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Preface

Public Accounts 2004-2005

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 29, 2005, contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

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

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

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2005, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 8, 2005, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Doug Horner

Minister of Agriculture, Food and Rural Development

September 8, 2005

Message from the Minister

During my first year as Minister of Agriculture, Food and Rural Development (AAFRD), I have been continually impressed by the knowledge and commitment of our many industry partners. AAFRD staff are devoted to assisting our industry to grow and prosper, and we continue to focus our efforts on fulfilling this vision.

This past year, we have continued to support our beef industry. To date, we have invested more than \$713 million in bovine spongiform encephalopathy (BSE) related programs and have established our \$30-million Beef Market Development and Retention Fund that assists industry in developing new and existing export markets. Our six-point BSE recovery strategy focusing on slaughter capacity, inventory management, income support, new product and market development, and surveillance and research initiatives was also put into action this year.

As part of our research initiatives, we have partnered with Alberta Innovation and Science, in researching prions, the proteins linked to BSE. In a five-year partnership with the University of Alberta, along with other industry and government partners, we will invest \$13 million in the Alberta Poultry Research Centre. We were also pleased to see construction begin on our \$14-million Level 3 Biocontainment Lab and our \$21-million Agrivalue Processing Business Incubator.

To support our diversified livestock industry, we established new protocols for importing live elk and deer, which will provide increased marketing opportunities for producers. In addition, provincial support totalling \$6.6 million was made available to sheep, goat, deer, elk, reindeer and bison producers to assist in maintaining herds.

Rural Alberta continued to be a major focus for government. The Rural Development Strategy, *A Place to Grow*, was introduced and focuses on ensuring the sustainability of rural areas, economic growth, community capacity, health care and learning and skill development.

We introduced three new bills in the legislature, the *Animal Protection Amendment Act*, the *Animal Keepers Act* and the *Stray Animals Amendment Act* to update and enhance existing livestock legislation.

We have continued to work with the federal government and other provinces on the Agricultural Policy Framework. Major amendments have been made to the Canadian Agricultural Income Stabilization program, including changing the deposit requirement and making it easier to apply while cutting down turnaround time on processing payments. Also introduced was the Alberta Environmental Farm Plan, designed to increase awareness surrounding environmental farming issues.

Improved soil moisture levels this year provide an optimistic outlook for our grain producers. In order to help make the next years successful, we will be reviewing our crop insurance policies, the Spring Price Endorsement and the Revenue Insurance Coverage, to make them more accessible and beneficial to producers.

These initiatives, partnerships and ongoing work in all areas of the Ministry have truly made this year a success. Thanks to everyone – Ministry staff, industry partners, communities and businesses throughout the province for your support.

[Original signed by]

Doug Horner

Minister of Agriculture, Food and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes:

- *Department of Agriculture, Food and Rural Development*
- *Agriculture Financial Services Corporation*
- *Alberta Grain Commission*
- *The Office of the Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*

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

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

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture, Food and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

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

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,

- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Agriculture, Food and Rural Development any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

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

[Original signed by]

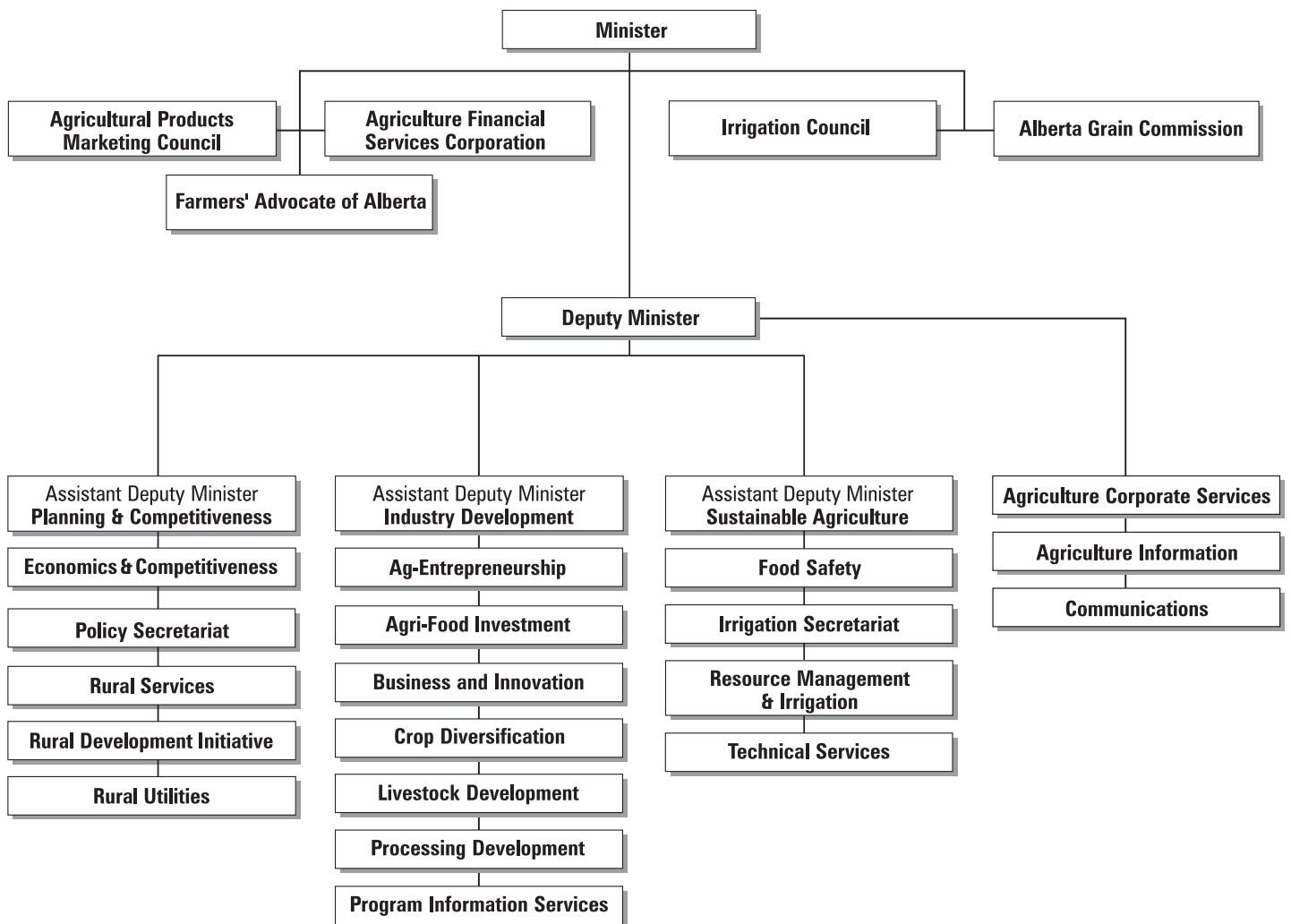
Barry Mehr

Deputy Minister
Ministry of Agriculture, Food and Rural Development

September 8, 2005

Overview

Chart of Ministry Entities





Entities – Ministry of Agriculture, Food and Rural Development

Department

The Ministry is divided into the Department of Agriculture, Food and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate the development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities. Visit the Ministry web site at <http://www.agric.gov.ab.ca>

Agriculture Corporate Services

#300, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2179

Responsible for all revenues and expenditures, development and review of financial systems and procedures, coordination of the budgetary process and coordination of facilities required for the working environment of departmental staff.

Develops and administers human resource programs (staff and organization development, occupational health and safety, classification and compensation, recruitment and selection, employee relations and pay and benefits administration) to advise and assist line management in achieving its strategic objectives.

Provides effective support services to the Department in the area of electronic data processing development, maintenance and use.

Agriculture Information Division

#100A, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2727

Responsible for the planning, development, organization and evaluation of information programs including publishing, multi-media and executive communications. The Division also administers the Ministerial Action Request System, Legislation, Regulatory Review, Ministerial Orders and Freedom of Information and Protection of Privacy, and the Division is responsible for Records Management.

Communications Branch

#100A, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-7099

Provides communications planning and consulting support to the Minister, Deputy Minister and Department. Develops and implements public communications programs that support the Department and the government through cross-ministry initiatives in meeting its business plan goals. Manages media relations, including the province-wide distribution of news releases and coordination of Department announcements and news conferences.

Planning and Competitiveness Sector

Policy Secretariat

#300, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-2070

Provides advice and recommendations and undertakes corporate projects to improve the policy and planning decisions of the Ministry. The Secretariat examines domestic, national and international policies, assesses their potential impact on Alberta's agriculture and food industry and makes recommendations on how the Ministry should respond to these challenges. The Secretariat currently concentrates on emerging issues in trade, innovation/biotechnology, research, environment, land use planning and domestic policy.

Economics and Competitiveness Division

#303, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-3771

Provides economic data and analysis expertise to assist the Alberta industry to optimize opportunities in agri-food products and services. Functions include applied economic and competitiveness analysis, benchmarking/forecasting as well as analysis of international markets, consumer behavior and emerging industry trends. Building on economic and market research, the Division formulates strategies and assesses economic impacts for agriculture and food issues.

Responsible for playing an advocacy role for Alberta's agriculture and agri-food industry at key forums, conferences and bilateral discussions with the U.S. and other priority trading partners.

Rural Services Division

#200, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-9167

Responsible for the delivery of several farm income assistance programs, Alberta Farm Fuel Benefit Program, Alberta Farm Credit Stability Program, Feeder Association Loan Guarantee and disaster compensation under the federal Disaster Financial Assistance arrangements. Also responsible for program policy development, program evaluation and negotiating and managing federal cash flow requirements under the Agricultural Policy Framework and managing Alberta's obligations under specific federal/provincial bilateral companion agreements.

Promotes community-based, economically sustainable rural development by directing and supporting rural organizations and services such as agricultural service boards, agricultural societies, agricultural development committees, 4-H clubs and councils and recommending policy in rural development.

Responsible for coordinating and delivering educational, leadership and training programs such as 4-H, Green Certificate, employment experience programs, home study, agriculture in the classroom and farm safety in partnership with communities and other agriculture organizations.

Rural Development Initiative

#200, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-4920

The unit is responsible for developing and managing the implementation of the rural development strategy for the Province. The unit assists the Assistant Deputy Minister Cross Ministry Committee in coordinating the strategies and actions to support rural development in ministry business plans through a cross ministry initiative. The Initiative also provides support to the Task Force on Rural Development and assists the Task Force in their review of rural issues and the preparation of their recommendations to the Minister and government. The unit also provides input and liaison in partnership with the federal government to establish a national rural framework that will lead to the setting of national priorities for rural development as well as set the stage for possible future federal-provincial bi-lateral agreements.

Rural Utilities Branch

Fifth Floor, Petroleum Plaza North Tower 9945 - 108 Street Edmonton, Alberta T5K 2G6 (780) 427-1930

The Branch administers the Rural Gas, Rural Electric and the Remote Area Heating Allowance (RAHA) program areas. The Rural Gas and Rural Electric are cost-sharing programs that help defray the high cost of constructing natural gas and electrical systems in rural areas. The RAHA program provides rebates to the cost of propane or fuel oil for individuals who are unable to obtain natural gas service at a reasonable cost.

The Branch also administers the *Rural Utilities Act*, which provides the framework for the establishment and business affairs for approximately 280 rural gas, electric and water associations in the province. In addition, the Branch also administers the *Gas Distribution Act*, which governs the issuing of franchise areas and the setting of all standards relating to the design, construction, operation, maintenance, quality assurance and plant records for rural gas utilities.

Industry Development Sector

Ag-Entrepreneurship Division

4709 - 44 Avenue Stony Plain, Alberta T7Z 1N4 (780) 968-3512

Strives to foster the people who create and develop new products and enterprises (including new services, technologies and uses) through diversification, access to new markets and/or adding value to existing products. The Division delivers results by leading projects that inspire new agri-entrepreneurs, expand the capacity of existing agri-entrepreneurs, cultivate new networks and remove barriers that impede agri-entrepreneurship growth and development.

Agri-Food Investment Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-7366

Attracts new investment to establish and expand agri-food processing and primary production in Alberta. Assists companies/investors to identify and evaluate investment opportunities, locate sources of capital, develop industry partnerships/alliances/joint ventures, complete feasibility studies and select site locations. Supports municipalities in the development of water/wastewater infrastructure for agricultural processing and administers funding under the Municipal Industrial Wastewater Infrastructure Program.

Business and Innovation Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-3166

Promotes the growth and prosperity of Alberta's agriculture, agri-industrial and agri-food industries. The Division's team of experts combines business knowledge with technical expertise to guide clients to maximize profits and growth. Works with producers, agri-processors and affiliated associations to capitalize on market opportunity, open doors to new markets and assist in the development of new products and/or processes, all with a focus on business management strategies. The Division's mandate is to help producers and agri-processors grow their businesses, resulting in a stronger Alberta agricultural industry.

Crop Diversification Division

#204, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-5341

The Division is dedicated to developing new technologies and agronomic information research (genetic improvement, agronomy, integrated pest management, technology transfer), which increases the net return to producers and the value of crops grown in the province. The Division's primary focus is on three goals: diversifying Alberta's crop economy through new crops, new classes and new quality factors that command a premium, continued advances in technology to keep producers competitive in a global market and proactive initiatives to prevent losses through integrated pest management.

Livestock Development Division

#204, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2166

Supports growth in the livestock, livestock products and forage industries by providing new technology to adjust to shifts in consumer demand and to remain competitive with other areas of the world. The Division uses technical expertise, applied research and information packages to support industry access to global markets. Collaborates in the design and implementation of safe food production systems, sustainable environmental initiatives and essential policies related to the livestock industry.

Processing Development Division

6309 - 45 Street Leduc, Alberta T9E 7C5 (780) 986-4793

Focuses on value-added processing of agriculture commodities through laboratory development and pilot plant scale-up to develop new products, establish new technologies and improve existing processes. The work is done through the four units: the Food Processing Development Centre, the Centre for Agri-Industrial Technology, the Food Science and Technology Program and the Sensory Evaluation Program.

The Processing Development Division has a strong focus on the development of new companies. Further enhancement of this capability will occur upon completion of the Agrivalue Processing Business Incubator now under construction.

Program Information Services Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 644-2401

Provides leadership in setting the strategic direction of the Industry Development Sector, updating and reporting on the Growth Strategy, and partnering with Alberta Innovation and Science in the implementation of Alberta's Agriculture Research and Innovation Framework. Operates the Alberta Ag-Info Centre, which serves as contact point for commercial agricultural inquiries from producers and others in the Alberta agriculture community.

Sustainable Agriculture Sector

Food Safety Division

#300, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-6159

Provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation.

Includes partnership in food safety emergency response, support for development of on-farm production protocols, assistance with Hazard Analysis Critical Control Point program implementation for slaughter and food processing plants, inspection of provincial slaughter plants, dairy farm inspection, food safety surveillance, animal health surveillance and provision of essential non-routine diagnostic services.

Irrigation Secretariat

#328, Provincial Bldg. 200 - 5th Avenue South Lethbridge, Alberta T1J 4L1 (403) 381-5176

Provides administrative support to the Irrigation Council, administers the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts Act*.

Resource Management and Irrigation Division

#206, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-4596

Provides policy advice and oversees the planning, delivery and evaluation of irrigation management and development as well as environmentally sustainable agriculture programming.

Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. Also manages the Alberta Environmentally Sustainable Agriculture program.

Technical Services Division

#306, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-0674

Directs and coordinates programs and policies to support the sustainable growth of the agriculture industry through research, testing and evaluation of technology and equipment, development of legislation and technical standards for confined feeding operations, and quality farm water supplies for domestic and livestock use.

Program areas include livestock welfare, engineering services, on-farm water management and environmental practices related to sustainable livestock and crop production.

Agencies, Boards and Commissions

Agriculture Financial Services Corporation (AFSC)

Lacombe Central Office 5718 - 56 Avenue Lacombe, Alberta T4L 1B1 (403) 782-8200

Camrose Central Office 4910 - 52 Street Camrose, Alberta T4V 4E8 (780) 679-1311

AFSC provides a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta. It offers unique financial products and services not readily available from conventional sources to the industry.

AFSC provides insurance products to mitigate risks related to crop production, including hay and pasture. AFSC also offers waterfowl and wildlife damage compensation, to help Alberta farmers protect against production losses on their farms. It also delivers the Canadian Agricultural Income Stabilization (CAIS) Program, a whole-farm program that provides compensation of decline in farm margin relative to historical margin for eligible producers regardless of the commodities they produce. AFSC offers agriculture financial services such as farm loans, guarantees and business analysis services for beginning and developing farmers, financial counseling and financing for those facing disastrous reductions in farm production or income. AFSC also provides and facilitates sourcing of financing for companies in the agri-food and value added industry, as well as the small business sector.

AFSC produces a separate annual report.

Alberta Grain Commission

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-7329

Provides policy recommendations to the Minister on any matter pertaining to the grain industry via its ongoing review of all facets of the grains industry. Provides a daily grain price information service.

Irrigation Council

#328, Provincial Bldg. 200 - 5th Avenue South Lethbridge, Alberta T1J 4L1 (403) 381-5176

Established under the *Irrigation Districts Act*. Makes recommendations to the Minister on any matter under the Act. Sets policies and approves expenditures for the Irrigation Rehabilitation Program. Monitors irrigation district activities as outlined in the Act.

Agricultural Products Marketing Council

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2164

Advises the Minister on matters relating to the establishment, operations and control of the boards and commissions established under the *Marketing of Agricultural Products Act*. Provides assistance and advice to boards and commissions in support of their efforts in the areas of market development, research, promotion and strategic planning.

Farmers' Advocate of Alberta

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2433

Provides the Minister with information on issues concerning rural Albertans. Works closely with agricultural interest groups, Alberta Environment, Alberta Energy, Alberta Sustainable Resource Development and other levels of government to formulate policy recommendations and procedures that affect the rural community. Works with surface rights groups and landowners on surface lease and freehold mineral lease issues. Provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that affect rural Albertans.

Administers the *Farm Implement Act*, *Farm Implement Dealerships Act*, *Water Well Restoration or Replacement Program*, *Wild Fire Cost Assessment Review* and Part 1 of the *Agricultural Operation Practices Act*.

Operational Overview

Ministry's Core Businesses

The Ministry contributes to the government's three core businesses: People, Prosperity and Preservation. The primary focus of Alberta Agriculture, Food and Rural Development is on the second core business – working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry.

Ministry core businesses:

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

Each of the five Ministry goals contributes to the achievement of these core businesses. The results constitute the role of Alberta Agriculture, Food and Rural Development in contributing to the Government of Alberta's core performance measures. The Results Analysis section of this annual report presents a comprehensive discussion of the Ministry goals, the contributions to the cross-ministry initiatives, performance measures and results of operations for the fiscal year 2004-2005.

Costs for Core Businesses

(unaudited)

	<i>(thousands of dollars)</i>		
	2004-2005	2004-2005	2003-2004
Core businesses	Estimates	Actual	Actual (Restated)
Facilitate sustainable industry growth	\$212,095	\$ 291,970	\$ 239,320
Enhance rural sustainability	42,015	45,012	39,305
Strengthen business risk management	707,212	999,102	1,268,538
Ministry expense	\$961,322	\$1,336,084	\$1,547,163

Highlights of changes in the Ministry's spending are as follows:

Facilitate sustainable industry growth – expenses increased by \$79.9 million over budget primarily due to the creation of the Beef Market and Retention fund and due to funding for ongoing research into the development, production and marketing of value-added products, creating commercial uses for specified risk materials and beef product and market development. Expenses were \$52.6 million higher than 2003-2004 as a result of market research and development initiatives in response to the effects of BSE.

Enhance rural sustainability – expenses were \$5.7 million higher than 2003-2004 primarily due to increased funding for irrigation infrastructure projects.

Strengthen business risk management – expenses increased by \$291.9 million over budget primarily due to increased BSE-related support payments for the Canadian Agricultural Income Stabilization (CAIS) program and other BSE Recovery program expenses offset by decreased crop insurance indemnity payments. Expenses decreased by \$269.4 million from 2003-2004 because of reduced BSE-related support payments.

Expense by Function

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

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all Ministry entities:

(unaudited)

	<i>(millions of dollars)</i>		
	2004-2005	2004-2005	2003-2004
	Budget	Actual	Actual
Revenues	\$549	\$ 793	\$ 827
Expenses	961	1,336	1,547
Excess of expenses over revenues	\$412	\$ 543	\$ 720



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

To the Members of the Legislative Assembly

In connection with the Ministry of Agriculture, Food and Rural Development's performance measures included in the *2004-2005 Annual Report of the Ministry of Agriculture, Food and Rural Development*, I have:

1. Agreed information from an external organization to reports from the organization, or where information is reported as not available, confirmed that the information is not available.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets and information presented in prior years.
5. Checked that the performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2004.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit, and therefore, I express no opinion on the performance measures included in the *2004-2005 Annual Report of the Ministry of Agriculture, Food and Rural Development*.

[Original signed by]
Fred Dunn
FCA
Auditor General

Edmonton, Alberta
August 31, 2005

[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 \$793.9 million in 2004-2005, which is a \$33.7 million decrease in revenues from 2003-2004, and \$244.6 million higher than budget. Consolidated program expenses were \$1,287.2 million. This figure is \$206.1 million lower than in 2003-2004, and \$382.8 million higher than budget. The net operating deficit was an excess of expenses over revenues of \$543.4 million, which is \$176.2 million lower than in 2003-2004 and \$131.5 million higher than budget.

Revenues

Revenues decreased by 4.1 per cent from the previous year. They were down \$33.7 million and, as noted above, were \$244.6 million higher than budget.

Revenue exceeded budget mainly because of federal contributions for the Canadian Agricultural Income Stabilization (CAIS) program and the Canada-Alberta Calf Set-Aside and Fed Cattle Set-Aside programs, and miscellaneous revenue relating to an accounting adjustment to revalue prior year liabilities for disaster programs and the recovery of prior year grant overpayments.

Revenue picture highlights include the following:

- Transfers from the government of Canada increased from budget by \$219.9 million. This amount is comprised primarily of \$164.3 million representing the federal share of CAIS program payments, \$62.1 million representing the federal share of bovine spongiform encephalopathy (BSE) recovery payments and \$3.7 million representing the federal share of BSE surveillance payments. These increases were offset by a reduction in federal contributions for crop insurance programs of \$8.4 million.
- Fees, permits, licenses and other income was \$43.5 million higher than budget and 2003-2004 relating to an accounting adjustment to revalue prior year liabilities for disaster programs and the recovery of prior year grant overpayments.
- Premiums from insured persons were \$17.2 million lower than budget and \$10 million lower than 2003-2004 receipts due to lower commodity prices and a reduction in Spring Price Endorsement participation.
- Reinsurance recoveries, which were not budgeted in 2005-2006, were \$2.2 million, compared to \$9 million in recoveries from the prior year. The current year recoveries were attributed to the hail program.
- Interest and investment income was \$3.8 million lower than budget and \$5.7 million lower than 2003-2004 resulting from decreased lending volumes.

Expenses Compared to Budget

Expenses were \$374.9 million higher than budget primarily as a result of BSE recovery and BSE-related CAIS program costs. The BSE crisis continued to have a negative economic effect on the agriculture industry and on rural Alberta. During the fiscal year, approximately \$521 million was directed to address initiatives under the six-point BSE recovery strategy.

- Farm Income Support payments were \$309.3 million over budget. Program payments for the Canadian Agricultural Income Stabilization (CAIS) program were significantly higher than budget as a result of BSE-related support payments.
- 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 of \$147.2 million represent provincial and federal funding for the Canada-Alberta Fed Cattle Set-Aside and Calf Set-Aside programs. Federal contributions for these programs were \$62.1 million.
- Industry Development expenses exceeded budget by \$88.5 million. Initiatives include the \$30 million Beef Market and Retention Fund, helping the beef industry find more export markets and increase sales in existing markets. Additional funding provided support for ongoing research into the development, production and marketing of value-added products, creating commercial uses for specified risk materials, and beef product and market development.
- Sustainable Agriculture expenses exceeded budget by \$7.5 million as a result of the new Canada-Alberta BSE Surveillance Program. The funding helped producers and veterinarians with the costs of submitting samples for BSE testing.
- 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 \$3.2 million lower than budgeted due to lower than anticipated participation.
- Debt servicing costs were \$7.6 million lower than budget resulting from lower than anticipated participation in lending programs and lower than budgeted interest rates.

Expenses Compared to 2003-2004

Expenses were down \$211.1 million from last year. Highlights of the spending picture for 2004-2005 compared to 2003-2004 are as follows:

- Farm Income Support payments were \$129.9 million higher than in 2003-2004 primarily resulting from the retroactive introduction of coverage for negative margins for the Canadian Agricultural Income Stabilization (CAIS) program, covering the 2003 and 2004 claim years.
- Insurance expenses were \$58.7 million lower than those in 2003-2004 due to better than average crop yields in 2004.
- BSE Recovery Program expenditures continued in 2004-2005, but were \$341.3 million lower than the prior year. The U.S. border was closed to Canadian beef and other ruminants in May 2003 in response to Alberta's discovery of a BSE-infected cow. The border closure prompted the need to implement several BSE programs in 2003-2004 to protect the agriculture industry from disaster. With the continued border closure in 2004-2005, the Canada-Alberta Fed Cattle Set-Aside and Calf Set-Aside programs were initiated to mitigate the negative impacts of BSE.
- Industry Development expenses were \$52.2 million higher than 2003-2004 as a result of market research and development initiatives in response to the ongoing effects of BSE.
- Sustainable Agriculture expenses were \$10.3 million higher than the prior year due to the implementation of the Canada-Alberta BSE Surveillance Program.

- Expenses for Planning and Competitiveness were \$3.6 million lower than 2003-2004 primarily resulting from reduced BSE-related expenditures in the current year.
- Farm Fuel Distribution expenditures were \$1.7 million higher than in 2003-2004.
- Lending expenses were \$3.0 million lower than in 2003-2004 due to lower than anticipated participation in lending programs.
- Infrastructure Assistance program expenses were \$7.1 million higher than the previous year due to increased funding for irrigation infrastructure projects.
- Debt Servicing Costs were \$2.2 million lower than 2003-2004 as a result of reduced borrowing and lower interest rates.
- Valuation Adjustments were \$2.8 million lower than the prior year due to overall improvements in cattle and land prices resulting in a decrease in the provision for losses in the lending portfolio.

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 following the transition to goal-based planning in the 2002-2005 business planning cycle. Measures are more specific and focused on areas where the Ministry has the opportunity to influence.

Targets for the performance measures were established based on research at the time the business plan was written. Forecasts for the fiscal year 2004-2005 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:

- 1.1 The number of value-added products developed through the Processing Development Division and successfully introduced to market.
- 1.4 Agri-business investment supported by AFSC lending services.

Forecasted performance was not achieved for the following measure:

1.5 Amount of Beginning Farmer Loans¹.

- 1 With the ongoing difficulties faced by producers as a result of challenges such as drought, BSE and low commodity prices, it is believed that many producers were taking time to assess their situation. Rather than borrow under the Beginning Farmer Program, producers continued to take advantage of disaster lending programs.

The following measures did not have associated targets:

- 1.2 Examples of research funded by the Ministry that have contributed to competitiveness and growth.
- 1.3 Industry competitiveness enhanced through new, or changes to existing, public and private sector policies and programs.

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:

- 2.1 Number of active surveillance sampling programs that identify the incidence of food contaminants or residues.

Forecasted performance was not reported for the following measures:

- 2.2 Per cent of Alberta production from Alberta chicken farms, hog farms and beef feedlots produced under nationally recognized on-farm food safety (OFFS) programs¹.
 - a. chicken farms
 - b. hog farms
 - c. beef feedlots
- 2.3 Per cent of Alberta-licensed food processing plants that have implemented appropriate food safety process control systems².
 - a. meat (HACCP-based)
 - b. dairy (HACCP pre-requisites)

- 1 The provincial commodity organizations have implemented OFFS programs that have been technically recognized by the Canadian Food Inspection Agency. The goal of these programs is to provide assurances nationally and globally that our products, regardless of origin, are safe. The national recognition process is under development. Given that national recognition protocols are not yet in place, completed implementations noted through Ministerial reviews of OFFS systems cannot be reported.
- 2 Results for this fiscal year cannot be reported. The audit and inspection methodology currently used to determine the adoption of HACCP or HACCP pre-requisites is not adequate to determine with certainty if the adoption of HACCP or HACCP pre-requisites has occurred.

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.

Forecasted performance was achieved or exceeded for the following measure:

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

Forecasted performance was not achieved for the following measure:

3.1 Percentage of respondents who have adopted improved practices as a result of Ministry-supported stewardship training (formal evaluation every three years)¹.

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 affected in some fashion by these severe financial hardships (40% very significantly).

The following measure did not have associated targets:

3.3 Representative examples of results from Ministry and Ministry-funded research that are environmentally related will be reported in the Ministry's annual report.

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 affect the viability of those communities.

Forecasted performance was achieved or exceeded for the following measures:

4.2 Investment in rural business.

4.3 Percentage of Ministry-supported, agricultural-related community activities that focus on community improvements and leadership development.

4.4 Per cent change in total employment in rural Alberta.

Forecasted performance was not achieved for the following measure:

- 4.1 Number of rural businesses assisted¹.
- 4.5 Percentage of rural youth participating in Ministry-supported programs that report effective learning from those programs.

¹ Though the target for the number of rural businesses assisted was not achieved, the target for investment in rural business was far surpassed (see measure 4.2) indicating a greater investment in fewer, larger projects and businesses.

Core Business Three: Strengthen Business Risk Management

Goal 5: Effective Business Risk Management Programming

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

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

The following measures did not have associated targets:

- 5.1 Percentage of primary producers surveyed that participated in business risk management programs¹.
- 5.2 Percentage of customers satisfied with business risk management program delivery¹.

¹ These are new measures for the 2004-2007 Ministry business plan. As such, there were no previous results available, and no targets were set. The 2004-2005 results will be the benchmark levels against which future targets will be set.

Future Challenges

The Ministry's measures are intended to show the effects the Ministry has on the three core business areas; however, measures are also affected by significant influences that remain beyond the role and scope of Ministry programs and staff. The Ministry will continue to be challenged to refine its measurement processes to better isolate the reporting of its efforts to achieve its goals.

Major influences on Alberta's agriculture and food industries:

Weather

Weather has a major effect on the production of agriculture commodities in Alberta. A look at crop insurance program payments will show the variance this factor can introduce. The year 2002 saw the most widespread and severe drought Alberta has experienced in recorded history. Payments exceeded \$800 million. The 2002 drought caused an estimated 10 to 15 per cent of Alberta's cattle herd to be sold to U.S. buyers.

Federal Government Programs and Policies

The future growth of Alberta's agriculture and food industries continues to be affected by federal government programs and policies. Addressing industry concerns relating to specific programs or policies requires partnership with industry, Ministry staff and the federal government. For example, Alberta farmers marketing their grain are affected by issues around grain transportation, marketing constraints and regulations, and they stand to benefit from marketing choice.

To address some of these joint concerns, federal and provincial business risk management programs and policies continue to be considered through bilateral agreement negotiations that support the ongoing operation of the Agricultural Policy Framework. Bilateral agreements address in more detail the issues affecting each agreement's area of the agriculture and food industry.

Currency Effects

The level of the Canadian dollar relative to the U.S. dollar affects the prices received for international exports leaving Alberta. Similarly, these changes also affect producer input costs, particularly for those items imported from the U.S. A majority of the machinery, equipment and agricultural chemicals used on Alberta farms and ranches comes from U.S. manufacturers.

Government Programs and Policies of Other Countries

Markets in other countries are crucial to Alberta agriculture and food industries, given the increasing dependence on export markets. As such, Alberta industries are significantly affected by both existing and future programs as well as policies in other countries.

The international demand for agriculture commodities changes constantly and significantly. In part, these alterations are due to changes in government programs and policies in other countries. Consequently, Albertans representing agriculture and food industries must continue to search for new markets. Without new markets, the forecast potential for growth will not occur.

Social Norms and the Consumer

Recently, terrorist attacks have placed governments on alert to threats to public safety in all industries. Similarly, the longer-term effects on the industry of the global reaction to confirmed instances of animal disease such as foot-and-mouth and the transmissible spongiform encephalopathy family of diseases remain uncertain. Food safety concerns have the public on alert. As well, the globalization of agriculture markets places Alberta producers and manufacturers at greater risk with regard to changing views, concerns and beliefs on what foods are safe and which are not.

Issues around animal welfare, the environment, biotechnology and resource issues such as air, land and/or water will continue to affect the future direction of agriculture and food in this province. Social norms can drive significant changes in how these industries produce agriculture and food products, in Canada and around the world.

Changes in consumer tastes and demand can result in significant challenges. The ability of the food product industry to respond to changes in consumer preferences is an issue because the response often requires significant lead time for research and development. For example, the move from producing rapeseed to canola took more than 10 years to complete. In today's fast-paced society, consumer tastes continue to evolve.

Competing Demands for Resources

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

Competition for farmland from other industrial sectors, such as oil and gas exploration and extraction, and from the expansion of urban centers and residential acreages drives up the price of farmland and limits the ability of producers to expand their farming operations. These sectors also place increased demand on limited water resources, 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 availability, use of and farming practices used on farmland.

The cost of inputs is also a significant challenge facing the industry. The demand for workers in Alberta's economy is contributing to the increasing cost of labour. Increased energy costs also affect the costs of trucking services and fertilizer production.

Demographic and Financial Structure of the Primary Agriculture Industry

According to Statistics Canada (Census of Agriculture 1991, 1996 and 2001), in the decade between 1991 and 2001, the average age of farmers in Alberta increased by more than three years. During that time, the number of farmers over 55 years of age has increased slightly while the number of farmers under 35 has been reduced by almost half, dropping from 16,660 in 1991 to 8,945 in 2001. These demographic issues create challenges for the industry in a number of areas, including new entrants to farming, transitioning out of farming for retirement or other reasons and intergenerational farm transfers.

Rising Competitiveness of Newly-industrialized Nations

Newly-industrialized nations, such as China and Brazil, have competitive advantages in the areas of input costs, labour availability and cost and price elasticity of the products they grow and sell.

Similarly, emerging competitors generally face less evolved regulatory requirements, particularly for environment and labour.

Core Businesses, Goals and Measures

The Ministry contributes to the government's three core businesses: **People, Prosperity and Preservation** and the following seven of the government's goals: 6, 7, 8, 9, 10, 11 and 12. The Ministry's primary focus is on the second core business – working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry.

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 core government business of **Prosperity**.
- Relates to the opportunities for Alberta's primary agricultural production to grow to \$10 billion and value-added industry to grow to \$20 billion by 2010.
- Promotes adding value from production to finished consumer goods.
- Facilitates development of essential policy and legislation.

Core Business Cost \$292 million (unaudited)

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 in primary and value-added food and non-food products and by 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 \$275.3 million (unaudited)

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 assisting economic units/alliances of all sizes to be profitable.

To that end, the Ministry has facilitated capital investment in the industry valued at \$151 million to expand processing and slaughter capacities and \$80 million in primary agriculture opportunities.

Other capital projects contributing to achievement of this goal include the Agrivalue Business Incubator, the Level 3 Biocontainment Laboratory and the Agrifood Discovery Place facilities. Areas of focus also include continued domestic and international efforts to remove bovine spongiform encephalopathy (BSE) imposed trade restrictions, as well as active defence of Alberta's interests with regard to U.S. trade actions against hog exports.

Key contributions to achievement:

- Expansion of processing and slaughter capacities
- New technologies
- International trade
- Infrastructure/capital projects
- Producer and processor supports

Continued growth of Alberta's agriculture industry has the potential to negatively affect environmental quality in agricultural areas of the province. Balancing economic growth with social and environmental sustainability continues to be a challenge for industry and governments.

Strategy

Encourage market access, market responsiveness, diversity and industry competitiveness through the provision of information, technology and targeted research.

Results

- The Business Commercialization Branch was developed to provide specialized coaching and mentoring to agri-businesses to assist them in growing and expanding their businesses. The areas of focus for the branch are marketing, management, finance and operations (lean manufacturing and human resources).
- With support from industry partners, completed research on “BSE Impact on Consumer Demand for Meat” and presented findings to the American Agricultural Economics Association. This was the first study completed on the effect of BSE on consumer demand for meat in Canada, after the discovery of BSE in an Alberta cow in 2003.
- Facilitated product development through negotiation of the \$1 million Bio Products fund agreement with the Alberta Crop Industry Development Fund.

Strategy

Enhance efficiencies in production and processing through the delivery of business and technical information and services.

Results

- Three programs under the Renewal Chapter of the Agricultural Policy Framework provided one-to-one financial assessment and business planning advice to 334 farms (40% of applicants were beef producers); 517 applicants have participated since programs were established in 2004.

Strategy

Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation, lending products and providing risk management tools and training.

Results

- Several development and expansion decisions were facilitated with private sector industry clients that have resulted in \$151 million in capital investment committed toward poultry processing, beef slaughter, pork slaughter, frozen potato products, beverage production, frozen desserts and oat processing.
- By the Ministry providing information and other services, over \$80 million of capital investment projects in the pork, beef, dairy and greenhouse/crops sectors are proceeding. These projects include a number of new immigrant farmers acquiring and expanding farm businesses in rural Alberta.

Strategy

Enhance the development of new products and processes to assist industry in capturing additional value-added market opportunities.

Results

- Construction of the \$21.2 million Agrivalve Processing Business Incubator began in October 2004.
- Nine new technologies were evaluated; two were adopted by industry.
- Alberta companies took 172 products to market, 55 of which were entirely new.

- Partnered with the Alberta Food Processors Association, Western Economic Diversification, Destinations Product International, Economic Development Edmonton Corporation and Alberta Economic Development to develop a U.S. private label market access service for Alberta agri-food processors. This project will increase Alberta's share in the U.S. private label market and position Alberta as a private label production centre.
- A \$4.5 million Beef Product and Market Development Program provided a total of 49 grants to industry in support of market-driven initiatives that use meat from animals older than 30 months of age. The program focused on four main areas: secondary beef processing expansion, new product development, market re-entry and new market development.
- In response to a need for greater levels of financing for larger projects, AFSC implemented the Project Investor Financing Program. This program, with \$30 million available, provides financing for investors to purchase shares in project companies that support rural development or the agriculture value-added industry. The program was further expanded to facilitate increased investment into Beef Slaughter projects. In fiscal 2004-2005, AFSC approved 13 loans for \$10.2 million in two projects.
- AFSC launched the Agrivalue Processing Loan Program specifically aimed to help the agri-processing clients of the Leduc Food Processing Development Centre or its Agrivalue Processing Incubator grow their business by either scaling up production at the centre or by moving to external, commercial premises.

Strategy

Develop and administer essential policy, legislation and regulation

Results

- Completed amendments to the following:
 - Barley Commission Plan Regulation to improve governance framework and enable the commission to create a more accurate membership list.
 - Potato Growers of Alberta Marketing Regulation to implement a more equitable system for assessing service charges for seed potato growers.
 - Chicken Producers Marketing Regulation to reduce quota restrictions and permit the export program to be more market responsive.
 - Alberta Milk Records Transfer Regulation and Alberta Milk Records Disclosure Regulation to give producers more efficient access to their historical quota records.
 - Alberta Milk Marketing Regulation to permit the board to operate a monthly quota exchange, thereby giving producers another tool to better manage their quota and production commitments.
- Continued domestic and international efforts to remove BSE-imposed trade restrictions. Included extensive diplomatic initiatives with the U.S. and other countries and input into the development of new U.S. rules allowing expansion of imports that were to be implemented on March 7, 2005. Alberta has also been assisting the federal government and industry in responding to a U.S. court preliminary injunction that has delayed implementation of the U.S. rule.
- Ministry has been active in defending Alberta interests against U.S. trade actions against hog exports. Success was achieved when the U.S. Department of Commerce confirmed that Canada does not illegally subsidize hog production and the U.S. International Trade Commission ruled that imports of live hogs from Canada do not cause economic injury to U.S. hog producers.
- Alberta government Cabinet and Caucus approved the live cervid and slaughter import policies. This was a collaborative effort in partnership with Alberta Sustainable Resource Development and industry.

Strategy

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

Results

- Development, delivery and ongoing monitoring of the Canada-Alberta BSE Surveillance Program. The program facilitated exceeding Alberta's share of the national target numbers required to establish Canada's BSE status.
- Coordinated five out-going and two incoming trade advocacy missions targeting key U.S. state-level officials. These advocacy efforts focused primarily on U.S. border closure to Canadian beef and live cattle exports as a result of BSE.
- Certified 327 Green Certificate (GC) trainees as production technicians and supervisors. Certification of trainees provides an assurance that production technicians and supervisors have farm production, competency-based training to contribute to the farm labour pool.

Strategy

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

Results

- In partnership with Alberta Infrastructure and Transportation, began construction of Biocontainment Level 3 laboratory to support agricultural testing and research in Alberta. In partnership with Western Economic Diversification, acquired lab equipment to support the research function in the Level 3 lab.
- Committed \$6.45 million of support under the Municipal Industrial Wastewater Infrastructure Program to assist two municipalities to develop the necessary infrastructure to service the needs of new meat processing developments. This will lead to the construction of approximately \$20 million of municipal water and sewer systems and will accommodate over \$65 million of new private sector investment into value-added processing.
- Approved long term economically viable plans for Alberta's 13 irrigation districts and provided \$19 million in cost-shared funds to rehabilitate water distribution infrastructure in the districts.
- In conjunction with Irrigation Council, audited the condition of approximately 50 randomly selected irrigation canals to ensure that irrigation districts are adequately maintaining irrigation infrastructure.
- Under the Rural Electric Program, provided \$577,304 in grants to help offset the cost of installing electric service to 275 farm consumers.
- Under the Rural Gas Program, provided \$2,056,000 in grants to help offset the cost of installing 3,382 rural natural gas services and upgrading of rural natural gas supply facilities.

For more information on the following performance measures, please refer to the Performance Measures Summary and the Performance Measures Methodology sections in this document.

Goal 1	2003 -	2004 -	2004 -	2005 -
Performance Measures	2004	2005	2005	2006
	Result	Target	Result	Target
1.1 Number of value-added products developed through the Processing Development Division and successfully introduced to market ⁵ .	148	110	172	120
1.2 Examples of research funded by the Ministry that have contributed to competitiveness and growth.	N/A	N/A	See below ¹	N/A
1.3 Industry competitiveness enhanced through new, or changes to existing, public and private sector policies and programs.	N/A	N/A	See below ²	N/A
1.4 Agri-business investment supported by AFSC lending services.	\$26.5 million	\$57.9 million	\$157.4 million ³	\$60.8 million
1.5 Amount of Beginning Farmer Loans.	\$92.3 million	\$140 million	\$80.1 million ⁴	\$145 million

1 Measure 1.2: 2004-2005 Results

- Feasibility assessments identified opportunities and barriers for growth in meats (Cow/Bull Meat Market Opportunities, Cost Competitiveness for Pork, Halal Meat), processed pulses (Chinese Noodle Study, Fababean Fractionation Study), dairy functional foods (CLA – Enriched Dairy Products), pet foods and nutraceuticals and biorefining (Business Case for the Centre for Agri-Industrial Technology).
- Provided clients with customized studies related to opportunities in the value-added agri-food sector. Examples include “A Spatial Analysis of Ontario’s Food and Beverage Exports to the USA,” “Moving Malt to China” and “Potential for a White Fat Cow Meat Market in Canada.”
- The Crop Diversification Division is becoming a world leader in biosafety of novel crops. A paper was published in the *Canadian Journal of Plant Science* on the potential for transgenic gene flow from target plants to wild or weedy relatives in western Canada. This research program will help Alberta create a competitive advantage in the production of plant-made pharmaceuticals and agri-industrial chemicals.
- *Fusarium graminearum* continues to be a destructive disease in western Canada and could threaten Alberta cereal grains. The Crop Diversification Division has studied polymorphic chain reaction methods for detecting fusarium headblight (FHB) in cereal grains. The research has revealed a more effective method of detecting very low levels of FHB mycotoxins compared to commercial test kits currently in use. New, affordable, rapid testing technologies are required to assist Alberta to maintain its essentially FHB-free status. Both the livestock and malt industry depends on FHB-free cereal grains.
- The Crop Diversification Division completed a report on the nutrient profile of zero-tannin fababean. The report represents the second step in removing barriers to the introduction of a promising new crop for Alberta’s pulse producers and a new, lower cost feed option for the growing swine industry. Already proven to grow well in Alberta, this crop’s high protein, high energy and extremely low anti-nutritive factors make it very desirable to hog producers, making it a favourable option to imported soy bean. In addition to this, the high nitrogen fixation ability of fababean places great potential in sustainable crop rotations to reduce the increasing costs of nitrogen fertilizers.

- The Crop Diversification Division released an update of the innovative Alberta Farm Fertilization Information and Recommendation Manager computer software. This is a downloadable decision-support tool that enables rapid calculations of optimal fertilization based on specific agro-climatic locations, soil profiles, crops and economics. This is a flexible and comprehensive tool for producers that will help reduce costs by making more effective use of limited input dollars.
- Cost-shared financial support of \$99,496 was provided to four companies to conduct feasibility studies related to functional food ingredient extraction, ethanol production, natural beef slaughter and an integrated hog production and processing with ethanol production.

2 Measure 1.3: 2004-2005 Results

- Development of enhanced BSE surveillance, scrapie surveillance and chronic wasting disease surveillance.
 - The Business Commercialization Branch was developed to provide specialized coaching and mentoring to agri-businesses to assist them in growing and expanding their businesses. The areas of focus for the branch are marketing, management, finance and operations (lean manufacturing and human resources).
 - A \$4.5 million Beef Product and Market Development Program provided a total of 42 grants to industry in support of market-driven initiatives that use meat from animals older than 30 months of age. The program focused on four main areas: secondary beef processing expansion, new product development, market re-entry and new market development.
 - The Alberta government committed \$30 million to create a Beef Market Development and Retention Fund to help the beef industry find more export markets and increase sales in existing ones. An additional \$7 million has been allocated towards creating commercial uses for specified risk material.
 - With industry partners, successfully prepared a business case for Alberta's fruit and wine industry for Alberta Gaming and Liquor Commission. The new cottage wine policy was enacted February 2005.
 - Completed regulation amendments to the Chicken Producers Marketing Regulation to reduce quota restrictions and permit the export program to be more market responsive.
 - Woodlot Extension Program secured \$485,000 in annual funding through to 2008 from forest industry partners, conservation organizations and governments to promote economic and environmental goals related to sustainable wood production on private land.
 - Alberta government Cabinet and Caucus approved the live cervid and slaughter import policies. This was a collaborative effort by Alberta Sustainable Resource Development, the Ministry's Livestock Development Division, Food Safety Division and industry.
- 3 With the introduction of two new programs (Beef Product and Market Development Loan Program and the Project Investor Financing Loan Program), AFSC was able to be involved in a few larger projects, resulting in AFSC exceeding its agri-business investment target.
- 4 With the ongoing difficulties faced by producers as a result of challenges such as drought, BSE and low commodity prices, it is believed that many producers were taking time to assess their situation. Rather than borrow under the Beginning Farmer Program, producers continued to take advantage of disaster lending programs.
- 5 The wording of this measure implies that the measure reports only on new products. However, the measure does capture work on existing products completed with assistance from the Processing Development Division.

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 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. These initiatives support the development of a national approach to food safety as identified in the Agricultural Policy Framework food safety and food quality chapter.

Goal 2 Expense \$16.7 million (unaudited)

Alberta has an excellent reputation for safe food production and processing. The Ministry partners with other governments and agencies to maintain and advance that reputation for products. Increasing surveillance and certification of Qualification Certificate holders help to ensure that Alberta food is safe.

The Ministry works with producer groups to implement on-farm food safety programs. These programs require that food safety practices be incorporated throughout the production chain. Compliance with food safety regulations is validated through inspections and enforcement activities, demonstrating to the world that safe food is the priority.

Key contributions to achievement:

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

Reporting and measurement related to food safety continue 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 Facility Standards (1999) were maintained in Alberta Agriculture, Food and Rural Development licensed meat facilities. Dairy facilities are in the process of incorporating HACCP (Hazard Analysis Critical Control Point) pre-requisite programs.
- Information and one-on-one training regarding HACCP systems provided to meat and non-meat food processing facilities.
- Developed an Alberta HACCP standard and a plan to recognize HACCP system adoption by Alberta licensed and permitted facilities.
- Eight of the 126 licensed meat processing facilities in Alberta volunteered to participate in the Regulatory Services Branch HACCP System Implementation pilot project.

Strategy

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

Results

- Utilized a priority setting process to identify areas of surveillance. Targeted surveillance was performed for pathogen and indicator organisms in poultry, pork, beef production animals and in food processing environments; prevalence of antimicrobial resistant bacteria in production, antimicrobial residues and heavy metal contamination in meat, dairy and honey, and prevalence of parasites/pathogens on Alberta-grown strawberries.
- Continued to develop and validate analytical techniques for chemical residue and rapid pathogen detection.
- Completed the development of a wireless real time application for Alberta veterinarians to track disease incidence and creation of a similar system for use by provincial meat inspectors to track meat inspection activities.

Strategy

Develop and administer essential policy, legislation and regulation.

Results

- Ensured that meat inspection standards were met in meat products by inspecting over 3.9 million carcasses from Alberta's licensed red meat and poultry plants (209,648 red meat and 3,773,356 poultry) and investigating 533 complaints to ensure compliance within regulatory requirements. Provided appropriate information and proceeded with prosecution when necessary.
- Participated in a department-wide process to develop specified risk materials (SRM) policy options, with successful implementation of the SRM removal program in provincial plants validated through an audit for the Canadian Food Inspection Agency.
- Certified 187 Qualification Certificate holders under the Production Animal Medicine Regulation.
- Developed and supported policies on treatment of antibiotic resistant forms of bee disease to ensure no residues in honey.
- Completed amendments to the Alberta Pork regulations to broaden membership and enable the commission to set up a framework for a traceability system.
- Completed amendments to the Hatching Eggs Regulation to make the On-Farm Food Safety Assurance Program a required element of licensing.

Strategy

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

Results

- Food safety information and training was developed for managers and vendors of Ministry-approved Farmer's Markets.
- Six projects were conducted that dealt with production and processing practices, specifically feed withdrawal in chickens and Salmonella, E. coli O157:H7 in beef feedlots, antibiotic residues in honey, listeria in poultry and red meat processing plants and validation of microbiological control parameters in chicken slaughter and processing.

- Published new information products on avian influenza and BSE.
- Produced media releases and broadcast radio messages on handling and storing food safely.

Strategy

Provide information, training and other programs that enhance food safety awareness and emergency response.

Results

- Successfully partnered with Alberta Health and Wellness in an investigation of the illegal sale of un-inspected meat, resulting in eight charges being laid against the violator.
- Provided an enhanced level of HACCP training to all provincial meat inspectors and enforcement staff.
- Provided food processors and others with HACCP videotapes to help them develop food safety and quality control programs.

Strategy

Participate, as appropriate, in national traceability initiatives.

Results

- Provided assistance to the Canadian Cattle Identification Agency (CCIA) by ensuring all CCIA tags being retired at provincial plants were sent electronically to the database.
- A Ministry representative sat on the board of directors of the Canadian Livestock Identification Agency.
- Participated on a subcommittee of the Federal-Provincial-Territorial Agri-Food Inspection Committee, developing traceability standards for the agri-food industry.

For more information on the following performance measures, please refer to the Performance Measures Summary and the Performance Measures Methodology sections in this document.

Goal 2		2003 -	2004 -	2004 -	2005 -
Performance Measures		2004	2005	2005	2006
		Result	Target	Result	Target
2.1	Number of active surveillance sampling programs that identify the incidence of food contaminants or residues.	17	8	18	10
2.2	Per cent of Alberta production from Alberta chicken farms, hog farms and beef feedlots produced under nationally recognized on-farm food safety programs.				
	• chicken farms	N/A ¹	90%	N/A ¹	90%
	• hog farms	N/A ¹	90%	N/A ¹	90%
	• beef feedlots	N/A ¹	0%	N/A ¹	50%
2.3	Per cent of Alberta-licensed food processing plants that have implemented appropriate food safety process control systems.				
	• meat (Hazard Analysis Critical Control Point (HACCP)-based)	N/A ²	6%	N/A ²	20%
	• dairy (HACCP pre-requisites)	N/A ²	70%	N/A ²	70%

- 1 The provincial commodity organizations have implemented on-farm food safety (OFFS) programs that have been technically recognized by the Canadian Food Inspection Agency. The goal of these programs is to provide assurances nationally and globally that our products, regardless of origin, are safe. The national recognition process is under development. Given that national recognition protocols are not yet in place, completed implementations noted through Ministerial reviews of OFFS systems cannot be reported. As a result of these limitations, this measure has been revised significantly in subsequent business plan years, starting in 2005-2008, to allow the Ministry to disclose achievements in these areas.
- 2 Results for this fiscal year cannot be reported. The audit and inspection methodology currently used to determine the adoption of HACCP or HACCP pre-requisites is not adequate to determine with certainty if the adoption of HACCP or HACCP pre-requisites has occurred. As a result of these limitations, this measure has been revised significantly in subsequent business plan years, starting in 2005-2008, to allow the Ministry to disclose achievements in these areas.

Core Business Two: Enhance Rural Sustainability

This core business:

- Relates to the core government businesses of **Preservation, Prosperity and People**.
- Relates to maintaining and improving agriculture's physical and human resource base.

Core Business Cost \$45 million (unaudited)

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 \$20.2 million (unaudited)

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

Key contributions to achievement:

- Work with other ministries and agencies
- Engagement of industry in several areas, including beneficial management practices and environmental farm plans
- Greenhouse gas and biodiversity awareness programs
- Research results

Continued growth of Alberta's agriculture industry has the potential to negatively affect environmental quality in agricultural areas of the province. The Ministry continues to work with the agriculture industry to ensure that growth occurs in a sustainable manner.

Strategy

Support and conduct applied/adaptive research and evaluations to find economically sound, environmentally friendly technologies and management practices for crop and livestock production and agricultural processing.

Results

- Continued work with Alberta Environment and Alberta Sustainable Resource Development in the implementation of Phase II of the South Saskatchewan River Basin Water Management Plan. As part of this study, the Ministry worked with basin advisory committees in the Red Deer, Bow, Oldman and South Saskatchewan River basins to address public concerns regarding environmental protection and development.
- 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.
- Partnered with Agriculture and Agri-Food Canada to assess the effect of manure incorporation methods to reduce nutrient runoff to surface water.
- Distributed the Greenhouse Gas (GHG) Science Plan. Completed the development of a strategic roadmap for agricultural GHG research. Initiated the development of a series of booklets to replace the GHG workbook.
- Continued a prairie-wide collaborative research project with the University of Saskatchewan, University of Manitoba and Ducks Unlimited to quantify nitrous oxide and methane emissions from soils on farmed landscapes with wetlands.
- Collaborated with and supported research at the University of Alberta, University of Calgary and Alberta Research Council regarding phosphorous mobility from farmland, soil quality and greenhouse gas emissions from agriculture.
- Significant progress was made on measuring odour with confidence and odour dispersion to better quantify how odour may affect the siting of confined feeding operations. The evaluation of five odour control technologies was also completed.
- A low draft prototype was developed to inject liquid manure with minimal surface residue incorporation. The project will lead to further development of a manure injection tool that is compatible with soil conservation practices while eliminating odours and preventing surface runoff.
- Published eight technical papers and released ten publications, manuals, factsheets and plans/leaflets (Canadian Plan Services, evaluations on direct seeding tools and sprayer application technology, energy efficiency and mortality composting).

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

- Worked with partners and local watershed groups to demonstrate beneficial management practices in the Beaver Creek, Battersea Drain and Lower Little Bow River watersheds as part of the Oldman Watershed Council.
- 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.
- Continued development of the necessary infrastructure to support a Corporate Spatial Data Service that will facilitate decision making, support and risk assessment for key initiatives such as the Agriculture and Climate Information Service, the Agro-Climatic Atlas of Alberta and the Agriculture Regions of Alberta Soil Inventory.

- Finalized a global information system-based scan of environmental issues facing the agricultural industry, as a commitment under the Environmental Chapter of the Agricultural Policy Framework. The scan identifies priority areas for delivery of beneficial management practices and environmental farm plans in Alberta. Developed the Alberta Chapter for a national scan summary report.
- Developed industry training programs and communication tools to support extension activities related to environmental sustainability in the agriculture sector and to build capacity in the agricultural industry through rural extension staff.
- Assisted 59 Agriculture Service Boards and 25 agricultural groups in the delivery of 48 local community-based extension programs.
- Provided financial and technical support for the operation of the industry-led Environmental Farm Plan Program. Technical and communications support was provided for the delivery of the workshops and training of the technical advisors.
- Established four demonstration farms and 40 on-farm demonstrations to increase producer awareness of beneficial management practices that mitigate greenhouse gases in cropping and manure management systems; 1,693 farmers and extension persons attended 60 tours. The demonstrations were completed through partnering in RTLinkages and the National Greenhouse Gas Mitigation Program.
- Developed a series of factsheets on small animal mortality composting, silo gas safety, methane safety and respiratory protection for producers.
- Completed cow/calf, cropping and farmstead beneficial management practices manuals, and revised the cow/calf wintering site publication.
- Completed development of Canada-Alberta Farm Stewardship Program.
- Nutrient management training was provided to producers, consulting and agronomy companies. A Manure Nutrient Management module was developed and implemented at the Diagnostic Field School. Over 800 industry representatives, municipal extension staff and producers participated.

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

- Encouraged intergovernmental collaboration ensuring an opportunity for agriculture's voice regarding environmental decisions and implementation funding in the following areas: at the provincial level, State of the Environment Reporting, Environmental Monitoring, Climate Change, Biodiversity and Integrated Land Management, at the federal level, National Agriculture Land Strategy, Environmental Goods and Services, Species at Risk and National Greenhouse Gas Offset Quantification Team.
- Participated as a member of a multi-stakeholder advisory committee in the review of current legislation for 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.
- Worked with partners to continue the applied research work on phosphorus effects on surface water in Alberta's agricultural areas to develop soil phosphorus limits for all agricultural lands in Alberta. Organized and implemented a steering committee, with representatives from industry and government, to communicate with agricultural producers and develop recommendations for future actions related to phosphorus management.

- *Agricultural Operation Practices Act (AOPA)* amendments were completed to provide clarity and confirm the original intent of the legislation.
- In support of the revisions to the AOPA, the 2004 Reference Guide was revised, and 12 publications “Standards” were completed, including AOPA and Existing Operations, Record Keeping, Wintering Sites, AOPA and Horse Producers, AOPA and Cow/Calf Producers, Manure Spreading and Role of Municipalities under AOPA. Twenty presentations were given to industry, municipalities, other stakeholders and the Natural Resources Conservation Board (NRCB).
- Concrete standards and manure storage leak detection guidelines were completed to provide policy direction to the NRCB for the implementation of AOPA.

Strategy

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

Results

- Continued to monitor 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the effect of the agricultural industry on surface water quality. Initiated a five-year summary of results.
- 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 an analysis of the first six years of the 42 soil quality monitoring benchmark sites. In addition, completed analysis and a report of micronutrient levels in the benchmark soils. Also collaborated with the University of Manitoba to evaluate the retention ability of the benchmark soils for pesticides. Initiated development of a soil quality index for agricultural soils in Alberta as a Ministry measure.

For more information on the following performance measures, please refer to the Performance Measures Summary and the Performance Measures Methodology sections in this document.

Goal 3	2003 -	2004 -	2004 -	2005 -
Performance Measures	2004	2005	2005	2006
	Result	Target	Result	Target
3.1 Percentage of respondents who have adopted improved practices as a result of Ministry-supported stewardship training (formal evaluation every three years).	53% ¹	68%	53% ¹	68%
3.2 Number of producers provided with training and technical support to enable development of environmental farm plans.	1,048	1,500	1,968	2,000 ²
3.3 Representative examples of results from Ministry and Ministry-funded research that are environmentally related will be reported in the Ministry's annual report.	N/A	N/A	See below ³	N/A

1 The reason for the 2004-2005 actual numbers staying at 53 per cent is that this is the most recent data available. The next survey will be conducted during the latter part of the 2006-2007 fiscal year. The target for reporting during 2007-2008 is 58 per cent.

- 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 affected in some fashion by these severe financial hardships (40% very significantly).

2 Future targets for 2005-2008 and beyond will be revised to reflect a cumulative growth of 1,000 per year.

3 Measure 3.3: 2004-2005 Results

- Continued work with Alberta Environment and Alberta Sustainable Resource Development in the implementation of Phase II of the South Saskatchewan River Basin Water Management Plan. As part of this study, worked with basin advisory committees in the Red Deer, Bow, Oldman and South Saskatchewan River basins to address public concerns regarding environmental protection and development.
- 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.
- Partnered with Agriculture and Agri-Food Canada to assess the effect of manure incorporation methods to reduce nutrient runoff to surface water.
- Distributed the Greenhouse Gas (GHG) Science Plan. Completed the development of a strategic road map for agricultural GHG research. Initiated the development of a series of booklets to replace the GHG workbook.
- Continued a prairie-wide collaborative research project with the University of Saskatchewan, University of Manitoba and Ducks Unlimited to quantify nitrous oxide and methane emissions from soils on farmed landscapes with wetlands.
- Collaborated with and supported research at the University of Alberta, University of Calgary and Alberta Research Council regarding phosphorous mobility from farmland, soil quality and greenhouse gas emissions from agriculture.
- Significant progress made on measuring odour with confidence and odour dispersion to better quantify how odour may affect the siting of confined feeding operations. The evaluation of five odour control technologies was also completed.

- A low draft prototype was developed to inject liquid manure with minimal surface residue incorporation. Project will lead to further development of a manure injection tool that is compatible with soil conservation practices while eliminating odours and preventing surface runoff.
- Published eight technical papers and released ten publications, manuals, factsheets and plans/leaflets (Canadian Plan Services, evaluations on direct seeding tools and sprayer application technology, energy efficiency and mortality composting).

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 plays a lead role in coordinating rural development initiatives under the Economic Development Strategy. Implementing the Rural Development Strategy will facilitate cooperative efforts across all ministries and ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders in support of community prosperity.

Goal 4 Expense \$24.8 million (unaudited)

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 been actively engaged in facilitating the creation of the Rural Development Strategy in partnership with stakeholders and other ministries. Through that process, Ministry staff have established strong partnerships with communities across the province.

Key contributions to achievement:

- Training and leadership
- Evident partnership with communities
- Access to capital, facilitated through Agriculture Financial Services Corporation (AFSC), to support economic growth in rural Alberta
- Excellent stakeholder engagement and cross-ministry involvement
- Contributions to planning for the future

As strategies and specific actions to be implemented in support of desired outcomes of the goal continue to evolve, so too will the partnerships with other ministries and stakeholders, as well as performance measures.

Strategy

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

Results

- An on-line testing application to support the 4-H skills evaluation program was developed and provided on the Ministry's Ropin' the Web site.
- Initiated five pilot projects on feasibility assessment of 4-H programming in Aboriginal communities. Establishing 4-H programs in Aboriginal communities will provide opportunities for youth in these rural communities to develop leadership skills.

- The training course for new 4-H leaders has been revised and delivered across the province, making it more effective at preparing adults for leadership roles in 4-H clubs.
- Over 94 per cent of provincial 4-H program participants indicated that 4-H programming provided opportunities for leadership development.
- Developed and delivered the On-line Horse Bowl Contest to 105 participants to test their knowledge in the areas of health, nutrition, equipment, riding and working with a horse. Seventy per cent indicated they learned more about horses as a result of their participation in the event.
- The Alberta Rural Youth Council became an incorporated society. Its goals and objectives propose a youth training and development program together with a conference to be held in fiscal 2005-2006.

Strategy

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

Results

- Effectively administered the cost-shared Irrigation Rehabilitation Program that assisted irrigation districts to rehabilitate infrastructure used to deliver water to irrigators, towns, villages, industries, recreational facilities and wildlife habitat.
- Supported rural communities and organizations by providing grant funding of approximately \$8.7 million to 283 agricultural societies to improve quality of life in agriculture and rural communities.
- Provided grant funding of approximately \$5 million to 70 Agricultural Service Boards to assist boards in the enforcement and administration of legislation under the *Weed Control Act*, *Agricultural Pests Act* and the *Soil Conservation Act* to protect, sustain and improve agricultural production capability.
- Supported rural tourism, through partnership with Travel Alberta, in updating and distributing 250,000 copies of a comprehensive rural tourism publication.
- Supported improvements in the quality of life in agricultural communities by funding 86 community-initiated projects (approximately \$2.8 million) under the Agricultural Initiatives Grant Program.
- Completed a review of the Agriculture Services Board Program.
- Developed a knowledge and information management database for correspondence, bylaws, technical issues and resolutions under the Agriculture Services Board Program to facilitate improved communications and service to clients.
- Developed and launched a new 4-H website, magazine and media kit to assist clubs, sponsors and volunteers.

Strategy

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

Results

- Assisted the MLA Steering Committee for Rural Development in their third round of consultations with rural Albertans and key stakeholder groups. The public reviewed the Rural Alberta Land of Opportunities (RALO) report, and omissions were identified and priorities established.
- Assisted in the cross-ministry review of the RALO report and incorporated the results into the Rural Development Strategy.
- Supported the MLA Steering Committee in the preparation of the Rural Development Strategy – A Place To Grow .

For more information on the following performance measures, please refer to the Performance Measures Summary and the Performance Measures Methodology sections in this document.

Goal 4 Performance Measures	2003 - 2004 Result	2004 - 2005 Target	2004 - 2005 Result	2005 - 2006 Target
4.1 Number of rural businesses assisted.	276	315	273	331
4.2 Investment in rural business.	\$76.2 million	\$90.5 million	\$169 million ¹	\$95.0 million
4.3 Percentage of Ministry-supported, agricultural-related community activities that focus on community improvements and leadership development.	50%	33%	52% ²	34%
4.4 Per cent change in total employment in rural Alberta.	3.8% ³	0%	1.9%	1.0%
4.5 Percentage of rural youth participating in Ministry-supported programs that report effective learning from those programs.	91%	92%	91%	92.3%

- 1 With the introduction of two new programs (Beef Product and Market Development Loan Program and the Project Investor Financing Loan Program), AFSC was able to be involved in a few larger projects, resulting in AFSC exceeding its rural investment target.
- 2 Leadership Development activities totalled 32 per cent and Community Improvement activities totalled 20 per cent of all Ministry-supported, agricultural-related community activities.
- 3 The 2003-2004 result is different than the number reported in the 2004-2007 business plan due to revisions in numbers from Statistics Canada. The 2004-2007 business plan reported a 2003-2004 result of -0.4 per cent.

Core Business Three: Strengthen Business Risk Management

This core business:

- Relates to the core government businesses of **Preservation** and **Prosperity**.
- Provides risk management tools and training that is not available or not consistently available through the private sector.

Core Business Cost \$999.1 million (unaudited)

Goal 5: Effective Business Risk Management Programming

This goal recognizes the need for greater stability in an industry significantly affected by unforeseen weather disasters, disease and global market influences. Increased stability coupled with targeted business management information and training allows farmers to concentrate their management efforts on adoption of the most economically sustainable management practices for

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

Goal 5 Expense \$999.1 million (unaudited)

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.

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

The Canadian Agricultural Income Stabilization (CAIS) Program resulted from working directly with other provincial and federal government colleagues on the Agricultural Policy Framework (APF). The APF and the CAIS program, combined with insurance programs, have had a positive effect on the achievement of Ministry outcomes.

Key contributions to achievement:

- Farm Income Disaster Program review
- Canadian Agricultural Income Stabilization Program modifications
- Continued contributions to the Agricultural Policy Framework process
- Ongoing discussion regarding insurance and lending programs
- Financing for increased slaughter capacity

The Ministry has recognized a need for a more proactive approach to helping the industry prepare for and respond to disasters. Changes have been made to the 2005-2008 business plan to include a new goal focusing on the provision of business risk management information and training for farm operators that supports the development of business risk strategies. Negotiations with federal and provincial counterparts in all program areas also support the achievement of desired outcomes.

Strategy

Stabilize farm income by providing Alberta farmers with effective and efficient business risk management programs.

Results

- Completed a summative evaluation of the Farm Income Disaster Program (FIDP) for the 2002 claim year. Seventy per cent of the respondents who received a FIDP payment indicated that the payment was useful or extremely useful in helping them recover from their low income in 2002.
- Developed “Beginning Farmer Production Margins” for crops and livestock for the Canadian Agricultural Income Stabilization (CAIS) Program to enable calculation of payments to new farmers in the program.
- Analyzed Farm Financial Survey data to assess the adoption of risk management tools by Alberta farmers.
- Facilitated an increased understanding and participation in Ministry business risk management programs and services by Aboriginal producers, through the delivery of 15 targeted information sessions, dissemination of program information and one-on-one consultation.

- Developed a one-stop-shop BSE website for producers, processors, retailers and consumers, which provides up-to-date information on programs, strategies and emerging issues to facilitate business management decisions.

Strategy

Ensure business risk management programs are delivered effectively and have the flexibility to meet producer needs.

Results

- Worked with consultants to improve the farm level information and management skills of Alberta producers.
- Completed risk analysis and payment verification of all ad hoc programs. Information from this analysis will be used to improve current and future business processes.
- Participated in and provided program support in the externally contracted field audit of the BSE program recipients.
- Facilitated effective program delivery through program policy development, policy analysis, verification and processing of claims made under ad hoc programs and initiatives in 2004-2005.
- In consultation with industry and federal, provincial and territorial governments, developed BSE Set-Aside programs for Alberta producers. These programs have helped balance supply of fed cattle with slaughter capacity until sufficient new capacity comes on line or the U.S. border opens to live animals.
- Implemented the 2004 Kneehill County Disaster Recovery Program under the Alberta Disaster Recovery Regulation. Twelve farm operations in the county that experienced damage to uninsurable items due to widespread flooding will receive financial assistance to support recovery to pre-disastrous conditions.
- AFSC introduced new pasture programs (Moisture Deficiency Insurance (MDI) and Satellite Imagery Insurance (SAT)) with short/long seasons and split-season options. Enhancements were also made to the existing hay insurance program to increase coverage stability when significant perils occur more than once per decade. Pasture insurance (through MDI and SAT) was purchased to insure 7.25 million acres.

Strategy

Through the Agricultural Policy Framework (APF) process, implement enhancements to business risk management programs to better respond to changing global market influences.

Results

- Represented Alberta on the national Business Risk Management Policy Working Group that recommended changes to CAIS, including negative margin coverage, increased cap for producer payments and a simplified deposit option. These enhancements provided producers with better coverage while accommodating those with cash flow difficulties.
- Participated in an intergovernmental working group that created a report titled “Report to Canadians 2003-2004,” which provides Canadians with an assessment of progress made towards the attainment of the APF objectives.
- Participated in an intergovernmental project for the creation of the Federal-Provincial-Territorial Program Book. This book catalogues programs developed and implemented through the five chapters of the APF, to serve as a reference tool for Canadian agricultural producers.
- Completed a study on the potential effect of exchange rate fluctuations on the canola value chain.

- AFSC developed and implemented the new Equity Advance Option for the CAIS Program. This change allows equity losses to be taken into account when determining payments and enables producers to receive up to 50 per cent of the estimated CAIS Program entitlement.
- Production Advance Option for the CAIS Program was increased to enable producers to receive up to 70 per cent of the estimated CAIS entitlement.
- As of March 31, Alberta producers received \$274.2 million in advance payments, \$257.1 million in advances for the 2004 program year and \$17.1 million for 2003.
- To address producer need to access funds under the CAIS Program, a change to final payment processing was made. If the deposit requirement was not yet met, final payments were processed at the 70 per cent payment rate with the understanding that the producer would have until the deposit deadline of March 31, 2005, to meet the deposit requirements.
- Recognizing the continued struggles faced by primary producers as a result of BSE and lingering effects of the drought, the Alberta Disaster Assistance Loan Program and Alberta Farm Development Loan program were extended to June 30, 2005.

Strategy

Respond to issues resulting from recurring drought by continuing to administer the Agriculture Drought Risk Management Plan.

Results

- Provided strategic information and advice on drought management strategies to industry under Agriculture Drought Risk Management Plan for Alberta.
- Added one weather station to the DroughtNet system, bringing the total to 37, and upgraded three Alberta Environment stations to DroughtNet standards. These weather stations provide real-time weather information for optimum production and farm management decisions.
- Developed or adapted five science-based drought indicators for Alberta conditions, which will increase accuracy in assessing agricultural drought in the province.
- Developed an Agro-Climatic Information System to replace the Drought Information System and provide producers with customized drought and weather information.
- In partnership with Prairie Farm Rehabilitation Administration, recommended that producers in 14 counties and municipalities affected by drought in 2004 be deemed eligible to defer their 2004 income tax on the sale of breeding livestock for one year under the Federal Livestock Tax Deferral Program. The delay in income tax payments helps to minimize the cash flow difficulties facing eligible producers in these areas.
- Implemented the 2004-2005 Canada-Alberta Farm Water Program. As of April 25, 2005, 1,483 producers have applied for financial assistance to secure a long-term water supply for their farm operations.
- Conducted a province-wide grasshopper monitoring process to assess the level of grasshopper infestation for 2004. Data was used to construct the 2005 Alberta Grasshopper Forecast map and to formulate grasshopper control strategies.
- In cooperation with AFSC, initiated development of a pasture-soil-water simulation model to assist in production decisions, choice of production activities and timing of seeding.

Strategy

Facilitate the development of business interruption insurance for agriculture.

Results

- Partnered with Agriculture and Agri-Food Canada (AAFC) to conduct an assessment of the business risks of the livestock sector and to analyze the effectiveness of existing tools with a focus on where improvements can be made. AAFC engaged a consultant to study four areas of risk, including business interruption insurance. A report was produced, and government is now determining next steps.

For more information on the following performance measures, please refer to the Performance Measures Summary and the Performance Measures Methodology sections in this document.

Goal 5 Performance Measures		2003 -	2004 -	2004 -	2005 -
		2004	2005	2005	2006
		Result	Target	Result	Target
5.1	Percentage of primary producers surveyed that participated in business risk management program. • CAIS Program • Production Insurance	N/A ¹ N/A ¹	N/A ¹ N/A ¹	77% ² 59% ³	3.5% over benchmark (2004-2005)
5.2	Percentage of customers satisfied with business risk management program delivery. • CAIS Program • Production Insurance	N/A ¹ 76%	N/A ¹ N/A ¹	33% ⁵ 69% ^{4,5}	3.5% over benchmark (2004-2005)

- This is a new measure for the 2004-2007 Ministry business plan. As such, there were no previous results available and/or no targets were set. The 2004-2005 results will be the benchmark level against which future targets will be set.
- The survey designed to provide performance information for this measure was postponed to fall 2005, due to Statistics Canada's prior commitments.
- Total includes all producers who purchased Crop Insurance for the 2004 growing season, irrespective of total farm area (5,242 producers insured less than 180 acres and have been included to reflect the total client base and to account for those who might have insured only part of their crops). The survey designed to provide performance information for this measure was postponed to fall 2005, due to Statistics Canada's prior commitments.
- The drop in overall satisfaction from 2003-2004 is likely related to dissatisfaction with the pasture insurance program that was in place in 2003 and was then discontinued in 2004.
- When asked about specific customer service standards, AFSC clients reported higher satisfaction percentages indicating that although there may be some level of dissatisfaction with the programs, key service standards are satisfactory:

Customer Survey Standards Results for 2004-2005

Key customer service	Insurance %	CAIS %
Courtesy	93	88
Going the extra mile	86	75
Knowledge	89	65
Timeliness	84	66
Accessibility	85	68

Performance Measures Methodology

Core Business One: Facilitate Sustainable Industry Growth

Goal 1: Sustainable Growth of the Agriculture and Food Industry

1.1 The number of value-added products developed through the Processing Development Division and successfully introduced to market.

Product development activities refers to projects where Division staff assisted industry clients in one or more of the following areas: product formulation, shelf life, packaging and/or sensory evaluation. “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.

The Division operates the following facilities at which value-added products may be developed:

- Food Processing Development Centre
- Centre for Agri-Industrial Technology
- Food Science and Technology Centre
- Crop Diversification Centre South
- Sensory Evaluation Centre
- Consumer Product Testing Centre

Project leads gather the information from their monthly reports and ongoing knowledge of client activities. In instances where project leads do not have direct knowledge of a product’s status, clients are contacted and asked about the product and whether it is on the market. The Division maintains contract files on each of the products worked on at its facilities. An annual Measure Report is prepared by the Processing Development Division in February of each year. The report is a compilation of information requested from project leads on the clients they have worked with in the current fiscal year.

Calculation method

The result is a summation of the total number of value-added products involving project work conducted at Division facilities and/or successfully introduced to market by industry, as listed in the annual Measure Report.

Data limitations

The length of time to successfully launch new products depends on a number of factors and may take several months after new product development work is completed. This may result in some products being recorded in a fiscal year different than the year in which the product development work occurred. Also, there is no confirmation of the information reported by industry clients regarding the market success of their products. 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 Processing Development Division works on both new and existing products; for example, modification of an existing product for an export market, modification or introduction of new packaging, or introduction of an existing product to a new market segment, such as a product currently sold to food service clients and now being refined or modified for retail clients. The Processing Development Division also provides assistance with interim production for existing products. The wording of this measure implies that the measure reports only on new products. However, the measure does capture work on existing products completed with assistance from the Processing Development Division. The Goal Team will address the limitations of the implied meanings of “developed” and “introduced” in the coming year.

1.2 Examples of research funded by the Ministry that have contributed to competitiveness and growth.

This measure is an attempt to demonstrate how Ministry funds targeted to research have affected industry competitiveness and growth. The research examples are compiled from Ministry annual report submissions, related to Goal 1, from division directors. The Ministry prepares an annual report each year in accordance with the *Government Accountability Act*. As part of the annual report process, results of operational activities under each goal are reported to the Business Planning Coordinator and are reviewed and prioritized by Goal Team Chairs before being published in the annual report.

Data source

The research examples for this measure are based on a subjective selection from the Goal 1 annual report submissions. The Goal Team Chair and performance measures staff for that goal first selected items that had a clear research focus, where research is defined as both scientific and commercial (i.e. feasibility) projects. They then reduced the list to those projects that indicated a contribution to industry competitiveness and growth. No calculations are required for this measure.

Data limitations

The selection process for results reported under this measure was subjective, and the list of reported results may not have been inclusive of all research projects done by the Ministry. As well, those making the selections had no clear definition of competitiveness and growth. Also, this measure does not conform to the Government of Alberta Business Plan Standards for performance measures. This measure has been discontinued in the 2005-2008 business plan because of the limitations identified above.

1.3 Industry competitiveness enhanced through new, or changes to existing, public and private sector policies and programs.

This measure is an attempt to demonstrate how new public or private sector policies or programs or changes to existing public or private sector policies or programs have affected industry competitiveness. The policy or program examples are compiled from Ministry annual report submissions, related to Goal 1, from division directors. The Ministry prepares an annual report each year in accordance with the *Government Accountability Act*. As part of the annual report process, results of operational activities under each goal are reported to the Business Planning Coordinator and are reviewed and prioritized by Goal Team Chairs before being published in the annual report.

Data source

The policy and program examples for this measure are based on a subjective selection of examples from the Goal 1 annual report submissions list. The Goal Team Chair and performance measures staff for that goal first selected items that had a clear policy or program focus. They then reduced the list to two categories:

- New policy or programs that had not existed previously.
- Existing policies or programs that were significantly changed, where significant is defined as changes to legislation/regulations or a completely new direction in a program.

Finally, the list was reduced to those submissions that also enhanced industry competitiveness. No calculations are required for this measure.

Data limitations

The selection process for results reported under this measure was subjective and those making the selections had no clear definition of what was meant by private sector policies and programs. Also, this measure does not conform to the Government of Alberta Business Plan Standards for performance measures. This measure has been discontinued in the 2005-2008 business plan because of the limitations identified above.

1.4 Agri-business investment supported by AFSC lending services.

This measure is the total dollar investment in Alberta business as a result of AFSC's involvement in financing and consulting services and facilitation of capital investment in the agri-business industry through its lending products, services and partnerships. AFSC not only has direct lending products that can result in investment, but it also has a number of alliance partnerships such as Farm Credit Canada to help facilitate investment in Alberta business. Dollar investment is defined as any fund, such as debt, equity or investment that would be used to support the growth of Alberta business.

AFSC maintains records of incremental investment as part of its regular monthly reporting including the Commercial Account Manager involved and the business involved.

Calculation method

Agri-business investment from all sources, including direct loans 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 Alberta business.

This measure has been revised in the Ministry 2005-2008 business plan to read "Investment supported by AFSC lending services."

1.5 Amount of Beginning Farmer Loans.

A Beginning Farmer Loan is a lending product offered by AFSC. Beginning Farmer Loans are loans to assist Alberta farmers start and develop viable operations. Loans can be used to purchase land, equipment, breeding stock, production quotas, making improvements to land, financial restructuring, purchasing shares in a farm company as well as loans for working capital.

This measure ascertains the total number and dollar amount of loans provided to farmers who qualify for Beginning Farmer assistance in an effort to show AFSC's support of the growth of Alberta's agriculture industry through lending products geared towards the beginning farmer. AFSC maintains records of each of its loans and indicates whether it is a Beginning Farmer Loan as part of its regular monthly reporting.

Calculation method

The reported result is a summation of the total of all loans qualifying for Beginning Farmer Loans, based on the records AFSC maintains of each of its loans as part of its regular monthly reporting.

This measure has been removed from subsequent business plans, beginning in the 2005-2008 Ministry business plan.

Goal 2: Continued Excellence in Food Safety

2.1 Number of active surveillance sampling programs that identify the incidence of food contaminants or residues.

The purpose of this measure is to identify and reduce food borne pathogens and residues that affect consumer confidence and public health in Alberta-produced food and agricultural products. Once contaminants have been identified, it is possible to quantify the risks and identify areas to mitigate these hazards in the food continuum to reduce or eliminate the exposure of humans to harmful agents.

Calculation method

The Food Safety Division maintains a database of surveillance sampling projects and milestones within those projects. The number of active surveillance sampling programs that identify the incidence of food contaminants or residues is determined from a straight accounting of active surveillance programs within that fiscal year recorded in the database.

Data limitations

This database only maintains the status of the project as far as stage of completion and other pertinent information. The accuracy of the database, as far as stage of completion of the projects, depends on the project leader, who is responsible for maintaining the status of the project.

2.2 Per cent of Alberta production from Alberta chicken farms, hog farms and beef feedlots produced under nationally recognized on-farm food safety (OFFS) programs: chicken farms, hog farms and beef feedlots.

The purpose of this measure is to encourage farmers to meet or exceed the on-farm food safety (OFFS) program requirements for the given commodity. An OFFS program is a systematic, Hazard Analysis Critical Control Point (HACCP)-based approach to promote the production of safe products at the farm level, represented by a set of production practices (good production practices), including control measures, producer manual and management manual.

Currently, there are two uses of the term “recognized.” The first is the technical recognition that is granted by the Canadian Food Inspection Agency, which deems the written program as being effective in controlling hazards associated with that specific commodity. Once this national program is technically recognized, the program may be used by each provincial organization to deliver to the farms that produce that commodity. The audit process at the producer level measures the adherence to the program requirements. This responsibility is given to the provincial producer organizations. The term “recognition” referred to in this measure is a national organization conducting audits of the provincial groups for accuracy of the implementation and audit process. This process assures equivalence between provinces and has yet to be implemented by any of the commodity groups mentioned in this measure to date.

Calculation method

Total primary production of food animals (i.e. not breeder animals) under an OFFS program, divided by total production in the province.

Data limitations

These are estimated numbers, which the Ministry relies on others to collect.

Since the national recognition system has not yet been implemented, it is not possible to calculate the percentage of production from farms following a nationally recognized on-farm food safety system.

As a result of these limitations, this measure has been revised significantly in subsequent business plans. In 2005-2008, the measure has been revised to “per cent of Alberta production produced under on-farm food safety programs: chicken farms, hog farms, beef feedlots,” allowing the Ministry to disclose industry’s achievements in these areas in future years.

2.3 Per cent of Alberta-licensed food processing plants that have implemented appropriate food safety process control systems: meat (HACCP-based) and dairy (HACCP pre-requisites).

This measure encourages processors to use HACCP pre-requisites or HACCP systems in their plants to control food safety hazards and demonstrate due diligence in meeting current and expected market requirements. HACCP is a system that identifies, evaluates and controls hazards that are significant for food safety. Pre-requisites to HACCP are those programs that manage the basic conditions and activities for the purpose of maintaining a general hygienic production, processing and/or handling environment.

Calculation method

- Total number of dairy plants that have implemented HACCP pre-requisites divided by the total number of plants.
- Total number of meat processing plants that have implemented HACCP-based system divided by the total number of plants.

Data limitations

Methodology to effectively measure compliance to the HACCP pre-requisites or HACCP-based systems at this time does not provide the evidence that a facility has implemented the HACCP-based system or HACCP pre-requisites.

As a result of these limitations, this measure has been revised significantly in subsequent business plans. In 2005-2008, the measure has been revised to “per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system: meat, dairy,” allowing the Ministry to disclose achievements in these areas in future years.

Core Business Two: Enhance Rural Sustainability

Goal 3: Improved Environmental Stewardship

3.1 Percentage of respondents who have adopted improved practices as a result of Ministry-supported stewardship training (formal evaluation every three years).

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 practices and any effect that the Alberta Environmentally Sustainable Agriculture 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%, while the margins of error for the regional samples of 100 are +/-10.0%. 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%.

Calculation method

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

- region (5 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 (3 groupings)
- farmer education and training
- attitude cluster (3 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 twenty-five attitude statements asked on an agree/disagree scale. In this case, a seven-point scale was used, and three clusters were identified.

Data limitations

None. The survey is statistically sound and margins of error are reported in the survey report.

3.2 Number of producers provided with 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 and Agriculture and Agri-Food Canada. The AEFP Company is a tripartite partner with Agriculture and Agri-Food Canada and the Ministry on the Environmental 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 annual report of the Alberta Environmental Farm Plan (AEFP) Company.

Data limitations

None. This is a straightforward cumulative total, based on the annual report for the AEFPP Company. Information in the annual report forms the basis for operational payments from Agriculture and Agri-Food Canada to the AEFPP Company.

3.3 Representative examples of results from Ministry and Ministry-funded research that are environmentally related will be reported in the Ministry's annual report.

This measure identifies examples of environmentally related research being done in the Ministry or being funded by the Ministry to demonstrate to the amount and variety of research supported by the Ministry that is focused on finding economically sound, environmentally-friendly technologies and management practices for crop and livestock production and agricultural processing.

Data source

The examples reported for this measure are taken directly from submissions for the 2004-2005 annual report of the Ministry of Agriculture, Food and Rural Development. More specifically, the examples are taken from the results reported under Goal 3, Strategy 1, "Support and conduct applied/adaptive research and evaluations to find economically sound, environmentally friendly technologies and management practices for crop and livestock production and agricultural processing." No calculations are required for this measure.

Data limitations

The selection process for results reported under this measure is subjective. Also, this measure does not conform to the Government of Alberta Business Plan Standards for performance measures. As such, this measure has been discontinued in subsequent business plans, starting in 2005-2008.

Goal 4: Strengthened Rural Communities

4.1 Number of rural businesses assisted.

This measure tracks the effect of AFSC's involvement in supporting the growth of businesses in rural Alberta by counting the total number of rural businesses that received financing or consulting services from AFSC lending 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 Commercial Account Manager involved and the business involved. This measure is a summation of all rural businesses that received financing or consulting services from AFSC lending services, as reported in AFSC's records.

Data limitations

None.

4.2 Investment in rural business.

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 such as Farm Credit Canada to help facilitate investment in Alberta business.

Calculation method

AFSC maintains records of incremental investment as part of its regular monthly reporting including the Commercial Account Manager involved and the business involved. Incremental investment in rural Alberta business from all sources is included whether it is direct loans 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.

4.3 Percentage of Ministry-supported, agricultural-related community activities that focus on community improvements and 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. The Agricultural Society Program has a strong emphasis on leadership development and, as a result, makes a significant contribution to the enhancement of rural sustainability and strengthened rural communities. Leadership skills, however, take years to develop, and the results of the effective use of those leadership skills may take years longer. Therefore, it is very difficult to measure outcomes on an annual basis. In an effort to improve efficiency and effectiveness of the 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 information is collected based on each agricultural society's fiscal year, usually the calendar year prior to 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 is collected on an ongoing basis and reported according to the Government of Alberta fiscal year.

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 Agricultural Societies activities database. All activities are coded into categories. The data was 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/develop skills within the community.
- **Leadership development** – includes training for volunteer staff, fees for conferences, workshops and seminars and 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 Agricultural Initiatives grant program.

Ministry staff administer the Agricultural Initiatives Program. Data is collected on an ongoing basis and entered into the database. Applications are categorized according to the methodology outlined above. 4-H activities are categorized as leadership development. The percentage of activities in the Leadership Development and Community Improvements categories is then calculated from the total of all activities.

Data limitations

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.

This measure has been changed in the Ministry 2005-2008 business plan to focus only on Leadership Development.

4.4 Percent change in total employment in rural Alberta.

This measure is an attempt to estimate changes in employment influenced by work within the Ministry, based on the Statistics Canada Labour Force Survey, 2005, used to estimate employment change.

Calculation method

The Labour Force Survey collects monthly information on the labour market activities of Canada's working age population age 15 and over. The data is collected from a sample of 53,600 households each month in Canada. The sample is designed to represent all persons in the population 15 years of age and over, excluding residents of the Territories, persons living on Indian reserves, persons residing in institutions (prisons, hospitals and nursing homes) for more than 6 months and full-time members of the Canadian Armed Forces. The Labour Force Survey is the only source of monthly estimates of total employment including the self-employed, full and part-time employment and unemployment. Contact Statistics Canada for full details.

Data limitations

Changes in rural employment are the result of many different factors that are beyond the control of and, in many cases, beyond the influence of the Ministry. The data is limited because it is a survey, which is then used to estimate a total rural employment figure. The data is also periodically (as was done this year) subject to revision by Statistics Canada. The coefficient of variation for the Alberta Employed Labour Force, 2004, is as follows:

- Total Employed 1,757,900 CV = 0.4%
- Urban Employed 1,368,200 CV = 0.5%
- Rural Employed 389,700 CV = 0.9%

Annual averages are based on the calendar year.

This measure has been discontinued in subsequent Ministry business plans, starting in 2005-2008.

4.5 Percentage of rural youth participating in Ministry-supported programs that report effective learning from those programs.

The measure is used to provide feedback on the effectiveness of 4-H programs. The numbers are analyzed, and efforts are made to maintain or increase the “knowledge, attitudes, skills and aspirations” (KASA) results each year. The results of this measure are used to determine changes required to the program content 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 and learning rural/economic renewal.

Ministry-supported 4-H programming includes all 4-H programs and events coordinated, supervised and initiated by Ministry 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.

Calculation method

The data for this measure is obtained through the use of written evaluations of 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 provide a short written response. A “yes” response is considered to be a positive change; a “No” or “Unsure” is not considered positive change. A “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 Business Risk Management Programming

5.1a Percentage of primary producers surveyed that participated in business risk management programs: CAIS Program.

This measure determines the proportion of farmers producing primary agricultural products or commodities that participate in the Canadian Agricultural Income Stabilization (CAIS) program, administered by AFSC. The CAIS program integrates stabilization and disaster protection into a single program, helping producers protect their farming operations from both small and large drops in income. The CAIS program is a whole-farm program available to eligible farmers regardless of the commodities they produce.

Calculation method

Data for this measure were collated from two sources:

- Statistics Canada, 2001 Census of Agriculture. Summary tables are provided at the Ministry website: [http://www1.agric.gov.ab.ca/\\$department/deptodocs.nsf/all/sdd5726?opendocument](http://www1.agric.gov.ab.ca/$department/deptodocs.nsf/all/sdd5726?opendocument) Table 27.1 classifies farm entities in Alberta by gross farm income.
- CAIS Program Management System: a secured program management application, accessible only by AFSC staff. Program summary data was provided by AFSC, Lacombe.

Farm entities/producers with gross farm income equal to or greater than \$50,000 were counted from each data set. The number of farm entities and producers that participated in CAIS for the 2003 tax year is then divided by the total number of provincial farm entities.

Data limitation

The Census of Agriculture data was based on the 2000 tax information of producers, and income slippage is a great concern. Double counting may be an issue. For example, some producers in a joint operation may have been counted as separate operations in cases where their gross farm income exceeds \$50,000. As well, this measure is not derived from survey, and as such, no accuracy level is available.

The survey designed to provide performance information for this measure was postponed to fall 2005, due to Statistics Canada's prior commitments.

This measure has been discontinued in subsequent business plans, starting in 2005-2008.

5.1b Percentage of primary producers surveyed that participated in business risk management programs: Production Insurance (PI).

All risk Crop Insurance or Production-Based Insurance provides protection to producers when the annual crop yield in a given year falls below a percentage of what is normally grown or a normal expected yield. It covers losses caused by designated perils (drought, excessive moisture, fire by lightning, flood, frost, hail, insect infestations, plant disease, snow, waterfowl and wildlife, wind, winterkill, etc.) This measure determines the participation rate of producers in the PI Program.

Calculation method

Farm entities/producers with total farm area equal to or greater than 180 acres were counted from the 2001 Census of Agriculture. The number of farm entities and producers that participated in PI for the 2004 growing season was divided by the total number of provincial farm entities.

Data for this measure were collated from two sources:

- Statistics Canada, 2001 Census of Agriculture. Summary tables are provided at the Ministry website: [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/sdd5726?opendocument](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/sdd5726?opendocument) Table 3.1 classifies farm entities in Alberta by total farm area.
- PI Program Management System: a secured program management application, accessible only by AFSC staff. Program summary data was provided by AFSC, Lacombe.

Data limitations

- PI is offered on crop-to-crop basis, and producers may elect to cover part or all of their crops. As such, all producers who purchased Crop Insurance for the 2004 growing season have been included in this analysis.
- Notwithstanding the farm size threshold, 5,242 producers who insured less than 180 acres have been included in the numerator to reflect the total client base and to account for those who might have elected only part of their crops.
- Measure is not derived from survey, and no accuracy level is available.
- The Census of Agriculture data was based on the 2000 tax information of producers.
- The denominator includes livestock operations with total farm area 180 acres or greater, but PI is available for crops only.

This measure has been discontinued in subsequent business plans, starting in 2005-2008.

5.2 Percentage of customers satisfied with business risk management program delivery.

This measure is designed to assess client satisfaction with the delivery of business risk management programs including crop insurance and the CAIS program by determining the percentage of AFSC crop insurance and CAIS clients who, when asked, would indicate that as a direct result of the risk management programs, they were able to maintain a viable farm operation.

Calculation method

AFSC conducts an annual customer survey of participants in crop insurance programs and the CAIS program. The survey is conducted by an external service provider and includes a question to assess overall satisfaction with the delivery of risk management products.

The CAIS program telephone survey was conducted in March 2005 and included 379 CAIS program participants. The survey participants were randomly drawn from a list of 29,349 clients provided by AFSC. The survey had a response rate of 86 per cent. The Production Insurance telephone survey was also conducted in March 2005. A total of 376 Production Insurance clients were randomly selected from a list of 16,958 clients provided by AFSC. This survey had a response rate of 75 per cent.

Probability sampling allows the generalization of survey results to the target population, with a known degree of confidence. Sample size is based on present margin of error of +/- 5%. From the results obtained, the number of producers surveyed that indicated they were satisfied or very satisfied with the delivery of the risk management program is divided by the total number of survey respondents.

Data limitations

None.

This measure has been discontinued in subsequent business plans, starting in 2005-2008.

Financial Information

Financial Statements

Ministry

**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005**



AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture, Food and Rural Development as at March 31, 2005 and the consolidated statements of operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by]
Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 20, 2005

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005****Consolidated Statement of Operations for the Year Ended March 31, 2005***(in thousands)*

	2005 Budget	2005 Actual	2004 Actual (Restated)
Revenues			
Transfers from Government of Canada	\$ 286,298	\$ 506,215	\$ 560,814
Premiums from insured persons	153,139	135,941	145,960
Interest and investment income	84,520	80,674	86,394
Fees, permits, licenses and other income	8,712	52,274	8,800
Internal government transfers	16,620	16,620	16,620
Reinsurance recoveries	–	2,163	9,000
Ministry revenue	549,289	793,887	827,588

continued

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005****continued****Consolidated Statement of Operations for the Year Ended March 31, 2005***(in thousands)*

	2005 Budget	2005 Actual	2004 Actual (Restated)
Expenses (Schedule 1)			
Program –			
Farm income support	220,317	529,654	399,793
Insurance	447,130	284,382	343,096
BSE recovery program	–	147,225	488,554
Industry development	49,404	137,917	85,762
Sustainable agriculture	38,894	46,354	36,037
Planning and competitiveness	39,230	37,083	40,709
Farm fuel distribution allowance	33,500	32,637	30,972
Lending	33,540	30,318	33,320
Infrastructure assistance	24,000	23,815	16,732
Ministry support services	18,430	17,841	18,371
Program expense	904,445	1,287,226	1,493,346
Other –			
Debt servicing costs	52,627	45,057	47,212
Valuation adjustments	4,144	3,801	6,605
	56,771	48,858	53,817
Ministry expense	961,216	1,336,084	1,547,163
Loss on disposal of tangible capital assets			
	–	1,217	12
	–	1,217	12
Net operating results	\$ (411,927)	\$ (543,414)	\$ (719,587)

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005****Consolidated Statement of Financial Position as at March 31, 2005***(in thousands)*

	2005	2004 (Restated)
Assets		
Cash	\$ 76,278	\$ 62,225
Accounts receivable	128,020	11,384
Due from Government of Canada	411,355	267,429
Loans receivable <i>(Schedule 2)</i>	977,466	988,186
Investments <i>(Schedule 3)</i>	171,229	100,297
Tangible capital assets <i>(Schedule 4)</i>	58,661	54,454
	\$1,823,009	\$1,483,975
Liabilities		
Accounts payable and accrued liabilities	\$ 242,630	\$ 211,245
Indemnities payable	449,849	263,024
Allowance for loan guarantees	3,790	2,663
Unearned revenue	3,540	4,690
Deferred contributions <i>(Note 4)</i>	10,861	6,094
Due to Crop Reinsurance Fund of Canada for Alberta	13,737	4,740
Notes and interest payable to the Province of Alberta <i>(Schedule 5)</i>	910,653	924,652
	1,635,060	1,417,108
Net Assets		
Net assets at beginning of year	66,867	71,275
Net operating results	(543,414)	(719,587)
Net transfer from general revenues	664,496	715,179
Net assets at end of year	187,949	66,867
	\$1,823,009	\$1,483,975

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements**

2004-2005

Consolidated Statement of Cash Flows for the Year Ended March 31, 2005*(in thousands)*

	2005	2004 (Restated)
Operating Transactions		
Net operating results	\$ (543,414)	\$ (719,587)
Non-cash items	7,362	7,497
Net change in operating assets and liabilities	(30,797)	(52,397)
Cash applied to operating transactions	(566,849)	(764,487)
Capital Transactions		
Acquisition of tangible capital assets	(13,493)	(12,035)
Transfer of tangible capital assets	(139)	–
Disposal of tangible capital assets	428	71
Cash applied to capital transactions	(13,204)	(11,964)
Investing Transactions		
Proceeds from repayments of loans receivable, advances and sale of properties	181,119	159,862
Loan and advance disbursements	(171,979)	(184,923)
Purchase of investments	(523,780)	(218,446)
Proceeds on disposal of investments	454,501	224,412
Cash applied to investing transactions	(60,139)	(19,095)
Financing Transactions		
Borrowing from the Province of Alberta	1,828,362	1,103,226
Repayment of borrowing from the Province of Alberta	(1,840,186)	(1,081,805)
Government of Canada funding for capital assets	619	2,094
Province of Alberta funding for capital assets	954	1,372
Net transfer from general revenues	664,496	715,179
Cash provided by financing transactions	654,245	740,066
Increase (decrease) in cash	14,053	(55,480)
Cash, beginning of year	62,225	117,705
Cash, end of year	\$ 76,278	\$ 62,225

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

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2004-2005

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2005

Note 1 Authority and Purpose

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

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

(a) Reporting Entity

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

Organization	Authority
Department of Agriculture, Food and Rural Development (the Department)	<i>Government Organization Act</i>
Agriculture Financial Services Corporation, including the <i>Crop Reinsurance Fund of Alberta</i> (the Corporation)	<i>Agriculture Financial Services Act</i>

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

(b) Method of Consolidation

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

(c) Basis of Financial Reporting

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

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

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

Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Expenses

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

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2004-2005

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

Directly incurred expenses include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay and guarantees.
- provision for doubtful accounts and guarantees. The provision includes amounts established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

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

Incurred by Others – Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

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

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; due to Crop Reinsurance Fund of Canada for Alberta; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of loans receivable; investments; and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

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

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

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

Liabilities – Liabilities represent financial claims payable by the Ministry at fiscal year end.

Net Assets – Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty (*in thousands*) – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Amounts due from the Government of Canada, recorded as \$411,355 in these financial statements, include amounts due under the Canadian Farm Income Program (CFIP) of \$37,750 and corresponding revenues that are subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under the Farm Income Disaster Program and/or the Farm Income Assistance Program. Amounts included in the financial statements have been estimated based on a formula agreed to by the Government of Canada and could change based on the finalization of claims under the program.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2004-2005

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

Loans receivable, recorded as \$977,466 in these financial statements, are subject to measurement uncertainty. The amount established for specific and general allowances of \$42,745 to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Indemnities payable, recorded as \$449,849, and amounts due from the Government of Canada, recorded as \$411,355 in these financial statements, and corresponding expenses and revenues are subject to measurement uncertainty. The Ministry has recorded a liability to provide for indemnities under the Canadian Agricultural Income Stabilization Program (CAIS) of \$408,064. The Ministry has also recorded a corresponding receivable from the Government of Canada of \$232,899 for the Government of Canada's funding of the program. In addition, accounts receivable recorded as \$128,020 in these financial statements, include amounts recoverable from producers for CAIS overpayments and advances. The estimated indemnities payable and corresponding receivables for CAIS could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly. Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of participants elected their coverage levels and information necessary to process a claim is received. It is also difficult to predict the estimated indemnities because of the wide variation that business risks may have on individual program margins.

Note 3 Program Transfer

(in thousands)

Effective April 1, 2004, responsibility for funding the Standing Policy Committee (the Committee) was transferred to the Department of Infrastructure and Transportation. Comparatives for 2004 have been restated as if the Ministry had never been assigned responsibility for the Committee.

Net operating results, as previously reported at March 31, 2004	\$(719,683)
Add: Expenses transferred to the Department of Infrastructure and Transportation	<u>96</u>
Net operating results, as restated at April 1, 2004	<u>\$(719,587)</u>

Note 4 Deferred Contributions

(in thousands)

Deferred contributions consist of Premiums from Insured Persons of \$10,861 (2004 – \$6,094).

Note 5 Credit and Interest Risk

Credit Risk – Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching the terms of amounts borrowed.

The gaps between the loans receivable and notes and interest payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2005. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005****Note 5** Credit and Interest Risk (continued)

	Term to Maturity ⁽¹⁾				Not Interest Rate Sensitive ⁽²⁾	2005 Total	2004 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	<i>(in thousands)</i>						
Farm loans	\$ 72,928	\$262,344	\$241,427	\$238,033	\$ (2,594)	\$812,138	\$827,395
Yield ⁽³⁾	6.79%	6.93%	6.91%	6.63%	–	6.87%	7.05%
Commercial loans	69,379	87,055	10,261	–	(1,373)	165,322	160,787
Yield ⁽³⁾	6.97%	7.73%	5.30%	–	–	7.17%	8.28%
Rural utilities	6	–	–	–	–	6	4
Total	\$142,313	\$349,399	\$251,688	\$238,033	\$ (3,967)	\$977,466	\$988,186
Yield ⁽³⁾	6.81%	6.98%	6.87%	6.33%	–	6.89%	7.11%
Notes payable							
Province of Alberta	184,804	434,109	214,796	69,531	7,413	910,653	924,652
Yield ⁽³⁾	5.13%	5.54%	5.84%	5.40%	–	5.50%	5.58%
Net gap before pre- payment adjustment	(42,491)	(84,710)	36,892	168,502	(11,380)	66,813	63,534
Estimated prepayment	44,477	73,927	(23,977)	(94,427)	–	–	–
Net gap	\$ 1,986	\$(10,783)	\$ 12,915	\$ 74,075	\$(11,380)	\$ 66,813	\$ 63,534

(1) For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual or annual installments of principal.

(2) Includes general provisions, accrued interest and unamortized loan discount.

(3) For notes payable, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

This gap analysis does not include the investment portfolio because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 6 Contingencies

(in thousands)

At March 31, 2005, Ministry entities are defendants in seven legal claims (2004 – seven legal claims). These claims have specified amounts totalling \$2,526 (2004 – \$2,069). Included in the total legal claims is one claim amounting to \$1,332 (2004 – three claims amounting to \$1,788) in which the Ministry has been jointly named with other entities. One claim amounting to \$1,332 (2004 – two claims amounting to \$1,488) is covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005****Note 7 Contractual Obligations**

	2005	2004
	<i>(in thousands)</i>	
Approved, undisbursed loans	\$42,861	\$40,606
Estimated farm loan incentives	14,612	16,205
Reinsurance	15,615	–
Grants	3,035	7,465
Service contracts	2,068	3,916
Operating leases	1,371	1,961
Building cost	217	2,521
	<u>\$79,779</u>	<u>\$72,674</u>

The operating lease commitments are for accommodations with terms up to five years.

Note 8 Guarantees

	2005	2004	Expiry Date
	(Restated)		
	<i>(in thousands)</i>		
Feeder associations	\$48,820	\$51,611	Ongoing
Agriculture Financial Services Corporation guarantees	34,716	38,829	Variable
Rural Utilities Act	370	591	Ongoing
Agricultural Societies Act	29	25	2015
	<u>83,935</u>	<u>91,056</u>	
Allowance for loan guarantees	<u>(3,790)</u>	<u>(2,663)</u>	
	<u>\$80,145</u>	<u>\$88,393</u>	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 9 Trust Funds Under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Since the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's consolidated financial statements. As at March 31, trust funds under administration were as follows:

	2005	2004
	(Restated)	
	<i>(in thousands)</i>	
Wheat Board Monies Trust Fund	\$ 97	\$ 99
4-H General Trust	86	85
Claude Gallinger Memorial Trust Fund	24	23
4-H Scholarships Trust Fund	–	59
	<u>\$207</u>	<u>\$266</u>

Effective August 25, 2004 responsibility for administering the 4-H Scholarships Trust Fund was transferred to the 4-H Foundation of Alberta.

Ministry – continued

**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005**

Note 10 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of \$6,907 for the year ended March 31, 2005 (2004 – \$6,194).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of \$268,101 (2003 – \$290,014) and the Public Service Pension Plan reported a deficiency of \$450,068 (2003 – \$584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$9,404 (2003 – \$9,312).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of \$11,817 (2004 – \$9,766) and the Management, Opted Out, and Excluded Plan an actuarial surplus of \$3,208 (2004 – actuarial surplus of \$1,298). The expense for these two plans is limited to employer's annual contributions for the year.

Note 11 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 12 Budget

The 2004-2005 Government and Lottery Fund Estimates were approved on May 19, 2004.

Note 13 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry – continued

**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Expenses –
Directly Incurred Detailed by Object for the Year Ended March 31, 2005**

Schedule 1

(in thousands)

	2005 Budget	2005 Actual	2004 Actual (Restated)
Grants	\$129,154	\$ 334,038	\$ 633,055
Indemnities	585,872	765,325	686,729
Salaries, wages, employment contracts and benefits	115,428	119,111	110,152
Interest	60,026	45,057	47,212
Supplies and services	58,395	60,474	56,423
Amortization of tangible capital assets	7,964	8,050	6,506
Other expenses	233	228	481
Valuation adjustments	4,144	3,801	6,605
Total	<u>\$961,216</u>	<u>\$1,336,084</u>	<u>\$1,547,163</u>

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Loans
Receivable for the Year Ended March 31, 2005****Schedule 2***(in thousands)*

	2005	2004
Loans receivable	\$ 999,050	\$1,010,227
Accrued interest	<u>25,701</u>	<u>26,547</u>
	1,024,751	1,036,774
Less allowance for doubtful accounts	(42,745)	(43,130)
Less accrued incentives	(2,451)	(2,580)
Less loan discounts	<u>(2,089)</u>	<u>(2,878)</u>
	<u>\$ 977,466</u>	<u>\$ 988,186</u>

The allowance for doubtful accounts of \$42,745 (2004 – \$43,130) includes a specific allowance for \$12,853 (2004 – \$13,062) on impaired loans outstanding of \$24,647 (2004 – \$30,370), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2005 is \$967,192 (2004 – \$988,452 restated). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Investments
for the Year Ended March 31, 2005****Schedule 3***(in thousands)*

	2005	2004
Bonds and debentures		
Government of Canada, direct and guaranteed	\$124,308	\$ 46,044
Other provincial, direct and guaranteed	14,293	20,405
	<u>138,601</u>	<u>66,449</u>
Corporate securities	31,075	32,759
	<u>169,676</u>	<u>99,208</u>
Accrued interest	1,553	1,089
	<u>\$171,229</u>	<u>\$100,297</u>

	Within 1 Year	Term to Maturity ⁽¹⁾			2005 Total	2004 Total
		1 to 5 Years	6 to 10 Years	Over 10 Years		
Bonds and debentures	\$ –	\$123,028	\$ 6,146	\$9,427	\$138,601	\$ 66,449
Yield ⁽²⁾	–	3.79%	5.10%	5.77%	3.98%	4.62%
Securities	5,000	14,820	11,255	–	31,075	32,759
Yield ⁽²⁾	<u>5.40%</u>	<u>5.18%</u>	<u>5.00%</u>	<u>–</u>	<u>5.15%</u>	<u>5.21%</u>
	5,000	137,848	17,401	9,427	169,676	99,208
Accrued interest	131	1,092	177	153	1,553	1,089
	<u>\$5,131</u>	<u>\$138,940</u>	<u>\$17,578</u>	<u>\$9,580</u>	<u>\$171,229</u>	<u>\$100,297</u>

The fair value of investments at March 31, 2005 is \$173,697 (2004 – \$104,806). Fair value is based on quoted market prices including accrued interest.

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

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Tangible Capital Assets for the Year Ended March 31, 2005****Schedule 4***(in thousands)*

	Estimated Useful Life	Cost	2005 Accumulated Amortization	Net Book Value	2004 Net Book Value
Land	Indefinite	\$ 793	\$ –	\$ 793	\$ 403
Buildings	40 years	10,852	1,667	9,185	6,662
Equipment*	5-10 years	31,558	15,346	16,212	15,411
Computer hardware and software	3-5 years	34,780	18,071	16,709	14,717
Rail hopper cars	35 years	<u>50,585</u>	<u>34,823</u>	<u>15,762</u>	<u>17,261</u>
		<u>\$128,568</u>	<u>\$69,907</u>	<u>\$58,661</u>	<u>\$54,454</u>

* Equipment includes heavy equipment, vehicles, furniture and assets under construction.

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2005****Schedule 5***(in thousands)*

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2005	Effective Interest Rate	2004
Within 1 year	2.45% - 5.23%	\$137,020	2.14% - 6.15%	\$123,845
1 to 5 years	2.57% - 5.93%	283,771	3.64% - 5.54%	177,605
6 to 10 years	4.28% - 7.64%	179,796	5.43% - 7.64%	294,799
Over 10 years	5.04% - 6.52%	298,898	5.04% - 6.52%	315,431
Accrued Interest		11,168		12,972
		<u>\$910,653</u>		<u>\$924,652</u>

Net unamortized discounts of \$3,724 (2004 – \$3,346) are included in the balances disclosed.

The approximate fair value at March 31, 2005 is \$950,615 (2004 – \$977,596). Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the notes are sold, there will be a limited pool of these securities trading in the market; and that the notes would be new to the market and are not direct issues of the Province; a factor to reflect the blended payment structure of the notes.

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

Year ending March 31, 2006	\$184,804
2007	130,704
2008	87,629
2009	159,688
2010	56,088
	<u>\$618,913</u>

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2005****Schedule 6***(in thousands)*

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

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

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

	2005	2004
Revenues		
Grants	\$16,620	\$16,620
Fees and charges	–	6
Other	566	591
	<u>\$17,186</u>	<u>\$17,217</u>
Expenses – directly incurred		
Grants	\$ 249	\$ 207
Accommodation	1,402	1,293
Other services	6,961	7,205
Interest	45,057	47,212
	<u>\$53,669</u>	<u>\$55,917</u>
Tangible capital assets transferred from Innovation and Science	<u>\$ 139</u>	<u>\$ –</u>

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 7.

	2005	2004
Expenses – incurred by others		
Accommodation	\$12,735	\$11,682
Other services	349	378
	<u>\$13,084</u>	<u>\$12,060</u>

Note: The Ministry receives services under contracts managed by the Ministry of Restructuring and Government Efficiency. Any commitments under these contracts are reported by the Ministry of Restructuring and Government Efficiency.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Allocated Costs for the Year Ended March 31, 2005

Schedule 7

(in thousands)

Program	2005						Total Expenses	2004 Total Expenses (Restated)
	Expenses ⁽¹⁾	Expenses – Incurred by Others		Valuation Adjustments ⁽⁴⁾				
		Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Vacation Pay	Doubtful Accounts	Guarantees		
Insurance	\$ 284,382	\$ –	\$ 2	\$ –	\$ 38	\$ –	\$ 284,422	\$ 343,201
Farm income support	529,654	–	–	–	–	–	529,654	399,793
BSE recovery program	147,225	–	–	–	–	–	147,225	488,554
Industry development	137,917	4,600	123	192	79	–	142,911	90,087
Sustainable agriculture	46,354	4,313	72	125	5	–	50,869	40,143
Planning and competitiveness	37,083	2,318	107	151	427	1,204	41,290	44,289
Farm fuel distribution allowance	32,637	–	–	–	–	–	32,637	30,972
Lending	30,318	–	–	–	1,634	(77)	31,875	38,285
Infrastructure assistance	23,815	–	–	–	–	–	23,815	16,732
Ministry support services	17,841	1,504	39	20	–	–	19,404	19,955
	<u>\$1,287,226</u>	<u>\$12,735</u>	<u>\$343</u>	<u>\$488</u>	<u>\$2,183</u>	<u>\$1,127</u>	<u>\$1,304,102</u>	<u>\$1,512,011</u>

(1) Expenses – Directly incurred per the Consolidated Statement of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by budgeted full-time equivalent employment.

(3) Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

(4) Valuation Adjustments as per Statement of Operations, Employee Benefits, Doubtful Accounts and Guarantees provisions included in Valuation Adjustments were allocated as follows:

- Vacation Pay – allocated to the program by employee.
- Doubtful Accounts Provision – estimated allocation to program.
- Guarantees – estimated allocation to program.



AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development

I have audited the statement of financial position of the Department of Agriculture, Food and Rural Development as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by]
Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 20, 2005

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

Department – continued

Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005

Statement of Operations for the Year Ended March 31, 2005*(in thousands)*

	2005 Budget (Schedule 4)	2005 Actual	2004 Actual (Restated)
Revenues (Schedule 1)			
Transfers from the Government of Canada	\$ 15,243	\$ 75,395	\$ 220,072
Internal government transfers	16,620	16,620	16,620
Other revenue	4,590	45,691	4,593
Fees, permits and licenses	1,400	1,313	1,172
	37,853	139,019	242,457
Expenses – Directly Incurred (Note 2(b) and Schedule 8) Voted (Schedules 3 and 5)			
Industry development	49,404	137,917	85,762
Sustainable agriculture	38,894	46,354	36,037
Planning and competitiveness	39,230	37,083	40,709
Infrastructure assistance	24,000	23,815	16,732
Ministry support services	18,430	17,841	18,371
Agriculture assistance –			
Canadian agricultural income stabilization	86,125	202,323	106,471
BSE recovery	–	147,225	488,554
Insurance and lending	133,261	104,082	127,449
Farm fuel distribution allowance	33,500	32,637	30,972
Farm income assistance	–	12,408	54,646
Other assistance	7,600	4,920	21,626
	430,444	766,605	1,027,329

continued

Department – continued

Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005

continued**Statement of Operations for the Year Ended March 31, 2005***(in thousands)*

	2005 Budget (Schedule 4)	2005 Actual	2004 Actual (Restated)
Statutory (Schedules 3 and 5)			
Valuation adjustments –			
Write-offs and losses	–	2	–
Provision for loan guarantees	–	1,204	1,400
Provision for vacation pay	–	488	189
Provision (decrease) for doubtful accounts	–	511	(54)
	–	2,205	1,535
Total expenses	430,444	768,810	1,028,864
Loss (gain) on disposal of tangible capital assets	–	52	(2)
Net operating results	\$(392,591)	\$(629,843)	\$(786,405)

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

Department – continued**Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005****Statement of Financial Position as at March 31, 2005***(in thousands)*

	2005	2004 (Restated)
Assets		
Cash	\$ 822	\$ 450
Accounts receivable <i>(Note 4)</i>	125,278	62,293
Loans and advances <i>(Note 5)</i>	10	14
Tangible capital assets <i>(Note 6)</i>	31,914	31,280
	\$158,024	\$ 94,037
Liabilities		
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$264,421	\$ 233,937
Unearned revenue	3,540	4,690
	267,961	238,627
Net Liabilities		
Net liabilities at beginning of year	(144,590)	(73,364)
Net operating results	(629,843)	(786,405)
Net transfer from general revenues	664,496	715,179
Net liabilities at end of year	(109,937)	(144,590)
	\$158,024	\$ 94,037

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

Department – continued**Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005****Statement of Cash Flows for the Year Ended March 31, 2005***(in thousands)*

	2005	2004 (Restated)
Operating Transactions		
Net operating results	\$(629,843)	\$(786,405)
Non-cash items included in net operating results –		
Amortization <i>(Schedule 3)</i>	3,405	2,686
Valuation adjustments	2,205	1,535
Loss (gain) on disposal of tangible capital assets	52	(2)
	(624,181)	(782,186)
Increase in accounts receivable	(63,498)	(25,684)
Increase in accounts payable and accrued liabilities	28,792	93,370
(Decrease) increase in unearned revenue	(1,150)	2,547
Cash applied to operating transactions	(660,037)	(711,953)
Capital Transactions		
Acquisition of tangible capital assets	(3,999)	(3,486)
Transferred assets	(139)	–
Disposal of tangible capital assets	47	21
Cash applied to capital transactions	(4,091)	(3,465)
Investing Transactions		
Loans and advances	(10)	(14)
Repayment of loans and advances	14	44
Cash provided by investing transactions	4	30
Financing Transactions		
Net transfer from general revenues	664,496	715,179
Increase (decrease) in cash	372	(209)
Cash, beginning of year	450	659
Cash, end of year	\$ 822	\$ 450

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

Department – continued

Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005

Notes to the Financial Statements for the Year Ended March 31, 2005

Note 1 Authority and Purpose

The Department of Agriculture, Food and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Department of Agriculture, Food and Rural Development, which is part of the Ministry of Agriculture, Food and Rural Development and for which the Minister of Agriculture, Food and Rural Development is accountable. The other entity reporting to the Minister is Agriculture Financial Services Corporation.

The activities of this organization are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

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

(b) Basis of Financial Reporting

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

Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Dedicated Revenue – Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses of the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

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

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

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

Department – continued

Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005

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

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

Incurred by Others – Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for all other tangible capital assets is \$5,000 (2004 – \$15,000). All land is capitalized.

Liabilities – Liabilities represent all financial claims payable by the Department at fiscal year end.

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

Measurement Uncertainty (*in thousands*) – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Accounts payable and accrued liabilities, recorded as \$264,421 in these financial statements, include an estimated amount owing to Agriculture Financial Services Corporation (AFSC) of \$48,198 and corresponding expenses for the Canadian Agricultural Income Stabilization Program (CAIS) that are subject to measurement uncertainty. The estimated indemnities payable and corresponding contributions for the CAIS program could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly. Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of participants elected their coverage levels and information necessary to process a claim is received. It is also difficult to predict the estimated indemnities because of the wide variation that business risks may have on individual program margins.

Also included in accounts payable and accrued liabilities is an estimated liability of \$8,778 relating to amounts owing to producers and corresponding expenses under the Canada-Alberta Fed Cattle Set-Aside Program. The estimated amount could change significantly if factors considered by management in establishing the estimate were to change. Grants payable may be more or less than the amount recorded because the estimate is based on a prediction of the difference between future market prices in Alberta and the United States for cattle sold in Alberta that were set aside before March 31, 2005 under the program.

Accounts receivable, recorded as \$125,278 in these financial statements, includes amounts due from the Government of Canada under the Canadian Farm Income Program (CFIP) of \$37,750 and corresponding revenues that are subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under the Farm Income Disaster Program and/or the Farm Income Assistance Program. Amounts included in the financial statements have been estimated based on a formula agreed to by the Government of Canada and could change based on the finalization of claims under the program.

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

The fair values of cash, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Department – continued**Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005****Note 3 Program Transfer***(in thousands)*

Effective April 1, 2004, responsibility for funding the Standing Policy Committee (the Committee) was transferred to the Department of Infrastructure and Transportation. Comparatives for 2004 have been restated as if the Department had never been assigned responsibility for the Committee.

Net operating results, as previously reported at March 31, 2004	\$(786,501)
Add: Expenses transferred to the Department of Infrastructure and Transportation	<u>96</u>
Net operating results, as restated at April 1, 2004	<u><u>\$(786,405)</u></u>

Note 4 Accounts Receivable

	Gross Amount	2005 Allowance for Doubtful Accounts	Net Realizable Value	2004 Net Realizable Value
	<i>(in thousands)</i>			
Accounts receivable	\$125,740	\$546	\$125,194	\$60,619
Refunds from suppliers	<u>84</u>	<u>–</u>	<u>84</u>	<u>1,674</u>
	<u><u>\$125,824</u></u>	<u><u>\$546</u></u>	<u><u>\$125,278</u></u>	<u><u>\$62,293</u></u>

Accounts receivable are unsecured and non-interest bearing.

Note 5 Loans and Advances

	Gross Amount	2005 Allowance for Doubtful Accounts	Net Realizable Value	2004 Net Realizable Value
	<i>(in thousands)</i>			
Travel advances	\$ 4	\$ –	\$ 4	\$10
Loans receivable	<u>8</u>	<u>2</u>	<u>6</u>	<u>4</u>
	<u><u>\$12</u></u>	<u><u>\$ 2</u></u>	<u><u>\$10</u></u>	<u><u>\$14</u></u>

Note 6 Tangible Capital Assets

	Estimated Useful Life	Cost	2005 Accumulated Amortization <i>(in thousands)</i>	2004 Net Book Value	2004 Net Book Value
Land	Indefinite	\$ 123	\$ –	\$ 123	\$ 123
Buildings	40 years	1,739	131	1,608	1,651
Equipment and vehicles	10 years	25,386	12,151	13,235	11,916
Computer hardware and software	3 years	2,510	1,324	1,186	329
Rail hopper cars	35 years	<u>50,585</u>	<u>34,823</u>	<u>15,762</u>	<u>17,261</u>
		<u><u>\$80,343</u></u>	<u><u>\$48,429</u></u>	<u><u>\$31,914</u></u>	<u><u>\$31,280</u></u>

Computer hardware and software includes \$428 for software development that has not been amortized during the period.

Department – continued**Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005****Note 7 Accounts Payable and Accrued Liabilities**

	2005	2004
	<i>(in thousands)</i>	
Accounts payable – general	\$ 6,893	\$ 5,943
Manpower	11,951	11,563
Grants	238,303	211,036
Allowance for loan guarantees	2,604	1,400
Supplies and services and capital purchases	<u>4,670</u>	<u>3,995</u>
	<u>\$264,421</u>	<u>\$233,937</u>

Note 8 Contractual Obligations

	2005	2004
	<i>(in thousands)</i>	
Grants	\$3,035	\$ 7,465
Service contracts	<u>2,068</u>	<u>3,916</u>
	<u>\$5,103</u>	<u>\$11,381</u>

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grants	Service Contracts
	<i>(in thousands)</i>	
2006	\$2,285	\$1,940
2007	375	98
2008	<u>375</u>	<u>30</u>
	<u>\$3,035</u>	<u>\$2,068</u>

Note 9 Contingencies

(in thousands)

At March 31, 2005, the Department is a defendant in four legal claims (2004 – four legal claims). These claims have specified amounts totaling \$1,834 (2004 – \$1,990). Included in the total legal claims is one claim amounting to \$1,332 (2004 – three claims amounting to \$1,778) in which the Department has been jointly named with other entities. One claim amounting to \$1,332 (2004 – two claims amounting to \$1,488) is covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 10 Guarantees

	2005	2004	Expiry Date
	(Restated)		
	<i>(in thousands)</i>		
Feeder associations	\$48,820	\$51,611	Ongoing
Rural Utilities Act	370	591	Ongoing
Agricultural Societies Act	<u>29</u>	<u>25</u>	2015
	49,219	52,227	
Allowance for loan guarantees	<u>(2,604)</u>	<u>(1,400)</u>	
	<u>\$46,615</u>	<u>\$50,827</u>	

Department – continued

Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005

Note 10 Guarantees (continued)

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

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is \$55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is \$50 million)
- *Agricultural Societies Act* (authorized guarantee limit set by statute is \$50 million)

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

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 11 Trust Funds Under Administration

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

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

	2005	2004 (Restated)
	<i>(in thousands)</i>	
Wheat Board Monies Trust Fund	\$ 97	\$ 99
4-H General Trust	86	85
Claude Gallinger Memorial Trust Fund	24	23
4-H Scholarships Trust Fund	–	59
	<u>\$207</u>	<u>\$266</u>

Effective August 25, 2004 responsibility for administering the 4-H Scholarships Trust Fund was transferred to the 4-H Foundation of Alberta.

Note 12 Payments Under Agreement

(in thousands)

The Department has entered into an agreement to deliver programs and services that are funded by the Government of Canada. Administration costs for the Alberta Mature Animal Transition Program and the Federal Cull Animal Program are 60% funded by the Government of Canada, and grants paid under Federal Cull Animal Program are 100% funded by the Government of Canada. Costs incurred under this agreement are made by the Department under authority of the *Financial Administration Act*, Section 25. Accounts receivable includes \$422 (2004 – \$637) and accounts payable includes \$1,364 (2004 – \$79) relating to payments under agreement.

Amounts paid and payable under agreement with program sponsors are as follows:

	2005	2004
	<i>(in thousands)</i>	
Government of Canada:		
Alberta Mature Animal Transition Program	\$ 422	\$637
Federal Cull Animal Program	<u>30,916</u>	<u>–</u>
	<u>\$31,338</u>	<u>\$637</u>

Department – continued

Department of Agriculture, Food and Rural Development – Financial Statements 2004-2005

Note 13 Defined Benefit Plans

(in thousands)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$5,042 for the year ended March 31, 2005 (2004 – \$4,403).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of \$268,101 (2003 – \$290,014) and the Public Service Pension Plan reported a deficiency of \$450,068 (2003 – \$584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$9,404 (2003 – \$9,312).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of \$11,817 (2004 – \$9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$3,208 (2004 – actuarial surplus of \$1,298). The expense for these two plans is limited to employer's annual contributions for the year.

Note 14 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 15 Approval of the Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department – continued**Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Revenues for the Year Ended March 31, 2005****Schedule 1***(in thousands)*

	2005 Budget	2005 Actual	2004 Actual
Transfers from the Government of Canada			
Canadian farm income program	\$ –	\$ (2,802)	\$ 51,000
Canada/Alberta BSE assistance	–	62,057	150,585
Irrigation infrastructure	8,993	8,933	8,090
BSE surveillance	–	3,670	–
Other	6,250	3,537	10,397
	<u>15,243</u>	<u>75,395</u>	<u>220,072</u>
Internal government transfers			
Transfers from the lottery fund	<u>16,620</u>	<u>16,620</u>	<u>16,620</u>
Other revenue			
Project contributions	2,400	2,805	2,238
Rail hopper car revenue	650	1,349	951
Green certificate and home study	880	321	257
Publications	225	221	235
Refunds of expenditures			
Previous years'	–	33,494	311
Other	–	6,999	–
Surplus sales	–	30	77
Miscellaneous	435	472	524
	<u>4,590</u>	<u>45,691</u>	<u>4,593</u>
Fees, permits and licenses			
Livestock water program	140	111	130
Food processing centre fees	600	725	538
Meat services	223	213	199
Aquaculture, sheep and diversified livestock	150	160	156
Dairy laboratory and analytical services	29	14	7
Other	258	90	142
	<u>1,400</u>	<u>1,313</u>	<u>1,172</u>
	<u>\$37,853</u>	<u>\$139,019</u>	<u>\$242,457</u>

Department – continued**Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Dedicated Revenue Initiatives for the Year Ended March 31, 2005****Schedule 2***(in thousands)*

	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Ministry support services	\$ 225	\$ 222	\$ (3)
Planning and competitiveness	900	472	(428)
Industry development	4,738	4,229	(509)
Sustainable agriculture	<u>727</u>	<u>1,354</u>	<u>627</u>
	<u>\$6,590</u>	<u>\$6,277</u>	<u>\$(313) ⁽¹⁾</u>

Ministry Support Services dedicated revenue initiatives include fees for sale of publications.

Planning and Competitiveness dedicated revenue initiatives include fees for educational services.

Industry Development dedicated revenue initiatives include: Food Processing Centre Fees (\$1,025), various Plant Industry Programs (\$2,252), Business Innovation (\$563), and various Livestock Industry Programs (\$389).

Sustainable Agriculture dedicated revenue initiatives include: Food Safety Initiatives (\$790), Resource Management and Irrigation (\$253) and various Technical Services Programs (\$311).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

⁽¹⁾ Shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5 of the financial statements.

Department – continued**Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2005****Schedule 3***(In thousands)*

	2005 Budget	2005 Actual	2004 Actual (Restated)
Voted			
Salaries, wages and employee benefits	\$ 74,810	\$ 76,858	\$ 73,625
Supplies and services	36,134	38,525	35,119
Grants	316,014	647,589	915,816
Financial transactions and other	72	228	83
Amortization of tangible capital assets	3,414	3,405	2,686
Total voted expenses	<u>\$430,444</u>	<u>\$766,605</u>	<u>\$1,027,329</u>
Statutory			
Valuation adjustments			
Write-offs and losses	\$ –	\$ 2	\$ –
Provision for loan guarantees	–	1,204	1,400
Provision for vacation pay	–	488	189
Provision (decrease) for doubtful accounts	–	511	(54)
	<u>\$ –</u>	<u>\$ 2,205</u>	<u>\$ 1,535</u>

Department – continued**Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Authorized Budget for the Year Ended March 31, 2005****Schedule 4***(in thousands)*

	2004-2005 Estimates	Adjustment (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget
Revenues					
Transfers from the Government of Canada	\$ 15,243	\$ –	\$ 15,243	\$ –	\$ 15,243
Internal government transfers	16,620	–	16,620	–	16,620
Other revenue	4,590	–	4,590	–	4,590
Fees, permits and licenses	1,400	–	1,400	–	1,400
	<u>37,853</u>	<u>–</u>	<u>37,853</u>	<u>–</u>	<u>37,853</u>
Expenses (directly incurred) –					
Voted expenses					
Planning and competitiveness	80,330	–	80,330	320,300	400,630
Agriculture insurance and lending assistance	219,386	–	219,386	105,867	325,253
Sustainable agriculture	57,894	(1,947)	55,947	12,000	67,947
Industry development	54,404	(320)	54,084	90,100	144,184
Ministry support services	18,430	–	18,430	–	18,430
Dedicated revenue shortfall (Schedule 2)	–	(313)	(313)	–	(313)
	<u>430,444</u>	<u>(2,580)</u>	<u>427,864</u>	<u>528,267</u>	<u>956,131</u>
Net operating results	<u>\$(392,591)</u>	<u>\$(2,580)</u>	<u>\$(390,011)</u>	<u>\$(528,267)</u>	<u>\$(918,278)</u>
Equipment/inventory purchases	<u>\$ 1,266</u>	<u>\$ 2,267</u>	<u>\$ 3,533</u>	<u>\$ –</u>	<u>\$ 3,533</u>

(a) Adjustments include dedicated revenue shortfalls and reallocation from Operating Expense to Equipment/Inventory Purchases.

(b) Supplementary estimates were approved on March 24, 2005. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005

Schedule 5

(in thousands)

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
1.0	Ministry Support Services							
1.0.1	Minister's Office	\$ 447	\$ –	\$ 447	\$ –	\$ 447	\$ 428	\$ 19
1.0.3	Deputy Minister's Office	406	–	406	–	406	463	(57)
1.0.4	Farmers' Advocate	664	–	664	–	664	672	(8)
1.0.5	Finance							
	– Operating Expense	6,674	–	6,674	–	6,674	5,657	1,017
	– Capital Investment	–	–	–	–	–	48	(48)
1.0.6	Internal Audit	203	–	203	–	203	273	(70)
1.0.7	Information Technology							
	– Operating Expense	2,737	–	2,737	–	2,737	3,355	(618)
	– Capital Investment	70	–	70	–	70	186	(116)
1.0.8	Agriculture Information Division	3,140	–	3,140	–	3,140	3,104	36
1.0.9	Industry Information Network							
	– Operating Expense	974	–	974	–	974	918	56
	– Capital Investment	–	–	–	–	–	28	(28)
1.0.10	Knowledge Management							
	– Operating Expense	522	–	522	–	522	370	152
	– Capital Investment	–	–	–	–	–	35	(35)
1.0.11	Communications	270	–	270	–	270	305	(35)
1.0.12	Human Resources	2,013	–	2,013	–	2,013	2,191	(178)
1.0.13	Amortization of Capital Assets	380	–	380	–	380	105	275
	Total Program	<u>18,500</u>	<u>–</u>	<u>18,500</u>	<u>–</u>	<u>18,500</u>	<u>18,138</u>	<u>362</u>

Department – continued**Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005****Schedule 5** continued

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
2.0	Planning and Competitiveness							
2.1	Program Support							
2.1.1	Assistant Deputy Minister	280	–	280	–	280	315	(35)
2.1.2	Policy Secretariat	2,424	–	2,424	–	2,424	3,356	(932)
2.1.3	Rural Development Initiative	544	–	544	–	544	560	(16)
2.1.4	Alberta Grain Commission	469	–	469	–	469	407	62
2.1.5	Amortization of Capital Assets	1,464	–	1,464	–	1,464	1,459	5
	Total Sub-program	<u>5,181</u>	<u>–</u>	<u>5,181</u>	<u>–</u>	<u>5,181</u>	<u>6,097</u>	<u>(916)</u>
2.2	Economics and Competitiveness							
2.2.1	Administrative Support	410	–	410	100	510	565	(55)
2.2.2	Statistics and Data Development	987	–	987	–	987	1,000	(13)
2.2.3	Economics	1,223	–	1,223	–	1,223	1,221	2
2.2.4	Competitive Intelligence	423	–	423	–	423	353	70
2.2.5	Strategic Information Services	900	–	900	–	900	911	(11)
2.2.6	Bilateral Relations and Strategic Initiatives	371	–	371	–	371	337	34
	Total Sub-program	<u>4,314</u>	<u>–</u>	<u>4,314</u>	<u>100</u>	<u>4,414</u>	<u>4,387</u>	<u>27</u>

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005

Schedule 5 continued

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
2.3	Rural Services							
2.3.1	Administrative Support	266	–	266	–	266	215	51
2.3.2	Farm Income Support Operations	2,943	–	2,943	–	2,943	1,848	1,095
2.3.3	4-H							
	– Operating Expense	1,233	–	1,233	–	1,233	1,279	(46)
	– Capital Investment	–	–	–	–	–	7	(7)
2.3.4	Educational and Community Services	2,667	–	2,667	–	2,667	2,031	636
2.3.5	Agricultural Service Boards							
	– Operating Expense funded by Lotteries	5,000	–	5,000	–	5,000	5,033	(33)
2.3.6	Agriculture Initiatives							
	– Operating Expense funded by Lotteries	11,620	–	11,620	–	11,620	11,435	185
2.3.7	Farm Fuel Distribution Allowance	33,500	–	33,500	–	33,500	32,637	863
2.3.8	Farm Water Program	7,600	–	7,600	–	7,600	4,890	2,710
2.3.9	Farm Income Assistance Program	–	–	–	–	–	246	(246)
2.3.10	BSE Recovery	–	–	–	320,200	320,200	147,225	172,975
2.3.11	Grasshopper Control Program	–	–	–	–	–	30	(30)
	Total Sub-program	<u>64,829</u>	<u>–</u>	<u>64,829</u>	<u>320,200</u>	<u>385,029</u>	<u>206,876</u>	<u>178,153</u>

Department – continued**Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005****Schedule 5** continued

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
2.4	Rural Utilities							
2.4.1	Support Services							
	– Operating Expense	1,356	–	1,356	–	1,356	1,251	105
	– Capital Investment	–	–	–	–	–	7	(7)
2.4.2	Rural Electric – Grants	850	–	850	–	850	577	273
2.4.3	Rural Gas Grants	3,050	–	3,050	–	3,050	2,059	991
2.4.4	Remote Area Heating Allowance	750	–	750	–	750	809	(59)
	Total Sub-program	<u>6,006</u>	<u>–</u>	<u>6,006</u>	<u>–</u>	<u>6,006</u>	<u>4,703</u>	<u>1,303</u>
	Total Program	<u>80,330</u>	<u>–</u>	<u>80,330</u>	<u>320,300</u>	<u>400,630</u>	<u>222,063</u>	<u>178,567</u>
3.0	Industry Development							
3.1	Program Support							
3.1.1	Assistant Deputy Minister	464	–	464	–	464	337	127
3.1.2	Marketing Council	631	–	631	–	631	700	(69)
3.1.3	Amortization of Capital Assets	770	–	770	–	770	818	(48)
	Total Sub-program	<u>1,865</u>	<u>–</u>	<u>1,865</u>	<u>–</u>	<u>1,865</u>	<u>1,855</u>	<u>10</u>
3.2	Livestock Industry Development							
3.2.1	Administrative Support	288	–	288	–	288	1,246	(958)
3.2.2	Beef	1,964	–	1,964	–	1,964	1,747	217
3.2.3	Pork, Poultry and Dairy	1,698	–	1,698	–	1,698	1,519	179
3.2.4	Forage and Horse	1,295	–	1,295	–	1,295	1,192	103
3.2.5	Diversified Livestock	2,151	–	2,151	–	2,151	1,973	178
	Total Sub-program	<u>7,396</u>	<u>–</u>	<u>7,396</u>	<u>–</u>	<u>7,396</u>	<u>7,677</u>	<u>(281)</u>

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005

Schedule 5 continued

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
3.3	Crop Diversification							
3.3.1	Administrative Support							
	– Operating Expense	495	–	495	–	495	742	(247)
	– Capital Investment	350	–	350	–	350	180	170
3.3.2	Crop Diversification – North							
	– Operating Expense	3,802	–	3,802	–	3,802	4,057	(255)
	– Capital Investment	–	–	–	–	–	7	(7)
3.3.3	Crop Diversification – South							
	– Operating Expense	3,271	–	3,271	–	3,271	3,048	223
	– Capital Investment	–	–	–	–	–	18	(18)
3.3.4	Field Crop Development Centre							
	– Operating Expense	2,829	–	2,829	–	2,829	3,066	(237)
	– Capital Investment	–	–	–	–	–	17	(17)
	Total Sub-program	<u>10,747</u>	<u>–</u>	<u>10,747</u>	<u>–</u>	<u>10,747</u>	<u>11,135</u>	<u>(388)</u>

Department – continued**Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005****Schedule 5** continued

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
3.4	Processing Development							
3.4.1	Administrative Support							
	– Operating Expense	413	–	413	–	413	914	(501)
	– Capital Investment	–	–	–	–	–	68	(68)
3.4.2	Processing – Operations							
	– Operating Expense	1,733	–	1,733	–	1,733	1,531	202
	– Capital Investment	266	–	266	–	266	248	18
3.4.3	Processing – Programs							
	– Operating Expense	1,934	–	1,934	–	1,934	1,310	624
	– Capital Investment	–	–	–	–	–	146	(146)
3.4.4	Agrivalue Processing Business Incubator							
	– Operating Expense	390	(320)	70	–	70	138	(68)
	– Capital Investment	–	320	320	–	320	433	(113)
	Total Sub-program	<u>4,736</u>	<u>–</u>	<u>4,736</u>	<u>–</u>	<u>4,736</u>	<u>4,788</u>	<u>(52)</u>
3.5	Agri-Food Investment							
3.5.1	Administrative Support	231	–	231	–	231	239	(8)
3.5.2	Processing Investment	1,357	–	1,357	17,000	18,357	18,488	(131)
3.5.3	Production Investment							
	– Operating Expense	571	–	571	–	571	475	96
	– Capital Investment	–	–	–	–	–	2	(2)
3.5.4	Infrastructure Assistance for Municipal							
	Wastewater	<u>5,000</u>	<u>–</u>	<u>5,000</u>	<u>–</u>	<u>5,000</u>	<u>4,815</u>	<u>185</u>
	Total Sub-program	<u>7,159</u>	<u>–</u>	<u>7,159</u>	<u>17,000</u>	<u>24,159</u>	<u>24,019</u>	<u>140</u>

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005

Schedule 5 continued

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
3.6	Business and Innovation							
3.6.1	Administrative Support	374	–	374	–	374	405	(31)
3.6.2	Business Development	2,715	–	2,715	–	2,715	3,145	(430)
3.6.3	Business Management Innovations	3,661	–	3,661	–	3,661	2,495	1,166
3.6.4	Business Agri-Processing							
	– Operating Expense	3,151	–	3,151	37,100	40,251	38,019	2,232
	– Capital Investment	–	–	–	–	–	2	(2)
	Total Sub-program	<u>9,901</u>	<u>–</u>	<u>9,901</u>	<u>37,100</u>	<u>47,001</u>	<u>44,066</u>	<u>2,935</u>
3.7	Ag-Entrepreneurship							
3.7.1	Administrative Support	391	–	391	–	391	2,245	(1,854)
3.7.2	Agri-Preneur Feasibility	763	–	763	–	763	806	(43)
3.7.3	Agri-Preneur Action Team							
	– Operating Expense	1,529	–	1,529	–	1,529	1,738	(209)
	– Capital Investment	–	–	–	–	–	1	(1)
3.7.4	Agri-Preneur Services							
	– Operating Expense	553	–	553	–	553	619	(66)
	– Capital Investment	–	–	–	–	–	1	(1)
	Total Sub-program	<u>3,236</u>	<u>–</u>	<u>3,236</u>	<u>–</u>	<u>3,236</u>	<u>5,410</u>	<u>(2,174)</u>
3.8	Program Information Services							
3.8.1	Program Information Services	9,980	–	9,980	–	9,980	3,786	6,194
3.8.2	Market Recovery and Value Added Research and Development	–	–	–	36,000	36,000	41,119	(5,119)
	Total Sub-program	<u>9,980</u>	<u>–</u>	<u>9,980</u>	<u>36,000</u>	<u>45,980</u>	<u>44,905</u>	<u>1,075</u>
	Total Program	<u>55,020</u>	<u>–</u>	<u>55,020</u>	<u>90,100</u>	<u>145,120</u>	<u>143,855</u>	<u>1,265</u>

Department – continued**Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005****Schedule 5** continued

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
4.0	Sustainable Agriculture							
4.1	Program Support							
4.1.1	Assistant Deputy Minister	262	–	262	–	262	281	(19)
4.1.2	Amortization of Capital Assets	800	–	800	–	800	1,023	(223)
	Total Sub-program	<u>1,062</u>	<u>–</u>	<u>1,062</u>	<u>–</u>	<u>1,062</u>	<u>1,304</u>	<u>(242)</u>
4.2	Resource Management and Irrigation							
4.2.1	Administrative Support	252	–	252	–	252	236	16
4.2.2	Environmentally Sustainable Agriculture							
	– Operating Expense	4,852	–	4,852	–	4,852	4,339	513
	– Capital Investment	–	–	–	–	–	2	(2)
4.2.3	Conservation and Development							
	– Operating Expense	3,135	–	3,135	–	3,135	3,232	(97)
	– Capital Investment	–	–	–	–	–	64	(64)
4.2.4	Irrigation							
	– Operating Expense	4,763	–	4,763	–	4,763	5,079	(316)
	– Capital Investment	200	–	200	–	200	152	48
4.2.5	Irrigation Secretariat	298	–	298	–	298	318	(20)
4.2.6	Irrigation Infrastructure Assistance	19,000	–	19,000	–	19,000	19,000	–
	Total Sub-program	<u>32,500</u>	<u>–</u>	<u>32,500</u>	<u>–</u>	<u>32,500</u>	<u>32,422</u>	<u>78</u>

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005

Schedule 5 continued

Voted Expenses and Capital Investments		2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
4.3	Food Safety							
4.3.1	Administrative Support	956	–	956	–	956	582	374
4.3.2	Agri-Food Systems							
	– Operating Expense	5,459	–	5,459	–	5,459	3,805	1,654
	– Capital Investment	–	–	–	–	–	119	(119)
4.3.3	Agri-Food Laboratories							
	– Operating Expense	5,636	(1,947)	3,689	–	3,689	4,419	(730)
	– Capital Investment	380	1,947	2,327	–	2,327	1,625	702
4.3.4	Regulatory Services							
	– Operating Expense	5,871	–	5,871	–	5,871	5,448	423
	– Capital Investment	–	–	–	–	–	67	(67)
4.3.5	Chief Provincial Veterinarian	606	–	606	–	606	480	126
4.3.6	Surveillance Support							
	– Operating Expense	–	–	–	12,000	12,000	10,116	1,884
	– Capital Investment	–	–	–	–	–	423	(423)
	Total Sub-program	<u>18,908</u>	<u>–</u>	<u>18,908</u>	<u>12,000</u>	<u>30,908</u>	<u>27,084</u>	<u>3,824</u>
4.4	Technical Services							
4.4.1	Administrative Support	229	–	229	–	229	231	(2)
4.4.2	Agricultural Engineering							
	– Operating Expense	2,991	–	2,991	–	2,991	3,931	(940)
	– Capital Investment	–	–	–	–	–	15	(15)
4.4.3	Environmental Practices and Livestock Welfare							
	– Operating Expense	2,784	–	2,784	–	2,784	2,834	(50)
	– Capital Investment	–	–	–	–	–	98	(98)
	Total Sub-program	<u>6,004</u>	<u>–</u>	<u>6,004</u>	<u>–</u>	<u>6,004</u>	<u>7,109</u>	<u>(1,105)</u>
	Total Program	<u>58,474</u>	<u>–</u>	<u>58,474</u>	<u>12,000</u>	<u>70,474</u>	<u>67,919</u>	<u>2,555</u>

Department – continued**Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2005****Schedule 5** continued

	2004-2005 Estimates	Adjustments (a)	2004-2005 Budget	Authorized Supplementary (b)	2004-2005 Authorized Budget	2004-2005 Actual Expenses (c)	Unexpended (Over Expended)
Voted Expenses and Capital Investments							
5.0 Agriculture Insurance and Lending Assistance							
5.0.1 Lending Assistance	7,732	–	7,732	–	7,732	7,725	7
5.0.2 Farm Income Disaster	–	–	–	11,200	11,200	12,224	(1,024)
5.0.3 Crop Insurance	123,580	–	123,580	–	123,580	86,102	37,478
5.0.4 Wildlife Damage	1,949	–	1,949	7,985	9,934	10,255	(321)
5.0.5 Canadian Agricultural Income Stabilization	86,125	–	86,125	86,682	172,807	202,323	(29,516)
Total Program	<u>219,386</u>	<u>–</u>	<u>219,386</u>	<u>105,867</u>	<u>325,253</u>	<u>318,629</u>	<u>6,624</u>
Dedicated Revenue Shortfall (Schedule 2)	–	(313)	(313)	–	(313)	–	(313)
Total Voted Expenses	<u>\$431,710</u>	<u>\$ (313)</u>	<u>\$431,397</u>	<u>\$528,267</u>	<u>\$959,664</u>	<u>\$770,604</u>	<u>\$189,060</u>
Program Operating Expense	\$413,824	\$(2,580)	\$411,244	\$528,267	\$939,511	\$750,137	\$189,374
Program Operating Expense funded by Lotteries	16,620	–	16,620	–	16,620	16,468	152
	430,444	(2,580)	427,864	528,267	956,131	766,605	189,526
Equipment/Inventory Purchases	1,266	2,267	3,533	–	3,533	3,999	(466)
	<u>\$431,710</u>	<u>\$ (313)</u>	<u>\$431,397</u>	<u>\$528,267</u>	<u>\$959,664</u>	<u>\$770,604</u>	<u>\$189,060</u>
Statutory Expenses							
Valuation Adjustments	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 2,205	\$ (2,205)

(a) Adjustments include dedicated revenue shortfalls and reallocation from Operating Expense to Equipment/Inventory Purchases.

(b) Supplementary Estimates were approved on March 24, 2005. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

(c) Includes achievement bonus amounting to \$1,656.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Salary and Benefits for the Year Ended March 31, 2005

Schedule 6

	Base Salary (1)	Other Cash Benefits (2)	2005 Other Non-Cash Benefits (3)	Total	2004 (Restated) Total (10)
Department					
Deputy Minister (4)	\$153,190	\$45,004	\$30,265	\$228,459	\$227,446
Assistant Deputy Ministers					
Planning and Competitiveness (5)	150,415	22,142	35,601	208,158	173,898
Industry Development	128,685	25,426	27,092	181,203	179,369
Sustainable Agriculture (6)	121,946	92,453	24,891	239,290	179,386
Executive Directors					
Agriculture Corporate Services	128,387	22,957	27,377	178,721	164,627
Information Division	110,303	19,684	22,740	152,727	151,701
Rural Development Initiatives (7)	18,613	10,454	5,604	34,671	–
Human Resources (8)	3,370	–	2,662	6,032	–
Boards and Agencies					
Farmers' Advocate (9)	35,770	27,944	3,248	66,962	101,035
General Manager, Agricultural Products Marketing Council	99,408	14,737	20,924	135,069	124,607

Prepared in accordance with Treasury Board Directive 03/2004.

Total salary and benefits relating to a position are disclosed.

- (1) Base salary includes regular base pay.
- (2) Other cash benefits include bonuses, vacation payouts, overtime and lump sum payments.
- (3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- (4) Automobile provided, no dollar amount included in other non-cash benefits.
- (5) The position was occupied by three individuals through the year.
- (6) The position was occupied by two individuals through the year.
- (7) Position created on February 1, 2005.
- (8) Position created on March 21, 2005.
- (9) The position was occupied by two individuals through the year.
- (10) 2004 figures were restated to include professional membership fees.

Department – continued**Department of Agriculture, Food and Rural Development – Schedule of Related Party Transactions for the Year Ended March 31, 2005****Schedule 7***(In thousands)*

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

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

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

	Entities in the Ministry		Other Entities	
	2005	2004 (Restated)	2005	2004
Revenues				
Grants	\$ –	\$ –	\$16,620	\$16,620
Fees and charges	–	–	–	6
Other	–	–	566	591
	<u>\$ –</u>	<u>\$ –</u>	<u>\$17,186</u>	<u>\$17,217</u>
Expenses – directly incurred				
Grants	\$318,629	\$288,489	\$ 249	\$ 207
Other services	–	–	6,499	6,534
	<u>\$318,629</u>	<u>\$288,489</u>	<u>\$ 6,748</u>	<u>\$ 6,741</u>
Tangible capital assets transferred from Innovation and Science	\$ –	\$ –	\$ 139	\$ –
Payable to Agriculture Financial Services Corporation	50,756	46,419	–	–
	<u>\$ 50,756</u>	<u>\$ 46,419</u>	<u>\$ 139</u>	<u>\$ –</u>

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

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Expenses – incurred by others				
Accommodation	\$ –	\$ –	\$12,735	\$11,682
Legal	–	–	341	371
Other	–	–	6	–
	<u>\$ –</u>	<u>\$ –</u>	<u>\$13,082</u>	<u>\$12,053</u>

Note: The Department receives services under contracts managed by the Ministry of Restructuring and Government Efficiency. Any commitments under these contracts are reported by the Ministry of Restructuring and Government Efficiency.

Department – continued

**Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Allocated Costs for the Year Ended March 31, 2005**

Schedule 8

(In thousands)

Program	2005						2004	
	Expenses ⁽¹⁾	Expenses – Incurred by Others		Valuation Adjustments ⁽⁴⁾			Total Expenses	Total Expenses (Restated)
		Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Vacation Pay	Doubtful Accounts	Guarantees		
Industry development	\$137,917	\$ 4,600	\$123	\$192	\$ 79	\$ –	\$142,911	\$ 90,080
Sustainable agriculture	46,354	4,313	72	125	5	–	50,869	40,143
Planning and competitiveness	37,083	2,318	107	151	427	1,204	41,290	44,289
Infrastructure assistance	23,815	–	–	–	–	–	23,815	16,732
Ministry support services	17,841	1,504	39	20	–	–	19,404	19,955
Agriculture assistance								
Canadian agricultural income stabilization	202,323	–	–	–	–	–	202,323	106,471
BSE recovery	147,225	–	–	–	–	–	147,225	488,554
Insurance and lending	104,082	–	–	–	–	–	104,082	127,449
Farm fuel distribution allowance	32,637	–	–	–	–	–	32,637	30,972
Farm income assistance	12,408	–	–	–	–	–	12,408	54,646
Other assistance	4,920	–	–	–	–	–	4,920	21,626
	<u>\$766,605</u>	<u>\$12,735</u>	<u>\$341</u>	<u>\$488</u>	<u>\$511</u>	<u>\$1,204</u>	<u>\$781,884</u>	<u>\$1,040,917</u>

(1) Expenses – Directly incurred as per the Statement of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation on Schedule 7, allocated by budgeted full-time equivalent employment.

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

(4) Valuation Adjustments as per Statement of Operations. Employee Benefits, Doubtful Accounts and Guarantees provisions included in Valuation Adjustments were allocated as follows:

- Vacation Pay – allocated to the program by employee.
- Doubtful Accounts Provision – estimated allocation to program.
- Guarantees – estimated allocation to program.



AUDITOR'S REPORT

**To the Board of Directors of the
Agriculture Financial Services Corporation**

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2005 and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by]
Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 13, 2005

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

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Balance Sheet as at March 31, 2005***(in thousands)*

	2005	2004
Assets		
Cash	\$ 75,456	\$ 61,775
Accounts receivable <i>(Note 4)</i>	120,904	7,876
Due from Province of Alberta	50,669	46,242
Due from Government of Canada	293,189	208,634
Loans receivable <i>(Note 5)</i>	977,460	988,182
Investments <i>(Note 6)</i>	171,229	100,297
Property and equipment <i>(Note 7)</i>	26,747	23,174
	\$1,715,654	\$1,436,180

Liabilities and Surplus

Accounts payable and accrued liabilities	\$ 31,481	\$ 24,950
Estimated indemnities payable <i>(Note 8)</i>	449,849	263,024
Due to Crop Reinsurance Fund of Canada for Alberta	13,737	4,740
Allowance for losses on loan guarantees <i>(Note 14)</i>	1,186	1,263
Notes payable <i>(Note 9)</i>	910,653	924,652
Deferred revenue <i>(Note 10)</i>	21,935	19,018
	1,428,841	1,237,647
Surplus	286,813	198,533
	\$1,715,654	\$1,436,180

Contingencies and commitments *(Note 14)*

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

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Statement of Revenue, Expense and Surplus for the Year Ended March 31, 2005***(in thousands)*

	2005 Budget (Note 3(a))	2005 Actual (Schedule 1)	2004 Actual
Revenue			
Premiums from insured persons	\$ 153,139	\$135,941	\$145,960
Interest	81,029	71,242	75,424
Contribution from Province of Alberta	218,083	319,922	288,808
Contribution from Government of Canada	235,637	431,378	340,225
Reinsurance recoveries	–	2,163	9,000
Investment income	2,889	10,022	10,970
Fees and other income	3,324	5,374	3,067
	694,101	976,042	873,454
Expense			
Indemnities	553,487	720,436	617,849
Administration <i>(Schedule 2)</i>	58,517	60,019	52,341
Interest	52,627	45,647	47,212
Reinsurance	63,369	44,889	67,907
Farm loan incentives	7,560	5,077	5,728
Provision for doubtful accounts and for losses <i>(Note 13)</i>	4,144	1,595	5,070
Adjusting	8,504	8,072	9,573
Selling commissions	1,950	2,027	1,662
	750,158	887,762	807,342
Surplus (deficit) for the year	\$(56,057)	88,280	66,112
Surplus at beginning of year		198,533	132,421
Surplus at end of year		\$286,813	\$198,533

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

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Statement of Cash Flows for the Year Ended March 31, 2005***(in thousands)*

	2005	2004
Operating Activities		
Surplus for the year	\$ 88,280	\$ 66,112
Changes not affecting cash	1,700	3,278
Changes in assets and liabilities relating to operations	3,208	(121,954)
Net cash provided (utilized) by operating activities ⁽¹⁾	93,188	(52,564)
Investing Activities		
Proceeds from repayments of loans receivable and sale of properties	181,109	159,862
Loan disbursements	(171,973)	(184,923)
Purchase of investments	(523,780)	(218,446)
Proceeds on disposal of investments	454,501	224,412
Purchase of property and equipment	(9,494)	(8,549)
Proceeds on disposal of property and equipment	381	50
Net cash utilized by investing activities	(69,256)	(27,594)
Financing Activities		
Borrowing from the Province of Alberta	1,828,362	1,103,226
Repayment of borrowing from the Province of Alberta	(1,840,186)	(1,081,805)
Government of Canada funding for property and equipment	619	2,094
Province of Alberta funding for property and equipment	954	1,372
Net cash (utilized) provided by financing activities	(10,251)	24,887
Net increase (decrease) in cash from operating, investing and financing activities	13,681	(55,271)
Cash at beginning of year	61,775	117,046
Cash at end of year	\$ 75,456	\$ 61,775

⁽¹⁾ Net cash provided by operating activities includes \$47,533,000 (2004 \$47,075,000) of interest paid.

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

Notes to the Financial Statements March 31, 2005

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to beginning farmers, commercial lending, crop insurance, hail insurance and agricultural income stabilization payments. It also delivers other programs and services including loans to developing farmers, disaster loans, loan guarantees, and business planning/counseling.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(a) Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

(b) Investments

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

(c) Property and Equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 - 40 years
Software development costs	3 - 10 years
Equipment and furniture	10 years
Vehicles	5 years
Computer equipment	5 years

(d) Notes Payable

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

(e) Fair Value of Financial Instruments

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, Estimated indemnities payable and Due to Crop Reinsurance Fund of Canada for Alberta. Fair values of Loans receivable, Investments and Notes payable are disclosed in their respective notes.

(f) Reinsurance

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the crop insurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 17).

Estimates of amounts recoverable from non-government reinsurers on indemnities and adjusting expenses are recorded in Accounts receivable. Reinsurance recoveries are not netted against indemnities, they are separately disclosed under revenue. Reinsurance expenses are not netted against premiums from insured persons or contributions from the Province and Government of Canada; they are separately disclosed under expenses.

Agency – continued

Agriculture Financial Services Corporation – Financial Statements 2004-2005

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Loan Discounting

Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster Program, and amounts previously deferred under the Indexed Deferral Plan are discounted when they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(h) Revenue Recognition

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for property and equipment acquisitions are recorded as deferred revenue until that revenue is recognized on the same basis as those property and equipment costs are amortized.

Loan fees are recognized when received or at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(i) Pensions

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

(j) Provision for Losses on Loans and Guarantees

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

The majority of the Corporation's loan portfolio is with beginning and developing business operations and hence, is subject to high risk. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages and applies them to loans receivable balances categorized into risk pools. Risk pools are established based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

(k) Transactions with Related Parties

The Province and the Government of Canada significantly influence the programs delivered by the Corporation and are major contributors to the funding of the programs. Therefore, both governments are considered related parties. All related party transactions with the Province and the Government of Canada have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 16).

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Note 3 Financial Structure****(a) Budget**

The Board of Directors approved the Corporation's budget in February 2004. Contribution from the Province of Alberta of \$219,386,000 was authorized by the Legislative Assembly and is reflected in the Corporation's budget approved by the Board. The budgeted contribution from the Province of Alberta was adjusted by \$1,303,000 for deferred revenue.

(b) Crop Fund Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the crop insurance fund is restricted to being used for crop insurance purposes.

(c) Other Revenue and Expenses

The Other column in the Schedule of Revenue, Expense and Surplus includes the wildlife program, the Farm Income Disaster Program and consulting fees and expenses that are not attributable to any of the programs disclosed in the Schedule.

Note 4 Accounts Receivable

	2005	2004
	<i>(in thousands)</i>	
Canadian agricultural income stabilization program		
Overpayments and advances	\$105,640	\$ –
Administration fees	2,612	–
Premiums from insured persons		
Crop insurance program	12,432	7,803
Hail insurance program	265	178
Prepaid expenses	692	543
Other	392	456
	<u>122,033</u>	<u>8,980</u>
Less allowances for doubtful accounts (Note 13)	<u>(1,129)</u>	<u>(1,104)</u>
	<u>\$120,904</u>	<u>\$ 7,876</u>

Accounts receivable is subject to measurement uncertainty. The accounts receivable amount could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly. The amount to be received for the Canadian Agricultural Income Stabilization (CAIS) program overpayments may be more or less than the amount recorded because the estimate is made before the majority of the CAIS program claims have been finalized. The CAIS program overpayments are non-interest bearing.

The Corporation will pursue collection of CAIS overpayments including recovery from future payments under programs delivered by the Corporation as well as programs administered by the Province and the Government of Canada.

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2005			Net	2004
	Recorded	Specific	General	Carrying	Net
	Investment	Allowance	Allowance	Value	Carrying
			(in thousands)		Value
Farm lending	\$818,614	\$ (1,443)	\$(26,428)	\$790,743	\$806,233
Commercial lending	180,428	(11,410)	(3,462)	165,556	160,860
	<u>\$999,042</u>	<u>\$(12,853)</u>	<u>\$(29,890)</u>	956,299	967,093
Accrued interest				25,701	26,547
Accrued incentives				(2,451)	(2,580)
Loan discounts				<u>(2,089)</u>	<u>(2,878)</u>
				<u>\$977,460</u>	<u>\$988,182</u>

Impaired loans included in the preceding schedule:

	2005			2004
	Recorded	Specific	Net	Net
	Investment	Allowance	Carrying	Carrying
			Value	Value
		(in thousands)		
Commercial lending	\$19,205	\$(11,410)	\$ 7,795	\$11,978
Farm lending	5,442	(1,443)	3,999	5,329
	<u>\$24,647</u>	<u>\$(12,853)</u>	<u>\$11,794</u>	<u>\$17,307</u>

The impaired loans balance includes property held for sale which has been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of \$2,518,000 (2004 \$1,227,000) on property balances outstanding of \$3,691,000 (2004 \$2,372,000).

Loans receivable does not include prepaid balances of \$12,668,000 (2004 \$12,311,000) which are included in Accounts payable and accrued liabilities.

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2005	2004
	(in thousands)	
Alberta disaster assistance loan program	\$ 84,865	\$56,899
Alberta farm income disaster loans	27,458	33,683
Indexed deferral plan	809	1,381
	<u>\$113,132</u>	<u>\$91,963</u>

Loans receivable of \$977,460,000 is subject to measurement uncertainty. The amount established for specific and general allowances of \$42,743,000 to cover estimated losses on loans (see Note 2(j)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

The approximate fair value of loans receivable at March 31, 2005 is \$967,192,000 (2004 \$988,452,000 restated). The restatement was a result of an incorrect discount rate being used. Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Note 6 Investments**

	2005	2004
	<i>(in thousands)</i>	
Bonds and debentures		
Government of Canada, direct and guaranteed	\$124,308	\$ 46,044
Other provincial direct and guaranteed	14,293	20,405
	138,601	66,449
Corporate securities	31,075	32,759
	169,676	99,208
Accrued interest	1,553	1,089
	<u>\$171,229</u>	<u>\$100,297</u>

The fair value of investments at March 31, 2005 is \$173,697,000 (2004 \$104,806,000). Fair value is based on quoted market prices including accrued interest.

Note 7 Property and Equipment

	Cost	2005 Accumulated Amortization	Net Book Value	2004 Net Book Value
	<i>(in thousands)</i>			
Software development costs	\$24,940	\$11,481	\$13,459	\$12,073
Building	9,113	1,536	7,577	5,011
Computer equipment	7,330	5,266	2,064	2,315
Equipment and furniture	4,825	2,342	2,483	2,842
Vehicles	1,347	853	494	653
Land	670	–	670	280
	<u>\$48,225</u>	<u>\$21,478</u>	<u>\$26,747</u>	<u>\$23,174</u>

Software development costs include \$3,983,000 (2004 \$1,872,000) and building costs include \$1,242,000 (2004 \$3,380,000) of costs incurred that are not amortized because they are still in the developmental or construction stage.

Note 8 Estimated Indemnities Payable

	2005	2004
	<i>(in thousands)</i>	
Canadian agricultural income stabilization program	\$408,064	\$241,504
Crop insurance	28,761	4,648
Wildlife compensation	12,573	505
Hail insurance	451	66
Farm income disaster program	–	16,301
	<u>\$449,849</u>	<u>\$263,024</u>

Estimated indemnities payable of \$408,064,000 and corresponding contributions and receivables from the Province of Alberta and the Government of Canada for the CAIS program are subject to measurement uncertainty. The estimated indemnities payable and corresponding contributions for the CAIS program could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly. The CAIS program indemnities to be paid may be more or less than the amount recorded because the estimate is made before the necessary information to process a claim is received. It is also difficult to predict the estimated indemnities because of the wide variation business risks may have on individual program margins.

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Note 9 Notes Payable**

Notes payable to the Province of Alberta are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2005	Effective Interest	2004
		<i>(in thousands)</i>		
Within 1 year	2.45% - 5.23%	\$137,050	2.14% - 6.15%	\$123,845
1 to 5 years	2.57% - 5.93%	283,771	3.64% - 5.54%	177,605
6 to 10 years	4.28% - 7.64%	179,796	5.43% - 7.64%	294,799
Over 10 years	5.04% - 6.52%	298,898	5.04% - 6.52%	315,431
Accrued interest		11,138		12,972
		<u>\$910,653</u>		<u>\$924,652</u>

Net unamortized discounts of \$3,724,000 (2004 \$3,346,000) are included in the balances disclosed.

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

	<i>(in thousands)</i>
Year ending March 31, 2006	\$184,804
2007	\$130,704
2008	\$ 87,629
2009	\$159,688
2010	\$ 56,088

The approximate fair value at March 31, 2005 is \$950,615,000 (2004 \$977,596,000 restated). The restatement was a result of an incorrect duration being used. Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. They include the following:

- (a) a liquidity premium to reflect that there is a limited pool of these securities for trading in the market, they would be new to the market and are not direct issues of the Province,
- (b) a factor to reflect the blended payment structure of the notes.

Note 10 Deferred Revenue

	2005	2004
	<i>(in thousands)</i>	
Premiums from insured persons	\$10,861	\$ 6,094
Province of Alberta property and equipment	5,853	7,146
Government of Canada property and equipment	5,221	5,778
	<u>\$21,935</u>	<u>\$19,018</u>

Note 11 Reinsurance

In addition to the protection provided by reinsurance arrangements between the provincial and federal governments, the Corporation has obtained reinsurance from non-government sources. For crop insurance, the Corporation reinsured a maximum of \$130,686,000 of the risk from non-government sources. For hail insurance, the Corporation reinsured a maximum of \$5,786,000 of the risk from non-government sources.

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Note 12 Pensions**

The Corporation participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,865,000 for the year ended March 31, 2005 (2004 \$1,791,000).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of \$268,101,000 (2003 \$290,014,000) and the Public Service Pension Plan reported a deficiency of \$450,068,000 (2003 \$584,213,000). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$9,404,000 (2003 \$9,312,000).

Note 13 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Farm Lending Loans Receivable	Commercial Lending Loans Receivable	Loan Guarantees (Note 14)	Total
			<i>(in thousands)</i>		
Allowances at March 31, 2003	\$1,035	\$27,565	\$12,214	\$1,492	\$42,306
Provision for 2003-04	84	4,305	910	(229)	5,070
Write-offs in 2003-04, net of recoveries	<u>(15)</u>	<u>(742)</u>	<u>(1,123)</u>	<u>–</u>	<u>(1,880)</u>
Allowances at March 31, 2004	1,104	31,128	12,001	1,263	45,496
Provision for 2004-05	59	(2,308)	3,921	(77)	1,595
Write-offs in 2004-05, net of recoveries	<u>(34)</u>	<u>(949)</u>	<u>(1,050)</u>	<u>–</u>	<u>(2,033)</u>
Allowances at March 31, 2005	<u>\$1,129</u>	<u>\$27,871</u>	<u>\$14,872</u>	<u>\$1,186</u>	<u>\$45,058</u>

Note 14 Contingencies and Commitments

	2005	2004
	<i>(in thousands)</i>	
Loan guarantees	\$34,716	\$38,829
Less allowances for losses (Note 13)	<u>(1,186)</u>	<u>(1,263)</u>
	33,530	37,566
Legal actions	<u>692</u>	<u>79</u>
Total contingencies	<u>\$34,222</u>	<u>\$37,645</u>

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation under the Alberta Farm Development Loans program. The loans outstanding at March 31, 2005 made by other financial institutions were \$52,788,000 (2004 \$71,961,000). Loan guarantees under the Alberta Farm Development Loans program include the maximum liability on loan guarantees of \$23,153,000 (2004 \$29,200,000) to which the Corporation is exposed under the terms of the agreements with the financial institutions subject to recoveries on underlying securities.

The outcome of the legal actions is not determinable at this time.

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Note 14** Contingencies and Commitments (continued)

	2005	2004
	<i>(in thousands)</i>	
Approved, undisbursed loans	\$42,861	\$40,606
Reinsurance	15,615	–
Estimated farm loan incentives	14,612	16,205
Operating leases	1,371	1,961
Building costs	<u>217</u>	<u>2,521</u>
Total commitments	<u>\$74,676</u>	<u>\$61,293</u>

The operating lease commitments are for accommodations and vehicles with terms up to five years.

Note 15 Credit Risk and Interest Risk**(a) Credit Risk**

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss.

The following table provides a breakdown of the loan receivables by sector. This analysis provides an indication of the concentration of credit risk on the loan portfolio. Significant information is provided throughout these statements to disclose other concentrations of credit risk.

	2005	2004
	<i>(in thousands)</i>	
Loans receivable by sector		
Grain	\$ 410,817	\$ 423,167
Beef	320,280	312,111
Accommodation and food services	29,769	34,708
Trade – retail and wholesale	28,438	27,141
Hog	27,860	33,063
Manufacturing	24,713	18,807
Processors/feedmills	7,767	10,108
Other	<u>170,559</u>	<u>172,206</u>
	1,020,203	1,031,311
Allowance	<u>(42,743)</u>	<u>(43,129)</u>
	<u>\$ 977,460</u>	<u>\$ 988,182</u>

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Note 15** Credit Risk and Interest Risk (continued)**(b) Interest Risk**

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. The following provides a breakdown of the gaps between the notes payable and the loan portfolio. Because there are no early repayment penalties on most loan programs, the gap analysis includes an adjustment for expected repayments based on historical patterns.

	Term to Maturity ⁽¹⁾				Not Interest Rate Sensitive ⁽²⁾	2005 Total	2004 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	<i>(in thousands)</i>						
Farm loans	\$ 72,928	\$262,344	\$241,427	\$238,033	\$ (2,594)	\$812,138	\$827,395
Yield ⁽³⁾	6.79%	6.93%	6.91%	6.63%	–	6.87%	7.05%
Commercial loans	\$ 69,379	\$ 87,055	\$ 10,261	\$ –	\$ (1,373)	\$165,322	\$160,787
Yield ⁽³⁾	6.97%	7.73%	5.30%	–	–	7.17%	8.28%
Total	\$ 142,307	\$349,399	\$251,688	\$238,033	\$ (3,967)	\$977,460	\$988,182
Yield ⁽³⁾	6.81%	6.98%	6.87%	6.33%	–	6.89%	7.11%
Notes payable Province of Alberta	\$ 184,804	\$434,109	\$214,796	\$ 69,531	\$ 7,413	\$910,653	\$924,652
Yield ⁽³⁾	5.13%	5.54%	5.84%	5.40%	–	5.50%	5.58%
Net gap before prepayment adjustment	\$(42,497)	\$(84,710)	\$ 36,892	\$168,502	\$(11,380)	\$ 66,807	\$ 63,530
Estimated prepayment	44,477	73,927	(23,977)	(94,427)	–	–	–
Net gap	\$ 1,980	\$(10,783)	\$ 12,915	\$ 74,075	\$(11,380)	\$ 66,807	\$ 63,530

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2005. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2005 an immediate and sustained increase in interest rates of 1% would increase the net fair market value of loans and financing for the next fiscal year by \$8,324,000 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net fair market value of loans and financing by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately on the following page. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Agency – continued**Agriculture Financial Services Corporation – Financial Statements 2004-2005****Note 15** Credit Risk and Interest Risk (continued)

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

	Term to Maturity ⁽¹⁾				2005 Total	2004 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		
	<i>(in thousands)</i>					
Bonds and debentures	\$ –	\$123,028	\$ 6,146	\$9,427	\$138,601	\$ 66,449
Yield ⁽³⁾	–	3.79%	5.10%	5.77%	3.98%	4.62%
Corporate securities	5,000	14,820	11,255	–	31,075	32,759
Yield ⁽³⁾	5.40%	5.18%	5.00%	–	5.15%	5.21%
	5,000	137,848	17,401	9,427	169,676	99,208
Accrued interest	131	1,092	177	153	1,553	1,089
	<u>\$5,131</u>	<u>\$138,940</u>	<u>\$17,578</u>	<u>\$9,580</u>	<u>\$171,229</u>	<u>\$100,297</u>

(1) For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal. For investments, term to maturity classifications are based on contractual maturity date of the security.

(2) Includes general provisions, accrued interest and unamortized loan discount.

(3) For notes payable and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date or the rate which discounts future cash receipts to the carrying amount.

Note 16 Related Party Transactions

Sufficient information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2005	2004
	<i>(in thousands)</i>	
Interest expense – Province of Alberta	\$45,057	\$47,212
Administration expense – Province of Alberta	1,864	1,964
Administration expense – Government of Canada	271	–

Note 17 Crop Reinsurance Funds

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

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2005	2004	2005	2004
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Opening deficit	\$(20,819)	\$(44,889)	\$(61,841)	\$(94,407)
Contributions	23,662	24,070	32,013	32,566
Closing surplus (deficit)	<u>\$ 2,843</u>	<u>\$(20,819)</u>	<u>\$(29,828)</u>	<u>\$(61,841)</u>

Note 18 Comparative Figures

The 2004 figures have been reclassified where necessary to conform to 2005 presentation.

Agency – continued**Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2005**

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Schedule 1*(in thousands)*

	2005 Canadian Agricultural Income Stabilization	2004 Canadian Agricultural Income Stabilization	2005 Crop Insurance	2004 Crop Insurance	2005 Lending	2004 Lending
Revenue						
Premiums from insured persons	\$ –	\$ –	\$115,047	\$134,063	\$ –	\$ –
Interest	3	–	363	422	70,806	74,937
Contribution from Province of Alberta	202,160	105,501	86,928	116,607	8,146	10,191
Contribution from Government of Canada	293,483	158,251	115,307	121,115	–	–
Reinsurance recoveries	–	–	–	9,000	–	–
Investment income	763	–	5,957	6,988	310	315
Fees and other income	2,608	–	62	73	2,192	2,472
	<u>499,017</u>	<u>263,752</u>	<u>323,664</u>	<u>388,268</u>	<u>81,454</u>	<u>87,915</u>
Expense						
Indemnities	487,887	261,794	156,877	231,168	–	–
Administration, Schedule 2	11,130	1,958	20,670	20,413	25,719	24,095
Interest	–	–	–	–	45,057	47,212
Reinsurance	–	–	44,469	67,588	–	–
Farm loan incentives	–	–	–	–	5,077	5,728
Provision for doubtful accounts and for losses	–	–	30	88	1,557	4,965
Adjusting	–	–	7,206	8,960	–	–
Selling commissions	–	–	–	–	–	–
	<u>499,017</u>	<u>263,752</u>	<u>229,252</u>	<u>328,217</u>	<u>77,410</u>	<u>82,000</u>
Surplus (deficiency) of revenue over expense before recoveries	–	–	94,412	60,051	4,044	5,915
Recoverable from Government of Canada	–	–	–	–	–	–
Recoverable by Province of Alberta	–	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Surplus (deficit) for the year	–	–	94,412	60,051	4,044	5,915
Surplus at beginning of year	–	–	90,564	30,513	57,594	51,679
Surplus at end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$184,976</u>	<u>\$ 90,564</u>	<u>\$61,638</u>	<u>\$57,594</u>

Agency – continued**Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2005****Schedule 1 – continued***(in thousands)*

	2005 Hail Insurance	2004 Hail Insurance	2005 Other	2004 Other	2005 Total	2004 Total
Revenue						
Premiums from insured persons	\$ 20,894	\$11,897	\$ –	\$ –	\$135,941	\$145,960
Interest	57	47	13	18	71,242	75,424
Contribution from Province of Alberta	–	–	22,688	56,509	319,922	288,808
Contribution from Government of Canada	–	–	22,588	60,859	431,378	340,225
Reinsurance recoveries	2,163	–	–	–	2,163	9,000
Investment income	2,992	3,401	–	266	10,022	10,970
Fees and other income	309	183	203	339	5,374	3,067
	<u>26,415</u>	<u>15,528</u>	<u>45,492</u>	<u>117,991</u>	<u>976,042</u>	<u>873,454</u>
Expense						
Indemnities	32,281	12,329	43,391	112,558	720,436	617,849
Administration, Schedule 2	1,323	840	1,177	5,035	60,019	52,341
Interest	–	–	590	–	45,647	47,212
Reinsurance	420	319	–	–	44,889	67,907
Farm loan incentives	–	–	–	–	5,077	5,728
Provision for doubtful accounts and for losses	8	17	–	–	1,595	5,070
Adjusting	569	371	297	242	8,072	9,573
Selling commissions	2,027	1,662	–	–	2,027	1,662
	<u>36,628</u>	<u>15,538</u>	<u>45,455</u>	<u>117,835</u>	<u>887,762</u>	<u>807,342</u>
Surplus (deficiency) of revenue over expense before recoveries	(10,213)	(10)	37	156	88,280	66,112
Recoverable from Government of Canada	–	–	–	33	–	33
Recoverable by Province of Alberta	–	–	–	(33)	–	(33)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Surplus (deficit) for the year	(10,213)	(10)	37	156	88,280	66,112
Surplus at beginning of year	49,871	49,881	504	348	198,533	132,421
Surplus at end of year	<u>\$ 39,658</u>	<u>\$49,871</u>	<u>\$ 541</u>	<u>\$ 504</u>	<u>\$286,813</u>	<u>\$198,533</u>

Agency – continued**Agriculture Financial Services Corporation – Schedule of Administration Expense for the Year Ended March 31, 2005****Schedule 2***(in thousands)*

	2005 Budget (Note 3(a))	2005 Actual	2004 Actual
Salaries and benefits (Note 12)	\$36,134	\$37,581	\$31,528
Contracted services	5,826	7,210	7,086
Amortization of capital assets	4,550	4,501	3,683
Office accommodation costs	3,475	3,050	3,011
Stationery and supplies	1,173	1,645	1,150
Data processing	976	1,165	1,090
Advertising	1,233	902	904
Travel and automobile	1,377	795	974
Telecommunications	784	724	593
Professional services	612	613	628
Postage and freight	372	554	362
Directors' fees and expenses	457	401	398
Training, meetings, seminars, conferences	817	378	406
Equipment, rental and maintenance	488	360	349
Miscellaneous	243	140	179
	<u>\$58,517</u>	<u>\$60,019</u>	<u>\$52,341</u>

Agency – continued**Agriculture Financial Services Corporation – Schedule of Salaries and Benefits for the Year Ended March 31, 2005****Schedule 3***(in thousands)*

	2005			2004	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-cash Benefits ⁽³⁾	Total	Total
Chairman of Board	\$ 78	\$ –	\$ –	\$ 78	\$ 66
Board members ⁽⁴⁾	233	–	–	233	232
President and Managing Director ⁽⁵⁾	128	34	22	184	215
Executive/Vice-Presidents					
Vice-President, Finance	133	25	26	184	174
Vice-President, Lending Operations ⁽⁶⁾	127	67	24	218	178
Vice-President, Risk Management ⁽⁷⁾	34	7	8	49	–
Vice-President, Insurance ⁽⁸⁾	99	18	17	134	184
Vice-President, Information Technology ⁽⁸⁾	96	27	17	140	178
Executive Consultant and Research Director ⁽⁹⁾	132	28	25	185	194

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

(2) Other cash benefits include bonuses and lump sum payments.

(3) Other non-cash benefits include employer's share of all employee benefits, including health care, dental and vision care allowance, group life insurance benefits, pensions, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

(4) The amounts relate to eight Board members during 2004/05 (eight – 2003/04).

(5) The current President and Managing Director commenced employment on February 1, 2005. An Acting President held that position for the months of December 2004 and January 2005. The Outgoing President held that position from April to November 2004.

(6) The current Vice-President commenced employment in December 2004. The previous incumbent held the position from April to November 2004.

(7) This is a new position created effective January 1, 2005. Pay and benefits relate to the period January 1, 2005 to March 31, 2005.

(8) These positions were abolished December 31, 2004.

(9) This position was abolished March 31, 2005.

Other Information

Summary of Financial Information

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2005

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

Write-offs

Departmental accounts receivable	\$ 2,143
Agriculture Financial Services Corporation	2,033,638
Total remissions, compromises and write-offs	\$2,035,781

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

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2005

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
Agriculture Financial Services Corporation	\$4,642,853	\$307,678	\$6,283
Total guarantees and indemnities given	\$4,642,853	\$307,678	\$6,283

Alphabetical List of Government Entities' Financial Statements

Entities Included in the Consolidated Government Reporting Entity

<u>Ministry, Department, Fund or Agency</u>	<u>Ministry Annual Report</u>
Agriculture Financial Services Corporation ¹	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance
Alberta Heritage Savings Trust Fun	Finance
Alberta Heritage Scholarship Fund	Finance
Alberta Heritage Science and Engineering Research Endowment Fund	Finance
Alberta Historical Resources Foundation	Community Development
Alberta Insurance Council	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Seniors and Community Supports
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance

¹ The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation, effective April 1, 2003.

Alphabetical List of Government Entities' Financial Statements – continued

<u>Ministry, Department, Fund or Agency</u>	<u>Ministry Annual Report</u>
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta ¹	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development

¹ The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation, effective April 1, 2003.

Alphabetical List of Government Entities' Financial Statements – continued

<u>Ministry, Department, Fund or Agency</u>	<u>Ministry Annual Report</u>
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Advanced Education ²	Advanced Education
Ministry of Aboriginal Affairs and Northern Development ²	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development ²	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environment ²	Environment
Ministry of Finance	Finance
Ministry of Executive Council ²	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services ²	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment ²	Human Resources and Employment
Ministry of Infrastructure and Transportation ²	Infrastructure and Transportation
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations ²	International and Intergovernmental Relations
Ministry of Justice ²	Justice
Ministry of Municipal Affairs ²	Municipal Affairs
Ministry of Restructuring and Government Efficiency ²	Restructuring and Government Efficiency
Ministry of Seniors and Community Supports	Seniors and Community Supports

² Ministry includes only the departments so separate department financial statements are not necessary.

Alphabetical List of Government Entities' Financial Statements – continued

<u>Ministry, Department, Fund or Agency</u>	<u>Ministry Annual Report</u>
Ministry of Solicitor General Solicitor	General
Ministry of Sustainable Resource Development	Sustainable Resource Development
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	
Persons with Developmental Disabilities Provincial Board	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation	Community Development

Alphabetical List of Government Entities' Financial Statements – continued

Entities Not Included in the Consolidated Government Reporting Entity

<u>Fund or Agency</u>	<u>Ministry Annual Report</u>
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan – Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	Finance
Public Post Secondary Institutions	Advance Education
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment