surplus - \$75,200) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$32,343 (2014 surplus - \$24,055). The expense for these two plans is limited to the employer's annual contributions for the year.

---

**Note 14 Subsequent Events**

The following changes were made as a result of a new Cabinet announced on May 24, 2015 and Order in Council Number 121/2015 passed on May 25, 2015:

1. The name of the Department of Agriculture and Rural Development was changed to the Department of Agriculture and Forestry.
2. Certain Environment and Sustainable Resource Development programs were transferred from the Department of Environment and Parks to the newly renamed Department of Agriculture and Forestry or to their joint responsibilities. Concurrently responsibility for certain sections of the *Environmental Protection and Enhancement Act* was transferred to the common responsibility of the Department of Environment and Parks and the Department of Agriculture and Forestry.

A reasonable estimate of the impact on the results of operations of the Department of Agriculture and Forestry cannot be made at this stage.

---

**Note 15 Comparative Figures**

Certain 2014 figures have been reclassified to conform to the 2015 presentation.

---

**Note 16 Approval of the Financial Statements**

The financial statements were approved by the senior financial officer and the deputy minister.

---

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSREVENUESYEAR ENDED MARCH 31, 2015

	<b>2015</b>		<b>2014</b>
	<b>Constructed Budget</b>	<b>Actual (in thousands)</b>	<b>Actual</b>
Government of Alberta Grants	<u>\$ 9,520</u>	<u>\$ 4,828</u>	<u>\$ 1,715</u>
Federal Government Grants			
BSE Surveillance	2,000	1,082	1,255
Growing Forward	48,460	42,316	34,019
AgriFlex	-	-	671
Other	<u>-</u>	<u>239</u>	<u>332</u>
	<u>50,460</u>	<u>43,637</u>	<u>36,277</u>
Premiums, Fees and Licenses			
Food Processing Centre Fees	870	700	939
Livestock Water Program	140	106	77
Meat Services	125	149	154
Other	<u>209</u>	<u>237</u>	<u>327</u>
	<u>1,344</u>	<u>1,192</u>	<u>1,497</u>
Other Revenue			
Project Contributions	4,252	4,520	3,473
Rail Hopper Car Revenue	1,500	1,999	844
Green Certificate and Home Study	400	750	297
Publications	225	309	242
Refunds of Expenditures Previous Years	-	686	1,691
Surplus Sales	-	17	72
Miscellaneous	<u>221</u>	<u>774</u>	<u>995</u>
	<u>6,598</u>	<u>9,055</u>	<u>7,614</u>
Total Revenues	<u>\$ 67,922</u>	<u>\$ 58,712</u>	<u>\$ 47,103</u>

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULE TO FINANCIAL STATEMENTS

## CREDIT OR RECOVERY

YEAR ENDED MARCH 31, 2015

2015

	Authorized <sup>(2)</sup>	Actual Revenue Recognized	Deferred Revenue (in thousands)	Actual Revenue Received/ Receivable	(Shortfall)/ Excess
<b>Program Operating</b>					
Ministry Support Services	\$ 250	\$ 324	\$ -	\$ 324	\$ 74
Agriculture Policy and Economics	3,178	2,440	-	2,440	(738)
Agriculture Environment and Water	9,762	11,514	-	11,514	1,752
Food Safety and Animal Health	14,583	9,985	-	9,985	(4,598)
Industry Development	27,434	27,082	-	27,082	(352)
	<u>\$ 55,207</u>	<u>\$ 51,345</u>	<u>\$ -</u>	<u>\$ 51,345</u>	<u>\$ (3,862)</u> <sup>(1)</sup>
<b>Program Capital Investments</b>					
Ministry Support Services	\$ -	\$ -	\$ -	\$ -	\$ -
Agriculture Policy and Economics	-	-	-	-	-
Agriculture Environment and Water	-	-	69	69	69
Food Safety and Animal Health	-	-	-	-	-
Industry Development	577	-	570	570	(7)
	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 639</u>	<u>\$ 639</u>	<u>\$ 62</u>

Ministry Support Services credit or recovery initiatives include fees for sale of publications (\$297) and farm implement dealers' licenses (\$27).

Agriculture Policy and Economics credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$2,264) and external contributions (\$176).

Agriculture Environment and Water credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$10,658), fees and contributions for Irrigation and Farm Water Program (\$232), contributions for Environmental Stewardship (\$624).

Food Safety and Animal Health credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$9,726), fees and contributions for Food Safety and Animal Health (\$259).

Industry Development credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$19,668), fees and contributions for Research and Extension (\$6,172), Food and Bio Processing (\$1,200) and external contributions to other projects and initiatives (\$42).

The revenue of each initiative is included in the Statement of Operations.

<sup>(1)</sup> Shortfall is deducted from current year's authorized budget, as disclosed in Schedule 5 to the financial statements.

<sup>(2)</sup> Authorized budget includes credit or recovery increases approved by Treasury Board on October 16, 2014.

Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

Only expenditures are authorized.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSEXPENSES - DIRECTLY INCURRED DETAILED BY OBJECTYEAR ENDED MARCH 31, 2015

	<b>2015</b>		<b>2014</b>
	<b>Constructed Budget</b>	<b>Actual</b>	<b>Actual (Restated)</b>
	(in thousands)		
Salaries, Wages and Employee Benefits	\$ 97,600	\$ 101,414	\$ 98,335
Supplies and Services	36,368	28,721	28,200
Grants	523,701	435,879	459,049
Amortization of Tangible Capital Assets	7,000	6,512	6,861
Other	-	166	99
	\$ 664,669	\$ 572,692	\$ 592,544

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULE TO FINANCIAL STATEMENTS

## BUDGET RECONCILIATION

YEAR ENDED MARCH 31, 2015

	2014-15 Estimate	Adjustment to Conform to Accounting Policy (in thousands)	2014-15 Constructed Budget
<b>Revenues</b>			
Transfers from the Agriculture and Food Innovation Endowment Account	\$ 9,000	\$ -	\$ 9,000
Government of Alberta Grants	520	-	520
Federal Government Grants	50,460	-	50,460
Premiums, Fees and Licenses	1,344	-	1,344
Other Revenue	6,498	100	6,598
	<u>67,822</u>	<u>100</u>	<u>67,922</u>
<b>Expenses - Directly Incurred</b>			
<b>Programs</b>			
Ministry Support Services	18,248	-	18,248
Agriculture Policy and Economics	17,955	-	17,955
Agriculture Environment and Water	36,170	21,000	57,170
Food Safety and Animal Health	51,156	-	51,156
Industry Development	124,901	3,900	128,801
Agriculture Insurance and Lending Assistance	335,996	-	335,996
Livestock and Meat Strategy	29,060	-	29,060
2013 Alberta Flooding	17,283	-	17,283
Agriculture and Food Innovation Endowment Account	9,000	-	9,000
	<u>639,769</u>	<u>24,900</u>	<u>664,669</u>
<b>Net Operating Results</b>	<u>\$ (571,947)</u>	<u>\$ (24,800)</u>	<u>\$ (596,747)</u>
Capital Spending	<u>\$ 28,196</u>	<u>\$ (24,900)</u>	<u>\$ 3,296</u>

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

LAPSE/ENCUMBRANCE

YEAR ENDED MARCH 31, 2015

	<b>Voted Estimate <sup>(1)</sup></b>	<b>Adjustments <sup>(2)</sup></b>	<b>Adjusted Voted Estimate (in thousands)</b>	<b>Voted Actuals <sup>(3)</sup></b>	<b>Unexpended (Over Expended)</b>
<b>Program - Operational</b>					
1 Ministry Support Services					
1.1 Minister's Office	\$ 704	-	\$ 704	\$ 681	\$ 23
1.2 Deputy Minister's Office	764	-	764	717	47
1.3 Farmers' Advocate	999	-	999	851	148
1.4 Corporate Services	12,474	(500)	11,974	10,491	1,483
1.5 Communications	401	-	401	477	(76)
1.6 Human Resources	1,976	-	1,976	1,933	43
	<u>17,318</u>	<u>(500)</u>	<u>16,818</u>	<u>15,150</u>	<u>1,668</u>
2 Agriculture Policy and Economics					
2.1 Alberta Grains Council	264	-	264	215	49
2.2 Marketing Council	873	-	873	907	(34)
2.3 Economics and Competitiveness	4,034	-	4,034	3,953	81
2.4 Policy, Strategy and Intergovernmental Affairs	6,443	(509)	5,934	5,505	429
2.5 International Marketing and Investment Attraction	4,791	-	4,791	4,266	525
	<u>16,405</u>	<u>(509)</u>	<u>15,896</u>	<u>14,846</u>	<u>1,050</u>
3 Agriculture Environment and Water					
3.1 Irrigation and Farm Water	13,788	-	13,788	11,367	2,421
3.2 Environmental Stewardship	21,662	(70)	21,592	21,354	238
	<u>35,450</u>	<u>(70)</u>	<u>35,380</u>	<u>32,721</u>	<u>2,659</u>
4 Food Safety and Animal Health					
4.1 Animal Health and Assurance	18,734	-	18,734	18,090	644
4.2 Food Safety and Animal Welfare	19,845	-	19,845	18,602	1,243

	Voted Estimate <sup>(1)</sup>	Adjustments <sup>(2)</sup>	Adjusted Voted Estimate	Voted Actuals <sup>(3)</sup>	Unexpended (Over Expended)
4.3	5,213	-	5,213	3,914	1,299
4.4	5,824	-	5,824	3,647	2,177
	49,616	-	49,616	44,253	5,363
5					
5.1	41,141	(3,007)	38,134	33,279	4,855
5.2	27,892	(569)	27,323	28,438	(1,115)
5.3	9,748	(345)	9,403	9,336	67
5.4	22,140	-	22,140	22,140	-
5.5	11,600	-	11,600	11,585	15
5.6	8,670	-	8,670	8,670	-
5.7	1,450	-	1,450	1,450	-
	122,641	(3,921)	118,720	114,898	3,822
6					
	-	-	-	-	-
7					
7.1	17,667	-	17,667	17,667	-
7.2	248,921	-	248,921	205,278	43,643
7.3	3,329	-	3,329	2,137	1,192
7.4	66,079	-	66,079	64,696	1,383
	335,996	-	335,996	289,778	46,218
8					
	29,060	-	29,060	23,936	5,124
9					
9.1	17,283	-	17,283	630	16,653
9.2	-	-	-	-	-
	17,283	-	17,283	630	16,653
10					
	9,000	-	9,000	3,050	5,950
	-	(3,862)	(3,862)	-	(3,862)
Total	\$ 632,709	\$ (8,862)	\$ 623,907	\$ 539,262	\$ 84,645
<b>Lapse/(Encumbrance)</b>					<b>\$ 84,645</b>

	Voted Estimate <sup>(1)</sup>	Adjustments <sup>(2)</sup>	Adjusted Voted Estimate	Voted Actuals <sup>(3)</sup>	Unexpended (Over Expended)
<b>Program - Capital</b>					
1					
1.3	\$ -	\$ -	\$ -	\$ 9	\$ (9)
1.4	1,600	500	2,100	1,218	882
1.6	-	-	-	27	(27)
2					
2.4	-	509	509	127	382
3					
3.1	200	-	200	403	(203)
3.2	-	70	70	279	(209)
3.3	21,000	-	21,000	21,000	-
4					
4.1	380	-	380	423	(43)
4.2	-	-	-	4	(4)
4.3	-	-	-	99	(99)
4.4	-	-	-	-	-
5					
5.1	3,900	1,507	5,407	5,509	(102)
5.2	600	1,847	2,447	2,343	104
5.3	516	1,175	1,691	932	759
5.4	-	-	-	-	-
Total	\$ 28,196	\$ 5,608	\$ 33,804	\$ 32,373	\$ 1,431
<b>Lapse/(Encumbrance)</b>					\$ 1,431

<sup>(1)</sup> As per "Operational Vote by Program" and "Voted Capital Vote by Program" page of 2014-15 Government Estimates

<sup>(2)</sup> Adjustments include capital carry forward amounts and credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. Capital carry forward amounts and Credit or recovery increases were approved on July 16 and October 16, 2014. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

<sup>(3)</sup> Actuals exclude non-voted amounts such as amortization and valuation adjustments.



DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSLOTTERY FUND ESTIMATESYEAR ENDED MARCH 31, 2015

	<b>2014-15 Lottery Fund Estimates</b>	<b>2014-15 Actual (in thousands)</b>	<b>Unexpended (Over Expended)</b>
Major Fairs and Exhibitions	\$ 22,140	\$ 22,140	\$ -
Agricultural Service Boards	11,600	11,585	15
Agricultural Societies	8,670	8,670	-
Agriculture Initiatives	1,450	1,450	-
	<u>\$ 43,860</u>	<u>\$ 43,845</u>	<u>\$ 15</u>

The revenue of the Lottery Fund was transferred to the Department of Treasury Board and Finance on behalf of the General Revenue Fund in 2014-15. Having been transferred to the General Revenue Fund, these monies then become part of the department's supply vote. This table shows details of the initiatives within the department that are funded by the Lottery Fund and compares it to the actual results.

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULE TO FINANCIAL STATEMENTS

## SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2015

	2015			2014	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup>	Total	Total
Department					
Deputy Minister <sup>(4)</sup>	\$ 280,662	8,696	63,539	\$ 352,897	\$ 343,217
Assistant Deputy Ministers					
Agriculture Policy and Economics	\$ 186,741	-	48,181	\$ 234,922	\$ 239,427
Industry Development <sup>(5)</sup>	\$ 179,799	1,098	46,927	\$ 227,824	\$ 235,951
Food Safety and Animal Health	\$ 193,430	-	48,475	\$ 241,905	\$ 239,474
Executive Directors					
Human Resources	\$ 161,068	-	43,830	\$ 204,898	\$ 204,616
Senior Financial Officer	\$ 156,907	-	49,633	\$ 206,540	\$ 198,502
Strategy and Business Integration <sup>(6)</sup>	\$ 141,346	13,241	39,057	\$ 193,644	\$ 80,744
Boards and Agencies					
Farmers' Advocate	\$ 201,335	-	7,291	\$ 208,626	\$ 206,356
General Manager, Agricultural					
Products Marketing Council <sup>(7)</sup>	\$ 130,024	-	38,175	\$ 168,199	\$ 162,284

<sup>(1)</sup> Base salary includes regular salary and earnings such as acting pay.

<sup>(2)</sup> Other cash benefits include vacation payouts, lump sum payments and automobile allowances.  
There were no bonuses paid in 2015.

<sup>(3)</sup> Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, tuition and professional memberships.

<sup>(4)</sup> Automobile allowance provided through the year, included in Other Cash Benefits.

<sup>(5)</sup> The position was occupied by two individuals at different times during the year.

<sup>(6)</sup> The position was occupied by three individuals at different times during the year.

<sup>(7)</sup> The incumbent also occupies the position of General Manager, Alberta Grains Council (20%). Full salary and benefits are disclosed in this schedule.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSRELATED PARTY TRANSACTIONSYEAR ENDED MARCH 31, 2015

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2015	2014	2015	2014 (Restated)
Revenues				
Grants	\$ 912	\$ 895	\$ -	\$ -
Other	-	-	4,677	1,117
	<u>\$ 912</u>	<u>\$ 895</u>	<u>\$ 4,677</u>	<u>\$ 1,117</u>
Expenses - Directly Incurred				
Grants	\$ 321,643	\$ 356,481	\$ 726	\$ 652
Other services	-	-	2,833	3,224
	<u>\$ 321,643</u>	<u>\$ 356,481</u>	<u>\$ 3,559</u>	<u>\$ 3,876</u>
Tangible Capital Assets Transferred In (Out)				
Alberta Livestock and Meat Agency	\$ -	\$ 3	\$ -	\$ -
Ministry of Infrastructure	-	-	(66)	-
	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ (66)</u>	<u>\$ -</u>
Payable to				
Agriculture Financial Services Corporation	\$ 66,249	\$ 40,173	\$ -	\$ -
Alberta Livestock and Meat Agency	3,085	6,690	-	-
Ministry of Innovation and Advanced Education	-	-	199	51
Ministry of Treasury Board and Finance	-	-	-	1
Ministry of Infrastructure	-	-	-	66
	<u>\$ 69,334</u>	<u>\$ 46,863</u>	<u>\$ 199</u>	<u>\$ 118</u>
Receivable from				
Agriculture Financial Services Corporation	\$ 514	\$ 520	\$ -	\$ -
Alberta Livestock and Meat Agency	479	640	-	-
Alberta Heritage Savings Trust	-	-	3,050	-
Ministry of Education	-	-	64	-
	<u>\$ 993</u>	<u>\$ 1,160</u>	<u>\$ 3,114</u>	<u>\$ -</u>
Deferred Revenue from				
Agriculture Financial Services Corporation	\$ 484	\$ 476	\$ -	\$ -
Ministry of Innovation and Advanced Education	-	-	274	169
Ministry of Education	-	-	1,129	1,316
	<u>\$ 484</u>	<u>\$ 476</u>	<u>\$ 1,403</u>	<u>\$ 1,485</u>

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 9.

	Entities in the Ministry		Other Entities	
	2015	2014	2015	2014
Expenses - Incurred by Others				
Accommodation	\$ -	\$ -	\$ 24,880	\$ 24,544
Legal	-	-	1,107	1,137
Business Services	-	-	4,485	4,631
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,472</u>	<u>\$ 30,312</u>

Note: The Department receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULE TO FINANCIAL STATEMENTS

## ALLOCATED COSTS

YEAR ENDED MARCH 31, 2015  
(in thousands)

Program	2015					Total Expenses (Restated)
	Expenses <sup>(1)</sup>	Accommodation Costs <sup>(2)</sup>	Legal Services <sup>(3)</sup>	Business Services <sup>(4)</sup>	Total Expenses	
Ministry Support Services	\$ 16,143	\$ 9,783	\$ 522	\$ 4,453	\$ 30,901	\$ 24,798
Agriculture Policy and Economics	16,443	3,384	37	5	19,869	16,813
Agriculture Environment and Water	54,208	3,666	61	5	57,940	54,490
Food Safety and Animal Health	45,716	2,993	296	8	49,013	48,998
Industry Development	122,780	5,054	191	14	128,039	126,533
Livestock and Meat Strategy	23,936	-	-	-	23,936	22,333
2013 Alberta Flooding	630	-	-	-	630	114
Agriculture and Food Innovation						
Endowment Account	3,058	-	-	-	3,058	-
Agriculture Insurance and Lending Assistance						
Insurance and Lending	225,082	-	-	-	225,082	290,793
Income Stabilization	64,696	-	-	-	64,696	37,885
	<u>\$ 572,692</u>	<u>\$ 24,880</u>	<u>\$ 1,107</u>	<u>\$ 4,485</u>	<u>\$ 603,164</u>	<u>\$ 622,757</u>

<sup>(1)</sup> Expenses - Directly Incurred as per Statements of Operations.<sup>(2)</sup> Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 8, allocated by budgeted full-time equivalent employment.<sup>(3)</sup> Costs shown for Legal Services on Schedule 8, allocated by estimated costs incurred by each program.<sup>(4)</sup> Costs shown for Business Services include charges for IT support, vehicles, air transportation, internal audit services and other services on Schedule 8, allocated by costs in certain programs.

# Agriculture Financial Services Corporation

FINANCIAL STATEMENTS  
March 31, 2015

Independent Auditor's Report  
Statement of Financial Position  
Statement of Operations  
Statement of Cash Flows  
Notes to the Financial Statements  
Schedule of Operations  
Schedule of Salaries and Benefits



## Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Agriculture Financial Services Corporation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agriculture Financial Services Corporation as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 2, 2015

Edmonton, Alberta

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015  
(dollars in thousands)

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 216,869	\$ 232,017
Accounts receivable (Note 3)	12,059	11,992
Due from Government of Alberta	66,250	40,176
Due from Government of Canada	155,677	116,260
Loans receivable (Note 4)	2,067,622	1,952,919
Investments (Note 5)	1,834,695	1,634,743
Tangible capital assets (Note 6)	41,614	45,439
	<u>\$ 4,394,786</u>	<u>\$ 4,033,546</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 14,387	\$ 16,719
Due to other provincial governments (Note 8)	4,736	-
Indemnities payable (Note 9)	172,484	133,828
Borrowing from Government of Alberta (Note 10)	2,023,926	1,946,568
Deferred revenue (Note 11)	23,006	23,978
	<u>2,238,539</u>	<u>2,121,093</u>
<b>NET ASSETS</b>		
Net assets at beginning of year	1,912,453	1,411,159
Net operating results	243,794	501,294
Net assets at end of year	<u>2,156,247</u>	<u>1,912,453</u>
	<u>\$ 4,394,786</u>	<u>\$ 4,033,546</u>

Contingencies, Contractual Obligations and Commitments (Note 13)

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

Approved by the Board:

George Groeneveld, Chair of the Board

Dean Gallimore, Chair of the Board Audit Committee

Brad Klak, President and Managing Director

Darryl Kay, Chief Financial Officer

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2015

(dollars in thousands)

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		(Schedule 1)	
<b>Revenues:</b>			
Premiums from insured persons	\$ 342,948	\$ 307,214	\$ 378,967
Interest	89,183	88,410	85,149
Contribution from Government of Alberta	353,279	290,291	328,198
Contribution from Government of Canada	281,753	244,132	258,570
Investment income	34,573	43,695	32,810
Fees and other income	13,714	16,535	14,200
	<u>1,115,450</u>	<u>990,277</u>	<u>1,097,894</u>
<b>Expenses:</b>			
AgrilInsurance	414,494	431,868	371,944
Agriculture Income Support	141,900	134,641	73,151
Lending	127,919	104,817	90,471
Hail Insurance	46,895	66,517	42,576
Livestock Insurance	12,280	4,456	8,740
Wildlife Damage Compensation	6,589	4,184	9,718
	<u>750,077</u>	<u>746,483</u>	<u>596,600</u>
Net operating results	<u>\$ 365,373</u>	<u>\$ 243,794</u>	<u>\$ 501,294</u>

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



AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

(dollars in thousands)

	<u>2015</u>	<u>2014</u>
Operating activities:		
Net operating results	\$ 243,794	\$ 501,294
Non-cash items included in operating results		
Amortization of capital assets	9,650	9,516
Deferred capital contribution recognized as revenue	(3,771)	(4,838)
Amortization of premiums and discounts	3,102	4,921
Allowance for doubtful accounts and for losses	4,221	(3,273)
Gain on sale of investments	(7,621)	(3,907)
Loss on disposal of capital assets	28	1
Unearned revenue received	4,349	5,732
Changes in assets and liabilities relating to operations	<u>(28,446)</u>	<u>12,270</u>
Net cash provided by operating activities <sup>(1)</sup>	<u>225,306</u>	<u>521,716</u>
Investing activities:		
Proceeds from repayments of loans receivable	383,338	327,660
Loan disbursements	(506,186)	(502,067)
Purchase of investments	(1,064,288)	(1,088,998)
Proceeds on disposal of investments	<u>870,245</u>	<u>574,696</u>
Net cash utilized by investing activities	<u>(316,891)</u>	<u>(688,709)</u>
Capital activities:		
Purchase of tangible capital assets	(5,876)	(8,286)
Proceeds on disposal of tangible capital assets	<u>24</u>	<u>-</u>
Net cash utilized by capital activities	<u>(5,852)</u>	<u>(8,286)</u>
Financing activities:		
Borrowing from the Government of Alberta	123,586	332,578
Contributions restricted for capital	4,182	7,072
Repayment of borrowing from the Government of Alberta	<u>(45,479)</u>	<u>(193,393)</u>
Net cash provided by financing activities	<u>82,289</u>	<u>146,257</u>
Net decrease in cash during the year	(15,148)	(29,022)
Cash at beginning of year	<u>232,017</u>	<u>261,039</u>
Cash at end of year	<u>\$ 216,869</u>	<u>\$ 232,017</u>

<sup>(1)</sup> Net cash provided by operating activities includes \$70,612 (2014 \$69,691) of interest paid.

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 1 Authority and Purpose

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

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

Note 2 Significant Accounting Policies and Reporting Practices

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

Basis of Financial Reporting:

(a) Revenue Recognition

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

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

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

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Revenue Recognition (continued)

Interest income on loans receivable is recognized as earned over the period of loan repayment except for impaired loans. At the date impairment is assessed, arrears of interest is derecognized and is not accrued until the loan reverts to performing status or is terminated. When an impaired loan is reverted to performing status, interest is accrued and recognized from the date of change in status of the loan. Interest previously unrecognized is recognized only when payment is received.

Investment income is recognized in the period in which the income is earned. Gains or losses on the value on investments are recognized when realized on disposition.

Fees which are primarily from lending activities and AgriStability applications are recognized on processing of the related application. AgriStability program application fees received in advance of the program commencement date are recorded as deferred revenue until earned.

(b) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issuance costs.

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

(c) Net Assets

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Valuation of Financial Assets and Liabilities

AFSC's financial assets and liabilities include cash, receivables, loans receivable, investments, accounts payable and accrued liabilities, indemnities payable, borrowing from the Government of Alberta and deferred revenue. All Financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

Since no financial assets or liabilities are recorded at fair value and there were no foreign currency transactions, these statements do not present a Statement of Remeasurement Gains and Losses as the Corporation has no remeasurement gains or losses.

(e) Measurement Uncertainty

There is an inherent degree of uncertainty associated with the measurement of certain amounts recognized or disclosed in the financial statements. In the preparation of the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, net assets and related disclosures. Estimates of material amounts relate to Indemnities payable and Allowances for doubtful accounts and for losses on Accounts receivable and Loans receivable. Accordingly, actual results could differ from these and other estimates thereby impacting future financial statements. Disclosure of the nature and circumstances giving rise to the uncertainty, have been disclosed in the relevant notes in the financial statements (See Notes 3, 4 and 9).

(f) Cash

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

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

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

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

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

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

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

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

(h) Concessionary Loans and Loan Discounts

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

(i) Investments

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

(j) Borrowing from Government of Alberta

Borrowing is carried at amortized cost. Premiums and discounts on borrowing are amortized to interest expense using the effective yield method over the period to maturity.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Tangible Capital Assets including Capital Leases

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

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

(l) AgriStability, AgriInvest and AgriRecovery Program

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

(m) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance net assets of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement between the Governments of Canada and Alberta (see Note 16).

In addition, the Corporation carries reinsurance through private reinsurance companies for AgriInsurance and Hail insurance programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are reported gross; they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts and are separately disclosed in Schedule 1.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(n) AgrilInsurance Net Assets Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgrilInsurance net assets are restricted for AgrilInsurance purposes only.

(o) Pensions

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

(p) Transactions with Related Parties

The Government of Alberta significantly influences the programs delivered by the Corporation and is a major contributor to the funding of the programs. Therefore, the Government is considered a related party. All related party transactions with the Government of Alberta have been recorded at the exchange amount which is the consideration paid or received as agreed to by the related party (see Note 15).

(q) PS3260 Liability for Contaminated Sites

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The Corporation early adopted this accounting standard as of April 1, 2012. AFSC recognizes a liability for the sites no longer in use where the contamination has exceeded the relevant environmental standards and where AFSC has accepted responsibility. Included in Accounts Payable and Accrued Liabilities (Note 7) is a liability of \$743 for the estimated remaining remediation (2014 \$755).

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 3      Accounts Receivable

	2015	2014
AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs:		
Overpayments	\$ 13,951	\$ 19,434
Administration fees	370	549
Premiums from insured persons		
AgriInsurance program	3,116	2,020
Livestock insurance program	2,537	2,918
Hail insurance program	294	379
Amounts due under Western Livestock Price insurance program	-	1,368
Other	5,879	4,942
	<u>26,147</u>	<u>31,610</u>
Allowances for doubtful accounts		
At beginning of year	(19,618)	(19,887)
Decrease (increase) for this year	3,436	70
Write offs, net of recoveries	2,094	199
At end of year	<u>(14,088)</u>	<u>(19,618)</u>
	<u>\$ 12,059</u>	<u>\$ 11,992</u>

Included in the allowances for doubtful accounts is \$13,951 (2014 \$19,434) representing the amount of overpayments under AgriStability and CAIS programs in recognition of the Corporation's role as an agent for collection. The allowance for doubtful accounts is subject to measurement uncertainty as it is an estimate based on management's assessment of collectability of outstanding balance. Actual write-offs realized in future periods could be materially different from management's estimates.



AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 4      Loans Receivable

Loans receivable are comprised of the following:

	2015			2014
	Farm	Commercial	Total	Total
Performing loans - non concessionary	\$ 1,624,498	\$ 417,459	\$ 2,041,957	\$ 1,922,025
Performing loans - concessionary	5,422	-	5,422	7,274
Impaired loans	5,061	25,053	30,114	30,035
	<u>1,634,981</u>	<u>442,512</u>	<u>2,077,493</u>	<u>1,959,334</u>
Accrued interest	24,893	2,050	26,943	26,266
Loan discount	(70)	-	(70)	(90)
	<u>1,659,804</u>	<u>444,562</u>	<u>2,104,366</u>	<u>1,985,510</u>
Allowances	<u>(10,013)</u>	<u>(26,731)</u>	<u>(36,744)</u>	<u>(32,591)</u>
Net carrying value	<u>\$ 1,649,791</u>	<u>\$ 417,831</u>	<u>\$ 2,067,622</u>	<u>\$ 1,952,919</u>

All loans have fixed interest rates for the term of loan or renewal period.

Loans have blended repayments during the term. Loans can be repaid in full or part during the term without any penalty.

Allowances for doubtful accounts for loans are as follows:

	Farm	Commercial	2015	2014
At beginning of year	\$ 11,888	\$ 20,703	\$ 32,591	\$ 37,542
Increase (decrease) for the year	(1,863)	9,520	7,657	(3,203)
Write-offs	(12)	(3,492)	(3,504)	(1,748)
At end of year	<u>\$ 10,013</u>	<u>\$ 26,731</u>	<u>\$ 36,744</u>	<u>\$ 32,591</u>
Specific allowance	\$ 851	\$ 23,949	\$ 24,800	\$ 15,622
General allowance	9,162	2,782	11,944	16,969
	<u>\$ 10,013</u>	<u>\$ 26,731</u>	<u>\$ 36,744</u>	<u>\$ 32,591</u>

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

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are \$4,035 (2014 \$3,749).

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 4 Loans Receivable (continued)

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

	2015	2014
Effective annual Interest Rate		
Less than or equal to 2%	\$ 70,554	\$ 76,218
2.01% to 3.00%	280,945	206,650
3.01% to 4.00%	612,361	501,610
4.01% to 5.00%	441,625	446,125
5.01% to 6.00%	390,779	373,657
6.01% to 7.00%	233,810	289,545
7.01% to 8.00%	38,131	55,365
Over 8%	9,218	11,554
	2,077,423	1,960,724
Accrued interest	26,943	26,266
Allowance for doubtful accounts	(36,744)	(32,591)
Property reclassified as tangible capital assets	-	(1,480)
	\$ 2,067,622	\$ 1,952,919
Weighted average annual interest rate	4.34%	4.52%

Note 5 Investments

	2015	2014
Bonds and debentures:		
Government of Canada, direct and guaranteed	\$ 938,215	\$ 843,492
Other provincial, direct and guaranteed	79,991	135,728
	1,018,206	979,220
Corporate securities:		
Asset backed securities, AAA rated	461,863	329,595
Senior bank notes	342,784	316,952
	804,647	646,547
	1,822,853	1,625,767
Accrued interest	11,842	8,976
	\$ 1,834,695	\$ 1,634,743

The fair value of investments at March 31, 2015 is \$1,861,743 (2014 \$1,639,850). Fair value is based on quoted market prices excluding accrued interest.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 5 Investments (continued)

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity <sup>(1)</sup>			2015	2014
	Within 1 Year	1 to 5 Years	6 to 10 Years		
Bonds and debentures	\$ 162,415	\$ 724,874	\$ 130,917	\$ 1,018,206	\$ 979,220
Yield <sup>(2)</sup>	0.59%	0.79%	1.37%	0.83%	1.40%
Corporate Securities	124,993	597,838	81,816	804,647	646,547
Yield <sup>(2)</sup>	1.07%	1.34%	1.70%	1.33%	1.90%
	287,408	1,322,712	212,733	1,822,853	1,625,767
Accrued interest	1,400	8,917	1,525	11,842	8,976
	<u>\$ 288,808</u>	<u>\$ 1,331,629</u>	<u>\$ 214,258</u>	<u>\$ 1,834,695</u>	<u>\$ 1,634,743</u>

<sup>(1)</sup> Term to maturity classifications are based on contractual maturity date of the security.

<sup>(2)</sup> Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 6 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Computer Equipment and Software	2015	2014
Estimated Useful Life	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years		
Cost						
At beginning of year	\$ 1,827	\$ 9,987	\$ 10,226	\$ 94,348	\$ 116,388	\$ 108,972
Additions	-	-	1,404	4,472	5,876	8,286
Disposals	-	-	(146)	(241)	(387)	(870)
	<u>1,827</u>	<u>9,987</u>	<u>11,484</u>	<u>98,579</u>	<u>121,877</u>	<u>116,388</u>
Accumulated amortization						
At beginning of year	-	4,698	5,791	60,460	70,949	62,303
Amortization expense	-	362	1,114	8,174	9,650	9,515
Disposals	-	-	(95)	(241)	(336)	(869)
	<u>-</u>	<u>5,060</u>	<u>6,810</u>	<u>68,393</u>	<u>80,263</u>	<u>70,949</u>
Net book value at March 31, 2015	<u>\$ 1,827</u>	<u>\$ 4,927</u>	<u>\$ 4,674</u>	<u>\$ 30,186</u>	<u>\$ 41,614</u>	
Net book value at March 31, 2014	<u>\$ 1,827</u>	<u>\$ 5,289</u>	<u>\$ 4,476</u>	<u>\$ 33,847</u>		<u>\$ 45,439</u>

Computer equipment and software costs include \$6,120 (2014 \$5,260) of costs incurred that are not amortized because they are still in the development stage.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 7      Accounts Payable and Accrued Liabilities

	2015	2014
Salaries, wages and employee benefits	\$ 7,087	\$ 7,425
Supplies and services	6,589	8,090
Reinsurance Premiums to Government of Canada	63	515
Other	648	689
	\$ 14,387	\$ 16,719

Note 8      Due to Other Provincial Governments

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

Breakdown of the amounts owing is as follows:

	2015	2014
Premiums collected	\$ 5,508	\$ -
Indemnities paid	-	-
Administration costs incurred	(772)	(1,368)
	\$ 4,736	\$ (1,368)

Prior year due from provincial governments is included in accounts receivable.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 9 Indemnities Payable

	2015	2014
	(Note 2(l))	(Note 2(l))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs		
Current claim year	\$ 112,401	\$ 84,564
Prior claim years	46,807	33,905
	159,208	118,469
AgriInsurance	11,966	11,745
Wildlife compensation	758	2,030
Hail insurance	552	169
Livestock price insurance	-	1,415
	\$ 172,484	\$ 133,828

Estimated indemnities payable of \$172,484 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for the AgriStability and AgriInvest programs are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of \$88,621 to \$138,860.

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

Estimated indemnities payable for the AgriInsurance program are based upon number of claims remaining to be paid and average claim payment amounts. The indemnities payable also includes claims deferred by producers. Based on that information the projected estimated indemnities would be in the range of \$9,310 to \$14,621.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 10 Borrowing from Government of Alberta

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

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

	2015	2014
Effective annual Interest Rate		
Less than or equal to 2%	\$ 170,000	\$ 120,000
2.01% to 3.00%	483,000	433,000
3.01% to 4.00%	809,238	784,238
4.01% to 5.00%	489,751	514,751
5.01% to 6.00%	55,155	75,634
	2,007,144	1,927,623
Accrued interest	14,431	14,045
Unamortized premium	2,351	4,900
	\$ 2,023,926	\$ 1,946,568
Weighted average annual interest rate	3.51%	3.62%

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

Year ending March 31,	2016	\$ 108,642
	2017	185,506
	2018	68,780
	2019	186,092
	2020	293,109
	Thereafter	1,165,015
		\$ 2,007,144

The estimated fair value of borrowings as at March 31, 2015 is \$2,232,195 (2014 \$2,025,893). Fair value is an approximation of market value to the holder.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 11 Deferred Revenue

	<u>2015</u>	<u>2014</u>
Unearned revenue	\$ 4,349	\$ 5,732
Spent deferred capital contributions	<u>18,657</u>	<u>18,246</u>
	<u>\$ 23,006</u>	<u>\$ 23,978</u>

	<u>2015</u>			<u>2014</u>
	<u>Government of Canada</u>	<u>Non-government</u>	<u>Government of Alberta</u>	<u>Total</u>
Unearned revenue				<u>Total</u>
Balance at beginning of year	\$ -	\$ 5,732	\$ -	\$ 5,732
Received during year	-	4,349	-	4,349
Less amounts recognized	-	(5,732)	-	(5,732)
Balance at end of year	<u>\$ -</u>	<u>\$ 4,349</u>	<u>\$ -</u>	<u>\$ 4,349</u>

	<u>2015</u>			<u>2014</u>
	<u>Government of Canada</u>	<u>Non-government</u>	<u>Government of Alberta</u>	<u>Total</u>
Spent deferred capital contributions				<u>Total</u>
Balance at beginning of year	\$ 10,496	\$ 752	\$ 6,998	\$ 18,246
Transferred capital assets received	2,393	194	1,595	4,182
Less amounts recognized as revenue	(2,219)	(73)	(1,479)	(3,771)
Balance at end of year	<u>\$ 10,670</u>	<u>\$ 873</u>	<u>\$ 7,114</u>	<u>\$ 18,657</u>

Unearned revenue represents premiums received from producers for AgrilInsurance programs, fees collected for the AgriStability program relating to the next fiscal year and amounts collected in advance from other provincial governments for licensing fees for the Western Livestock Price Insurance Program. Spent deferred capital contributions represent contributions received from the federal and provincial governments that are restricted for the acquisition of tangible capital assets.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 12 Pensions

The Corporation participates in the multi-employer Alberta Management Employees Pension Plan and the Alberta Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Alberta Public Service Managers.

AFSC does not have sufficient plan information to follow the standards for defined benefit accounting, and therefore, follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the plans is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits. The expense for these pension plans is equivalent to the annual contributions of \$6,407 for the year ended March 31, 2015 (2014 \$6,155).

At December 31, 2014, the Alberta Management Employees Pension Plan reported a surplus of \$75,805 (2013 surplus \$50,457) and the Alberta Public Service Pension Plan reported a deficiency of \$803,299 (2013 deficiency \$1,254,678). At December 31, 2014, the Supplementary Retirement Plan for Alberta Public Service Managers had a deficiency of \$17,203 (2013 deficiency \$12,384). The Corporation's share of these pension plans' deficiency is not determinable. The Corporation is not responsible for future funding of the plan deficits other than through contribution increases.

Note 13 Contingencies, Contractual Obligations and Commitments

Contingent Liability

	<u>2015</u>	<u>2014</u>
Loan guarantees	\$ 12,972	\$ 10,226
Less allowances for losses	<u>(150)</u>	<u>(150)</u>
Total contingencies	<u>\$ 12,822</u>	<u>\$ 10,076</u>

Included in loan guarantees is \$11,779 (2014 \$8,750) guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in southern Alberta. Under the AFRLGP, the Corporation has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.



AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 13 Contingencies, Contractual Obligations and Commitments (continued)

The Corporation has not been named in any legal matters of which the outcome is not determinable (2014 nil).

Contractual Obligations

	<u>2015</u>	<u>2014</u>
Reinsurance	29,286	25,170
Operating leases	7,866	6,246
Other contracts	<u>1,355</u>	<u>2,556</u>
Total contractual obligations	<u>\$ 38,507</u>	<u>\$ 33,972</u>

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

Commitments

	<u>2015</u>	<u>2014</u>
Approved, undisbursed loans	<u>\$ 170,249</u>	<u>\$ 181,981</u>

Note 14 Financial Instruments and Financial Risk Management

Financial instruments comprise the majority of AFSC's assets and liabilities. AFSC is exposed to credit, interest and liquidity risks in respect to its use of financial instruments.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to AFSC, resulting in a loss to the Corporation.

AFSC's maximum possible exposure to credit risk is as follows:

	<u>2015</u>	<u>2014</u>
Loans receivable	\$2,070,149	\$1,952,919
Investments	1,834,695	1,634,743
Due from Government of Canada	156,395	116,260
Due from Government of Alberta	66,729	40,176
Accounts receivable	12,059	11,992
Loan guarantees	<u>12,972</u>	<u>10,226</u>
Total commitments	<u>\$4,152,999</u>	<u>\$3,766,316</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

Loans receivable - Security requirements for a loan or guarantee depend on the risk involved in each individual operation. Adequate security is required for new and emerging businesses as well as for enterprises needing specialized or customized equipment. To mitigate credit risk, lending staff monitor loan accounts continually to ensure prompt response to any financial difficulties customers may encounter.

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

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

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

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk in the loan portfolio. Further information is provided throughout these statements which disclose other concentrations of credit risk.

	2015		2014	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	\$ 1,044,243	50%	\$ 945,750	48%
Cattle	514,474	25%	472,814	24%
Accommodations and Other Services	120,731	6%	122,898	6%
Manufacturing	98,280	5%	101,849	5%
Other Livestock	74,220	4%	69,352	4%
Trade - Retail and Wholesale	54,358	3%	68,073	3%
Commercial and Industrial	41,661	2%	49,174	3%
Transportation and Warehousing	36,755	2%	38,092	2%
Professional Services	30,110	1%	30,674	2%
Other	89,534	4%	88,314	5%
Allowance	<u>(36,744)</u>	<u>-2%</u>	<u>(32,591)</u>	<u>-2%</u>
	2,067,622	100%	1,954,399	100%
Property reclassified as tangible capital assets	<u>-</u>		<u>(1,480)</u>	
	<u>\$ 2,067,622</u>	<u>100%</u>	<u>\$ 1,952,919</u>	<u>100%</u>

Interest Rate Risk

Interest rate risk is the impact future changes in interest rates have on cash flows and fair values of financial assets and liabilities. AFSC's interest rate exposure relates to investments, loans receivable, and borrowing from the Government of Alberta.

Investments – Interest rate risk on investments is mitigated by AFSC's Investment Policy for surplus funds. The investment policy is approved by the Board of Directors and compliance with the policy is reported to the Board Audit Committee at least twice a year. Duration of investments are set to match management's best estimate of when investments may be needed to be liquidated to meet financial commitments.

Loans receivables – Loans receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

Borrowing from the Government of Alberta - The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an annual contribution to the Corporation that includes an amount to bridge the gap between interest revenue from the loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Corporation's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment <sup>(1)</sup>				Not <sup>(2)</sup> Interest Rate Sensitive	2015	2014
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	\$ 188,307	\$ 631,284	\$ 575,523	\$ 673,177	\$ (669)	\$ 2,067,622	\$ 1,952,919
Yield	4.04%	4.10%	4.09%	3.21%		3.97%	4.34%
Borrowing from							
Government of Alberta	\$ 108,642	\$ 733,487	\$ 679,294	\$ 485,721	\$ 16,782	\$ 2,023,926	\$ 1,946,568
Yield <sup>(3)</sup>	3.57%	3.69%	3.49%	3.11%		3.57%	3.64%
Net gap	<u>\$ 79,665</u>	<u>\$ (102,203)</u>	<u>\$ (103,771)</u>	<u>\$ 187,456</u>	<u>\$ (17,451)</u>	<u>\$ 43,696</u>	<u>\$ 6,351</u>

<sup>(1)</sup> For loan balances, scheduled repayments of principal are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

<sup>(2)</sup> Includes specific and general allowance, accrued interest and unamortized loan discount.

<sup>(3)</sup> Yield represents the rate which discounts future cash receipts to the carrying amount.

Liquidity Risk

Liquidity risk relates to AFSC's ability to access sufficient funds to meet its financial commitments.

AFSC's primary liquidity risk relates to its liability for insurance claims. Insurance claims are funded firstly with current year premiums collected, which normally exceeds cash requirements. In addition, the investment portfolio of surplus funds in insurance operations is structured in such a way that a portion of the portfolio is accessible at short notice to fund claim payments. The Corporation also carries private sector reinsurance for AgrilInsurance and Hail Insurance providing significant protection against catastrophic losses. If all of the above are exhausted, the AgrilInsurance program has a reinsurance agreement with the Government of Canada and the Government of Alberta to provide additional funding for claim payments. Additionally, the Corporation has access to advances from the Government of Alberta to meet short-term cash flow needs.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 15 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Corporation.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2015	2014
Revenues:		
Grants	\$ 286,417	\$ 323,397
Other	3,874	4,801
	\$ 290,291	\$ 328,198
Expenses:		
Accommodation	\$ 742	\$ 784
Other services	1,840	1,717
Interest	69,761	67,752
	\$ 72,343	\$ 70,253
Payable to:		
Ministry of Agriculture and Rural Development	\$ 514	\$ 520
Ministry of Treasury Board and Finance	2,023,926	1,946,568
Ministry of Service Alberta	7	4
Receivable from:		
Ministry of Agriculture and Rural Development	66,250	40,176
Deferred Revenue from:		
Ministry of Agriculture and Rural Development	7,114	6,998
	\$ 2,097,811	\$ 1,994,266

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 16 Crop Reinsurance Funds

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

	<u>AgrilInsurance Reinsurance Fund of Alberta</u>		<u>AgrilInsurance Reinsurance Fund of Canada for Alberta</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Opening net assets	\$ 33,641	\$ 30,379	\$ 34,318	\$ 31,056
Contributions	<u>-</u>	<u>3,262</u>	<u>-</u>	<u>3,262</u>
Closing net assets	<u>\$ 33,641</u>	<u>\$ 33,641</u>	<u>\$ 34,318</u>	<u>\$ 34,318</u>

The net assets balance in the Crop Reinsurance Fund of Alberta is consolidated in the AgrilInsurance Fund in Schedule 1.

Note 17 Budget

The budget reported in the Statement of Operations was included in the 2014/15 Government Estimates.

Note 18 Comparative Figures

The 2014 figures have been reclassified where necessary to conform to 2015 presentation.

**AGRICULTURE FINANCIAL SERVICES CORPORATION**  
**SCHEDULE OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2015**  
(dollars in thousands)

	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Agrilinsurance	Agrilinsurance	Agriculture	Agriculture	Lending	Lending	Hail	Hail	Livestock	Livestock	Wildlife	Wildlife	Total	Total
	Note 2(n)	Note 2(n)	Income Support	Income Support			Insurance	Insurance	Insurance	Insurance	Damage Compensation	Damage Compensation		
<b>Revenues:</b>														
Premiums from insured persons	\$ 231,168	\$ 309,142	\$ -	\$ -	\$ -	\$ 46,392	\$ 55,316	\$ 46,392	\$ 23,433	\$ -	\$ -	\$ -	\$ 307,214	\$ 378,967
Interest	563	719	1,300	87,100	82,984	100	111	100	72	-	-	-	88,410	85,149
Contribution from Government of Alberta	203,539	286,860	64,804	18,297	16,404	-	-	-	1,521	2,173	2,130	4,868	290,291	328,198
Contribution from Government of Canada	183,432	232,233	56,812	21,282	-	-	-	-	1,828	400	2,060	4,655	244,132	268,570
Investment income	42,234	31,929	371	728	461	193	231	193	135	(76)	(4)	(24)	43,695	32,810
Fees and other income	(35)	158	10,441	3,202	3,149	383	2,021	383	576	(2)	56	71	16,535	14,200
	660,901	841,041	133,266	109,327	102,998	47,068	57,679	47,068	24,862	25,974	4,242	9,570	990,277	1,097,894
<b>Expenses:</b>														
Indemnities	367,560	306,355	117,158	-	-	37,773	61,237	37,773	(976)	5,803	3,567	8,607	548,546	410,739
Salaries, wages and employee benefits	25,742	23,273	13,380	18,701	17,009	1,182	1,176	1,182	2,065	1,680	337	618	61,401	56,769
Supplies and services	12,662	11,139	5,025	5,806	5,964	1,038	1,130	1,038	1,041	810	154	354	25,818	24,306
Amortization of tangible capital assets	2,872	2,755	2,593	2,767	2,776	734	752	734	630	443	36	57	9,650	9,516
Interest	4	4	2	69,886	67,925	-	-	-	-	-	-	-	69,892	67,931
Reinsurance	23,031	28,693	-	-	-	1,918	2,224	1,918	1,700	-	-	-	26,955	30,611
Allowance for doubtful accounts and for losses (Note 3 & 4)	(3)	(275)	(3,517)	7,657	(3,203)	(69)	(2)	(69)	(4)	4	90	82	4,221	(3,272)
	431,868	371,944	134,641	104,817	90,471	42,576	66,517	42,576	4,456	8,740	4,184	9,718	746,483	596,600
Net operating results	229,033	469,097	(1,375)	4,510	12,527	4,492	(8,838)	4,492	20,406	17,234	58	(148)	243,794	501,294
Net assets at beginning of year	1,801,833	1,332,736	3,257	79,542	67,015	16,079	20,871	16,079	6,009	(11,225)	1,241	1,389	1,912,453	1,411,159
Net assets at end of year	\$ 2,030,866	\$ 1,801,833	\$ 1,882	\$ 84,052	\$ 79,542	\$ 20,571	\$ 11,733	\$ 20,571	\$ 26,415	\$ 6,009	\$ 1,299	\$ 1,241	\$ 2,156,247	\$ 1,912,453

AGRICULTURE FINANCIAL SERVICES CORPORATION  
SCHEDULE OF SALARIES AND BENEFITS  
YEAR ENDED MARCH 31, 2015  
(dollars in thousands)

	2015			2014	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non- cash Benefits <sup>(3)</sup>	Total	Total
Chairman of Board	\$ 51			\$ 51	\$ 67
Board members <sup>(4)</sup>	174			174	296
President and Managing Director	485	51	96	632	670
Executive Members					
Senior Vice-President, Corporate Services <sup>(5)</sup>	158	94	34	286	384
Chief Operating Officer	246	27	58	331	342
Vice-President, Human & Corporate Services	246	18	59	323	332
Vice-President, Innovation & Product Development	234	27	54	315	290
Chief Information Officer <sup>(6)</sup>	185	72	37	294	264
Chief Financial Officer	190	5	50	245	237
Chief Communication and Marketing Officer <sup>(7)</sup>	135	1	38	174	77

<sup>(1)</sup> Base salaries are fees for Chair and Board members and base pay for employees.

<sup>(2)</sup> Other cash benefits include vacation payments and lump sum payments. There were no bonuses paid during the year.

<sup>(3)</sup> Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

<sup>(4)</sup> The amounts relate to eleven Board members during 2014/15 (eleven in 2013/14).

<sup>(5)</sup> Position was for seven (7) months in 2014/15.

<sup>(6)</sup> The current Chief Information Officer commenced employment on February 15, 2015. An acting Chief Information Officer held that position from September 1, 2014 to February 14, 2015. The outgoing Chief Information Officer held that position from April 1, 2014 to August 31, 2014.

<sup>(7)</sup> Position was for five and a half (5.5) months in 2013/14.



# Alberta Livestock and Meat Agency Ltd.

FINANCIAL STATEMENTS  
March 31, 2015

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Expenses – Detailed by Object

Schedule of Salary and Benefits

Schedule of Related Party Transactions

Schedule of Budget



## Independent Auditor's Report

To the Board of Directors of the Alberta Livestock and Meat Agency Ltd.

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Alberta Livestock and Meat Agency Ltd., which comprise the statement of financial position as at March 31, 2015, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Livestock and Meat Agency Ltd., as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 26, 2015

Edmonton, Alberta

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2015

(in thousands)

	<b>2015</b>		<b>2014</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>(Schedule 4)</b>		
<b>Revenues</b>			
Government Transfers			
Government of Alberta Grants	\$ 35,390	\$ 31,236	\$ 27,689
Investment Income	66	83	62
Other Revenue	1,601	1,955	1,413
	<b>37,057</b>	<b>33,274</b>	<b>29,164</b>
<b>Expenses</b>			
Industry Investment	14,927	12,109	10,847
Strategic Initiatives	14,976	16,841	13,763
Corporate Services	4,637	3,141	3,524
Livestock Development	2,582	1,456	1,244
	<b>37,122</b>	<b>33,547</b>	<b>29,378</b>
<b>Annual operating deficit</b>	<b>\$ (65)</b>	<b>\$ (273)</b>	<b>\$ (214)</b>

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

Approved by the Board of Directors:

Dr. David Chalack, Chair of the Board

Ron Jackson, Chair, Audit, Finance and Risk Committee

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015  
(in thousands)

	2015	2014
<b>Assets</b>		
Cash and Cash Equivalents (Note 3)	\$ 10,335	\$ 8,103
Due from Government of Alberta	3,086	6,690
Accounts Receivable	53	94
Tangible Capital Assets (Note 4)	1,089	1,362
	<b>\$ 14,563</b>	<b>\$ 16,249</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 551	\$ 471
Grants Payable	8,920	9,088
Unearned Revenue (Note 5)	1,314	2,639
	<b>10,785</b>	<b>12,198</b>
<b>Net Assets</b>		
Net Assets at Beginning of Year	4,051	4,265
Accumulated Operating Deficit	(273)	(214)
Net Assets at End of Year	3,778	4,051
	<b>\$ 14,563</b>	<b>\$ 16,249</b>

Contractual Obligations (Note 6)

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

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

(in thousands)

	2015	2014
<b>Operating Transactions</b>		
Annual Operating Deficit	\$ (273)	\$ (214)
Non-cash Items:		
Amortization of Tangible Capital Assets	348	362
	<b>75</b>	<b>148</b>
Decrease in Accounts Receivable and Due from Government of Alberta	3,645	2,065
Increase (Decrease) in Accounts Payable and Accrued Liabilities	80	(1,170)
(Decrease) Increase in Grants Payable	(168)	3,671
Decrease in Unearned Revenue	(1,325)	(1,201)
<b>Cash Provided by Operating Transactions</b>	<b>2,307</b>	<b>3,513</b>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(75)	(148)
Transfer of Tangible Capital Assets to		
Department of Agriculture and Rural Development	-	3
<b>Cash Applied to Capital Transactions</b>	<b>(75)</b>	<b>(145)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>2,232</b>	<b>3,368</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>8,103</b>	<b>4,735</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 10,335</b>	<b>\$ 8,103</b>

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

## Notes to the Financial Statements for the Year Ended March 31, 2015

### Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. is a Provincial Agency incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta), and operates under the authority of the *Financial Administration Act*.

The Alberta Livestock and Meat Agency Ltd. (the Agency) was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

The Agency is a subsidiary of the Ministry of Agriculture and Rural Development of the Province of Alberta. The Ministry of Agriculture and Rural Development and its wholly owned subsidiaries are exempt from the payment of income tax under the *Income Tax Act*.

---

### Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting Standards (PSAS).

#### Basis of Financial Reporting

**Revenues** – All revenues are reported on the accrual basis of accounting.

**Government Transfers** – Transfers from the Government of Alberta are referred to as government transfers.

Government transfers and the associated externally restricted income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Agency's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Agency complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Agency is eligible to receive the funds.

#### Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met by the recipient, and a reasonable estimate of the amounts can be made.

#### Valuation of Financial Assets and Liabilities

The Agency has no financial assets or liabilities measured in the fair value category and has not engaged in Foreign Currency transactions. The Agency has no remeasurement gains or losses and consequently has not presented a Statement of Remeasurement Gains and Losses. The Agency's financial assets and liabilities are measured at cost or amortized cost.

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets are limited to financial claims, such as advances to and receivables from other organizations.

**Cash** – Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Treasury Board and Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

**Tangible Capital Assets** – are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets, and amortized on a straight-line basis over the estimate useful lives of the assets.

Work in progress, which includes development of information systems, is not amortized until after a project is complete and the asset is put into service.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

**Liabilities** - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Grants payable are recognized when eligibility criteria are met by the recipient and a reasonable estimate of the amounts can be made.

Restricted fund obligations are recorded as unearned revenue until the period when the related expenses are incurred, then they are recognized as revenue.

**Net Assets** - Net assets/net liabilities represent the difference between the carrying value of assets held by the Agency and its liabilities.

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Agency operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

---

## Note 3 Cash and Cash Equivalents (in thousands)

Cash and cash equivalents consists of:

	2015	2014
Cash	\$ 9,021	\$ 5,464
Restricted Cash <sup>(1)</sup>	1,314	2,639
	<u>\$ 10,335</u>	<u>\$ 8,103</u>

<sup>(1)</sup> Restricted cash consists of unearned revenue. Further details are provided in Note 5.

---

**Note 4 Tangible Capital Assets**  
(in thousands)

Estimated Useful Life	2015				2014
	Equipment 10 years	Computer Hardware and Software 3 -5 years	Leasehold Improvements 5 years	Total	Total
<b>Historical Cost <sup>(a)</sup></b>					
Beginning of Year	\$ 901	\$ 1,427	\$ 133	\$ 2,461	\$ 2,324
Additions	-	75	-	75	148
Transfers Out <sup>(b)</sup>	-	-	-	-	(11)
	<u>\$ 901</u>	<u>\$ 1,502</u>	<u>\$ 133</u>	<u>\$ 2,536</u>	<u>\$ 2,461</u>
<b>Accumulated Amortization</b>					
Beginning of Year	\$ 420	\$ 552	\$ 127	\$ 1,099	\$ 745
Amortization Expense	91	251	6	348	362
Transfers Out <sup>(b)</sup>	-	-	-	-	(8)
	<u>\$ 511</u>	<u>\$ 803</u>	<u>\$ 133</u>	<u>\$ 1,447</u>	<u>\$ 1,099</u>
<b>Net Book Value at March 31, 2015</b>	<u>\$ 390</u>	<u>\$ 699</u>	<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ 1,362</u>
<b>Net Book Value at March 31, 2014</b>	<u>\$ 481</u>	<u>\$ 875</u>	<u>\$ 6</u>	<u>\$ 1,362</u>	

<sup>(a)</sup> Historical cost includes work-in-progress at March 31, 2015 totaling \$103 comprised of computer software (2014 - \$176).

<sup>(b)</sup> Includes transfer of computer hardware to Department of Agriculture and Rural Development, comprised of historical cost of \$0 (2014 - \$11) and accumulated amortization of \$0 (2014 - \$8).

**Note 5 Unearned Revenue**  
(in thousands)

As at March 31, 2009 the Agency assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The transfer includes restricted fund obligations assumed by the Agency which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

	2015	2014
Unearned Revenue	\$ 1,314	\$ 2,639
	<u>\$ 1,314</u>	<u>\$ 2,639</u>



**Note 5 Unearned Revenue (continued)**  
(in thousands)

	2015			2014	
	ALIDF Fund 2 - 2004 Post BSE Commercialization and Development	ALIDF Fund 7 - 2008 Enhanced Livestock and Meat Sector Initiative	DLFOA Fund 5 - 2008 Diversified Livestock Research and Development	Total	Total
Balance, beginning of year <sup>(1)</sup>	\$ 190	\$ 699	\$ 1,750	\$ 2,639	\$ 3,840
Received during the year	-	-	-	-	-
Restricted Realized Investment Income	2	8	23	33	43
Less amounts recognized as revenue	(173)	(489)	(696)	(1,358)	(1,244)
Balance, end of year	\$ 19	\$ 218	\$ 1,077	\$ 1,314	\$ 2,639

**Note 6 Contractual Obligations**

(in thousands)

Contractual obligations are obligations of the Agency to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2015	2014
Obligations:		
Operating Leases	\$ 2,292	\$ 3,006
Contracts	220	132
Programs	12,144	13,749
	<u>\$ 14,656</u>	<u>\$ 16,887</u>

Program obligations consist of obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of the ALIDF (\$237) and the DLFOA (\$298). In addition, the Agency has obligations resulting from new grant agreements (\$11,609).

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Operating Leases	Contracts	Programs	Total
2015-16	\$ 551	\$ 220	\$ 9,545	\$ 10,316
2016-17	551	-	1,587	2,138
2017-18	551	-	748	1,299
2018-19	549	-	264	813
2019-20	91	-	-	91
	<u>\$ 2,292</u>	<u>\$ 220</u>	<u>\$ 12,144</u>	<u>\$ 14,656</u>

**Note 7 Benefit Plans**

(in thousands)

The Agency participates in the multi-employer pension plans: Management Employees' Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The Agency accounts for these multi-employer pension plans on a defined contribution basis. The Agency is not responsible for future funding of the plan deficit other than through contribution increases.

The expense for these pension plans is equivalent to the annual contributions of \$397 for the year ended March 31, 2015 (2014 – \$358).

The Agency does not have sufficient plan information on the MEPP/PSPP/MRCA to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pensions expense recorded for the MEPP/PSPP/MRCA is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

At December 31, 2014, the Management Employees Pension Plan reported a surplus of \$75,805 (2013 – surplus of \$50,547), the Public Service Pension Plan reported a deficiency of \$803,299 (2013 – deficiency \$1,254,678), and the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$17,203 (2013 – deficiency \$12,384).

---

**Note 8 Comparative Figures**

Certain 2014 figures have been reclassified to conform to the 2015 presentation.

---

**Note 9 Approval of Financial Statements**

The financial statements were approved by the Board of the Agency.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.  
SCHEDULE TO FINANCIAL STATEMENTS  
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT  
YEAR ENDED MARCH 31, 2015  
(in thousands)

	<b>Budget</b>	<b>2015 Actual</b>	<b>2014 Actual</b>
Salaries, Wages and Employee Benefits	\$ 3,597	\$ 3,284	\$ 3,040
Supplies and Services	5,184	2,171	2,530
Grants	28,191	27,744	23,446
Amortization of Tangible Capital Assets	150	348	362
	<u>\$ 37,122</u>	<u>\$ 33,547</u>	<u>\$ 29,378</u>

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.  
SCHEDULE OF SALARY AND BENEFITS DISCLOSURE  
YEAR ENDED MARCH 31, 2015  
(in thousands)

	2015			2014	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup>	Total	Total
Chairman of Board <sup>(4)</sup>	\$ -	\$ 138	\$ -	\$ 138	\$ 142
Board Members <sup>(4)</sup>	\$ -	348	-	\$ 348	\$ 339
President and Chief Executive Officer	\$ 197	\$ 10	\$ 46	\$ 253	\$ 242

<sup>(1)</sup> Base salary includes regular salary.

<sup>(2)</sup> Other cash benefits include an automobile allowance, health spending account payments, honoraria and other lump sum payments. There were no bonuses paid in 2015.

<sup>(3)</sup> Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, an short and long term disability plans.

<sup>(4)</sup> The Board consists of a maximum of 12 members including the Chairman, whose salary is disclosed separately. As of March 31, 2015, there were no vacant positions.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.  
SCHEDULE OF RELATED PARTY TRANSACTIONS  
YEAR ENDED MARCH 31, 2015  
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements.

The Agency had the following transactions with related parties recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	<b>Entities in the Ministry</b>		<b>Other Entities <sup>(1)</sup></b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>				
Grants	\$ 31,236	\$ 27,689	\$ -	\$ -
	<u>\$ 31,236</u>	<u>\$ 27,689</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses - Directly Incurred:</b>				
Grants	\$ 402	\$ 415	\$ 7,559	\$ 8,512
Other services	-	-	9	19
	<u>\$ 402</u>	<u>\$ 415</u>	<u>\$ 7,568</u>	<u>\$ 8,531</u>
<b>Payable to</b>				
Agriculture Financial Services Corporation	\$ 1	\$ 4	\$ -	\$ -
Department of Agriculture and Rural Development	479	640	-	-
Ministry of Innovation and Advanced Education	-	-	2,545	3,126
	<u>\$ 480</u>	<u>\$ 644</u>	<u>\$ 2,545</u>	<u>\$ 3,126</u>
<b>Receivable from</b>				
Department of Agriculture and Rural Development	\$ 3,085	\$ 6,690	\$ -	\$ -
Ministry of Innovation and Advanced Education	-	-	1	1
	<u>\$ 3,085</u>	<u>\$ 6,690</u>	<u>\$ 1</u>	<u>\$ 1</u>

<sup>(1)</sup> Other entities include schools, universities, colleges and health authorities.

## ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

## SCHEDULE TO FINANCIAL STATEMENTS

## BUDGET RECONCILIATION

YEAR ENDED MARCH 31, 2015

	Original Budget	Adjustments to Conform to Accounting Policy (in thousands)	Budget
<b>Revenues</b>			
Government Transfers			
Government of Alberta Grants	\$ 35,390	\$ -	\$ 35,390
Investment Income	66	-	66
Other Revenue	1,601	-	1,601
	<b>37,057</b>	<b>-</b>	<b>37,057</b>
<b>Expenses</b>			
Industry Investment	\$ 11,927	\$ 3,000	\$ 14,927
Strategic Initiatives	14,976	-	\$ 14,976
Corporate Services	4,637	-	\$ 4,637
Livestock Development	2,582	-	\$ 2,582
	<b>\$ 34,122</b>	<b>\$ 3,000</b>	<b>\$ 37,122</b>
<b>Annual operating surplus</b>	<b>\$ 2,935</b>	<b>\$ (3,000)</b>	<b>\$ (65)</b>
Capital Spending	\$ 3,000	\$ (3,000)	\$ -

## Other Information

\* Information on the page has not been audited \*

### Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2015

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

#### Write-offs

Departmental accounts receivable	\$	-
Agriculture Financial Services Corporation		5,598,441
<b>Total remissions, compromises and write-offs</b>	<b>\$</b>	<b>5,598,441</b>

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

### Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2015

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
Agriculture Financial Services Corporation	\$ 12,971,637	-	\$ -
<b>Total guarantees and indemnities given</b>	<b>\$ 12,971,637</b>	<b>-</b>	<b>\$ -</b>

## Statutory Report

### **Public Interest Disclosure Act**

Section 32 of the *Public Interest Disclosure Act* requires the ministry to report annually on the following parts of the Act:

- (a) the number of disclosures received by the designated officer of the Public Interest Disclosure Office, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) the number of investigations commenced by the designated officer as a result of disclosures;
- (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2014-15 for the ministry, there were no disclosures of wrongdoing filed with the Public Interest Disclosure Office.



**MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT 2014-15**

[www.agric.gov.ab.ca](http://www.agric.gov.ab.ca)

Print version: ISSN 1922-9917  
Electronic (Online): ISSN 2291-4544