

Standing Committee on Public Accounts Meeting on May 5, 2020
Questions for Written Response
Transcript No. 30-2-2

PA-180

Mr. Dach

What mechanism is available for producers to really get the ear of Agriculture Financial Service Corporation (AFSC) to ensure:

- (1) crop-specific insurance products are designed to meet their needs,

ANSWER

- When contemplating insurance product design changes, AFSC consults extensively with clients for their feedback. AFSC will then analyze the data to determine if the requested changes will benefit the majority of participants in a particular program.
- Where relevant, AFSC will consult with the appropriate commodity group for their feedback. If changes are required, clients will be further engaged, often through Input Advisory Groups prior to implementation.

- (2) concerns on crop-specific insurance products are heard, relevantly discussed, and hopefully implemented?

ANSWER

- A number of mechanism are in place to capture and respond to the concerns of producers. For example:
 - Input Advisory Group workshops are held across the province with clients to understand their perspectives on a variety of program issues.
 - Electronic surveys are distributed to clients throughout the year and include questions about the relevancy of AFSC programs
 - A robust Client Relationship Management system captures employees' feedback from their interactions with clients.
 - Regular engagement with commodity groups across the province. AFSC also participates in regular calls with Team Alberta, a group who represents the interests of the major commodities in Alberta.
 - The online client portal, AFSC Connect, contains a "Feedback" button allowing clients to share their feedback without solicitation.
 - Outbound, open-ended interviews with clients.

PA-180:

Ms. Renaud

On page 43 of the 2018-19 AFSC annual report discusses enterprise risk management at AFSC, but there's hardly any mention of climate change risk mitigation in the annual report. Provide some information on AFSC's work on climate change risk mitigation.

ANSWER

- AFSC has identified extreme weather events as an emerging risk. In terms of risk mitigation, two areas are key –business continuity plans and actuarial modeling to assess risk exposure in AFSC’s Business Risk Management programs.

PA-180:

Ms. Renaud

On page 31 of the 2018-19 AFSC annual report says that AFSC authorized over 1,400 new direct loans for the period ending March 31, 2019, totaling about \$430 million.

- (1) Provide a breakdown of the recipients of these loans.

ANSWER

- The breakdown of loans by program is as follows:
Agribusiness \$7 million (\$6,840,139)
Farm \$410 million (\$409,838,573)
Rural Business \$13 million (\$13,127,000)

The recipients of loans can also be broken down by industry, per the chart below:

Industry Classification (North American Industry Classification System)	No. of Loans
Oilseed and Grain Farming	691
Cattle Ranching and Farming	521
Other Crop Farming	57
Other Animal Production	31
Agriculture, Forestry, Fishing and Hunting	14
Sheep and Goat Farming	14
Manufacturing	8
Transportation and Warehousing	8
Greenhouse, Nursery, and Floriculture Production	7
Poultry and Egg Production	6

- (2) How many of these loans and what percentage were eligible for reduced lending rates?

ANSWER

- Of the 1,446 loans approved in 2018/19, 560 (39 per cent) qualified for incentivized interest rates (Beginning Farmer Incentive or Young Producer Incentive).

PA-180:

Ms. Renaud

- (1) Provide a breakdown of ministry activities being employed to address climate change in agriculture.

ANSWER

- Programs and tools available to help producers reduce their carbon footprint include:
 - Two Canadian Agricultural Partnership (CAP) programs were launched which focus on mitigating risk to the environment:
 - Environmental Stewardship Group Program supports the delivery of environmentally sustainable agriculture, climate change, and greenhouse gas information and resources to agricultural producers to help mitigating risk to the environment.
 - Environmental Stewardship Producer Program supports a reduction in negative environmental impacts while enhancing sustainable production, managing climate change and increasing profitability in the agriculture sector.
- AF manages the farm energy programs under the CAP suite of programs. One such example is Efficient Grain Dryer program.
- On-farm decision-making tools and resources, such as the ManureTracker App, the Environmental Farm Plan, and the Alberta Irrigation Management Model.
- Support of the Agri-Environmental Partnership of Alberta, a multi-stakeholder partnership of the agriculture industry, government, and environmental non-government organizations, working to proactively address agri-environmental issues from a policy perspective.

PA-180:

Ms. Hoffman:

- (1) How much of the wildfire suppression work is done via contractor?

ANSWER

- Agriculture and Forestry acquires the majority of the goods and services it requires for wildfire management through contractual agreements and standing offers.
- Each year, the ministry has over 1,000 active contracts.
- Contracts are established for aircraft, ground equipment, human resources, and various goods, such as:
 - Aircraft (helicopters, airtankers, fixed wing)
 - Construction and maintenance
 - Firebase camps and catering
 - Fire retardant, fuel
 - Heavy equipment (dozers, semi-trucks, skidders, water trucks, etc.)
 - Indigenous firefighters
 - Infrared and satellite technology
 - Professional services (e.g., security and medic services, and single resources such as air attack officers, safety officers, heavy equipment supervisors)

PA-180:

Ms. Hoffman:

- (1) What controls are in place to ensure fair distribution of wildfire suppression contracts for those who are working on wildfires and fair public returns?

ANSWER

- Procurement of goods and services for wildfire management adheres to Agriculture and Forestry, Government of Alberta, and interprovincial procurement policies and processes.
- The procurement requirements help ensure fairness, transparency, and accountability.
- Agriculture and Forestry has an established process for certain contracted services that are required on an as needed basis, such as contracts for heavy equipment.

PA-180:

Ms. Hoffman:

- (1) Provide a breakdown for the 2018-19 AFSC's authorized 1,446 new loans by business ownership (Alberta-owned, and multinational/foreign owned) (Page 31 of AFSC's 2018-19 Annual Report).

ANSWER

- AFSC lends to Alberta based businesses as per the requirements of *the Agriculture Financial Services Act* and Regulation. AFSC does not lend directly to any multinational/foreign owned entity.

- (2) What's the percentage of the borrowing for is large corporations?

ANSWER

- AFSC lends to small and medium sized enterprises (SME's). No Farm loan clients are considered large corporations. The Rural Business Loan Program policy requires a borrower to have less than \$500 million in revenue to be eligible to apply for a loan.

PA-180:

Ms. Hoffman:

- (1) What is the department doing to ensure food security given the current global COVID-19 pandemic condition?

ANSWER

- The department put an official request through to the federal government to deem the entire food supply chain as an essential service to guarantee a safe and stable food supply for Canadians and Albertans.
- The provincial government partnered with Canadian Food Inspection Agency to increase food inspector capacity by training provincial meat inspectors to be deployed into federally licensed plants to bolster reserves and ensure the continuous operation of the food supply chain.

- Agriculture and Forestry establish an intergovernmental business resumption protocol for provincially and federally licensed food processing facilities in Alberta. This protocol was the first of its kind in the country and formalized the cooperative approach used among the various organizations to minimize disruptions in the food supply and ensure operations can safely resume as quickly as possible when there is a closure.
- Government launched the Agriculture Jobs Connector. A resource that help with matching workers with employers to fill agriculture and agri-food jobs.
- A grant was provided to the Alberta Farm Fresh Producers Association (AFFPA) through the Canadian Agricultural Partnership to enhance its online producer directory. The site will now give retailers, wholesalers, restaurants and the food service industry more opportunities to connect with farms. <https://albertafarmfresh.com/find-a-farm>

PA-180:

Mr. Reid:

Page 77 of the 2018-19 Agriculture and Forestry annual report states that the ministry spent \$94.1 million on food and value-added processing programs.

- (1) How did these programs contribute to the commercialization of 299 new value-added agriculture products in 2018-19?

ANSWER

- Food and value-added processing programs supported the commercialization of new products both directly by working with companies at various stages throughout their product development and indirectly through administration of programs.
- Commercialization of new products is achieved through the provision of a combination of expertise, specialized facilities, applied research, product development, interim processing, business incubation, and business development supports.
- Of the \$94.1 million invested, \$12.2 million supported commercialization of new products:
 - \$11 million supported the growth and expansion the food and bio product sectors through new product development, interim processing of products for sale, and business incubation for companies through the Bioprocessing Innovation Centre, the Food Processing Development Centre, and the Agrivalue Processing Business Incubator. This also included the provision of business development services to Alberta companies to increase their capacity to expand and access new markets.
 - \$1.2 million supported the administration of the Products, Market Growth and Diversification Theme programs under the Canadian Agricultural Partnership framework which provided grant funding to industry for new product development and to access new markets.
- In addition, \$31 million in grant funding supported the development of the small alcohol beverage manufacturing industry through the Alberta Small Brewers Development Program and the Liquor Manufacturers Program.

(2) How do value-added agriculture products introduced to market place in Alberta impact the local economy?

ANSWER

- Value-added products provide opportunities for industry to attain the highest value for food and bio products. This stimulates capital investment and innovation across the supply chain and helps ensure our agriculture sector remains competitive.
- Product development and commercialization activities provide opportunities for Alberta businesses to service niche markets, remain competitive, and drive job creation.
- Impacts include exports and trade activity; jobs created or retained; expansion in municipal business and residential tax base; and development of a skilled workforce.
- In 2018, Alberta food and beverage manufacturing sales reached a new high of \$15.2 billion, or 19.8 per cent of the provinces total manufactured goods. This is a 2.4 per cent increase of total food and beverage manufacturing in 2017.
- Value-added products from agriculture feedstock also have the potential to create new energy, materials and chemicals, and service industries outside agriculture and forestry.

PA-180:

Mr. Reid:

(1) Once the technology or the ideas were developed, did they go elsewhere for production, or are these products still made in Alberta?

ANSWER

- Products that entered the market with support from food and value-added programs during 2018-19 were manufactured in Alberta at the time of 2018-19 reporting.
- The majority of the businesses are still in production in Alberta, with sales within the province, nationally, and some internationally as far away as China and Japan.
- Agriculture and Forestry is aware of two companies that are no longer in business in Alberta (Sunstrand Canada and The Crisp Bakery).
- We don't have information on whether some of the products have been outsourced for production or whether the products are still active in the market; however, the majority of businesses still operate in Alberta.

PA-180:

Mr. Reid:

(1) Is the ministry tracking the production of these products and the economic effect of that production?

ANSWER

- On an annual basis, the ministry tracks and reports on the number of value-added agriculture products developed and successfully introduced to market with assistance from the ministry.

- In 2018-19, 299 new value-added products were successfully introduced to market with assistance from the department.
- This measure does not reflect economic impacts of benefits such as revenue growth, job creation, or investment that may have been generated from these products specifically across all businesses.
- However, it is clear that the ministry programs and services help Alberta businesses to increase their capacity to grow. For example, tenants in the Agrivalue Processing Business Incubator (APBI) estimated gross APBI client sales for 2018-19 was approximately \$16.8 million in 2018-2019 and the Leduc Processing Development Centre supported 126 food processors throughout the year.
- The ministry tracks performance of the sector, and in 2018:
 - The employed labour force in the food and beverage manufacturing increased by 14.3 per cent (26,300 in 2018 compared to 23,000 in 2017).
 - Food and beverage manufacturing sales increased by 2.4 per cent, reaching a new high of \$15.2 billion.

PA-180:

Mr. Reid:

- (1) Has the work done by the ministry on local food development to this point opened the door for us to look at more private processing and maybe enhancing farm-to-table in Alberta?

ANSWER

- Agriculture and Forestry has made significant strides in developing provincial policies, programs, pilot projects, and initiatives to support the continued growth and sustainability of Alberta's local food sector, including the Alberta's Approved Farmers' program and Open Farm Days.
- The annual Local Food Week events contributes to government-wide rural development efforts by supporting a strong local food system and boosting the agri-food industry's contribution to local economies and job creation.
- The ministry continues to assist interested local food producers that wish to utilize ministry food processing facilities and expertise at the Leduc Food Processing and Development Centre and Agrivalue Processing Business Incubator.
- Over the past five years, there has been a steady increase in the number of new locally-produced value-added products developed and successfully introduced into the market with assistance from Agriculture and Forestry from 220 in 2014-15 to 299 products in 2018-2019.
- The ministry aims to increase the diversity and availability of local food for Albertans through a combination of continued improvement in accessibility and awareness, building knowledge and critical skills for producers and processors, product development, program administration, and regulatory reform.

PA-180:

Mr. Gotfried

- (1) Provide the market potential and current impact of Asian market (Indonesia, India, Vietnam, Philippines, Taiwan, and Thailand) in terms of export market diversification and development for agri-food and forest products.

ANSWER

- Alberta agriculture and agri-food companies were able to participate in a number of export readiness and market development activities, including outbound and inbound missions, business matchmaking, network facilitation, workshops and seminars. A total of 160 export readiness and market development initiatives were delivered in 2018-19. Alberta companies reported estimated sales of \$62 million as a result of these initiatives.
- AF led a number of market development initiatives in key markets, including Greater China, Japan, South Korea, United States, Mexico, European Union, South Asia, Middle East and Africa.
- Of the total \$62 million estimated sales, 62 per cent came from initiatives that took place in Asia, 62 per cent from Central & South Asia, Middle East and Africa, and 16 per cent from the Americas and European Union.

PA-180:

Mr. Gotfried

- (1) Has the department done any studies on the opportunity that if we are able to move our bitumen through pipeline, what that will do with respect to rail capacity for agriculture and forestry products?

ANSWER

- Agriculture and Forestry has not done any studies on rail capacity that would be available for agriculture and forestry products if bitumen were moved through pipeline. Canadian National Railway and Canadian Pacific Railway operate under a Precision Scheduled Railroading model. Under this model, the railways operate on fixed schedules and resources (including railway crews, locomotives and railcars) are allocated in step with demand.

PA-180:

Mr. Gotfried

- (1) Provide an update on the zebra mussel risk to the irrigation systems and what that cost could be if that is not mitigated appropriately.

ANSWER

- Quagga and Zebra mussels have the potential to obstruct and impede the function of the extensive irrigation water supply network in southern Alberta. To date, no invasive mussel species have been detected in Alberta reservoirs or irrigation infrastructure.

- In collaboration with irrigation districts, Environment and Parks (EP) is continuing to conduct routine surveillance to monitor for the presence of mussel larvae in water and evidence of mature mussels on substrates.
- In 2013, a study by EP calculated the total annual costs of invasive mussels to Alberta to be an estimated \$75.5 million. This estimate does not include irrigation district pipelines or rural water supply pipelines. A mussel infestation has the potential to disrupt the extensive irrigation conveyance network throughout southern Alberta that generates \$3.6 billion annually in gross domestic product to the province.
- Commonly available potash fertilizer (potassium chloride) was shown by Agriculture and Forestry to be a viable mussel treatment option for on-farm irrigation systems. Complete treatment of all irrigation districts and producer-owned water supply pipelines with potash is estimated to cost about \$1.1 million per application.

PA-181:

Mr. Guthrie

In 2017-2018, the annual allowable cut was 32 million cubic metres, and the actual harvest was 23 million cubic metres.

- (1) Explain the reason for that gap (nine million cubic metres) and include barriers or red tape that may prevent industry from harvesting the allowable cut?

ANSWER

- The Annual Allowable Cut (AAC) is the sustainable harvest level, expressed in cubic metres, allocated to companies based on a variety of factors, including the forest's ability to regenerate. The determination of AAC levels account for the maintenance of other important forest values such as hydrological function, biodiversity, and the maintenance of key habitat necessary to sustain species at risk.
- Annually, forest companies determine production levels based on market conditions at the time. Other factors that influence harvest levels include the need for infrastructure (mill) maintenance or capital investment. Current regulations permit forest companies to manage their AAC over a five-year period. This provides industry the flexibility to tailor annual harvest volumes to meet market demands and align with market conditions.
- Companies can vary their annual harvest levels based on a variety of factors, but over a five-year period, the harvest levels cannot be more than the total AAC over that five years.
- The rate at which companies decide to harvest their annual allowable cut is market-driven and will vary over time.
- The forest industry is not harvesting at a rate faster than the forest is able to regenerate.
- As part of Agriculture and Forestry's red tape reduction initiatives, Forest Management Agreements have been streamlined.

PA-181:

Mr. Guthrie

- (1) What is the department doing to ensure that the industry can increase timber harvest, in a sustainable manner, to enable greater opportunities for investment and jobs?

ANSWER

- Supporting jobs and helping create job opportunities in Forestry has been an important priority for the ministry.
- The Forest Jobs Action Plan delivers directly toward the government commitment of a Forest Jobs Guarantee that would ensure that forest companies have long-term access to a sustainable and secure fibre supply.
- The overall intent of the action plan is to stabilize the volume of available timber to mitigate the anticipated shortfall to the mid-term Annual Allowable Cut (AAC). The short-term actions will support forest companies and ensure continued sustainable forest management principles and practices. Examples of these steps include:
 - Ensuring a more expedient return of wildfire burned areas to productive forests.
 - Awarding currently unallocated portions of AAC through an open and competitive process;
 - Exploring the enhanced utilization of harvest waste and residual fibre;
 - Using superior naturally-occurring seedlings that research indicates are better for the long-term health and resilience of the province's forests; and
 - Working with companies to ensure the best utilization of allocated timber in their forest management plans.
- An important goal for 2020-21 will be to continue taking actions to help ensure fibre access and supply.
- Agriculture and Forestry will work closely with Environment and Parks and engage forest industry and other Crown land users to ensure the outcomes are aligned with other government priorities and provide mutual benefits.

PA-181:

Mr. Barnes

- (1) Is AFSC looking to extend the insurance timeline between calves and feeders with the bottleneck we're having right now?

ANSWER

- AFSC understands that farmers and ranchers are facing challenges during the COVID-19 crisis, and we are taking steps to ensure programs and services are being flexible and responsive to emerging needs.
- For example, the deadline for AgriStability has been extended from April 30 to July 3, and AFSC is exploring the possibility of:
 - increasing the interim payment amount,
 - removing the reference margin, and
 - increasing margin from 70 per cent to 80 per cent.
- AFSC is also looking at how to use AgriRecovery programs to help respond to specific challenges in the livestock industry (set aside program) and the potato industry.