

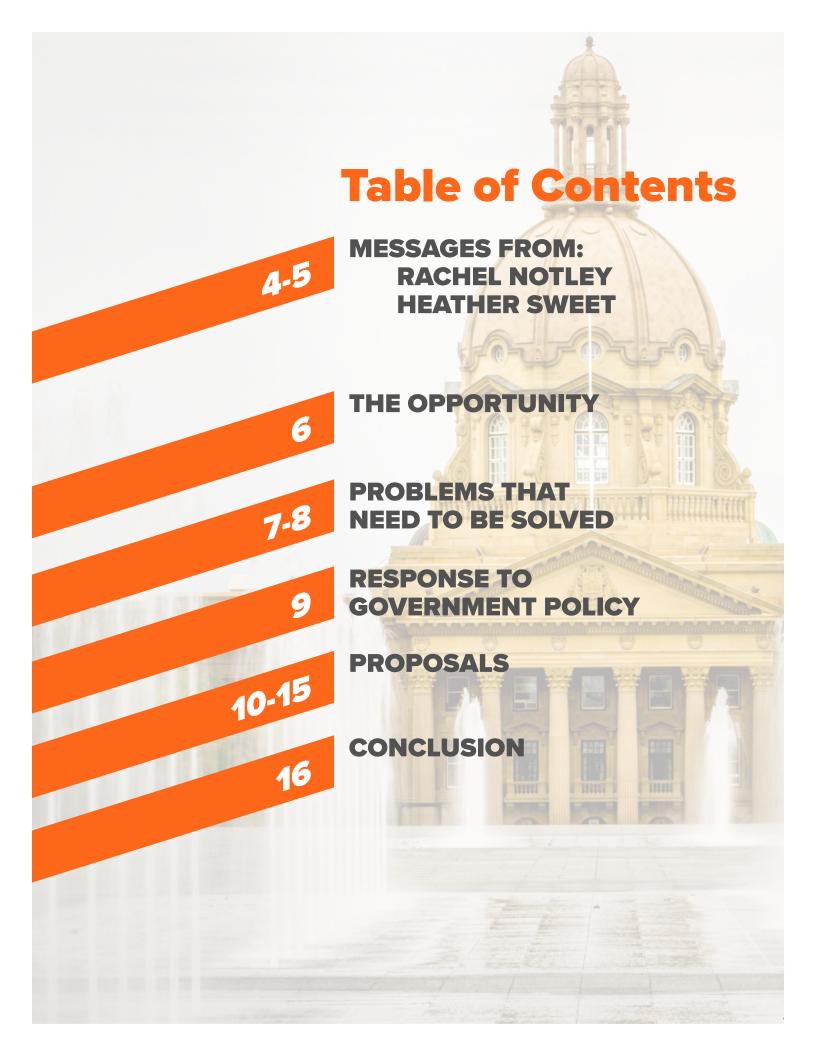
CHAMPIONING ALBERTA
AGRICULTURE AND AGRI-FOOD:
INCREASING VALUE-ADDED
PROCESSING AND PRODUCTION

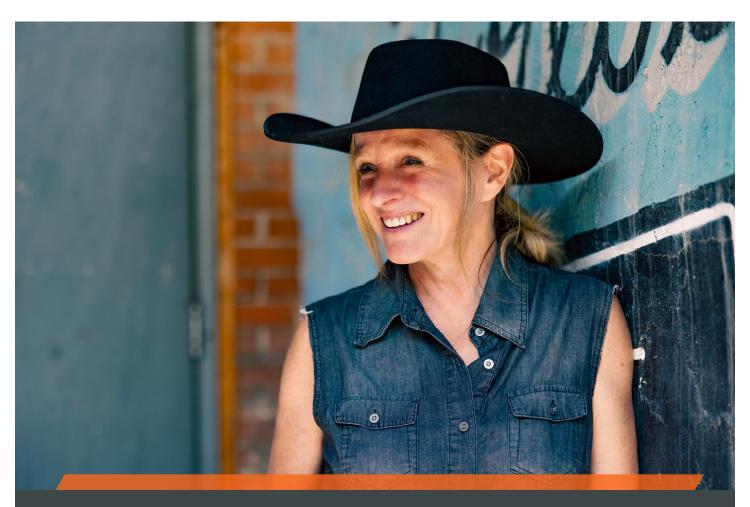
**JULY 12, 2022** 





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# MESSAGE FROM

# NDP LEADER RACHEL NOTLEY

Alberta's NDP is committed to building an economy that creates good-paying jobs for families in every part of our province, and helps businesses reach their full potential.

Alberta's Future is our ongoing work to consult with Albertans on how to build that economy. We're engaging with tens of thousands of Albertans on how to create long-term, sustainable jobs in a diversified economy.

Much of our history rests on the hard work of farmers and ranchers. Agriculture is a vital piece of our identity, especially for those of us like me, who grew up in rural Alberta. Raising crops and livestock is still foundational to our economy, and the foods we grow here are exported all over the world.

In fact, global demand for food is rising steeply, and that's good news. But we are challenged by vulnerable supply chains, rising costs, and a changing climate. We've seen all of these challenges up close in recent months: the pandemic, the ongoing war in Europe, soaring

prices for fuel and feed and fertilizer, and increasingly severe storms and droughts.

Albertans are the most hard-working and skilled agricultural producers anywhere. Our post-secondary agricultural and lifesciences programs are world class. We have a tremendous opportunity to harness AgTech innovation and build value-add industries. By doing this, we can create good-paying industrial jobs and resilient rural economies right across Alberta.

I'm grateful to all the Albertans who shared their vision and expertise with us in the preparation of this paper. What we heard loud and clear is the Government of Alberta must be a champion for agriculture and the innovation that will help the sector flourish for generations to come. I commit to you that an NDP government will be that champion. I'm excited to present these proposals, and I'm looking forward to your feedback.

#### **Rachel Notley**



# MESSAGE FROM

# AGRICULTURE, FORESTRY, AND RURAL ECONOMIC DEVELOPMENT CRITIC HEATHER SWEET

It has been a tremendous privilege to spend these past years travelling to rural communities right across Alberta, and hearing first-hand what agricultural producers need to meet the challenges of today and seize the opportunities of tomorrow.

It's clear that AgTech and value-add industries are critical parts of unlocking that potential, and that government must be more than a partner – it must be a champion for this sector.

We can develop the innovative ideas of today's Alberta students and researchers, and turn them into new industrial capacity. Working together, we can attract new investment and create new jobs in rural communities. We can encourage the spirit of entrepreneurship right across Alberta.

The food we grow here is already shipped around the world. The demand for that food is going to increase by as much as 50 per cent in the next 25 years. The choices we make in the next few years will decide whether we are positioned to take full advantage of these global demand for food.

Despite growing demand for agriculture, the truth is that Alberta's rural communities are shrinking. I am confident that this trend can be reversed. It's essential that we create the

conditions for world-class education, exciting careers, and good-paying industrial jobs in rural economies.

I'm very grateful to all the Albertans who welcomed me into their farms, their businesses, and even their homes to share their experience and understanding.

I'm looking forward to continuing this conversation with Albertans.



**Heather Sweet** 

### THE OPPORTUNITY



Agriculture is core to Alberta's history and economy and is vital to economic diversification. Twenty-five percent of Alberta's land is devoted to agriculture with over 40,000 farms. The Business Council of Alberta has identified the economic value of agri-food production and processing as \$10 billion. The Lethbridge area alone has 120 established agri-food processing businesses, including the Cavendish Farms potato processing plant.<sup>1</sup> Alberta exported over \$12.4 billion worth of agriculture and food products in 2020<sup>2</sup>. Alberta produced 68 per cent of Canada's beef, 49 per cent of its barley, and 31 per cent of its wheat in 20203. Alberta also has an incredible horticulture industry which includes 195 greenhouses covering 17.6 million square feet.

Increasing value-added production and processing is an opportunity for new products to be exported, improve food security, and make supply chains more resilient. Value-added agriculture commonly refers to economic practices that increase value to primary

products. This includes processes of making primary foods into new foods or ingredients, such as processing potatoes into chips, crushing canola into oil, and processing and packing meat. It also includes any other steps that increase the economic value of primary products, such as strong local branding which increases consumer demand for the product.

Alberta already has a strong brand for its food and is home to great value-added work and innovation including research being done in multiple renowned post-secondary programs. Analysis done by the Edmonton Metropolitan Region Board states that direct economic output from the agriculture and food and beverage sector in the Edmonton region alone has the potential to double through increased value-add production from \$11.42 billion in 2021 to an estimated \$27 billion by 2046<sup>4</sup>. Alberta's agri-food sector has the ability to help meet rising global demand for food which is projected to increase between 50 to 70 percent by 2050.



- ¹ https://chooselethbridge.ca/agriculture
- <sup>2</sup> McConnell and Spencer, "Alberta Agri-Food Futures," 2021,
- <sup>3</sup> Invest Alberta, Key Sectors: Agriculture, https://investalberta.ca/key-sectors/agriculture/
- <sup>4</sup> Regional Agriculture Master Plan, "Edmonton Metropolitan Region Board, 2021



### PROBLEMS THAT NEED TO BE SOLVED

There are however key issues and gaps to address to increase value-added capacity. It will take intentional effort, clear goals, and collaboration between industry, government, and local communities to address barriers such as regulatory capacity, confusion about government rules and services, limited access to capital, and building necessary infrastructure.

### REGULATORY CAPACITY AND APPROVAL TIMES

Stakeholders are unanimous in their views that regulatory processes and approval times in Alberta limits potential in value-add. Regulations are important to ensure the quality, safety, and integrity of Alberta's food. However, these regulations must be up to date and also applied expertly and efficiently. It is also complicated for investors to navigate different jurisdictions since agriculture includes federal and provincial regulations.

In consultations for this paper, we heard that a processing facility could go through an entire approval process in Saskatchewan within months, while it could take multiple years in Alberta due to a variety of required approvals spanning different departments of projects. These include land use approvals through Environment and Parks, infrastructure approvals for building new roads, water lines, and natural gas lines through Transportation and Infrastructure, approvals for livestock operations through Agriculture, Forestry, and Rural Economic Development, foreign ownership of land through Treasury Board and Finance, and food safety and handling through Alberta Health. These processes are not only difficult to navigate, there are many opportunities for delay across multiple departments which can delay a company from moving on to next steps.

### **ACCESS TO CAPITAL AND BUILDING INFRASTRUCTURE**

Accessing financial capital is challenging for small and emerging industries across the economy, including agriculture. Jon Neutens is the Vice President of Agriculture at ATB, and has said that capital gaps exist for companies that have outgrown venture investment and do not qualify for senior debt.<sup>5</sup>

Capital is very important in the agri-food sector because new projects rely on building new

infrastructure including roads, water lines, and natural gas lines. Other jurisdictions have identified these challenges and worked with the sector to address them. Saskatchewan has a number of different agriculture incentives, including the Saskatchewan Value-Add Incentive which makes financing more accessible to build new projects.

### PROBLEMS THAT NEED TO BE SOLVED

### **RURAL CONNECTIVITY**

Only 33 per cent of rural Albertans had access to high speed internet in 2021 according to Cybera's State of Alberta Digital Infrastructure report. AgTech is an emerging and foundational part of the agri-food sector and this digital divide is a barrier to development. The entire province needs access to quality high speed internet for Alberta's agri-food sector to realize its full potential.

### **NEED FOR POLITICAL CHAMPIONS**

Beyond specific policy or regulation changes, Albertans have told us the importance of the government championing agriculture and the agri-food sector. This mindset will of course shape policy, but it also signals to investors that the government is committed to seeing success in the sector. Many in agriculture highlight a theme of the energy industry being highly prioritized by the government while agriculture does not receive nearly the same amount of attention. This leads to issues of accessing capital, navigating various approvals, and building essential infrastructure being more accessible for the energy sector than the agrifood sector.

The governments of Saskatchewan and Manitoba are known for showing up for the agriculture sector and meeting investors at the door. In Edmonton Global's policy paper, "Growing Opportunity: A policy Strategy for Value-Added Investment in Alberta and the Edmonton Metropolitan Region", Dr. Kerri L. Holland highlights how both Saskatchewan and Manitoba have taken very intentional steps and have worked collaboratively with industry, academia, and policy leaders to see success in value-added agriculture. There is much that Alberta can learn from these provinces.

### Saskatchewan

Saskatchewan has seen success in canola crushing, including companies such as Richardson International, Federated Cooperative Limited, Cargill, and Viterra which allows Saskatchewan to process four million of the 11 metric tonnes it produces each year.<sup>6</sup>

As indicated earlier, Saskatchewan has a variety of incentive programs which help companies access capital and make it more affordable to develop there. Additionally, Saskatchewan's government is known to work collaboratively with municipalities to ensure necessary infrastructure for new agrifood projects is built.

#### Manitoba

Manitoba has experienced significant and recent success in proteins, including both the emerging plant protein sector and traditional meats. They created the protein advantage strategy, bringing key stakeholders—including industry, academia, and policy makers—together through an annual Protein Summit and the newly created Manitoba Protein Consortium. Furthermore, Manitoba also offers a variety of targeted incentives to attract investment. These policies and initiatives helped secure a significant \$600 million investment from Roquettee to build the world's largest pea processing plant at Portage la Prairie.<sup>7</sup>

The industry in Alberta has taken note of how other provinces are seeing more success in value-add. Team Alberta, which consist of industry groups for Barley, Beekeepers, Canola, Pulse Growers, Seed Growers, Sugar Beets, Wheat, and Potatoes, wrote a letter to Agriculture, Forestry, and Rural Economic Development Minister Nate Horner on June 6, 2022 highlighting the need for more value-added processing. They said:

"Farmers in Alberta continue to see large scale investments into agri-food processing being made into other jurisdictions across Canada. This is resulting in lost marketing opportunities, risk diversification and reduced competitiveness for Alberta farmers - as well as diminishing jobs and other rural economic growth factors for Alberta as a whole."

It is clear that Alberta could adopt practices from its prairie counterparts both in terms of specific policies, such as incentive programs, collaboration initiatives, regulatory improvement, as well as simply championing the sector.

<sup>&</sup>lt;sup>6</sup> "Crushing It: Saskatchewan's Canola Processing Capacity is Taking Off", Government of Saskatchewan

<sup>&</sup>lt;sup>7</sup> "Kelvin Heppner, Roquette Powers up \$600 million Pea Protein Plant," Real Agriculture, 2021

https://www.teamalbertacrops.com/wp-content/uploads/2022/06/Minister-Horner-Value-Added-Processing\_June-6-2022.pdf

### **RESPONSE TO GOVERNMENT POLICY**

We recognize that there have been important developments in value-added agriculture in the last three years, including some protein processing plants and investments in hemp. This is worth celebrating.

This however does not take away from the need to address barriers to growth to increase value-add production as well as lost potential from not addressing these barriers. Many companies and investors have had to work harder in Alberta than other prairie provinces to see their projects through since Alberta does not have similar targeted incentives or offer similar assistance, guidance, and collaboration.

The UCP has repeatedly stated that targeted incentives are not needed because the corporate tax rate is lower in Alberta than any other province. This clearly is not the case since so many in the sector have said companies choose Manitoba and Saskatchewan—whose corporate tax rates are higher—because they offer targeted incentives that help their company at the stage they are in. The UCP's corporate tax cut does little for emerging industries because it does not help access capital. The UCP's approach is the opposite of what is needed to diversify the economy. More targeted and specific policy is required for diversification.

Furthermore, the UCP has made it more difficult for municipalities and irrigation districts to build infrastructure by increasing borrowing rates for them by up to 0.5 to 0.75 per cent and dismantling the Alberta Capital Finance Authority (ACFA). Irrigation districts and municipalities were able to borrow at the same rate as the province for capital projects for 66 years. Municipalities play a key role in the agri-food sector by working to provide essential infrastructure for projects, including roads and access to water and natural gas. The ACFA was unique in the country, and a core element of our economic advantage. The UCP also initially cut funding to Rural Economic Development Alliances which are critical groups

for rural areas to work collaboratively to attract investment. These decisions hurt municipalities with small tax bases and low revenue streams the most.

The UCP also made changes to water allocation to allow for coal exploration in the Eastern Slopes in spite of overwhelming opposition from ranchers and municipalities. In November 2020, the government released a proposal to make available up to half of all water allocations from the Old Man River Basin Water Allocation Order for two pending coal mine projects. These changes to water access and protection create economic uncertainty.

The UCP also increased risk to the agriculture industry by failing to cooperate with governments across Canada to reform the business risk management program Agristability, leaving federal support to the industry on the table. The UCP refused to sign the federal proposal even though producer and industry groups, including the Alberta Federation of Agriculture, are in agreement. And when drought hit Alberta in 2021, the UCP failed to prepare and delayed providing relief support payments to Albertans, forcing many cattle owners to cull their herds.

The lost potential in value-added agriculture is seen clearly through the plant protein sector. The Dutch government has released a strategy on developing plant proteins in the prairies. The plant protein market could be worth \$162 billion globally by 2030 according to Bloomberg. As stated in the previous section, the Manitoba government has released a protein strategy, offers incentives, and facilitates collaboration. The Alberta government however pulled funding away from the Plant Protein Alliance of Alberta, taking away opportunity for collaboration and advocacy. This signalled to investors that Alberta is not interested in developing the plant protein industry in Alberta.



<sup>9 &</sup>quot;Market Study: Opportunities for the Netherlands in the Canadian Plan Protein Sector," Netherlands Enterprise Agency, 2021.

<sup>\*</sup>Plant-based Foods Market to Hit \$162 Billion in Next Decade, Projects Bloomberg Intelligence", Bloomberg, 2021



In light of many opportunities for growth in the agriculture sector through increasing value-added processing and production, combined with an analysis of barriers to it, Alberta's NDP has created eight policy proposals to spur investment and progress in the sector. We look forward to consulting with and receiving feedback from Albertans on these policies.

- 1. Agriculture Navigation Services
- 2. Increase Staff Dedicated to Agri-Food Sector and Value-Added Approvals
- 3. Create Alberta Value-Add Incentive Program
- 4. Local Food Incentive
- **5. Lower Capital Borrowing Costs for Irrigation Districts and Municipalities**
- 6. Bridge the Digital Divide
- 7. Agriculture and AgTech Must be Core Part of Technology Strategy
- 8. Support and Strengthen Post-Secondary Institutions

### 1. AGRICULTURE NAVIGATION SERVICES

We recommend that there be dedicated staff within the department of Agriculture, Forestry, and Rural Economic Development to offer a navigation service for any Albertans seeking answers on what steps they need to take to have agriculture and agri-food projects approved. This would be a clear and accessible point of access where Albertans can receive clarity on necessary regulatory steps as well having a place where they can ask about existing provincial resources and programs that may be applicable to their projects.

This type of work is seen in jurisdictions across the world. Manitoba has a concierge service which reinforces their image of working with the sector to see them succeed. British Columbia recently created an AgTech concierge service. Vermont recently released an agriculture strategy which includes plans for a navigator to "assist businesses with permitting, regulations, and funding." <sup>11</sup> Growth Centres in Australia help industry navigate steps they need to take to succeed. <sup>12</sup>

# 2. INCREASE STAFF DEDICATED TO AGRI-FOOD SECTOR AND VALUE-ADDED APPROVALS

We propose that there needs to be more dedicated staff assigned to the regulatory considerations of agriculture projects, including in the offices of Agriculture, Forestry, and Rural Economic Development; Environment and Parks; Transportation; and the Alberta Energy Regulator.

The regulatory process is complicated and balances many interests including essential environmental standards. Departments must do more than identify issues, they must provide clear answers on what steps need to be taken to have projects approved. Attention to detail is needed from start to finish.

Albertans wanting to create value-added economic activity in Alberta should not feel like

they have been forgotten once they have first sought an approval. The required investment for more intentional staffing would be minimal and we hear every day that regulatory capacity has the potential for significant return on investment.

We also propose that this process is continually reviewed to ensure outcomes are being achieved to decrease barriers to investment. This could include evaluation of the number and expertise of staff, assessment of regulations and processes, and most importantly, timely outcomes. Industry stakeholders would be consulted and encouraged to provide feedback on this process.



<sup>&</sup>lt;sup>11</sup> "Governor's Commission on the Future of Vermont Agriculture Action Plan," 2022

<sup>12 &</sup>quot;Unleashing the Growth Potential of Key Sectors," Advisory Council of Economic Growth, 2017

### 3. CREATE ALBERTA VALUE-ADD INCENTIVE PROGRAM

We recommend that the government appoint a 6-month task force with a clear mandate to consult and establish an agriculture value-add incentive program. This program would assist companies to access financial capital. A targeted incentive program would assist companies that no longer need venture start-up capital but can not access financial loans at the rates of large multinationals.

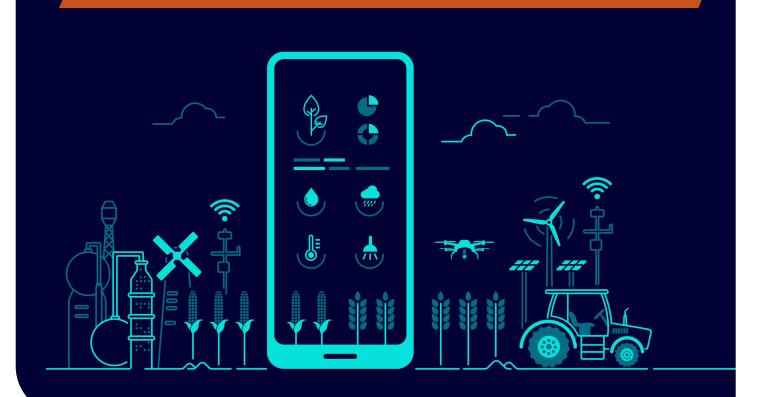
There are many forms a value-added incentive could take in terms of structure, whether it be loan guarantees, tax breaks, grants, etc. This could be the expansion of an existing program or be an entirely new one, but it must speak directly to the needs of the agriculture sector and surrounding communities.

- The Saskatchewan Value-Add Incentive Program provides a tax credit on capital expenditures for newly constructed or expanded value-added agriculture facilities.
- The Federal Government's Strategic Innovation Fund provides target support to spur innovation in key areas of the economy.

The Petrochemical Diversification Program (renamed the Alberta Petrochemicals Incentive Program) has worked in Alberta and could be the foundation for what a broader value-add incentive program could look like.

This is a policy call that many in the agri-food sector are calling for. Through her work with Edmonton Global, Dr. Kerri Holland recommends the provincial government "implement incentive programing and build investor confidence." The former chair of the Plant Protein Alliance of Alberta, Dan Brewin said that Manitoba was able to attract large projects, such as the Merit Functional Foods Facility, because of the incentive they offered and said that Alberta needs to offer comparable programs.<sup>13</sup>

The case for a targeted value-add incentive is clear and it must be designed and implemented well. Creating a task-force including representatives spanning the industry will ensure incentive programing is designed to work and achieve the greatest return on investment for Albertans.



### 4. LOCAL FOOD INCENTIVE

The proposed task force to create value-add incentive should also be mandated to ensure there is programming in place to incentivize small scale startups in rural communities that upgrade local ingredients to new food products. Value-added agriculture is more than just large processing facilities. Local small scale food processing also upgrades Alberta's grown commodities.

Larger programs that target multi-million dollar corporations will not be designed in the same way to capture small scale startups. A 2010 report done by the government of Alberta in the Rural Economic Division highlights potential

recommendations to increase local food similar to broader value-added recommendations, including improving access to financing, promoting the product, and making new technology more accessible. The Local Food Council, which was created by the previous NDP government, recommended in 2019 that the government needs to raise awareness about local food and increase mobile processing. An incentive for local food production and processing will help start-ups access capital and promote local food which will increase rural tourism and economic development by inviting people from urban areas to visit rural communities.

# 5. LOWER CAPITAL BORROWING COSTS FOR IRRIGATION DISTRICTS AND MUNICIPALITIES

We recommend the government allow irrigation districts and municipalities to borrow money at the same rate as the province. Lowering borrowing costs will allow municipalities to more easily build essential infrastructure for valueadded projects including roads, water lines, and natural gas lines.

This used to be the case before the UCP dismantled the Alberta Capital Finance Authority (ACFA) which worked effectively for 66 years.

A small rural community which wants to attract an agri-food facility to process food there may need to build important infrastructure such as new roads and access to water to incentivize the company to choose their community as a location. Small communities have a small tax base which is why low borrowing rates to build infrastructure is so important and why the province should return to allowing municipalities and irrigation districts to borrow at the same rate as them.



### 6. BRIDGE THE DIGITAL DIVIDE

We recommend that the government ensures all Albertans have access to high-speed and quality internet.

Access to high-speed and quality connectivity is arguably the most important piece of infrastructure to expand agriculture innovation and unleash the full potential of precision agriculture. This is true for any type of work in remote parts of the province that can benefit from new technology.

Innovation in agriculture is closely linked to new and advanced technologies which often require access to the internet. Ensuring there is quality internet will provide a foundation for new and innovative value-added projects to be developed.

The Alberta NDP have released an Alberta's Future Paper, titled "Bridging the Digital Divide".

The paper lays out 14 proposals to provide every Albertan with access to quality internet. Notable policy calls include:

- Declaring Broadband access an essential service
- Creation of Digital innovation Alberta, an agency housing the expertise to expand broadband
- Creating a Satellite Solution Tax Credit

The strategic action plan from the Business Council of Alberta on Agriculture and Forestry highlights the opportunity of maximizing connectivity to enable "rural Albertans and businesses to participate and perform with 21st century opportunities."<sup>15</sup>

# 7. AGRICULTURE AND AGTECH MUST BE CORE PART OF TECHNOLOGY STRATEGY

We recommend that there be specific focus in technology plans for the agri-food sector.

New forms of value-add agriculture and upgrading will come with new forms of innovation, ideas, and technology. For example, The Business Council of Alberta's Define the Decade goals underline the potential of agricultural technology like sensors to assist with increasing yield without expanding the footprint of land-use.

As a part of Alberta's Future, Alberta's NDP recently released a technology paper titled "Growing Tech, Creating Jobs" which lays out an ambitious set of policy recommendations to grow the sector. The plans include, Establishing the Alberta Venture Fund, Growing and Modernizing

the Alberta Enterprise Corporation, and Attracting a Global Accelerator. These policies make capital more accessible and provide innovators with the conditions they need to succeed.

However, we acknowledge that AgTech was not a focus of this tech paper and have heard through stakeholders in AgTech that agriculture needs to be directly linked in Alberta technology strategies.

This was just done by the British Columbia through their Government Food Security Task Force which released a series of recommendations in "The Future of B.C.'s Food System" regarding growing the AgTech sector and applying technologies to support sustainable agriculture.





### 8. SUPPORT AND STRENGTHEN POST-SECONDARY INSTITUTIONS

It is important that post-secondary institutions are supported to ensure Alberta's renowned agriculture programs continue to provide great results. To do this, we recommend the provincial government strengthen post-secondary institutions. Post-secondary is vital to agriculture, including in new value-added development because of its contributions to innovation and attraction of talent and training students.

We have proposed many policy recommendations related to post-secondary in the paper "Strengthening Post-Secondary For a Resilient Future." The first recommendations of this policy paper are to provide stable funding to post-secondaries and to cancel the performance-based funding model. These proposals would ensure that specialized programs in rural communities have the resources they need to succeed for years to come.

#### **Innovation**

Building from historic strengths, Alberta postsecondary institutions have spurred agricultural innovation over decades. In recent years, funding cuts and a lack of stability have challenged our researchers and innovators. We look to the same programs and schools cited as leaders by the Business Council of Alberta - the Olds College research and industry partnerships, including the Smart Farm; the University of Calgary is home to the Simpson Centre for Agricultural and Food Policy; and the University of Alberta boasts the Faculty of Agriculture, Life & Environmental Science that is engaged with basic and applied research, commercialization and demonstration.

#### **Workforce and Talent**

Alberta's renowned agriculture programs span the province, providing opportunities for students to live and learn in rural communities such as Olds and Vermillion, as well as in urban centres of Edmonton, Calgary, and Lethbridge. This diversity in location ensures that talent is spread across the provinces and across the sector. Funding for post-secondary institutions must be stable so opportunities in agriculture and specialized programs in rural communities across the province remain.



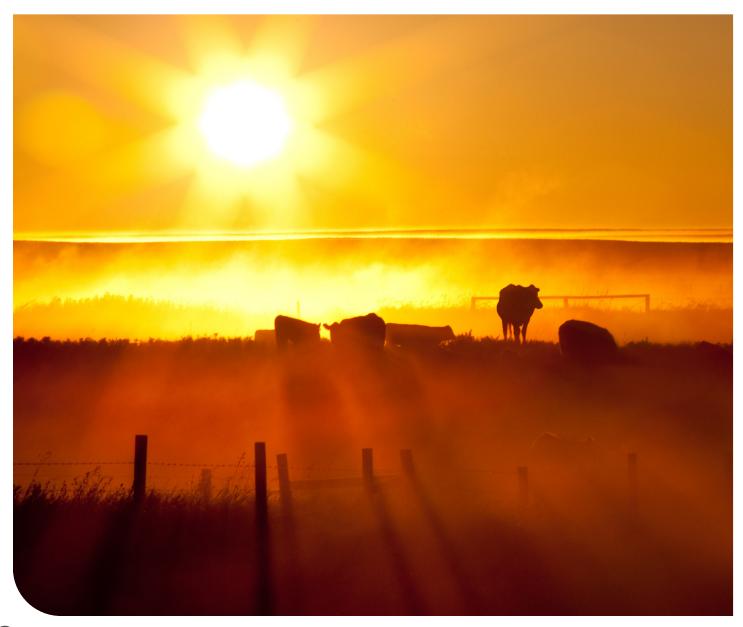
# CONCLUSION

Alberta's NDP will continue to hold consultations and meet with people in the agri-food sector to receive feedback about the proposed policies in this paper.

We are grateful and inspired by the work done in the sector to provide food to people in Alberta and around the world. The agri-food sector is an important part of the economy, especially during the challenges of the COVID-19 pandemic. Producers showed significant resilience through recent challenges of drought and continue to share optimism about the future of the industry.

We have heard clearly about the need to address regulatory capacity, improve access to capital, and champion agriculture. We hope these policies address these issues. But we want to make sure we get this right and want your feedback.

We are also interested in agriculture policy and ideas beyond increasing value-added capacity and want to hear from Albertans on them. The Alberta's Future project is designed to be collaborative. And these proposals are open to revision. That is the point. We can only succeed when we take advantage of the ingenuity of all Albertans.



# Give Us Feedback

# **WE WANT YOUR FEEDBACK**

Alberta's Future is an initiative to build a new economy that benefits every person in our province. We want you to share your thoughts and ideas on proposals like this one.

We welcome you to submit your own proposals too!

All of our proposals and those contributed by Albertans like you can be found at **AlbertasFuture.ca**. On that website, you can also register for in-person and online conversations happening right across Alberta.

We are also hosting this conversation on social media, using the hashtag **#ABFuture**.

Engage directly with NDP Leader Rachel Notley on YouTube, Twitter, Instagram, and Facebook



