



REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Legislative Assembly

Management is responsible for the integrity and objectivity of the performance results included in the *Ministry of Agriculture, Food and Rural Development's 2005-2006 Annual Report*. My responsibility is to carry out the following specified auditing procedures on performance measures in the annual report. I verified:

Completeness

1. Performance measures and targets matched those included in Budget 2005. Actual results are presented for all performance measures (see exception below).

Reliability

2. Information in reports from external organizations, such as Statistics Canada, matched information that the Ministry used to calculate the actual results.
3. Information in reports that originated in the Ministry matched information that the Ministry used to calculate the actual results. In addition, I tested the processes the Ministry used to compile the results.

Comparability and Understandability

4. Actual results are presented clearly and consistently with the stated methodology and are presented on the same basis as targets and prior years' information.

I found the following exceptions:

- There was no data reported for the measure *Per cent of Alberta Production Produced under On-Farm Food Safety Programs: Beef Feedlots*; therefore, I was not able to complete procedures one to four above. Management explains in the Results Analysis under Goal 2 why data was not reported.
- I found errors arising from inconsistencies in the processes to compile research and development investment data for the measure *Research and Development (R&D) Investment by Collaborators Leveraged through Ministry Resources*. Therefore, I was not able to conclude that the results presented were reliable and comparable (procedures three and four).

As my examination was limited to these procedures, I do not express an opinion on whether the set of measures is relevant and sufficient to assess the performance of the Ministry in achieving its goals.

[Original signed by Fred Dunn]
FCA
Auditor General

Edmonton, Alberta
August 31, 2006

[The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.]

Results Analysis

Results of Operations

The Ministry's financial results show consolidated revenues of \$575.9 million in 2005-06, which is a \$218 million decrease in revenues from 2004-05 and \$56.4 million lower than budget. Consolidated expenses were \$1,104.8 million. This figure is \$231.3 million lower than in 2004-05 and \$99.5 million lower than budget. The net operating deficit was an excess of expenses over revenues of \$528.9 million, which is \$14.5 million lower than in 2004-05 and \$43.1 million lower than budget.

Revenues

Revenues decreased by 27.5 per cent from the previous year. They were down \$218 million and, as noted above, were \$56.4 million lower than budget.

Revenue was lower than budget mainly because of reduced federal contributions for the Canada-Alberta Fed Cattle Set-Aside Program and revenue reductions for the Canadian Farm Income Program offset and production insurance. These reductions were partially offset by unbudgeted revaluations of prior year liabilities for disaster programs.

Revenue picture highlights include the following:

- Transfers from the government of Canada increased from budget by \$55.5 million, resulting primarily from reduced federal contributions for the Canada-Alberta Fed Cattle Set-Aside Program and the Canadian Farm Income Program offset.
- Fees, permits, licenses and other income was \$19.9 million higher than budget relating to an accounting adjustment to revalue prior year liabilities for disaster programs and the recovery of prior year grant overpayments. A similar accounting adjustment in 2004-05 was \$43.5 million.
- Premiums from insured persons were \$17 million lower than budget due to lower participation in production insurance. Premium revenues were \$5.6 million higher than 2004-05 receipts resulting from higher hail insurance participation, reintroducing Satellite Imagery and Moisture Deficiency programs and an increase in Spring Price Endorsement participation due to low crop prices and higher funding from the Province.
- Internal government transfers were \$5.6 million higher than 2004-05 resulting from a budgeted increase in lottery funding for the Agricultural Service Boards grant program.
- Reinsurance recoveries were \$2.2 million lower than 2004-05. The 2004-05 recoveries were attributed to the hail insurance program.
- Interest and investment income was \$3.7 million lower than budget and \$2 million higher than 2004-05.

Expenses Compared to Budget

Expenses were \$73.5 million lower than budget primarily as a result of lower production insurance indemnities and reduced funding for BSE recovery. These reductions were partially offset by retroactive changes to the Canadian Agricultural Income Stabilization (CAIS) program resulting in increased provincial costs.

- Farm Income Support payments were \$157.3 million over budget. Program payments for the CAIS program were significantly higher than budget as a result of retroactive changes to the program resulting in increased benefits for the 2003, 2004 and 2005 claim years.
- Insurance expenses were \$162.7 million lower than budget. Favourable crop conditions throughout the province resulted in lower production insurance indemnity payments from budget, which is based on 20-year historical averages.
- BSE Recovery Program expenditures were only \$18.9 million, compared to a budget of \$133.2 million. Early completion of the BSE Canada-Alberta Fed Cattle Set-Aside Program due to the U.S. border reopening to live beef exports accounts for the significant reduction.
- Industry Development expenses exceeded budget by \$36.6 million. Additional funding provided support for ongoing research into the development, production and marketing of value-added products, beef product and market development as well as partnership support.
- Planning and Competitiveness expenses were \$2.1 million lower than budget primarily resulting from lower than anticipated activity for rural utility services.
- Lending expenses were \$5.8 million lower than budgeted due to lower administration costs.
- Infrastructure assistance expenditures were \$2.4 million higher than budget as a result of in-year approval for industrial and environmental infrastructure assistance for beef processing.
- Debt servicing costs were \$8.4 million lower than budget resulting from reduced borrowing and lower than budgeted interest rates.
- Valuation adjustments were \$4.6 million lower than budget resulting from better than expected results in lending portfolios.

Expenses Compared to 2004-05

Expenses were down \$231.3 million from last year. Spending highlights for 2005-06 compared to 2004-05 are as follows:

- Farm Income Support payments were \$37.9 million lower than in 2004-05 primarily resulting from the reduced payments from the terminated Farm Income Disaster Program.
- Insurance expenses were \$29.9 million lower than those in 2004-05 due to reduced indemnity payments for production and hail insurance as well as wildlife damage compensation.
- BSE Recovery Program expenditures continued in 2005-06, but were \$128.4 million lower than the prior year. The BSE Fed Cattle Set-Aside Program was completed in July 2005 due to the U.S. border reopening to live beef exports.
- Industry Development expenses were \$52.4 million lower than 2004-05. Additional funding was provided in 2004-05 for market retention and development, pre-commercialization efforts for Specified Risk Materials (SRMs) and value-added initiatives.
- Sustainable Agriculture expenses were \$10.2 million higher than the prior year due to the increased funding for the Canada-Alberta BSE Surveillance Program, age verification, partnership support and general increases in food safety spending.
- Expenses for Planning and Competitiveness were \$7.1 million higher than 2004-05 primarily resulting from increased funding for Agricultural Service Boards and increased Farm Water Program expenditures.

- Farm Fuel Distribution expenditures were \$1.7 million higher than in 2004-05.
- Lending expenses were \$3 million lower than in 2004-05 due to lower administration costs.
- Infrastructure Assistance program expenses were \$5.6 million higher than the previous year due to additional funding for irrigation infrastructure assistance and industrial and environmental infrastructure assistance for beef processing.
- Valuation adjustments were \$6 million lower than the prior year due to better than expected results in lending portfolios.

Performance Measures Summary

For more information regarding performance measures, please refer to the follow sections, Core Businesses, Goals and Measures and Performance Measures Methodology.

Performance measures continue to be refined as programs evolve. Measures are more specific and focused on areas where the Ministry has the opportunity to influence outcome.

Targets for the performance measures were established based on research at the time the business plan was written. Forecasts for the fiscal year 2005-06 have been included. Summary tables, including the targets, forecasts for the fiscal year and the results, are included later in this document.

Core Business One: Facilitate Sustainable Industry Growth

Goal 1: Sustainable Growth of the Agriculture and Food Industry

The Ministry contributes to this goal by encouraging new and diversified product development and investment (primary and value-added food and non-food products) and facilitating long-term sustainable growth in established sectors.

The performance measures for this goal were designed to measure areas where the Ministry has some influence over growth of the industry.

Forecasted performance was achieved or exceeded for the following measures:

- 1b Research and development investment by collaborators leveraged through Ministry resources.
- 1c Investment supported by AFSC lending services.

Forecasted performance was not achieved for the following measure:

- 1a Number of value-added products developed and successfully introduced to market with assistance from the Ministry¹.

¹ The 2005-06 target and result numbers for this measure differ significantly because the measure was restated in the 2005-08 Business Plan. This change was made to better reflect the intended meaning of this measure, which focuses on development and commercialization of new value-added products. The measure and targets, as previously stated, included work done on products already on the market.

Goal 2: Continued Excellence in Food Safety

The Ministry contributes to this goal by promoting implementation of food safety process control systems throughout the food production continuum, through development and administration of essential food safety legislation, regulations and policy and through food safety surveillance systems that ensure consumer confidence and market access.

The measures for this goal recognize the importance of monitoring the adoption and implementation of food safety process control systems for, and in partnership with, the agriculture and food industry.

Forecasted performance was achieved or exceeded for the following measures:

- 2a Number of surveillance programs that identify hazards in food production.
- 2b Per cent of Alberta production produced under on-farm food safety programs.
 - chicken farms

Forecasted performance was not achieved for the following measure:

- 2b Per cent of Alberta production produced under on-farm food safety programs.
 - hog farms¹
 - beef feedlots²
- 2c Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system.
 - meat³
 - dairy⁴

¹ The market demand requires that the producer be following a provincially recognized on-farm food safety (OFFS) system in order to supply product to the processor (abattoir). Producers have been implementing since 1995, and some producers are on their second audit cycle. The results reported represent 100 per cent of the production sold for commercial processing.

² Production figures for Alberta beef feedlots under OFFS are not kept by the Alberta Beef Quality Starts Here (ABQSH) program or any other known source. Therefore, the Ministry is unable to report a result for this measure.

³ This performance measure can be achieved by a meat processing facility implementing either the Meat Facilities Standard II (MFSII) or the Alberta HACCP Advantage (AHA) program; HACCP means Hazard Analysis Critical Control Point. The AHA program is underway and accepting applications. However, AHA is a strictly voluntary program, which will wrap up March 31, 2008. Progress has been made toward implementation of the MFSII. However, the MFSII is still in the public consultation phase and is expected to come into effect by December 31, 2007. Once the new standard comes into effect, compliance will be mandatory, and the performance measure will be met.

⁴ There is no legal requirement for dairy processors to implement these programs. All are strictly voluntary. Encouragement is provided. Processors wishing to implement these pre-requisites are eligible for Food Safety Initiative funding under Alberta Agriculture, Food and Rural Development's (AAFRD) AHA program. A timeline for the implementation of three HACCP pre-requisite programs has been created for Alberta dairy producers by AAFRD as follows:

2006-07: Recall Program

2007-08: Allergen Program

2008-09: Sanitation and Pest Control Program

Core Business Two: Enhance Rural Sustainability

Goal 3: Improved Environmental Stewardship

The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

The measures for this goal target outcomes and outputs related to the Ministry's work in providing information, training and support to industry related to environmentally sustainable agriculture practices.

Forecasted performance was achieved or exceeded for the following measure:

- 3a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-07).
- 3b Number of producers provided with training and technical support to enable the development of environmental farm plans

Goal 4: Strengthened Rural Communities

The Ministry contributes to this goal by working to strengthen rural communities through involvement in facilitation, leadership development and infrastructure development.

The measures for this goal target areas that contribute to strong rural communities and the Ministry's ability to impact the viability of those communities.

Forecasted performance was achieved or exceeded for the following measures:

- 4b Total investment leveraged in rural businesses facilitated through AFSC lending services.
- 4c Percentage of Ministry supported, agricultural-related community activities that focus on leadership development.
- 4d Percentage of rural youth participating in Ministry supported programs that report effective learning from those programs.

Forecasted performance was not achieved for the following measure:

- 4a Number of rural businesses assisted by AFSC lending services¹.

¹ Numbers of businesses assisted was lower than targeted because projects authorized were larger than anticipated. Larger projects take more resources (both human and capital) resulting in fewer projects being undertaken.

Core Business Three: Strengthen Business Risk Management

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

The Ministry contributes to this goal by working cooperatively with service providers to target business management training and information dissemination, allowing managers to adopt the most economical and effective management practices to sustain their business.

The measure for this goal tracks the use of risk management tools, for which the Ministry and partners are providing training and information, by agricultural business managers.

Forecasted performance was not achieved for the following measure:

- 5a Percentage of managers surveyed indicating the use of risk management tools for improved decision making¹.

¹ The target established for this measure was ambitious and based on information available at that time related to risk management. The 2006 Risk Management Survey has established a much stronger benchmark for this measure, and future targets will be adjusted accordingly.

Goal 6: Effective Support Programs for Industry Stability

The Ministry contributes to this goal by providing appropriate support through programs such as the Canadian Agricultural Income Stabilization Program (CAIS), crop insurance, drought preparedness and disaster recovery initiatives.

The measures for this goal are intended to report on the effectiveness of business risk management programming. Some of the measures have been modified to help assess the effectiveness of the business risk management programs when disastrous events occur in the agriculture industry.

Forecasted performance was achieved or exceeded for the following measures:

- 6a Percentage of seeded acres for major crop categories insured under production insurance:
- annual crops

Forecasted performance was not achieved for the following measure:

- 6a Percentage of seeded acres for major crop categories insured under production insurance:
- perennial crops¹
- 6b The per cent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program².

¹ Results for lower participation on perennial crops may be due to excellent fall moisture conditions experienced in 2004 and good carryover of feed supplies from 2004.

² The result is lower than target primarily due to revisions made to the methodology for this measure. Inter-farm sales have now been included in the denominator to make Alberta farm cash receipts comparable to farm cash receipts covered by Alberta participants in the CAIS Program.

Future Challenges

The Ministry's measures are intended to show the effects the Ministry has on the three core business areas. However, the goals and measures are also impacted by inherent challenges. It is, therefore, vital for the Ministry to continually assess, anticipate, evaluate and plan to respond to future challenges. The measures the Ministry uses to track progress towards its goals will also need to be refined accordingly.

Major Influences on Alberta's agriculture and food industries:

Weather

Weather is one of the major sources of risk and uncertainty in agricultural production. A look at data from the crop insurance program payments can illustrate the kind of impact weather may have on agriculture. For example, the year 2002 saw the most widespread and severe drought Alberta has experienced in recorded history. Insurance payments for crops exceeded \$800 million. Cattle producers were forced to reduce their herds because of feed shortages. The Ministry and the industry need to constantly assess, anticipate and plan to meet the ongoing challenges weather poses.

Global Trade

Alberta's agriculture and food industry derives a substantial portion of its annual revenue from global trade. International trade, however, is affected by a host of factors, some of which are not entirely under the industry's control. Chief among these are the global demand and supply for food products and national farm policies that interfere with trade. Maintaining and expanding market access and constantly improving the capacity to produce and deliver products to global customers at competitive prices present challenges and opportunities for the future.

Increasing market access is a two-way street because it also opens opportunities for other countries and increases competition for Alberta products. In particular, Alberta's industry faces stiff competition from such relatively low cost producers as Brazil, Russia, India and China.

Competitors from emerging countries are also likely to face less evolved regulatory requirements, particularly for environmental protection and working conditions, thus gaining advantages in the global marketplace. However, as labour, land and other input costs rise around the globe, it is possible that the cost advantages in these countries may disappear.

Alberta views trade liberalization under the auspices of the World Trade Organization (WTO) as the best approach for improving global market access for Alberta's farm products. Achieving and taking advantage of this goal remain both a challenge and an opportunity for Alberta.

Currency and Interest Rate Impacts

The appreciation of the Canadian dollar relative to the U.S. dollar negatively impacts the prices or revenues received for Alberta exports. A stronger Canadian dollar, on the other hand, makes inputs imported from the U.S. cheaper for Alberta producers. This, for example, may apply to machinery, equipment, agricultural chemicals and feeds imported from U.S. manufacturers. However, given the greater magnitude of Alberta's annual agri-food exports to the U.S. relative to its imports of inputs from that country, the appreciation of the Canadian dollar will pose challenges for the industry. In the long run, however, the appreciation of the Canadian dollar may encourage or induce improved productivity and efficiency to remain profitable.

Interest rates can also have a significant impact on agriculture and agri-food businesses. Many producers use operating loans to ensure regular cash flow to their business; similarly, food processors will use loans to finance new investments and capital expenditures. Higher interest rates can have a dampening effect on investment and significantly increase the cost of servicing operating loans.

Evolving Consumer Demands

Consumer tastes, preferences and incomes are continually changing. The shift now underway in North American consumer demographics (i.e., aging population and increasing immigration) has significant implications for Alberta's agriculture and food industry.

As the population demographics and incomes change, the demand for food changes. For example, recent polls suggest that consumers over the age of 50 spend more money than younger consumers on items such as fruit nectars, wine/liquor, carbonated and soda water, coffee and tea, vitamins, minerals, supplements and herbal remedies. As well, with more dual-income families, the demand for home meal replacements has increased. Likewise, rising middle class incomes in developing countries, particularly in India and China, are expected to increase demands for proteins and other higher quality food products.

Consumers, particularly in Europe and North America, seem to increasingly attach importance not just to the quality of food products, but also to ethical considerations of how the food was produced. For example, consumers are expressing concern about animal welfare, the environment, biotechnology and the management of such resources as air, land and water. The ability of the agriculture and food industry to assess the challenges posed by these multifaceted issues and seize the opportunities inherent in these challenges will greatly influence the future direction of the industry.

Competing Demands for Land, Water and Human Resources

Many of the resources required by the agriculture and food industry are becoming increasingly difficult to obtain due to limited supply and heightened competition from other sectors of Alberta's thriving economy.

Competition for farmland from other sectors, such as oil and gas exploration and extraction and the expansion of urban centers and residential acreages, drives up the price of the farmland. Water resources are also facing increased demands, especially in southern Alberta, resulting in reduced availability for farming and food processing. Consumer concern for the environment, as well as demand for environmental benefits, and increasing desire for landscape amenities also limit both the availability of land for farming and the type of farming practices employed.

The rapidly emerging labour shortages are the other factor the agriculture and food industry has to contend with. Difficulties in accessing labour pose a serious threat to industry growth. The demand for workers in Alberta's successful oil and gas sector is creating widespread labour shortages and higher wage costs. Rising energy costs also impact the costs of trucking services and fertilizer production.

Core Businesses, Goals and Measures

The Ministry contributes to three of the government's four key opportunities: Unleashing Innovation, Competing in a Global Marketplace and Making Alberta the Best Place to Live, Work and Visit and the following four of the Government's goals: 1, 3, 8 and 14. The Ministry's major contributions are to Goal 1: Alberta will have a diversified and prosperous economy and Goal 8: Alberta will have a financially stable, open and accountable government.

The functions of the Ministry are aligned with government core businesses through three Ministry core businesses:

- Facilitate sustainable industry growth
- Enhance rural sustainability
- Strengthen business risk management

Core Business One: Facilitate Sustainable Industry Growth

This core business:

- Relates to the government's key opportunities of: **Unleashing Innovation, Competing in a Global Marketplace and Making Alberta the Best Place to Live, Work and Visit.**
- Promotes growth by adding value to agricultural products and services.
- Supports an innovative, profitable and globally competitive industry capable of sustained growth.

Core Business Cost \$246.9 million

Goal 1: Sustainable Growth of the Agriculture and Food Industry

This goal recognizes that industry growth is the outcome of long-term profitability arising from a competitive agriculture and food industry focused on market opportunities. The Ministry contributes to this goal by encouraging new and diversified product development and investment (primary and value-added food and non-food products) and facilitating long-term sustainable growth in established sectors. It is the role of the Ministry to work to enhance market access for agriculture and food industry products and to improve agriculture and food industry business services.

Goal 1 Expense \$229.7 million

The Ministry's efforts under Goal 1 are focused on achieving growth in Alberta's primary agricultural production and value-added industry leading to \$10 billion and \$20 billion, respectively, by 2010. Ministry staff contribute to the prosperity of the industry by working with companies to develop new, or improve existing, value-added food and non-food products.

The Ministry provided more than \$10 million in funding to assist municipalities and companies to increase beef slaughter and processing capacity in the province, including funding for

municipalities for water and wastewater servicing for beef processing operations. Ministry staff have also supported new immigrant farmers in acquiring farms and agriculture and food industry employers in finding employees through the Provincial Nominee Program.

Ministry staff have increased awareness of the potential marketing alternatives for wheat and barley in western Canada by providing significant input into the Choice Matters campaign. The Ministry has contributed to efforts to maintain or increase Alberta's agriculture and food industry revenue from national and international trade by successfully challenging another province's restrictions on coloured margarine under the Agreement on Internal Trade, by collaborating with the Canadian and U.S. federal governments and industry to manage the BSE policy effort and by playing an active role, with the Minister, in advancing Alberta's global trade interests at the World Trade Organization (WTO) Ministerial meetings in Hong Kong. They have also contributed to the work of the Agricultural Policy Framework (APF) Review Panel, which has now completed its mandate of assessing the performance of the current APF programs and provided recommendations for improvement in the design and delivery of future programs.

Key contributions to achievement:

- New technologies
- Expansion of meat processing and slaughter capacity
- Support for new immigrant farmers
- Effective producer and processor supports
- Improved industry competitiveness through policies, programs and projects
- Facilitated international trade
- Support for appropriate infrastructure/capital projects

Balancing economic growth with social and environmental sustainability continues to be a priority for industry and governments.

Strategy

Develop new products, processes and services that respond to new value-added market opportunities and enhance diversity.

Results

- Commercial seed distribution rights were granted for two new triticale varieties, Bunker and Tyndal, which were developed by the Field Crop Development Centre. The high silage yield and reduced awn (stiff bristle) expression of these varieties will diversify the use of spring triticale as conserved forage.
- The Food Processing Development Centre in Leduc evaluated four new technologies, completed 52 client-initiated developmental projects and completed 14 research projects related to value-added products. Alberta companies took 94 products to market, 38 of which were entirely new.
- Two beef value chains in organic and natural products were developed resulting in more than \$3.8 million flowing through the chain to producers.
- The Bio-Industrial Technologies Division was resourced and established to support industry in the development and commercialization of new industrial technology applications and products.
- The Agri-Processing Incentive Program and the Agri Investment Program were enhanced by over \$900,000 in federal funds, under the Renewal Chapter of the Agricultural Policy Framework (APF). These funds have enabled more than 30 Alberta companies to further develop new products and new technologies and to attract investment.

Strategy

Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation and lending products.

Results

- The Agrivalue Investor Network agreement was developed and signed providing grant funding of \$490,000 for a three-year pilot project. The network will link early stage and established companies seeking investment with individuals interested in investing in the agrivalue industry and is expected to facilitate the private investment of \$10 million to \$15 million into value-added agriculture.
- Assistance of \$2.9 million was provided to eight slaughter and beef processing capacity expansion projects under the Beef Product Market Development Program.
- 104 prospects were received through the Self-Employed Farmer Provincial Nominee Program (PNP); 19 Ministry PNP recommendations were approved for new immigrant farmers representing \$47.7 million in equity and \$82.4 million in investment in pork, beef, dairy, potato and greenhouse/crops sectors. This represents new immigrant farmers acquiring and expanding farm businesses in rural Alberta.

Strategy

Advocate policies/programs and develop networks that facilitate market access, human resource development and industry competitiveness.

Results

- Assisted in leading the Marketing Choice initiative by providing significant input into the Choice Matters campaign and lobbying federal representatives. This effort has resulted in increased awareness of the potential marketing alternatives for wheat and barley in western Canada.
- The first fruit wine operation in Alberta was established with Ministry support, through advocacy for the Cottage Wine Policy (which was enacted in February 2005 by the Alberta Gaming and Liquor Commission).
- The Ministry contributed \$30 million to establish the Beef Legacy Fund to support market re-entry and new market development for beef cattle.
- 101 Ministry recommendations for skilled workers under the Provincial Nominee Program (PNP) were approved for agri-food processors and 13 primary agriculture employers. Assistance and recommendations for Labour Market Opinions were provided to 44 employers representing 440 processing and 76 primary agriculture skilled worker PNP applications.
- 315 Green Certificate trainees were certified as production technicians and supervisors. Certification of trainees provides an assurance that production technicians and supervisors have farm production, competency-based training in order to contribute to the farm labour pool.
- Access to markets for Alberta poultry and pork products was facilitated by freedom-from-disease information being generated through surveillance programs and projects. Scientifically valid information on scrapie, avian influenza, and Salmonella prevalence in Alberta livestock and wildlife was produced.
- Industry competitiveness was enhanced by disease investigations and surveillance programs that identified and resolved potential animal health risks, such as Salmonella, lead toxicity, Johne's disease and Chronic Wasting Disease.
- Recovery of the beef industry was facilitated by scientific expertise contributing to the development of national/provincial bovine spongiform encephalopathy (BSE) policy, including the approval of the Alberta position policy and the work of the Federal/Provincial/Territorial Feed Ban working group, Beef Value chain round-table and Alberta Prion Research Institute management board.

- Improved access to lost markets was achieved through the provision of objective evidence on the prevalence of BSE in Canada. BSE testing through the Canada-Alberta BSE Surveillance Program exceeded World Organization for Animal Health requirements. Food safety controls were maintained through the removal of Specified Risk Materials.

Strategy

Develop and administer essential policy, legislation and regulations.

Results

- Completed the regulatory framework for the creation of a new Alberta Beekeepers refundable commission. The move from an industry association to a commission will enable the beekeeping industry to contribute more to research and development to further develop the industry.
- Added provisions to the Alberta Beef Producers Plan Regulation for the creation of a Cattle Industry Council to involve more industry stakeholders in Alberta Beef Producers' policy development process.
- Amended the Alberta Pork Producers' Plan Regulation to reflect demographic changes in the industry, reduce administrative costs and encourage greater participation of producers in the activities of Alberta Pork. Implementation began on Alberta Pork's farm unit premise registration system to provide additional trace-back of products.
- Amended the Alberta Milk Marketing Regulation to give processors an assurance of milk supply and provide a consistent milk classification system across Canada.
- Completed a review of the existing *Animal Protection Act* (APA) in collaboration with industry partners. The amendments to the APA will improve the opportunities of those who enforce the APA to act swiftly on cases of neglect and mistreatment.
- Worked with Alberta Environment and International and Intergovernmental Affairs to resolve concerns raised by Montana to the International Joint Commission regarding the 1921 Order that defines water sharing between Alberta and Montana.

Strategy

Deliver targeted research, technology, information and services to enhance competitiveness and market access.

Results

- Assisted in measuring more than 300 bulls for Net Feed Efficiency (NFE) and released the first North American genetic merit values for NFE. Approximately \$1.5 million has been invested by industry in a new facility for testing breeding stock for NFE. Improving NFE will also reduce (by 15-20%) methane and manure emissions from cattle, which may result in new agriculture investment due to greenhouse gas credits.
- In collaboration with industry and the University of Alberta, determined the potential for further refining dried distiller grains into high value ingredients through the application of new bio-process technologies. An industry partner is currently considering the opportunity for commercial adoption.
- Continued work with the irrigation industry to develop research programs to test and promote effective water measurement practices to irrigation producers and districts that will increase water use productivity and efficiency as well as reduce water losses.
- Assisted the Alberta Sugar Beet Growers in successfully defending against U.S. anti-dumping duties at the Canadian International Trade Tribunal.
- Led and coordinated a mission of members of the Legislative Assembly (MLA) to the Legislative Agriculture Chairs Summit, which resulted in an Alberta MLA being elected to the State Agriculture Rural Leaders Board. The position gives Alberta/Canada access to all state Legislative Agriculture Chairs in the U.S.

Strategy

Work with partners to ensure that appropriate physical infrastructure is in place.

Results

- Worked with Alberta's 13 irrigation districts to allocate \$20 million in Irrigation Rehabilitation Project Funds and \$2 million for special projects in individual districts that addressed critical needs in water management and efficiency improvements.
- In co-operation with Alberta's natural gas distributors and electric utilities including rural gas co-ops and rural electrification associations, facilitated the construction of 3,400 new rural natural gas services and 520 farm electric services through the provision of grant funding exceeding \$2.575 million.
- Alberta invested \$2.84 million into a world-class, state-of-the-art innovation facility, the Agri-Food Discovery Place, that will focus on bio-products and food safety.
- As part of Alberta's BSE recovery plan, an Industrial and Environmental Infrastructure for Beef Processing Program was developed to assist municipalities and industry involved with new or expanding beef slaughter and processing plants. Approximately \$6.1 million was committed to 11 projects. The funding will help industry deal with environmental issues such as noise, waste, emissions and other issues such as security and utility connections as well as other industrial needs associated with developing new beef processing capacity.
- Approximately \$1.15 million was approved under the Municipal Industrial Wastewater Infrastructure for Agricultural Processing Program for three municipal capital projects and two feasibility study projects. These projects relate to water and wastewater servicing for beef processing operations.

Goal 1		2004 -	2005 -	2005 -	2006 -
		2005	2006	2006	2007
Performance Measures		Result	Target	Result	Target
1a	Number of value-added products developed and successfully introduced to market with assistance from the Ministry ¹ .	94 ²	120	42	120
1b	Research and development investment by collaborators leveraged through Ministry resources.	\$6.8 million	\$7.0 million	\$7.6 million	\$8.5 million
1c	Investment supported by AFSC lending services ³ .	\$283 million	\$213 million	\$233 ⁴ million	\$221 million

¹ The 2005-06 target and result numbers for this measure differ significantly as the measure was restated in the 2005-08 Business Plan. This change was done to better reflect the intended meaning of this measure, which focuses on development and commercialization of new value-added products. The previous numbers included work done on products already on the market. Targets for this measure will be adjusted accordingly.

² The 2004-05 result included 38 new product introductions that were supported by the Beef Product Market Development program (BPMD). As a response to BSE, this program helped meat processors deal with the surplus of cattle more than 30 months of age by offering support for secondary beef processing expansion, new product development, market re-entry and new market development. Although BPMD was extended to March 31, 2006, the program primarily supported secondary beef processing expansion projects in 2005-06.

³ Total investment in rural business and total amount of farm loans.

⁴ The total dollar investment in rural business was slightly over target due to the focus on increasing beef slaughter capacity and value-added for the beef industry as a result of BSE.

Goal 2: Continued Excellence in Food Safety

This goal recognizes that a reputation for excellence in food safety is essential to maintain consumer confidence and expand markets, both domestic and international. The Ministry contributes to this goal by promoting implementation of food safety systems in the production of food. This is achieved through essential food safety legislation, regulations and policy and through surveillance systems that support consumer confidence and market access. These initiatives support the development of a national approach to food safety as identified in the Agricultural Policy Framework.

Goal 2 Expense \$17.2 million

The Ministry contributed to safe food manufacturing in Alberta by providing expert input to the design of, and guidance on the implementation of, production systems on farms and in food processing establishments. Inspections of food plants were conducted to ensure compliance with provincial regulations. Valid surveillance information about the safety of Alberta agri-food products was generated to give consumers confidence in the safety of Alberta products. Expert advice from Ministry staff resulted in greater awareness about food safety risks and appropriate mitigation strategies by food processing plant operators.

The Ministry provided lab testing support, advocated improved production or processing practices and advocated for access to secured Agricultural Policy Framework (APF) funds for development of Hazard Analysis Critical Control Point (HACCP) based food safety programs by food processors. Inspections ensured compliance by primary food producers with provincial food safety regulations. The Ministry also contributed to the development of national food safety policies, including the discussion of policy options regarding the containment or destruction of specified risk materials.

Key contributions to achievement:

- Food Safety Initiative negotiated under the APF
- Increases in certification and inspection
- Increases in surveillance and investigation
- Processing and on-farm food safety programs
- Partnerships, including those with the Canadian Food Inspection Agency, Alberta Sustainable Resource Development and Alberta Health and Wellness
- Well managed regulatory inspection and enforcement

Reporting and measurement related to food safety continues to create challenges given the multi-jurisdictional responsibility for food safety program delivery.

Strategy

Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.

Results

Meat Facilities Standard II (MFS II):

- A protocol to assist operators of licensed abattoirs to comply with the MFS II was developed by food safety specialists. The protocol will enable regular partial maintenance audits to be conducted by third-party auditors, to ensure compliance with MFS II.
- Ministry staff assisted Alberta's five provincially licensed dairy plants to implement the traceability requirement of the *Dairy Industry Act*.

Alberta HACCP Advantage (AHA):

- The HACCP pre-requisites and plans for small and medium food processing establishments were completed and reviewed by Alberta Health and Wellness.
- The Ministry and Agriculture and Agri-Food Canada negotiated an implementation protocol for the Food Safety and Quality Chapter of the Agricultural Policy Framework (APF) Food Safety Initiative (FSI), resulting in the development of an FSI funding protocol and implementation procedure for AHA and the recruitment of Food Safety Specialists to deliver the program.

Critical Control Points (CCP) identification:

- Critical Control Points for two processing plants were verified by projects, ensuring safer food products.

On-farm Food Safety (OFFS):

- National Technical Reviews were completed for three commodity groups (grains and oil seeds, turkey and bison), to enable OFFS implementation.
- Ministry staff participated on industry boards and commissions to provide expert advice in support of OFFS implementation.

Strategy

Develop, implement and maintain a surveillance system that validates and identifies opportunities for enhancing the safety of Alberta's agriculture and food products.

Results

- Disease investigations by Ministry staff detected and resolved six potentially high-risk food safety issues during food production and processing.
- Opportunities for industry to enhance food safety were identified by 25 food safety surveillance projects. This information was shared with industry and technical peers and partners.
- An early warning system for potential food safety risks in poultry production facilities was provided by two ongoing food safety programs that monitor specific pathogens in production facilities.
- Nine new/improved food safety testing methods were developed and validated, enhancing the ability to detect and evaluate food safety risks.
- Enhanced the Food Safety Division laboratory's International Organization of Standardization (ISO) accredited Quality Assurance System to increase confidence in, and international acceptance of, scientific findings.

Strategy

Develop and administer essential policy, legislation and regulation, and facilitate emergency response.

Results

- Emergency response plans were created through participation in the Intelligence Working Group of the Minister's Committee on Pandemic Preparedness Plan, the Alberta Counter Terrorism Crisis Management Plan, FIORP (national food emergency response) and the Alberta Food Borne Illness Emergency Response Plan.
- Industry's capacity to deal with risk was enhanced by amendment of regulations, such as the Alberta Milk Marketing Regulation and the Alberta Chicken Producers Marketing Regulation.
- Milk testing services continued to be made available to industry through an agreement with Dairy Herd Improvement for Central Milk Testing.

Compliance with provincial food safety regulations by primary food producers was ensured by inspection:

- All 724 dairy production facilities were inspected in the past 24 months. Approximately 44 per cent of the total number of bulk milk trucks in the province were also inspected.
- All red meat abattoirs were inspected on a monthly basis as part of the Meat Facility Standards (MFS) Auditing Program. A checklist based on the Canadian Food Inspection Agency (CFIA) monthly inspection program was developed, and inspection services were provided to 52 red meat plants, three poultry plants and 71 Hutterite colonies. Regulatory Services Division (RSD) also licensed 99 mobile butchers in 2005-06. On an annual basis, meat inspectors inspect approximately 205,266 red meat carcasses and 3,962,563 poultry carcasses.
- Contraventions of Food Safety Regulations were addressed by investigation and enforcement activities to prevent the sale of uninspected eggs and meat and contraventions of the dairy act.
- RSD meat inspectors verified Specified Risk Materials (SRM) removal from provincially inspected meat carcasses.

Essential Policy:

- A Specified Risk Materials (SRMs) Disposal Planning Workshop, for industry and government partners, was held in May 2005 to discuss policy options for the containment or destruction of SRMs.
- National food safety policies and governance systems were developed through active participation on federal/provincial/territorial technical committees and subcommittees.

Strategy

Develop and transfer knowledge and technology in support of safe food production and processing.

Results

- Alberta licensed processing plant operators are aware of food safety risks, intervention strategies and appropriate mitigation practices as a result of consultation with meat inspectors and food safety specialists.
- Alberta licensed processing plant operators are aware of the Food Safety Initiative Program, which supplies funding for the development of Hazard Analysis Critical Control Point based food safety programs as a result of consultation with and provision of information by Food Safety Division and Regulatory Services Division staff.
- The Alberta poultry, pork and honey industries received targeted food safety information to improve their production/processing practices
- Electronic access to meat inspection records was provided by the Meat Inspection Data Collection Initiative, to ensure timely submission of inspection records.

Strategy

Provide information, training and other programs that enhance food safety awareness and supports access to domestic and international markets.

Results

- Industry and the public were made aware of legislative enactments through publications on the Ministry's Ropin' the Web web site. Interpretative overviews of legislation are also provided.
- The Bulk Milk Grader Study Guide was substantially revised and reprinted.
- A monthly newsletter was distributed to abattoirs and meat inspection staff.
- Alberta farmers' markets received targeted food safety information in a training manual for Alberta Farmers' Market vendors and managers entitled "Marketing Food Safely."
- Food safety information was developed and shared with partners through collaborative efforts with groups such as Canada Alberta Partners in Food Safety, Regional Health Authorities and Alberta Health and Wellness.

Strategy

Participate in national, provincial and industry food safety and traceability initiatives.

Results

- An environmental scan was completed by an external consultant to provide Ministry staff with information to increase knowledge of traceability systems, technologies, requirements and legislation in other jurisdictions.

Goal 2		2004 -	2005 -	2005 -	2006 -
		2005	2006	2006	2007
Performance Measures		Result	Target	Result	Target
2a	Number of surveillance programs that identify hazards in food production.	18	10	25	10
2b	Per cent of Alberta production produced under on-farm food safety programs.				
	• chicken farms	100%	98%	100%	98%
	• hog farms ¹	100%	98%	92% ²	98%
	• beef feedlots ³	N/A ¹	20%	N/A	40%
2c	Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system.				
	• meat	N/A ⁴	20%	16% ⁵	20%
	• dairy	N/A ⁴	70%	0% ⁶	70%

- All Canadian Cattle Identification Agency (CCIA) tags numbers are recorded and have been transferred into CCIA's database to support traceability of Alberta cattle.
- The Director of Regulatory Services Division fulfilled obligations of appointment as Secretariat for the Livestock Identification Services Ltd. (LIS)'s Delegation Agreement, overseeing the delegation of legislative duties, powers and functions corresponding to the LIS Delegation Agreement and sitting as an Ex-officio member on the LIS Board of Directors.

¹ These results are based on estimated production numbers and may overstate the actual percentage of pork produced under on-farm food safety programs in Alberta.

- ² Market demand requires that the producer be following a provincially recognized OFFS system in order to supply product to the processor (abattoir). Producers have been implementing since 1995 and some producers are on their second audit cycle. The results reported represent 100 per cent of the production sold for commercial processing.
- ³ Production figures for Alberta beef feedlots under OFFS are not kept by the Alberta Beef Quality Starts Here (ABQSH) program or any other known source. Therefore, the Ministry is unable to report a result for this measure.
- ⁴ Results for the 2004-05 fiscal year cannot be reported. The audit and inspection methodology used at that time to determine the adoption of HACCP or HACCP prerequisites was not adequate to determine with certainty if the adoption of HACCP or HACCP prerequisites had occurred.
- ⁵ This performance measure can be achieved by a meat processing facility implementing either the Meat Facilities Standard II (MFSII) or the Alberta HACCP Advantage (AHA) program. The AHA program is underway and accepting applications. However, AHA is a strictly voluntary program, which will wrap up March 31, 2008. Progress has been made toward implementation of the MFS II. However, the MFS II is still in the public consultation phase and is expected to come into effect by December 31, 2007. Once the new standard comes into effect, compliance will be mandatory, and the performance measure will be met.
- ⁶ There is no legal requirement for dairy processors to implement these programs. All are strictly voluntary. Encouragement is provided. Processors wishing to implement these pre-requisites are eligible for Food Safety Initiative funding under the Ministry's AHA program.

A timeline for the implementation of three HACCP pre-requisite programs has been created for Alberta dairy producers by Alberta Agriculture, Food and Rural Development as follows:

2006-07: Recall Program

2007-08: Allergen Program

2008-09: Sanitation and Pest Control Program

Core Business Two: Enhance Rural Sustainability

This core business:

- Relates to the government's key opportunities of: **Making Alberta the Best Place to Live, Work and Visit, Competing in a Global Marketplace** and **Unleashing Innovation**.
- Relates to maintaining and improving agriculture's physical and human resource base.

Core Business Cost \$52.1 million

Goal 3: Improved Environmental Stewardship

This goal recognizes it is the role of the Ministry to assist the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

Goal 3 Expense \$21.6 million

To realize the desired outcomes of maintaining or improving agricultural soils and water quality in agricultural areas of the province, the Ministry has worked with industry and other partners to conduct research, provide training and monitor the impact of agricultural production and processing on soil and water quality.

Through provision of support to the Environmental Farm Plan Company, farmers are provided with training to enable the development of environmental farm plans. The Ministry also works with partners to provide training and technical support for the development and application of beneficial management practices on Alberta farms. Partnerships in RTLinkages (Reduced Tillage Linkages) and the National Greenhouse Gas (GHG) Mitigation Program helped to increase producer awareness of beneficial management practices and GHGs through on-farm demonstrations, workshops and articles in a variety of media.

Key contributions to achievement:

- Work with other ministries and agencies to maintain and improve water and soil quality
- Engagement of industry in several areas, including beneficial management practices and environmental farm plans
- Greenhouse gas and biodiversity awareness programs and on-farm demonstrations
- Research results and continued research
- Support for corporate spatial data services for public use, Agriculture Climate Information Service (ACIS) and Agriculture Regions of Alberta Soil Inventory Database (AGRASID).

Strategy

Support and conduct applied/adaptive research and evaluations to develop economically sound, environmentally friendly beneficial management practices for relevant areas of crop and livestock production and agricultural processing.

Results

- Worked with Alberta Environment and Alberta Sustainable Resource Development in the development of the South Saskatchewan River Basin (SSRB) Water Management Plan, which will set minimum flow standards for all rivers in the SSRB.
- Developed a water measurement canal/pipeline system to test and promote effective water measurement practices to irrigation producers and districts that will increase water use productivity and efficiency.
- Worked with the irrigation districts in updating crop, on-farm irrigation system and infrastructure databases required for continued water demand modeling and individual district water management planning.
- Worked with Agriculture and Agri-Food Canada to assess the impact of manure incorporation methods to reduce nutrient runoff to surface water.
- Conducted applied research to assess the practicality of vegetative buffer strips adjacent to surface water to reduce nutrient losses to rivers, streams and irrigation canals.

Strategy

Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable, including provision of support for adoption of environmental farm plans.

Results

- Provided financial and technical support for the operation of the industry-led Environmental Farm Plan (EFP) program. Technical and communications support was provided for the delivery of the workshops for producers throughout Alberta and for the training of the technical advisors, supporting EFP commitments.
- The Confined Feeding Operations (CFO) Emissions Inventory Subgroup, as part of the Clean Air Strategic Alliance CFO team, developed terms of reference. A draft work plan has been developed and approved.

- Nutrient management software tools were developed. Key milestones that have been achieved with this project are the Alberta Manure Management Planner, Version 0.20, released in April, 2005 and made available from Ropin' the Web; Alberta Farm Fertilizer Information and Recommendation Manager, Version 2.0, released in August, 2005 and made available from Ropin' the Web; and the AAFRD Nutrient Management Planning Suite CD-ROM released December 2005.
- The Nutrient Management Plan Development Guide/Curriculum was developed, and the manure application practices and technology situation analysis project completed.
- Local community-based extension programs were delivered to facilitate adoption of beneficial management practices (BMPs) by the agricultural industry. Supported 39 extension programs covering 17 agricultural groups and 59 municipalities addressing key environmental issues of nutrient management, grazing and riparian management and integrated crop management.
- Continued development of the necessary infrastructure to support a Corporate Spatial Data Service that will facilitate decision making, support and risk assessment. The Agriculture and Climate Information Service (ACIS), and the Agriculture Regions of Alberta Soil Inventory Database (AGRASID) were launched as web-based applications for free public access.
- Provided information to producers and industry that will improve irrigation and energy use efficiencies of irrigation systems through irrigation management training and the Irrigation Management Climate Information Network.
- Established four demonstration farms and 40 on-farm demonstrations to increase producer awareness of BMPs that mitigate greenhouse gases (GHGs) in cropping and manure management systems; 1,961 farmers and extension persons attended 54 tours. Presentations were made at 74 workshops and 25 articles appeared in industry publications such as Top Crop Manager, Country Guide and Grain News. This was done as a partner in RTLinkages (Reduced Tillage Linkages) and the National Greenhouse Gas Mitigation Program.
- Assisted with several manure injection demonstrations. Compiled data for development of technical information on composting. Started a long-term nutrient demonstration site.

Strategy

In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.

Results

- Developed a Standardized Pork Greenhouse Gas Quantification Protocol, in concert with the National Offset Quantification Team, to define the supply side of carbon credits from pork.
- Participated as a member of a Multi-Stakeholder Advisory Committee in the review of current legislation for the development of conventional natural gas to ensure appropriate regulations are in place for the development of natural gas from coal also known as coal bed methane. A draft final report was finalized for review by Standing Policy Committee and Cabinet.
- Worked with industry partners to continue applied research to assess agricultural phosphorus losses and the impacts on surface water in Alberta's agricultural areas. This work is being completed in order to develop soil phosphorus limits for all agricultural lands in the province. As part of this project, communicated with producer organizations to promote the need for the development of beneficial management practices related to long-term sustainable phosphorus management.

Strategy

Monitor the effect of the agricultural production and processing industry on soil and water quality.

Results

- Monitored 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the impact of the agricultural industry on surface water quality. Initiated a five-year summary of results.
- Monitored 42 Soil Quality Benchmark Sites for various physical, chemical and biological parameters to determine the impact of agriculture on soil quality. Expanded the number of monitoring sites to 44 within 42 provincial eco-districts.
- Initiated a pilot project to detect Personal Care Products and Pharmaceuticals residues in surface waters, in partnership with the Canadian Food Inspection Agency and Alberta Environment.
- Completed the data analysis for the shallow groundwater study, which is evaluating the relationship between agricultural intensity and shallow groundwater quality.

Goal 3		2004 -	2005 -	2005 -	2006 -
		2005	2006	2006	2007
Performance Measures		Result	Target	Result	Target
3a	Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-07) ¹ .	53% ²	53%	53% ²	58%
3b	Number of producers provided with training and technical support to enable development of environmental farm plans.	1,968	1,500	5,056 ³	2,000 ⁴

¹ The adoption score out of a possible 54 eligible practices (i.e., if a farmer had livestock and water bodies on his/her land, a practice such as "fencing to manage livestock access to water" would apply) was 53 per cent in 2003 (63% in 2000). Producers surveyed (n=500) indicated the prolonged droughts of 2001, 2002 and 2003, coupled with the ongoing BSE crisis, were the main reasons for not increasing the adoption rate of environmentally sustainable practices on their farms. In fact, 86 per cent were impacted in some fashion by these severe financial hardships (40% very significantly).

² The 2005-06 actual numbers stayed at 53 per cent because this is the most recent data available. The next survey will be conducted during the latter part of the 2006-07 fiscal year. The target for reporting for the 2006-07 fiscal year is 58 per cent, revised as a result of the long term impacts of the aforementioned financial hardships.

³ The 2005-06 actual results (5,056) far exceeds the 2005-06 target (1,500) as a result of an expanded marketing program initiated by the AEFP Company and supported by the tripartite partners, Alberta Agriculture, Food and Rural Development and Agriculture and Agri-Food Canada, through the provision of extra financial and technical resources. The AEFP Company also restructured, facilitating the strategic positioning of leaders to provide additional administrative and leadership support. Since these program improvements will continue, targets for 2007-08 and beyond will be increased accordingly.

⁴ Future targets for 2007-10 and beyond will be revised to reflect a cumulative growth of 1,500 per year.

Goal 4: Strengthened Rural Communities

This goal recognizes that vibrant and sustainable rural communities are one component of a prosperous province. The Ministry contributes to this goal by working to strengthen rural communities through involvement in facilitation, leadership development and infrastructure development. The Ministry has a lead role in coordinating rural development initiatives, under the Economic Development Strategy. Implementing the Rural Development Strategy will facilitate cooperative efforts to ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders in support of community prosperity.

Goal 4 Expense \$30.5 million

Agriculture, Food and Rural Development works with other ministries and non-government stakeholders to achieve vibrant, sustainable rural communities. Positive results leading to that outcome are being realized as a result of training and leadership development opportunities for rural youth and other rural leaders provided by the Ministry.

The Ministry has also provided grant funding for Irrigation Districts to improve water conveyance and to Agricultural Societies and Agricultural Service Boards for community facilities and activities, as well as pest and weed control and soil and water conservation.

The Ministry has been facilitating the implementation of the Rural Development Strategy in partnership with stakeholders and other ministries, resulting in the Alberta Government committing \$360 million in new funding to Rural Development in the coming year.

Key contributions to achievement:

- Provision of training and leadership
- Evident partnership with communities and rural businesses
- Excellent stakeholder engagement and cross-ministry involvement
- Contributions to planning for future rural development
- Rural business diversification efforts

Strategy

Provide leadership development for youth and adults actively engaged in agriculture and community organizations.

Results

- 93 per cent of 4-H leaders and members attending Ministry supported programs reported increases in technical skills and knowledge as well as in leadership development based on Knowledge, Aspiration, Skills and Attitude evaluations.
- Key Member Program launched in 39 of 55 4-H districts across the province, increasing the number of mentors for youth, training available to members and the resources available for district clubs.
- Updated 4-H Leader training levels and provided Level 1 training to over 300 leaders across the province.

Strategy

Facilitate the development of sustainable communities, organizations and agricultural and rural businesses that are networked, flexible, adaptable and manage change proactively and positively.

Results

- Cost-shared Irrigation Rehabilitation Program grants in the amount of \$22 million were distributed to Alberta's 13 irrigation districts, assisting them to improve their water conveyance infrastructure, which delivers water to irrigation farmers, as well as about 50 towns and villages, numerous commercial/industrial operations, water-based recreational sites and wildlife habitat throughout southern Alberta.
- Coached and mentored boards and commissions on board governance, industry issues and strategic priorities aligned to the Agriculture Growth Strategy. For example, the Hatching Eggs Memorandum of Understanding.
- Completed 40 mentorship consultations with agricultural tourism operators and farm direct business clients across Alberta to strengthen individual businesses and improve awareness and understanding of business opportunities.
- 14 ag-entrepreneur scholarships were awarded to Alberta farm direct marketers and ag-tourism operators to attend three different learning events. These individuals increased their awareness of the industry and related business opportunities and have become spokespeople and mentors to others within the industry.
- Weyerhaeuser and Land Stewardship Center signed Memorandum of Understanding Agreements with the Woodlot Extension Program to become full program partners through to December 31, 2008. New partners to the program now total 15 industry, government and conservation partners. Participation encourages collaboration among partners and promotes an innovative business model for program delivery.
- The one-month 'Dine Alberta' Savour Regional Flavour project increased from 70 to 90 participating restaurants in 2005 and resulted in \$446,968 spent on Alberta ingredients; 79 per cent of chefs reported they will continue to feature Alberta products on their menus throughout the year.
- Revised the Approved Alberta Farmers' Market Program Guidelines (developed in June 2005) to increase the ability of larger Approved Farmers' Markets to invest in infrastructure and protect their investment through the use of the New Generation Co-operative business model.
- Provided \$8.67 million in grant funding to 285 Agricultural Societies, which enabled community facility operation, enhanced agricultural activities and rural development and increased leadership and training activities.
- Provided approximately \$2.9 million for 98 community-initiated projects under the Agricultural Initiatives Grant Program to support improvements in quality of life in agricultural communities.
- Provided \$10.58 million support through grant funding to 69 Agricultural Service Boards (ASB) for the delivery of municipal projects, programs and services for weed control, agricultural pest control and soil and water conservation as directed under the *Agricultural Service Board Act* and associated legislation.
- Through the development of a new provincial agreement and new ASB program guidelines, reporting was enhanced and accountability of ASBs with respect to program funding and program delivery has increased.
- A new Provincial ASB Committee was established to facilitate effective stakeholder engagement in addressing agricultural issues.

- Collaborative initiatives with the National 4-H Resource Network have resulted in the development of up-to-date, innovative and leading edge training materials that can be used by organizations across Canada to increase their overall adaptability and ability to manage change.
- Linkages and partnerships were built with other youth organizations to enable sharing of resources and training opportunities.

Strategy

Co-ordinate a multi-ministry approach to rural development.

Results

- A Cross-Ministry Rural Development Strategy Implementation Committee was formed to provide direction to the implementation of A Place to Grow: Alberta's Rural Development Strategy. As a result, more than \$260 million in spending was committed by the Alberta Government to 25 rural initiatives in Budget 2006.
- A Rural Development Strategy Task Force was appointed to provide advice to the government on rural priorities and key mechanisms needed to effectively implement the Strategy. As a result, a commitment was made in Budget 2006 to establish a \$100 million Rural Development Project Fund to support community-focused projects that will contribute to the growth and prosperity of rural Alberta.
- Federal/provincial collaboration on rural issues was supported and encouraged at all levels. As a result, important input was collected from rural residents at a joint Roundtable on Rural Development held in Hanna, a Memorandum of Understanding was signed to provide additional support to Rural Team Alberta and a new research project into how rural communities can attract and retain immigrants was initiated.
- Initiated work with Alberta Education to increase collaboration in the availability and use of Off Campus Credit program resources for 4-H youth in rural communities.

Goal 4		2004 -	2005 -	2005 -	2006 -
		2005	2006	2006	2007
Performance Measures		Result	Target	Result	Target
4a	Number of rural businesses assisted by AFSC lending services.	273	320	207 ¹	330
4b	Total investment leveraged in rural businesses facilitated through AFSC lending services.	\$169.0 million	\$80.0 million	\$98.6 ² million	\$82.0 million
4c	Percentage of Ministry supported, agricultural-related community activities that focus on leadership development ³ .	32%	27%	31%	29%
4d	Percentage of rural youth participating in Ministry supported programs that report effective learning from those programs.	91%	90%	93%	90%

¹ Numbers of businesses assisted was lower than targeted because projects authorized were larger than anticipated. Larger projects take more resources (both human and capital) resulting in fewer projects being undertaken.

² Total investment was over target due to the focus on increasing beef slaughter capacity and value-added for the beef industry as a result of BSE.

³ This measure has changed from previous years to better focus on Ministry outcomes related to rural development. One of those outcomes is leadership development.

Core Business Three: Strengthen Business Risk Management

This core business:

- Relates to the government's key opportunities of **Competing in a Global Marketplace and Unleashing Innovation**.
- Provides risk management tools and training.

Core Business Cost \$805.8 million

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

This goal recognizes the business risk associated with production affected by weather extremes, disease epidemics and unforeseen global market influences. Cooperative efforts by service providers will target business management training and information dissemination, allowing managers to adopt the most economical and effective management practices to sustain their business.

"Agri-business manager" is an inclusive term indicating the range of industry people, from primary to value-added, using risk management tools in decision-making. This goal is manager-driven. The manager makes the decisions, not government on behalf of the manager.

Goal 5 Expense \$2.9 million

Ministry staff and industry partners strive to ensure primary producers and agri-businesses have access to business risk management information, tools and training that supports the development of business risk strategies.

Changes made to the 2005-08 Business Plan have focused renewed effort on the provision of business risk management information and training for agricultural business managers to support the development of business risk strategies. As a result, several risk management tools have been made available to producers and agri-businesses. Work with existing and new partners also enabled the delivery of business and risk management information as well as strategy and skill development opportunities.

Key contributions to achievement:

- Partnerships with federal, other provincial and industry organizations for farm safety, planning and business risk management
- Development of financial, CropChoice\$ and weather-related risk management tools

Strategy

Determine risk management information needs of business managers in the primary and value-added sectors.

Results

- A Business Risk Management Survey was conducted in 2006. The survey results were used to determine a frame of reference for the risk management information needs of primary producers.

Strategy

Collect, develop and distribute data and information to support business risk management decisions in the primary and value-added sectors.

Results

- Proactive, knowledge-based information packages and approaches to managing risk were developed and made available to clients through vehicles such as Ropin' the Web and presentations.
- The Alberta Pest Monitoring Network (APMN) completed eight crop insect and disease surveys in 2005-06. Survey results were made available to industry agronomists, private consultants and primary producers through forecast maps on Ropin' the Web, Agronomy Networks, the Alberta Ag-Info Centre and various newspaper and radio releases. The information generated by the APMN is used by farm managers to make better-informed farm management decisions.
- Initiated the expansion of the provincial climate network by 67 stations through partnership with AFSC, Alberta Environment and Agriculture and Agri-Food Canada.
- Provided media with reports and expertise on soil moisture and precipitation patterns over the agricultural area including spring soil moisture maps (measured) and bi-weekly modeled soil moisture maps.
- Partnered with the Medical Examiner's Office and rural hospitals to collect farm injury/fatality data through Farm Accident Monitoring System to determine farm safety programming needs.
- Partnered with Farm Credit Canada, Canadian Federation of Agriculture and Canadian Agriculture Safety Association to hold Farm Safety Week throughout Alberta from March 8 to 15, 2006. The theme was "Farm safety is my business" with a specific focus on youth ages 15 to 25.
- Farm Safety staff distributed the "Farm Safety: It's No Accident" safety education and planning resource CD-ROM. Of the 231 survey respondents from the Summer Farm Employment program, 82 per cent plan to make, or have made, improvements to farm safety practices and could describe these improvements.
- Partnered with Alberta Environmental Farm Plan Company to develop an Emergency Farm Plan package for Alberta farmers.

Strategy

Facilitate development and use of analytical tools to proactively identify, measure and manage business risk in the primary and value-added sectors.

Results

- CropChoice\$ risk planning and analysis software was updated to reflect 2006 cropping, economic and crop insurance situations. In the past year, 589 Albertans downloaded this risk management tool from Ropin' the Web.
- Developed a Commercial Business Return Analyzer financial risk management tool. The program was used during consultations with nine agri-processing companies to help them make sound financial risk management decisions.
- Developed a pasture soil water simulation model in co-operation with AFSC, and initiated a calibration/testing program.
- Launched an on-line climatic mapping tool, Agriculture Climate Information Service, to assist producers with crop management decisions.
- Developed and delivered site-specific soil moisture information to AFSC to support their delivery of moisture-based insurance products to producers.

Strategy

In collaboration with the private sector, provide information and training on business risk management tools and strategies in the primary and value-added sectors.

Results

- The Ministry partnered with a broad range of private and public sector organizations to deliver business and risk management information, strategy and skill development opportunities.

Goal 5 Performance Measures		2004 -	2005 -	2005 -	2006 -
		2005	2006	2006	2007
		Result	Target	Result	Target
5a	Percentage of managers surveyed indicating the use of risk management tools for improved decision making.	N/A ¹	25%	22% ²	35%

¹ The methodology for this measure has changed significantly since publication in the business plan. As such, a comparable last actual result is not available.

² The target established for this measure was ambitious and based on information available at that time related to risk management. The 2006 Risk Management Survey has established a much stronger benchmark for this measure, and future targets will be adjusted accordingly.

Goal 6: Effective Support Programs for Industry Stability

This goal recognizes the need for proactive financial risk management programming and disaster support in the absence of effective private sector tools when natural and market events occur that are beyond agri-business managers' control. Industry stability is desirable from a Ministry perspective as it helps agri-businesses recover from disaster events and facilitates overall industry growth. The Ministry contributes to this goal by effectively delivering appropriate programs such as the Canadian Agricultural Income Stabilization Program, all risk production insurance and disaster recovery initiatives.

Goal 6 Expense \$802.9 million

The Ministry focuses its efforts under this goal on working with our partners and stakeholders in establishing effective business risk management programs and ensuring that primary agriculture producers have access to disaster response programs when disasters occur outside their control. Improvements to the Canadian Agricultural Income Stabilization (CAIS) Program resulted from working in partnership with other provincial and federal government colleagues. Improvements to the CAIS program and production insurance programs have had a positive impact on the achievement of Ministry outcomes. Ministry staff continue to work to improve all areas of focus in the five chapters of the Agricultural Policy Framework.

Key contributions to achievement:

- Development and delivery of appropriate, responsive programs
- Working with partners to improve the current suite of programs available to farmers
- Enhancement of programs as required, including the CAIS Program and production insurance
- Deliver support for disaster recovery following uninsurable damage to farms

Strategy

Ensure production risk and income stabilization programs are designed and delivered effectively and efficiently through the Agricultural Policy Framework Agreement.

Results

Contributions to the national CAIS Program

- CAIS Program was made more responsive to producer needs in 2005-06 through change to fee-based program, increased access to Net Income Stabilization Accounts, extended program deadlines and revisions to program principles. These improvements were a result of the Ministry's work in consultations with stakeholders, representation on the national Business Risk Management Policy Working Group and negotiations with the federal government.

Alberta initiated CAIS results

- Several improvements and innovations were made to the CAIS program this past year including the automatic renewal of elected coverage levels, improved claims processing times and innovative options developed for producers in an overpayment situation.

Production insurance

- Worked to streamline, clarify and consolidate insurance information provided to clients to better educate/inform them about risk management programs.
- Leveraged delivery efficiencies and enhanced relevance of weather-based/satellite insurance program by introducing substantially more insurance options for pasture producers. These enhanced options allowed producers to customize the program to their particular region and grazing management practices.
- Completed negotiations with the federal government to introduce several enhancements to satellite and moisture deficiency insurance for pasture producers, including short and long season options, split season endorsements and more flexibility. As a result, over 75 per cent of clients participated in the split season endorsement and increased the effectiveness for their pasture insurance contract.

Strategy

Develop and deliver specific programs for industry to adapt to changing conditions.

Results

Provincial business risk management

- Made enhancements to the Spring Price Endorsement and Revenue Insurance Coverage, through increased government cost sharing. The changes will encourage producers to purchase this benefit, which helps protect them against commodity price declines. Participation in this program (measured by acreage) increased almost five-fold over the previous year.
- Alberta introduced the Reference Margin Pilot project this year that will be applied to all 2003-05 program year claims. The pilot program is investigating effective method(s) for calculating the reference margin. The changes made for the 2003 claim year resulted in 54 per cent of producers receiving an increase in support level and 25 per cent receiving an additional entitlement.

Specific perils

- Producers are better able to respond to drought as a result of drought management information provided through a variety of media, including web site, radio, producer meetings and Agricultural Services Boards, access to the 2005-06 Canada-Alberta Farm Water Program and the expanded network of weather stations being used for Moisture Deficiency Insurance to enhance coverage options/reduce basis risk.

- Facilitated a province-wide fall grasshopper survey. Data was used to construct the 2006 Alberta Grasshopper Forecast map and the Tri-Provincial Grasshopper Forecast map, to illustrate the potential risk for 2006.
- A total of 1,517 registration numbers were issued to producers under the Alberta Farm Fuel Benefit Program. The *Alberta Fuel Tax Act* and Fuel Tax Regulation allows eligible producers access to marked fuel and farm plates, which will contribute to competitive marketing of producers' agricultural products.
- Processed 33,577 applications under the Canada-Alberta BSE Surveillance Program. The program offers financial reimbursements to encourage producers, veterinarians and abattoirs to make target animals available for BSE surveillance.

Strategy

Develop programs, where appropriate, that respond to significant events that impact business sustainability.

Results

- Amendments were made to the Natural Gas Rebate Program that would provide greater benefits to Albertans in general but also to Alberta's farming communities. The program has been extended to March 31, 2009.
- Designed and implemented the 2005 Southern Alberta Disaster Recovery Program under the Alberta Disaster Recovery Regulation. One hundred and seventy-six farm operations in 24 municipal districts and counties that experienced damage to uninsurable items due to widespread flooding will receive financial assistance to help return their farms back to pre-disaster conditions.
- Processed payments relating to 13,746 applications under the 2004 Canada-Alberta Calf Set-Aside and Canada-Alberta Fed Cattle Set-Aside Programs.

Goal 6		2004 -	2005 -	2005 -	2006 -
		2005	2006	2006	2007
Performance Measures		Result	Target	Result	Target
6a	Percentage of seeded acres for major crop categories insured under production insurance: • annual crops • perennial crops	68% 3% ¹	60% 40%	64% ² 29% ³	60% 45%
6b	The per cent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program.	87%	87%	76% ⁴	88%

¹ The last actual result (3%) is low because no pasture insurance programs were offered in 2004.

² Results for higher participation on annual crops may be due to the enhanced price risk features (Spring Price Endorsement and Revenue Insurance Coverage) offered as endorsements to the program in 2005.

³ Results for lower participation on perennial crops may be due to excellent fall moisture conditions experienced in 2004 and good carryover of feed supplies from 2004.

⁴ The result is lower than target primarily due to revisions made to the methodology for this measure. Inter-farm sales have now been included in the denominator to make Alberta farm cash receipts comparable to farm cash receipts covered by Alberta participants in the CAIS Program.

Performance Measures Methodology

Core Business One: Facilitate Sustainable Industry Growth

Goal 1: Sustainable Growth of the Agriculture and Food Industry

1a Number of value-added products developed and successfully introduced to market with assistance from the Ministry.

This measure captures the number of value-added products developed and successfully introduced to market through work done by the Industry Development Sector staff. The purpose of the measure is to determine the contribution the Industry Development Sector makes to the growth of Alberta's value-added industry. It is also used to assess the ability of Sector staff to focus on projects that have all the components to successfully get from product development to market.

Product development activities refers to projects where staff from the Industry Development Sector assisted industry clients in one or more of the following areas: product formulation, shelf-life, packaging, sensory evaluation, marketing and commercialization. "Introduced to the market" refers to a product that has obtained a listing at retail or food service, domestically or internationally. It also includes products that have been sold as ingredients for further manufacturing. Value-added includes value-added food, beverage and bio-industrial products.

Calculation method

An annual Measure Report is prepared from the data supplied by four divisions in the Industry Development Sector: Food Processing Development, Commercialization, Agri-Business Expansion and Bio-Industrial Technologies. The total number of value-added products involving project work conducted by Industry Development Sector staff and successfully introduced to market by industry, as listed in the annual Measure Report, is counted and reported.

Data limitations

The successful launch of new products may take several months after new product development work is completed. This time frame may result in some products being recorded in a fiscal year different than the year in which the product development work occurred. There is also no weighting done in terms of value. That is, the measure simply records the number of products introduced to market and does not attempt to reflect the value of sales generated.

The data is limited to project work of the Industry Development Sector, as this sector works directly with industry clients on value-added products. No attempt is made to measure indirect work done with industry clients by staff in the Industry Development Sector or other sectors in the Ministry that may have resulted in a value-added product.

1b Research and development investment by collaborators leveraged through Ministry resources.

This measure is an attempt to demonstrate the dollar value of investment by collaborators in research and development initiatives (R&D) involving Ministry resources. Collaborators include industry organizations, private companies, universities and government agencies. The Ministry has four program areas that cover R&D activities. They are value-added processing, livestock development, crop diversification and environmental stewardship.

This measure provides an indication of the Ministry success in building partnerships and leveraging its resources in R&D with cash contributions from collaborators. To make the best possible use of resources and to more effectively respond to industry needs, Ministry scientists explore all possible opportunities to form partnerships with scientists from outside organizations. These relationships allow them to leverage funds and expand the pool of scientific talents that are devoted to research.

Calculation method

The Ministry's Policy Secretariat prepares a report annually of Ministry R&D and related scientific activities (RSA). Results from the Ministry contribute to an annual review of government R&D conducted by Alberta Innovation and Science (I&S). The data is also used in responding to a Statistics Canada annual survey. Statistics Canada uses the survey results as indicators of national science and technology activities. In preparing the Ministry's response to I&S's annual review, the Policy Secretariat co-ordinates responses from eight Ministry divisions that are involved in R&D and RSA. The questionnaire collects information on the participating division's fiscal year R&D expenditures and corresponding levels of collaborator funding.

Data limitations

The distribution of questionnaires is limited to eight Ministry divisions that have been determined to account for the Ministry's R&D and RSA activities in four program areas. The four areas are value-added processing, livestock development, crop diversification and environmental stewardship. Although data on in-kind contributions from collaborators is collected, this measure only reflects cash contributions from collaborators. As a result, it likely understates the 'true' total of leveraged resources invested by collaborators. However, reported in-kind contributions are less reliable as they are based on estimates (often subjective in nature).

1c Investment supported by AFSC lending services.

This measure reports the total dollar investment in rural business (including farm lending) as a result of AFSC's involvement in financing and consulting services. AFSC not only has direct lending products that can result in investment, but also a number of alliance partnerships with organizations, such as Farm Credit Canada and Credit Union Central, to help facilitate investment in rural business. Dollar investment would be defined as any fund (i.e., debt, equity, investment) that would be used to support the growth of rural business. The purpose of this measure is to determine the total dollar investment as a result of AFSC's involvement in the facilitation of capital investment in rural businesses (including farm lending) through its lending products, services and partnerships.

Calculation method

Rural agri-business investments (from all sources is included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party) are added up and reported as total dollar investment in rural businesses. Farm lending amounts (direct loans only) are reported through AFSC's computer system and summarized by year. The two amounts, total investment in rural business and total amount of farm loans, make up the total in the 2005-06 actuals.

Data limitations

None reported.

Goal 2: Continued Excellence in Food Safety

2a Number of surveillance programs that identify hazards in food production.

This measure tracks active projects that identify the presence of hazards in food at any stage of the continuum (from farm to fork). This measure does not include method development projects, animal health or market access projects. Nor does it include ongoing food safety programs.

Calculation method

The figure provided for this measure is derived from the Food Safety Division entries in the Ministry's Project Reports database. The number of surveillance programs that identify hazards in food production is determined from a straight accounting of active surveillance programs within that fiscal year recorded in the database. The responsible reporting party reviews the final tally of active food safety projects for accuracy.

Data limitations

Surveillance programs may begin and end in different fiscal years; as a result there may be a variety of projects in different stages of implementation and completion. So as a result, in one given year, projects that are completed may have been started in one or more years previous. As such, a single project may be included in the total figure for this measure for more than one year.

2b Per cent of Alberta production produced under on-farm food safety programs: chicken farms, hog farms and beef feedlots.

The purpose of this measure is to facilitate the adoption of internationally accepted food safety systems in the production of Alberta food. On-farm food safety programs are preventative Hazard Analysis Critical Control Point (HACCP) based programs that enable systematic review and control of food safety hazards through good production practices during primary production.

Food safety programs belong to national producer organizations and provincial producer groups, delivery agents or boards who work with producers of that commodity. These groups, agents or boards collect data on the producer's implementation of OFFS programs and work with the Ministry to provide the data required when requested. Data collected may include the number of producers enrolled in the OFFS program, the number of producers who have participated in OFFS workshops and the number of producers who have been audited and certified/recognized (terms to denote producers who have successfully been audited vary by commodity with terms such as recognized and certified).

Calculation method

For each livestock commodity, the figures for total production under OFFS programs (provided by each producer group) are divided by total production in the province (provided by Statistics Canada).

Data limitations

- Total Alberta production under OFFS figures are collected and maintained by producer groups and provided to Ministry staff upon request.
- Percentages for hogs produced under OFFS are based on estimated or preliminary numbers.
- Program staff from Alberta Beef Quality Starts Here do not track and are unable to provide production numbers for cattle produced in beef feedlots under OFFS.
- Figures for total Alberta production under OFFS and total Alberta production may not be available in the same year format (e.g. calendar vs. fiscal year), in the same units (head vs. weight), for the same weight or age class and may not be available for the same domestic/import/export class.

2c Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system: meat and dairy.

This measure tracks the success of Ministry staff in their efforts to encourage Alberta meat and dairy processors to improve the existing food safety system, by ensuring that Alberta licensed red meat and dairy processors have the information and support they need to enhance their facility's food safety system in a voluntary environment. For the purposes of this measure, a preventative system is a system, or any component of a system, that results in an improvement to the food safety practices or food safety process control record keeping of the facility. In 2005-06, records and documentation procedures were the component tracked in red meat processing facilities.

Calculation method

The total number of provincially licensed red meat or dairy processing facilities that have added a preventative system is divided by the total number of provincially licensed red meat or dairy processing facilities. Data on the addition of preventative systems by provincially licensed meat and dairy processing plants are obtained from the Regulatory Services Division audit records and trip reports.

Data limitations

No formal audit or inspection program for Alberta red meat processing facilities existed for the 2005-2006 fiscal year. However, transitional inspection/partial audits of red meat facilities began in the late fall of 2005. The workload for audit staff, both audit and non-audit duties, made it unfeasible to perform regular monthly inspections/audits or audits of all meat facilities. There were four "appointed" auditors (one in each of the four regions). They could not inspect/audit on a monthly basis because they had several other duties. As a result, they focused most of the audits/inspections on red meat because the red meat plants are higher risk operations when compared to poultry.

No formal audit program for Alberta licensed dairy processing plants existed for the 2005-2006 year. There were inspections to ensure compliance to regulations, and staff did work with dairy processors to provide information and support for preventative system improvements, but no audits of preventative systems were undertaken.

Core Business Two: Enhance Rural Sustainability

Goal 3: Improved Environmental Stewardship

3a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-07).

A formal survey, including telephone survey and written responses, of approximately 500 producers is conducted every three years. This survey addresses awareness, attitudes and adoption of environmentally sustainable agriculture (ESA) practices, and any impact that the Alberta (AES) program may have had.

The survey sample was drawn from a list of farmers maintained by the Ministry. Any producer who signed up for the Farm Fuels program and who agreed to let their name stand for the purpose of being contacted for research and consultations conducted by the Ministry was included. The total list stands at 4,431 names or about 10 per cent of the population with over \$10,000 in gross annual sales (43,563), as reported by the 2001 Census of Agriculture by Statistics Canada. This list has not been updated since 1998. Overall, the response rate for the phone survey was 22 per cent of all numbers dialed. The refusal to completion ratio was 0.72:1.00.

Five hundred farmers participated in the telephone survey, and 268 (56%) of these completed a follow-up mail survey. The margin of error for a sample size of 500 is +/- 4.4 per cent, while the margins of error for the regional samples of 100 are +/-10.0 per cent. In other words, if this survey were conducted 20 times, the responses would be within the stated margins of error 19 times out of 20. For the mail portion of the survey, a sample size of 268 yields a margin of error of +/-6.1 per cent.

Calculation method

Data analysis consisted of grouping the data according to the following headers:

- region (five regions)
- gross farm revenue in 2003 (under \$25,000, \$25,000 to \$99,999 and \$100,000 and over)
- farm type (crop-only, livestock-only and mixed)
- stage of farm operation (three groupings)
- farmer education and training
- attitude cluster (three types)

Cluster analysis is a statistical technique used in market research to group or segment respondents into “like” categories based on their pattern of response to the series of 25 attitude statements asked on an agree/disagree scale. In this case, a seven-point scale was used, and three clusters were identified.

Data Limitations

The survey is conducted every three years. As such, results can only be reported for the years in which the survey is conducted.

3b Number of producers provided with specific training and technical support to enable development of environmental farm plans.

This is a measure of the uptake of specific training targeted towards environmental farm plan (EFP) development. Once completed, EFPs are an indication of the uptake of and improvement in environmental stewardship planning on Alberta farms.

Producers are required to participate in two training workshops to enable them to develop an EFP for their farming operation. This training is provided by the Alberta Environmental Farm Plan (AEFP) Company, through financial and technical support from Alberta Agriculture, Food and Rural Development (AAFRD) and Agriculture and Agri-Food Canada (AAFC). The AEFP Company is a tripartite partner with AAFC and AAFRD on the Environment Chapter of the Agricultural Policy Framework. Once a producer has completed both workshops, he/she is then eligible to complete an EFP and is counted under this measure.

Calculation method

The calculation is a cumulative addition of participants completing both Workshop I and II of the Alberta Environmental Farm Plan Program as reported in the fourth quarter report for fiscal 2005-06 of the AEFP Company.

Data limitations

None. This is a straightforward cumulative total, based on the fourth quarter report for fiscal 2005-06 for the AEFP Company. Information in the annual report is auditable and forms the basis for operational payments from AAFC to the AEFP Company.

Goal 4: Strengthened Rural Communities

4a Number of rural businesses assisted by AFSC lending services.

This measure tracks the impact of AFSC's involvement in supporting the growth of businesses in rural Alberta by counting the total number of rural businesses that receive financial assistance as a result of AFSC's involvement in financing and consulting services. A rural business is defined as any business outside Edmonton or Calgary.

Calculation method

AFSC maintains records of rural businesses assisted as part of its regular monthly reporting including the Account Manager involved and the business involved. This measure is a simple summation of all rural businesses securing financing, facilitated by AFSC lending services, as reported in AFSC's records.

Data limitations

None.

4b Total investment leveraged in rural businesses facilitated through AFSC lending services.

This measure determines the total dollar investment in rural Alberta business as a result of AFSC's involvement with the facilitation of capital investment through its lending products and partnerships. Rural businesses are any businesses outside Edmonton or Calgary. AFSC has direct lending products that can result in investment, as well as a number of alliance partnerships to help facilitate investment in Alberta business.

Calculation method

AFSC maintains records of incremental investment as part of its regular monthly reporting including the Account Manager involved and the business involved. Incremental investment in rural Alberta business from all sources is included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party and reported as total dollar investment in rural Alberta business. The calculation for this measure is a summation of incremental investment in rural Alberta business from all sources, as reported in AFSC's records.

Data limitations

None.

4c Percentage of Ministry supported, agricultural-related community activities that focus on leadership development.

The information reported for this measure is collected from three sources: the Agricultural Society Program, the 4-H Program and the Agricultural Initiatives Program. In an effort to improve the efficiency and effectiveness of the Agricultural Society Program, both the number and diversity of activities undertaken by agricultural societies are measured. Program guidelines and procedures are designed to increase both the number and the effectiveness of the leadership activities without increasing the overall funding envelope. The Agricultural Society Program collects information on activities, volunteer hours and attendance from individual agricultural societies by means of a voluntary report form.

The Agricultural Society Program collects information on activities, volunteer hours and attendance from individual Agricultural Societies by means of a voluntary report form. The information is collected based on each agricultural society's fiscal year, usually the calendar year before the Government's fiscal year. Program event and the number of attendants are collected for the 4-H data. This collection comes from the quarterly reports submitted by 4-H staff on their

programs. All 4-H programs are categorized as leadership development. The Agricultural Initiatives Program is administered by Ministry staff, and applications are categorized according to the methodology outlined below. Data are collected on an ongoing basis and reported according to the Government of Alberta fiscal year.

The Agricultural Initiatives Program (AIP) applications were categorized according to the calculation method.

Calculation method

Responses from the Agricultural Societies Report Form are collected and returned to the Agricultural Society Program. The data is then entered into the AgSocactivities database. All activities are coded into categories. The data is further aggregated into the following activity areas:

- **Agriculture related activities** – refers to activities such as rodeos, fairs and livestock shows.
- **Ag business development** – includes any activities that promote agricultural business development and the development of the agriculture industry.
- **Ag education and skill development** – includes programs or projects that foster awareness of agriculture or improve/develops skills within the community.
- **Leadership development** – includes training for volunteer staff, fees for conferences workshops and seminars as well as sponsoring youth leadership development.
- **Community improvements** – includes any capital funding for infrastructure development and renovations, repairs and maintenance of infrastructure and operating costs of facilities as well as all capital projects from the AIP grant program.

The percentage of activities in the Leadership Development category is then calculated from the total of all activities.

Data limitations

Leadership skills take years to develop, and the results of the effective use of those leadership skills may take years longer to manifest. Therefore, it is very difficult to measure outcomes on an annual basis. As such, this is an output measure with no real indication of the results of these activities. The return rate of voluntary report forms is less than 100 per cent. Therefore, the results reflect only those Agricultural Societies that reported their activities.

4d Percentage of rural youth and adults participating in Ministry supported programs that report effective learning from those programs.

Ministry supported 4-H programming includes all 4-H programs and events coordinated, supervised and initiated by department staff. The 4-H Branch has been using KASA measurements for a number of years. KASA measures positive changes in Knowledge, Attitudes, Skills and Aspirations.

The measure is used to provide feedback on the effectiveness of 4-H programs. The numbers are analyzed and efforts are made to maintain the KASA results each year. The results of this measure are used to determine changes required to the program content in order to increase the KASA results. Each program is designed to meet different objectives. In total, 23 objectives have been defined, including personal development and self-esteem, learning communication and presentation skills, demonstrating technology transfer, appreciating history, heritage and community as well as learning rural/economic renewal.

Calculation method

The data for this measure is obtained through the use of written evaluations at each program. Certain questions, used to measure KASA, are consistently asked on evaluations. The results are compiled and stored electronically in a database, with the hard copies stored separately. Each question on the survey requires the participant to select from various responses or to provide a short written response. A “Yes” response is considered to be a positive change, A “No” or “Unsure” is not considered positive change. An “NA” is not considered in the response calculation. Answers to the short response questions are considered positive if they are answered with a definite response (for example, The skill I learned was...). If there is no answer, or a nonsense answer, the response is considered to be negative.

Data limitations

Completion of evaluations is voluntary, but most programs have a 95 to 100 per cent return rate. A small portion of the 4-H members may reside in urban centres.

Core Business Three: Strengthen Business Risk Management

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

5a Percentage of managers surveyed indicating the use of risk management tools for improved decision making.

For the purpose of this measure, managers refer to primary producers in Alberta who were most responsible for management decisions on their farms and whose gross farm income was \$50,000 or more in 2004. This measure was designed to determine the percentage of producers that a) are using risk management tools and b) report improvement in their ability to make effective decisions. A risk management tool is defined as an analytical process or a decision aid. Risk management tools can be used to identify and measure risk and to assess alternative strategies, technologies and practices.

Calculation method

Data were collated from the 2006 Risk Management Survey, an Agricultural Risk Management Survey prepared for the Ministry’s Strategy and Business Planning Division by Serecon Management Consulting Inc., in April 2006. Respondents to the survey were selected from a purchased list of commercial farmers maintained by Farm Business Communications (publishers of several prominent farm periodicals) as well as an Internet search for small commodity producers. It is assumed that farmers on this list are representative of the general population of Alberta farmers.

A frequency analysis was used to calculate a benchmark for this measure.

The calculation is the product of:

- The number of respondents that indicated the use of at least two of options 1, 2, 4 and 5 in question 17 of the survey, *and*
- The number of respondents that in question 18 of the survey indicated “great” or “some” improvement in their “ability to make better risk management decisions.”
- The product of these two numbers, adjusted by the weight assigned to each respondent based on region and gross farm income, is the proposed benchmark.

Options 1, 2, 4 and 5 were selected to represent a more-sophisticated level of risk management decision-making than would be the case if all 7 options were included. Statistical calculations related to the measure have a margin of error of +/- 3.6 per cent.

Data limitations

Data limitations include non-subscribers to Farm Business Communications (the source of the original survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong phone numbers, answering machines, busy, no answer, etc.) and non-response/failure to return mail survey. The target population was based on 2001 Census of Agriculture, and obsolescence is a major concern.

Goal 6: Effective Support Programs for Industry Stability

6a Per cent of eligible seeded acres for major crop categories insured under production insurance for annual crops and perennial crops.

The purpose of this measure is to examine the use of crop insurance to mitigate the business risk of growing annual and perennial crops. Annual crops refer to those that are seeded every year. Perennial crops refer to crops that do not need to be seeded every year and last for several years. “Eligible crops” are insurable under the crop insurance program. Approximately 99.7 per cent of acres seeded in Alberta are sown to eligible crops.

Calculation method

Data for this measure were collected from three sources, Statistics Canada, 2001 Census of Agriculture, the Agri-Food Statistics Update, December 14, 2005, supplied by Statistics Canada and prepared by the Statistics and Data Development Unit, Alberta Agriculture, Food and Rural Development and the Production Insurance (PI) Program Management System, a secured program management application, accessible only by AFSC staff.

To determine the percentage of eligible seeded acres, the total eligible seeded acres for each crop category (annual and perennial) insured under the crop insurance program for the year under review is calculated by summation, from the data provided from the PI Program Management System. The total eligible seeded acres in Alberta are then calculated from the Statistics Canada data sources, above. The total insured acres are then divided by the total eligible acres for each crop category.

Data limitation

The Census of Agriculture data for pasture land was based on 2001 data from producers. Some changes in acreage would be expected since that time.

6b The per cent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program.

The intent of this measure is to determine the participation of producers in the Canadian Agricultural Income Stabilization (CAIS) Program for the 2004 tax year and, over time, to determine the participation of producers in the CAIS Program on an ongoing basis. CAIS participants are those that have elected to participate in CAIS by filing an options notice and have supplied tax information and supplementary information by the appropriate deadlines. Farm cash receipts include market receipts and program payments.

Calculation method

Data for this measure were collated from two sources, the Statistics Canada's Agriculture Value Added Account June 2006 and the CAIS Program Management System, a secured program management application accessible only by AFSC staff. Program summary data, provided by AFSC, Lacombe, includes all information up to the date it was extracted.

To determine the reported result, the total amount of farm cash receipts represented by CAIS participants in Alberta for 2004 is divided by the total farm cash receipts for Alberta for 2004. Total gross income for authorized claims for CAIS participants for the 2004 tax year is \$7,596,102,388. The total farm cash receipts for Alberta for 2004 were \$8,008,000,000. The division of these two numbers results in a percentage of 94 per cent.

Data limitations

Information provided by the Ministry is a preliminary estimate and may change slightly as more data is accumulated.



Financial Information

Financial Statements
