



STANDING COMMITTEE ON THE ECONOMY

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**STANDING COMMITTEE ON THE ECONOMY
2004**

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Prince Albert Northcote

Mr. Lyle Stewart, Deputy Chair
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Mr. Michael Chisholm
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Regina Wascana Plains

Hon. Deb Higgins
Moose Jaw Wakamow

Mr. D.F. (Yogi) Huyghebaert
Wood River

Mr. Kevin Yates
Regina Dewdney

**General Revenue Fund
Supplementary Estimates
Agriculture, Food and Rural Revitalization
Vote 1**

Subvotes (AG08) and (AG09)

The Chair: — Good afternoon, ladies and gentlemen. Welcome back to another sitting of this committee. We haven't seen each other for a while, and so I'd like to welcome all of you here. And hopefully today our deliberations, as it relates to consideration of supplementary estimates for the Department of Agriculture and Food, will carry us through till our adjournment at 5 o'clock.

So if we could, I'd like to begin by asking the minister to introduce his officials and then we will entertain a speakers' list and continue with the discussion.

Hon. Mr. Wartman: — Very good. Thank you, Mr. Chair. Colleagues, it's a pleasure to be here and have this opportunity to speak about the program that we've been working on and developing and put forward to the public.

I would like to introduce to you officials from the Department of Agriculture, Food and Rural Revitalization. To my right is our deputy minister, Doug Matthies. Hal Cushon, assistant deputy minister, and Maryellen Carlson, assistant deputy minister, are seated in the back row. To my left, Dave Boehm is next to me. Dave is director of financial programs branch and is on the national committee working on BSE (bovine spongiform encephalopathy). Rick Burton is director of policy branch and is sitting immediately behind me. And we also have here today Stan Benjamin, who is the acting general manager of Saskatchewan Crop Insurance.

And we will bring forward those officials to the front seat. If members have questions that they would like to direct on a particular subject, we'll bring the relevant officials forward for those discussions. So thank you for the opportunity to be here and present this issue.

The Chair: — Thank you, Minister. And I will now entertain a speakers' list. It would appear that there's some degree of interest from members of the opposition. I see a half a dozen of them at committee here today. So welcome to all of you again. We'll start with Mr. Stewart.

Mr. Stewart: — Thank you, Mr. Chair. Thank you for the introduction of your officials, Mr. Minister, and I will take this opportunity to welcome the officials and we always appreciate their help.

I wonder if we can start by going back to the provincial budget estimates document 2004-2005. There's a few questions I have from that, mostly relating to salaries and projected salary reductions for the year. I start with the administration section, (AG01). I note that salaries are projected to decrease somewhat for 2004-2005. I wonder, Mr. Minister, could you explain how that happened?

The Chair: — Members of committee, if I could, I would like

to direct you to the subject under review, which are the supplementary estimates. And as I understand it, the questions are to be directed towards issues that would be related to the votes on page 11, which are on the top of that page, supplementary estimates for the year 2004-2005, (AG08) farm stability and adaptation, in the amount of 39,500; and financial programs (AG09), as it relates to financial program management. So if I could ask members to keep their questions to those areas of estimates.

Mr. Stewart: — Well, thank you, Mr. Chair. That's a little disappointing but if that's the ruling. In that case, Mr. Minister, financial programs (AG09), financial programs and management, what does that include?

Mr. Matthies: — Mr. Chair, if I might just respond, the supplementary estimate speaks to the additional funding for the BSE programming that was announced on September 24 as part of the provincial response to the national BSE recovery strategy, and that is the focus of the supplementary estimates.

Mr. Stewart: — Correct. But specifically, the entry entitled financial programs (AG09), the \$500,000 that's indicated there, is that the administration portion of the BSE recovery program, or what does it represent?

Mr. Matthies: — Mr. Chair, I believe that includes basically funding for two programs. Essentially the BSE recovery programs are identified there, and we also fund the Canadian agricultural income stabilization program under that subvote.

Mr. Stewart: — Thank you very much. Pertaining to the bovine spongiform encephalopathy recovery program, which is budgeted at \$39,500,000, plus the \$500,000 of administration that partly at least goes to that program, could the minister inform me if the ear tags are now available for that program.

Mr. Boehm: — The issue of ear tag availability has been an issue under the program, not just here in Saskatchewan but also in Alberta and in Manitoba. We do have information though that tags have started to ship. We had a shipment last week. I've got a news release here that a company has announced, a company out of the US (United States) has announced a fairly substantial shipment. So they are starting to become available. Yes, availability is an issue but it is starting to be rectified.

Hon. Mr. Wartman: — I think it's important, it's important to note that the availability only became a problem and the issue became a problem when Alberta went off side with a program, a federal program, and led to the two dates, two slaughter dates rather than the one date on January 1, 2006. That meant that there had to be two separate ID (identification) tags for the two different slaughter dates. And that having not been in the early stages of planning, it's my understanding that that led to a need for more tags and different identification on them.

Mr. Stewart: — Okay. Can the minister or his officials tell me, what are the deadline dates for that program?

Mr. Boehm: — The deadline date for the feeder calf set-aside program is December 15, 2004. That is the application deadline. Because of the issue regarding tag availability, producers will

have until January 15, 2005 to get the tags into the animals and the tag numbers shipped into the department. And so recognizing at the start of this program that the flow of tags was going to be an issue, we took steps to provide some flexibility.

Mr. Stewart: — Thank you. What are the provinces of British Columbia and Manitoba doing about end dates for this program, Mr. Minister?

Mr. Matthies: — In terms of the province of Manitoba, they are basically using a January 15 deadline to have everything complete as well so it coincides with the final date that Saskatchewan is using to have animals tagged.

I have to check here with my colleagues or check some notes on the province of BC (British Columbia), Mr. Chair.

Mr. Stewart: — Thank you. I guess what I'm really asking is what are those two provinces, British Columbia and Manitoba, doing about an end date for the program?

Hon. Mr. Wartman: — Do you mean slaughter date?

Mr. Stewart: — The minister referred to a slaughter date.

Hon. Mr. Wartman: — Okay, thank you. Well we've got two different dates as far as I understand. Manitoba was looking at whether or not they were going to do similar program to ours but they have decided to go with the January 1, 2006 date and BC has determined that they will go with the October date.

Mr. Stewart: — Thank you. With Alberta and BC I think bringing their calves to market three months earlier than Saskatchewan calves will be eligible to be marketed, does the minister not think that that could be a pretty distinct disadvantage for Saskatchewan producers, selling into a market that may be more or less satisfied by the time our calves come on stream?

Hon. Mr. Wartman: — Well the longer term plan of the set-aside program was really to hold animals back to try and make sure that the market prices would normalize. And certainly a national program with one date we think would have been more effective. That's what every province had basically agreed to. The reality, as you have noted and we have noted is that, when Alberta went off side and went to the October date, it did not correspond with what our expectations were.

We have gone to a dual date. Producers may choose which date they would like to set their cattle aside till, either the October date or the January date, and they must set aside 30 per cent of their herd. In discussions with producers, the thought is that those who will hold 30 per cent through January will most likely take their smaller calves and feed appropriately, that set-aside till that date may continue to help keep the market prices more normal. We've seen some effect already.

And will it disadvantage our producers? Producers will have to make that decision. Certainly the differences in dollar pay, the Alberta government has chosen to set the October date and top up the funding so that their producers are getting \$200. We have gone with the federal government program basically, which says it's \$200 to the January date and 160 to the October

date.

Mr. Stewart: — Thank you. I agree, Mr. Minister, that it would have been probably better for cattle producers, certainly in this province, if everybody would have stuck to the same date, but they didn't. And you mentioned that Saskatchewan producers will have the option to opt out on October 1 but, as I understand it, that incurs a \$40 per calf penalty.

Hon. Mr. Wartman: — Sorry, it's actually . . . We don't see it as a penalty. We see this as — and in our discussions on the national program — that it's based on the kind of feed that is going to need to be available for the animals and the time that they are in the set-aside. And so it was based on twelve-fifteenths rather than the full fifteen-fifteenths of the allotted number, so not a penalty. Just the, the numbers had been worked out in terms of what kind of overall feed recommendations were for that time period. These were recommendations by the CCA (Canadian Cattlemen's Association) and by the committee that was working on the development of the program. So we don't see it as a penalty. It's primarily just to enable those who choose the set-aside period not to take a loss on the feed side.

Mr. Stewart: — Okay, thank you, Mr. Minister. In any event, I'm sure producers will see it as \$40 less income one way or the other.

I'm still very concerned about our calves being disadvantaged in the marketplace at the end of this program, coming off it three months later than the calves in Alberta and British Columbia.

I wonder if the minister and his departmental staff have given any consideration to ending the program on October 1?

Hon. Mr. Wartman: — Well I think there are a couple of things that we'll need to clearly keep in mind as we're engaging in this program and one is what the focus of the program is. It is not a cash transfer. The focus of the program is to try and get the market adjusted by doing a set-aside to keep the prices up. And that was the focus in the development of the program, remains the focus today, and the reality is that if the border opens it's all off anyway. The program ends on the, not the day of the announcement, but on the day the border opens.

And though I would not in any public forum speculate widely on a date, we can only go with what Mr. Cellucci has told us, his view of the situation. We also have to factor in our past experience with speculations on border opening. But Mr. Cellucci said it was his belief that within weeks of the election being completed that the rule would be posted and then you're looking at probably a 90-day period and border opening following that.

Now that said, there are all those other factors that will be involved. You know, we had Dick Cheney and others earlier saying that there's a lot of litigation lined up; that that could also be a factor.

And Mr. Cellucci said his response to those queries was, well yes, but we really believe that this rule that we've drafted is litigation proof. And I think we can all only hope that that is the

case and that we'll see an early border opening.

Mr. Stewart: — Thank you, Mr. Minister. Since we were labouring under the misapprehension that this would be estimates as usual and not just confined only to supplementary estimates, that's all I have.

The Chair: — Thank you, Mr. Stewart. Mr. Huyghebaert.

Mr. Huyghebaert: — Thank you, Mr. Chair. Mr. Chair, the minister's referred to slaughter dates, Jan 1, '06, and I'd like some clarification on it because it's my understanding on the set-aside program that the calves that are set aside don't have to be slaughtered. Would the minister agree to that?

Hon. Mr. Wartman: — Yes, that is the case.

Mr. Huyghebaert: — So it's not a slaughter date then?

Hon. Mr. Wartman: — It's they cannot be slaughtered prior to that date.

Mr. Huyghebaert: — Okay.

Hon. Mr. Wartman: — And still be in the program.

Mr. Huyghebaert: — But a herd retention, the ones that are in the program . . .

Hon. Mr. Wartman: — That would be a more accurate term, yes.

Mr. Huyghebaert: — Yes. The second question that I have for the minister . . . And I wrote a letter to the minister and in fairness it's just sent, I think a few days ago, and I'm looking forward to an answer to it, but I would bring it up in this forum.

This has generated a great deal of discussion in the past number of months, is producers who sell their calves in September and October. There was discussion about a set-aside program as far back as that or before that. And so people that have sold their calves in those months, what do they do? Because they're playing a guessing game, which I outlined in my letter to the minister, is they're playing Russian roulette with their livelihood because what percentage of calves do they hold back, and they didn't know.

And so now producers are receiving their set-aside packages, one as late as two weeks ago, and very disturbed because he kept back 25 per cent of his calves and now he doesn't qualify for the program because it's hard-nosed 30 per cent.

And my question in my letter, and my question to the minister today, if there's going to be some kind of an exemption for people that did sell their calves early before they received the formal package that stated explicitly that they had to keep exactly 30 per cent or else they wouldn't qualify? And so we're penalizing producers that have actually sold their calves at their normal time of the year, where they normally sell in September and October, and that's no fault of their own. It's the fault of the lateness of the program coming out.

Hon. Mr. Wartman: — I appreciate the member's point. And

as we worked on trying to get the parameters of this program set, we were aware of those factors and tried to build flexibility in, a flexibility that would allow someone who had sold their animals previously to be able to purchase other Canadian '04 calves and . . . pardon me, Saskatchewan '04 calves and be able to put those into their herd to make up the 30 per cent.

Mr. Huyghebaert: — Thank you, Mr. Minister. But we know the economy out there right now, and people that are selling their calves is primarily based to pay off bills. And I've talked to producers that don't have the resources to top up their calf herd to 30 per cent, and they're being penalized.

And would it not make as much sense to exempt them from the hard-nosed 30 per cent, and if they happen to keep 20 per cent back — or in the case of the individual that I wrote my letter to you about, he kept 25 per cent — rather than forcing the individual to go out and buy more livestock? Possibly he kept his calves, the 25 per cent, because of feed considerations, possibly because of financial considerations. We don't know on each individual case.

So would it not make more sense to just waive the hard-nosed 30 per cent and say people that have sold their calves early, we will accept a 25 per cent or a 20 per cent retention, which should actually make it better for your program because it actually costs you less money? And we know 30 per cent is a max; if you keep 40 per cent of your calves back, you still only get paid for 40 . . . for 30 per cent. So if in fact you kept 20 per cent back, it would cost the program less because you'd only be paying on the 20 per cent of the animals. So would your department look into that degree of flexibility?

Hon. Mr. Wartman: — Well I think it's important to note first of all that the 30 per cent is a national requirement. Mr. Boehm does sit on the national committee and has engaged in numerous discussions about the parameters.

But again I think it's important to remember that the focus of this is around keeping up the market prices. The 30 per cent number was to make sure that we would get enough animals set aside to make sure that prices did move closer to normal. And so with the producers who did sell earlier and those producers who choose not to enrol, they still will have the benefit of the upswing in prices because of the set-aside of others.

Now you've asked another question which I think is also a reasonable request. And that is, in further discussions around the parameters, is there a possibility of talking to the federal government and the other provinces and the people on the committee about bringing in smaller percentages of a herd? And I think that's something that Mr. Boehm would take under advisement and carry with him to the discussions at the national level.

Mr. Huyghebaert: — Well, Mr. Minister, I would hope that you would do that because what in fact is happening in some of the cases is we're penalizing producers for the lateness of the program, which is no fault of the producers. Just because the program has not been finalized and comes out in essence two months late for some of the producers, they are now being penalized.

And just to counter a little bit what you say, you want a 30 per cent retention to help control the prices. Well that's not going to happen if they've already sold their calves, so it has nothing to do with the fact that these individuals have sold their calves already. So it kind of counters your claim that if you hold 30 per cent back, that that will vary the prices later on. Well sorry, they're already sold.

So you're penalizing these people that are keeping back a smaller number and I don't understand why we would penalize these people. If it's a national directive that dictates 30 per cent and 30 per cent only, I think we have to revisit that very, very quickly and that we should allow the producers that have been actually hurt by no fault of their own, that this should be rectified very, very soon.

Hon. Mr. Wartman: — Well I think there are a number of factors that not only the member, but producers need to take into consideration. And again, just to keep clear that the focus of this is not about everybody doing a set-aside. It really is about getting the numbers of animals to make sure that the market price gets the adjustment that's necessary. We have seen indications that the price has been fortified by the program so far.

One of the other things is that people are not only putting their feeders into the program, but are also putting their replacement heifers into the program. And we need to make sure that we're pulling the requisite number of feeders out of the marketplace in order to get those adjustments. It can't just be replacement heifers. And so I think it is . . . it's around those factors that the decisions were made to keep the numbers at 30 per cent.

You know, the question about whether producers are disadvantaged if they're not in the program; again a producer who is not in the program can move any, most, all of their animals when they deem that the market is right. They have the freedom to be able to sell into a market that has been adjusted by the set-aside that others have opted into.

So I'm not so sure that it's a matter of being disadvantaged by not being able to come into the program. The program itself is around the feed factor.

Now again, and we have indicated that Mr. Boehm has taken advisement of your question around a 25 per cent and will take that into the federal discussion with him because I recognize that there are some factors there that need to be considered. But overall, we think that it allows producers freedom to be in or be out. And it has shown already that there is some market adjustment.

Mr. Huyghebaert: — Well I would agree that producers have the choice of being in or out. It's the ones that would like to be in and sold their calves in September, October, and early November before they received the criteria, and that's the ones that I have a concern about.

And so if you will take that and hopefully react on it soonest because these people are now sitting with animals that they may not wish to keep if they're not going to be part of the program. And we could debate an awful long time about the numbers and whatnot but that's not the reason for my question. My question

is strictly to have a look at what can be done for those that were unaware of the exact percentages and sold their calves early. So if you would look at that and take that to heart, I'd appreciate it.

Hon. Mr. Wartman: — Okay. And if I can speculate, and I'm not going to prejudge but I will only speculate. Given the lengthy and challenging, difficult discussions that have gone on at the national level to point, I don't anticipate that there will be any change, which leaves those folks who might have considered going into the program if they . . . They really have then the options before them. They can, if possible, purchase enough calves to make the 30 per cent and enrol by the deadline. They can simply carry the animals that they have and sell when the market, when they deem the market is ready. Or if they feel they cannot carry the animals that they have, then to sell as quickly as the market will enable them to sell.

I mean outside of that, my speculation would say there's not going to be much other option.

The Chair: — Thank you, Mr. Huyghebaert. I have Mr. Dearborn and Mr. Hart on the speaking order at this point. Mr. Dearborn.

Mr. Dearborn: — Thank you, Mr. Chair. Thank you, Mr. Minister, and your officials. My questions have to do with the (AG09), financial programs management, the supplementary budget with regards to the CAIS (Canadian agricultural income stabilization) program.

My question is specifically with regards to CAIS and the interplay with CAIS and crop insurance. So hopefully the correct officials could . . .

Hon. Mr. Wartman: — If I may, I'd just add one more point. Just a . . . I think the member's probably aware of this but with response to the last question, just a reminder, as one of the officials said, that this program with the 30 per cent in it was really what the industry recommended. That was the CCA (Canadian Cattlemen's Association) recommendation that we work on that framework.

Mr. Dearborn: — Thank you, Mr. Minister. My question is specifically . . . I would ask for some explanation on the interplay between CAIS and the crop insurance program. Obviously these are both safety net programs that are working one with the other. And it's my understanding you can be involved in the CAIS program and not be involved with the crop insurance program. But by and large there are . . . to be involved with the crop insurance program would be the norm and there's possibly some financial benefits there too. Could you just give us a broad outline of that?

Hon. Mr. Wartman: — I'll ask Rick to address that one, please.

Mr. Burton: — Yes, you're correct. You don't have to be in both programs. And if you're in the crop insurance program and the CAIS program, your crop insurance income that . . . Any income you receive from crop insurance payments is treated as income and is used in the calculation of your CAIS payments. So that helps to keep your program margin up over time. And so naturally CAIS . . . or crop insurance does have a benefit in

terms of maintaining producers' margins when they do have a shortfall because future program benefits will be driven off historical margins.

Mr. Dearborn: — Thank you. That was a clear and succinct answer. The question I would have then: what is the interplay between these two programs in the event that there's a denial of a crop insurance claim because of a rotational problem? And I'll have a number of questions around this.

Mr. Matthies: — I think what I would say is obviously where there become very detailed issues, officials from Crop Insurance and from CAIS will likely end up working quite collaboratively together to make sure that there's a clear understanding of the issue. But the intent is that, if for a reason due to agronomic practice that an individual was not entitled to some or all of their crop insurance payment, then there would be a question about whether they would be entitled to receive any money out of CAIS. So it comes down to, you know, what was the agronomic practice? And so if you're denied under one government program, should you be eligible under the other? And that's sort of the question that would be at play.

Mr. Dearborn: — Thank you. We have a situation where we have crop rotation restrictions under crop insurance. And I have some comments on that because this relates directly to the case and the answer that you just made.

One of the primary examples would be with a crop such as kabuli chickpeas which have the tendency to develop ascochyta if there is not a break in the rotation of the seeding. We have the situation where farmers may seed a number of acres of kabuli chickpeas and they put in a seeded acreage report. And then in the fall — let's say there's 500 acres seeded — in the fall they have not had a crop and the reason for not having a crop in this case is drought. Ascochyta, of course, is transmitted by fog and wet conditions so it hasn't had anything to do with this. And of the 500 acres that have been put forth in the seeded acreage report, 80 acres of a newly rented piece had chickpeas on them three years ago; hence the individual's out of step with the rotation and upon putting the claim in is told that there is a denial of the entirety of the claim.

This will obviously affect the CAIS program. Can you explain to me how, first of all, Crop Insurance determines that there's a break in the rotation, right; why Crop Insurance doesn't feel the need to notify the member when the seeded acreage report has gone in and why they in essence would be accepting the premium until the point of a claim being put in; and once the claim's put in that there's a denial of the claim on a much substantial . . . You know, this could bankrupt a farm in essence on a small percentage of the acres seeded.

Mr. Matthies: — In offering the response I would say that certainly . . . to be entirely complete and correct in response it would probably be important to sort of have the file detail to know exactly what transpired. But I'll offer sort of the general comments and hopefully that gives you what you need. And what I would encourage is if there's a particular client that you have, that contacting Crop Insurance might be a good way to go.

But from a general approach, Crop Insurance adopted a very

strict rotation policy particular on chickpeas as a result of industry recommendations, basically. The Saskatchewan Pulse Growers worked very closely with Crop Insurance to develop the insurance program for chickpeas. And they were extremely forceful, I guess, in their emphasis that because of the disease issue that a strict four-year rotation needed to be adhered to.

So Crop Insurance put together the program and included a very specific terms of reference for chickpeas which clearly outlines the terms of insurance. And that is sent to producers in the spring when they endorse the chickpea program and have acres to it. So they're notified right up front that you have to adhere to the four-year rotation.

Now if you have a circumstance where a producer has shorted the rotation, you know, again without knowing the specifics of it, the acres that would be at issue generally speaking would be only those acres where the rotation was shorted. So if you had 500 acres of chickpeas and 80 happened to be on land that shorted the rotation, then it's the 80 acres that would be at issue, not the other 420, unless there were issues or disputes around identifying production. But generally I think you can probably work through those.

Mr. Dearborn: — Thank you for that answer. I would have a question just to follow up. It's good to hear that only those 80 acres out of a rotation would be the case which sounds much fairer than the other presented.

However I would have the question, what duties does the Crop Insurance Corporation of Saskatchewan have to notify the individuals that they have broken rotation? And I guess this is for the minister. There's something fundamentally problematic here where there would be a given acceptance of the premier . . . of the premium, rather, and if no claim is ever put in, that premium's accepted. But the insurance corporation, I take it, when they enter the seeded acreage reports into the computer, probably have a mechanism for flagging cross-contamination for rotation. So do they not at that point have a duty to inform the producer so the producer can go forth and possibly, you know, rent that piece out to a neighbour or spray it down with Roundup or do whatever, you know, may need to happen so that this can be cleared up?

The Chair: — Committee members, if I could just interject for a moment. I want to remind members that the items that we are debating today are the supplementary estimates on page 11, as I indicated early, under the BSE recovery program. And I understand that there may be some intertwine with programs and interconnections, but I would like to keep the debate focused on the supplementary budget issues, (AG08) and (AG09). Thank you.

Hon. Mr. Wartman: — Thank you, Mr. Chair. I would like to note as well that I gather this is the nature of the written question that is submitted, and we will be doing a written answer on that which is consistent with what has been provided. So we're prepared to move on then.

Mr. Dearborn: — Well, Mr. Chair, I guess the point of this, as I tried to outline in my previous questions, there is a link between crop insurance and the CAIS program, between the crop insurance policies and the CAIS program. And from the

answers that have come forth today, the ones are strongly dependent on the second. If a producer is denied crop insurance coverage in their claims, accordingly they're going to be denied the CAIS coverage, and this is directly what (AG09) refers to. And hence, from logical extension, the policies that cause the loss of claim on the crop insurance from Crop Insurance Corporation are directly causing loss of claim on CAIS as well. And so clarity on those issues I see as absolutely necessary. I think I will await the answer to the written question to come forth on Monday.

I thank the minister and his assistants for some of the answers that have come forth today. And I know that for producers that are worried about these situations, this seems a fairly not localized or individual issue, as it's been raised with my office on more than one occasion . . . that the answers provided today will be able to help our local office properly fix some of the problems that are out there. So I thank the Chair and the minister.

Hon. Mr. Wartman: — Mr. Chair, with the linkage to CAIS, I appreciate the point the member is raising. We will deal with this in the written question, but I think it is also important if we might just complete the last part of the question that he had asked. And that is just to note again that once the producer has indicated that they are going to go into chickpeas, it's very clear then that there are, I think, detailed instructions about what parameters have to be followed by that producer in putting the crop in that are delivered from the government immediately after, or from Crop Insurance, immediately after the crop is listed. Thank you.

The Chair: — Thank you, Minister. Thank you, Mr. Dearborn. Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. Mr. Chair, I too have a few questions dealing with the linkage between CAIS and crop insurance, and then I have a number of questions dealing with the BSE program. My first question is, Minister, is if a producer is enrolled in both crop insurance and CAIS and experiences a production loss, and therefore has a claim under crop insurance and is . . . also his margin for that year falls below his reference margin, so he would be also . . . that producer would also be eligible for some payouts under the CAIS program. How are the crop insurance premiums treated in that year?

Mr. Matthies: — I'm just wanting to make sure I'm understanding the question, but basically crop insurance premiums are an eligible expense in calculating your reference margin. And in the linkage calculation, which is basically in recognizing that crop insurance essentially offers a negative margin coverage for grain producers, and so to the extent that a producer may have negative margin protection through crop insurance which he's paid a premium for, the linkage calculation basically is intended to sort of identify to the extent that the premium you paid on crop insurance gave you that negative margin coverage. If your CAIS claim would have been higher than to the extent that you paid a premium, that would be refunded to you as part of a CAIS payment so that you can essentially get part of your premium back through that mechanism if you participated in both programs under the circumstances that I understood you to describe.

Mr. Hart: — Well I received calls at my office from producers who are getting different information from the CAIS people when they phone the CAIS information number. They are told that in Saskatchewan the crop insurance premiums will not be refunded as such to the producers, if they are in that situation as I described where they have a crop insurance loss in the same year where they're also eligible for a payout under CAIS. Yet that very provision was described at the information meetings this past winter that took place and so that is raising a fair level of concern.

And I would like you to be absolutely certain on this, that that in fact is not the case, or is not the situation. We'd better not use too many cases here or we'll get our cases mixed up. But if in fact that is not the situation, then I would suggest that you be in touch with the administration in Winnipeg to clarify that because that is creating quite a level of concern for certain producers.

Hon. Mr. Wartman: — I think what I can best say at this point is if there are specific, clearly specific cases, to let us know about those cases. But in the meantime we'll take note and we'll follow up with the administration.

Mr. Hart: — So to be absolutely clear, if a producer carries crop insurance, suffers a crop loss and he's eligible for some payouts under crop insurance, and also is eligible for a payout under the CAIS program, the premiums will be refunded to the producer?

Mr. Matthies: — The calculation would look at what did the producer receive, having crop insurance, what would his CAIS payment be? And then they do a second calculation, basically to say, if he wouldn't have been in crop insurance, what would the CAIS payment have been? And to the extent that you might have received a higher CAIS payment by not being in, that's sort of the scenario they look at, but up to the maximum value of whatever your premium was.

Mr. Hart: — So this is not a situation where Saskatchewan has opted out of that particular provision of the CAIS program?

Mr. Burton: — No, no. It's the same one nationally. And the rule is if you're . . . it's really to take away the disincentive for being in crop insurance. They're trying to make you no worse off, so they look at the net benefits of being in both programs and not being in crop insurance. And so it's a national rule, and it's in place here as well.

Mr. Hart: — Good. Thanks for that clarification. If I could just ask a question or two about year-end or inventory values and how they're established, there is some concern amongst producers about the value of inventory at the beginning and end of their fiscal year. I attended a meeting of producers last night in my constituency, and that was one of their concerns that they raised.

In fact they are being . . . or there are some accountants that are telling producers that they should go and sell some of their feed wheat at whatever price they can get for it because frankly there is some feed wheat out on the farms this year where there really isn't any value or very little value. And it's strictly just to . . . the accountants' reasoning is to establish a record as to what the

value of that grain was at the end of the year.

My question is, what role does the province play and provincial officials play in establishing inventory values for Saskatchewan producers under the CAIS program?

Mr. Burton: — The CAIS administration consults with the province on establishing inventory values. The year-end values are published for each grade in commodities.

Now there will be situations where there might not be a published price because of some — let's say special — circumstances, a very, you know, light weight feed wheat or barley where they can't publish every single situation. And in those cases there will, you know, the administration will work with the producer to establish an acceptable price. It may or may not be one that is sold in the last 30 days of the month, but that is a good record. If he has a sale, then that's obviously what the price is. But if there is a price that's published, that's the price they will use for that commodity.

Mr. Hart: — So if we can narrow the discussion down to feed wheat that's weighing 50 pounds, what valuation will the program be using to establish a value on that? I mean, at this current time there really isn't a market for a particular grain. So I'll run this scenario past you because there are a number of producers that have, at least part of their inventory that would fall into that particular specification.

Are you saying that for the 2004 program year there will be a value established? And if not, will the producer who will eventually sell that grain next year sometime — or at least a portion of it or perhaps even later this fall — will that value that that producer receives, will he or she be able to use that value for their total inventory or just for the portion that they sold at that particular price?

Mr. Burton: — Now the critical thing is their year-end because that's when they're trying to value the inventory. So they will try and establish the price at year-end, December 31 for most producers, around the calendar year-end.

And so if there isn't a price, they will look at what price the farmer has received, particularly if they have sales during that period, but they have to be within reason. They can't, you know . . . it's got to be a reasonable arm's-length sale. It has to be a . . . the price has to make sense. And so there will be a range of prices that the administration will accept, you know, based on depending on what the market is because there will be a lot of different types and grades of commodity here. So there will be some prices that are used that are from the producer's sales, but they have to fall within the range that's acceptable to the administration.

Mr. Hart: — How closely do Saskatchewan officials work with the CAIS administration people, and what type of influence and what impact do Saskatchewan officials have on setting those values? Are our officials merely consulted? Do you provide hard data and say, in Saskatchewan this is what the value of this product was trading for in these various times frames because we have different values for each month? I have the 2003 program values here before me, and I would assume we'll have the same thing for 2004. I'm trying to get a sense of

how much influence Saskatchewan has on the program for Saskatchewan producers.

Hon. Mr. Wartman: — The administration does consult with the officials in Saskatchewan. They also look across the piece to make sure that the prices do make sense overall across the provinces. And they ultimately do set the price, but they do so in significant consultation with the officials here in Saskatchewan.

Mr. Hart: — But you're saying then that Saskatchewan producers can take some comfort in knowing that Saskatchewan officials play a fairly significant role in establishing these values. Would that be a fair statement?

Hon. Mr. Wartman: — With my confidence in the officials, yes, that would be.

Mr. Hart: — Thank you. I'd like to turn my attention, our attention to the BSE program and the information or the program as outlined for Saskatchewan producers. What . . .

Hon. Mr. Wartman: — If I might, the deputy minister does have . . . would like to make some further comment to you . . . just in conclusion on your last question before we move ahead, okay.

Mr. Matthies: — Thank you, Minister, Mr. Chair. I would just want to make sure that in the discussion that members are aware that there is a significant program difference between the CAIS program and its predecessor, CFIP (Canadian farm income program). And certainly the predecessor program, CFIP, did have the tool for producers to sell their inventory or sell some of their inventory within a month of the year-end and use that for evaluation purposes.

Under the CAIS program, what the CAIS administration will do is they will attempt to identify the major grades in the year and come up with their benchmark price. And where they have come up with that price . . . and they do vet it through the provinces. But where that price is identified, generally speaking, that is the value that producers will have to use. So if a producer does sell some inventory and it corroborates or matches with one of the grades that the CAIS administration has also pegged a price for, unless the producer is able to demonstrate that their product was somehow more unique, then they will have to use the CAIS administration price.

I know from my own family and friends that are in the business that guys are looking at off-grade pieces. They're thinking they're going to make some sales because they don't know if there's going to be a value. So they're looking at doing that to kind of cover themselves.

Mr. Hart: — Particularly this year was going to present some significant challenges because of the off-grades that we have as a result of the frost, not only in wheat but in other commodities. And I think what we need, what producers are looking for, that they need some assurance that the province is ready to back them in their discussions with the program administration folks in surrounding these values of inventory because it's going to be all over the map for 2004.

In a traditional year, establishing values for the various grades in the commodities is fairly straightforward, I think, because the marketplace does that fairly effectively, but not in this year. And so I would appreciate, and I'm sure the producers would appreciate to know that perhaps our Saskatchewan officials will be working for their assistance . . . or with their assistance and so on.

What I'd like to do now is discuss the BSE program. What is the estimated administration cost of this program? It seems to me that there is going to be a fair bit of administration simply recording tag numbers and keeping track of animals that move around and purchase contracts, and I notice there's an audit component to the program. I wonder if you could briefly outline your projections for administration costs and perhaps give a bit of a breakdown, particularly with the auditing function. Are you looking at hiring a number of auditors to go out to the farms and ranches to actually count calves and record tag numbers? Or what are your . . . what do you envision as far as the administration of this program?

Hon. Mr. Wartman: — Okay, I'll give you the general estimates. I think they are in your supplementary book there. We're looking at 39.5 million for the overall program and then approximately 500,000 for the administration. I don't have the detail of the breakdown but we'll ask Mr. Boehm to go into the detail on that. Thank you.

Mr. Boehm: — The breakdown will be between actual program administration, so capturing the information from producers' applications and of course processing that, and finally sending out a cheque. But there also is a fairly significant audit component to the program. We in fact have met with the Provincial Comptroller's office to talk about the audit requirement. And it looks like, depending on the number of applications of course, we won't be able to set the number, but we're targeting a number in the neighbourhood of 7 per cent, and that it would be a standard audit level for this type of program.

Mr. Hart: — You would be targeting about 7 per cent of applicants? Is that what you're saying?

Mr. Boehm: — That's correct, yes.

Mr. Hart: — So of that \$500,000, how many dollars are you envisioning spending on the audit component of the administration costs? And could you elaborate on that audit function? Are you looking at hiring additional staff or part-time staff? I would presume if you are, how many? Those sorts of things. If you could just perhaps give a bit more detail.

Mr. Boehm: — Okay. Well first of all, the audit cost of course will depend on the number of applicants that participate in the program, and so that can be estimated at the front end of the program. But of course we won't know until we actually receive the applications.

If I could maybe refer back to previous programs though, I would suggest that audit costs for the program that we ran last fall — the cull animal program — would have been in the neighbourhood of 100 to \$150,000. And yes, we would have hired external staff to come in and in fact conduct those audits.

Mr. Hart: — So you're . . . Am I understanding you correctly? That you're thinking based on assumptions — and that's all we can work with now because we don't know the uptake — that you're looking at about \$150,000 on audit and the remaining 350,000 on the actual administration of accepting applications, tracking the movement of cattle, you know, the purchase agreements, those sorts of things?

Mr. Boehm: — Again that will depend very much on the number of producers that participate in the program. My example, based on last year's program, involved some 18,000 Saskatchewan cow-calf producers. I don't anticipate that level of participation in this year's program because not everyone is going to choose to participate in the feeder calf set-aside program. So in fact those costs may turn out to be a bit less than what are projected. But again it will depend totally on program uptake.

Mr. Hart: — Thank you for that. Now we have two options, I guess, under this program for a producer to enrol under. And I'm not talking about the program end date but whether the producer as a beef cow owner or a producer participates as a backgrounder. And I know in my constituency and across the province, we have a number of producers who in fact do both. They raise some of their own calves so they have the cows, but they also purchase some additional calves at this time of the year. And so, how . . . And then I also noticed that with the cow-calf operator it's a firm 30 per cent, I believe, but with the backgrounder it may be pro-rated depending on the uptake. But I'm presuming that it won't exceed 30 per cent. Is that . . . you're nodding; I assume that's correct.

Now I guess a couple of questions. An individual as I have described, will that individual have to be tagging the calves that they buy with different types of tags versus their own calves? Because they could quite likely have their own calves on the farm and some of the bought calves. How are you going to administer that part of the operation?

Mr. Boehm: — The producer will apply as either a cow-calf producer or a backgrounder based on whichever option leads to the greater level of sign-up in terms of number of calves. And so the same tags are used regardless. But as you indicated, the cow-calf producer will sign up based on the number of cows that they have; the backgrounder will sign up based on the number of calves that they own at December 1, 2004.

Mr. Hart: — So the backgrounder can use calves that they raise, their own calves as such, and also purchase calves? They're just all lumped together and that individual would then apply as a backgrounder?

Mr. Boehm: — That's correct, yes.

Mr. Hart: — Okay, good. Now the payment schedule indicates that in the case of an individual who signs up under the January 1 option, that \$120 will be paid out upon enrolment. And then 40 on March 31 of next year, and October 1 with the remaining 40. Now, it seems to me . . . And of course if the border opens, everything comes to a halt as such. And depending on when that border could open, I guess the upshot of this all is that . . . I'm assuming that the first \$120 per animal are federal dollars, and then the remaining \$80 would be provincial dollars. Is that

a fair assumption to make?

Hon. Mr. Wartman: — That is correct. The federal regulations say that their money must be paid up front as well; so that \$120 has to be paid upon the enrolment.

Mr. Hart: — Okay. So, Minister, you mentioned earlier that some of the comments made by the US ambassador and you were somewhat hopeful that the border may, you know, if we listened to his comments that the border could open sometime in the first quarter of next year.

So it's quite conceivable then if that should in fact be the case, the border opened on March 20 of '05, the province wouldn't have to spend any money on this program then. Is that a fair assumption?

Hon. Mr. Wartman: — That is absolutely correct.

Mr. Hart: — So then I would observe that \$40 million could then be put towards the province's share of the CAIS program then. Would that be a fair assumption to make?

Hon. Mr. Wartman: — I beg your pardon?

Mr. Hart: — I was presuming that if that in fact was the case, that the border opened on March 20 and the province didn't have to spend this additional \$40 million, that you as minister would be . . . would look towards putting that \$40 million into the 2003 CAIS program to increase the funding. Would that be one of your options for this money?

Hon. Mr. Wartman: — I'm assuming that we're going to be very successful in our negotiations with the federal government and we'll be able to apply that to some of the programs that will help us move forward in agriculture. And we certainly have had a number of people coming forward from the agriculture community with all kinds of ideas about how that money could be invested to do so.

Mr. Hart: — Well I certainly wish you every success in your negotiations with the federal government but I think producers of this province need to know that if in fact those negotiations are not successful that the province will be there for them.

We don't need to rehash what's happened in 2004. There will be . . . and the full effects of that will be, of this 2004 crop will be felt in the first half of 2005. And I know that the producers, there'll be a number of producers who are already talking about if things, if the CAIS funding isn't in place, if the crop insurance adjustments aren't fair and equitable, that they're going to be putting keys on bankers' tables and that sorts of things.

And we hear that talk but I think it's real. It's a real desperate situation out there and I think those producers need to know that if those negotiations fail, as a result of the mini-budget that was presented yesterday, the province does have the funds and that they need to have an assurance that if all else fails that the provincial government will be there for them.

And particularly . . . I mean, it's \$40 million. It's a fair chunk of money and would go, you know, would be a first step. If we

don't need to use it for this program that it should, you know, be moved over to the CAIS program.

Hon. Mr. Wartman: — I think the member knows that we are deeply committed to making sure that rural Saskatchewan farmers get the kind of support that is necessary. We do not want to see Saskatchewan producers disadvantaged in any way relative to producers from any other province, and we will do our utmost to see that the necessary supports are there.

And that said, I'm not going to prejudge the negotiations that we're in the midst of. We need to keep firm focus there. I wish that more would join with that kind of focus in terms of really trying to keep their eye on the ball, make sure that we get all the necessary pressures to get the federal government to move, as we did with equalization and health care.

We really do believe that if we follow the spirit of the Constitution and the Social Union Agreement that we will see equity built into our agriculture programs and will give us a much better long-term results in agriculture. That's what we're aiming for, and I'm with all my being hoping that we will get there.

Mr. Hart: — I just have one or two more questions on the detail of the program that we're discussing here this afternoon. How will animals that die during the sign-up period as such . . . I know there's provisions where, reading the program information, that producers are to notify Sask Ag and Food of an animal that dies and provide the tag number. Will a producer receive further . . . or will he be required to repay some of the benefit or some of the money that he received for that animal if the animal dies? Say if it dies after March 31 and gets the additional \$40 and so on, how will that be handled?

Mr. Boehm: — Well first of all, you know, if the animal's not there when we show up to do an audit, for example, depending on, you know, the level of the discrepancy, if it's within our tolerance levels for normal death loss, no problem. With respect to animals that would die once they were actually enrolled in the program and tagged, ultimately, you know, if the animal dies, that is the ultimate set-aside; I mean, that animal is not coming to market. This program is about keeping animals from the market. And so no, there would not be a penalty to the producer as long as, you know, we can be sure that the animal existed at the time the program was signed up for.

Hon. Mr. Wartman: — I think also a note that's relevant to the question you asked, but also to the earlier question, is that if in fact the border were to open on April 1, 2, 3, we are also not going to be doing a clawback of the cheques that go out on March 31.

The Chair: — Thank you, Mr. Hart. Mr. Chisholm.

Mr. Chisholm: — My questions relate more to the actual administration of not only this program but the CAIS program, if that's admissible. Just by arrangement with the rest of the country, what it is costing us per dollar that is going out to the producers as far as effectiveness of the different programs we've been through the last number of years and the possibility of administering our own program in our own province like is done in other provinces? And just some idea of where, you

know, where we're at on that.

Mr. Matthies: — Mr. Chair, just in response to the question, Saskatchewan is one of five provinces that rely on the federal government to have a centralized delivery mechanism for their administration of the CAIS program. We opted to go that route thinking that there should be some economy of scale, if you will, in having a central administration. You don't have to build separate computer programs in every province, that you would get some efficiencies that way. And so the province contributes 40 per cent of the costs that are identified as sort of program administration related to Saskatchewan accounts. And I'm going, I think I'm going to look . . . 13 is the number? So we're looking at a number of approximately \$13 million as the estimated cost to Saskatchewan for administration of the CAIS program by . . . (inaudible interjection) . . . correct, per year.

Now that represents the government costs certainly. Producers will also point to the fact that they're going to pay their accountants to file forms and that's not captured in that, and that would be a correct observation.

Mr. Chisholm: — So in effect that would be more than 13 per cent of the amount of dollars that are making their way to the producers are being used in administration, if we're looking at the 2003 CAIS programs. Would that be a correct assumption?

Mr. Matthies: — Is 13 per cent the correct cost of administration vis-à-vis the benefits? Again at this point, we don't know the hard numbers for the 2000 CAIS program. We know that there were 40,000 Saskatchewan producers that filed an options notice indicating that they may be putting a claim for 2003 CAIS. I believe the most recent statistics we have suggest that there are still 14,000 farmers approximately — or 16,000, in that range — who have not submitted their supplementary information forms to enable all the calculations to be done, so there's still a significant information gap. So we're looking at a fairly broad range.

The provincial estimates for CAIS costs for '03, I believe, were in the 130 million to 220, 230 million range. Federal dollars would be one and a half times that on top. So when you're looking at whatever that per cent might be, you have to take both the federal and provincial admin piece layered on top of the federal and provincial payout sides. But unfortunately we don't have hard stats.

What I could also volunteer is that, you know, there is an expectation that as time marches on, there will be an efficiency gain in the cost of program administration. One of the things that the federal government, with the urging of provinces is looking at is, can they marry some of the data that's captured through the tax system already to reduce the processing costs of CAIS administration.

Mr. Chisholm: — Thank you. I think that's all the questions I have.

The Chair: — Thank you, Mr. Hart . . .

A Member: — Mr. Chisholm.

A Member: — Or vice versa.

The Chair: — Or the other way around. Sorry, Mr. Chisholm. Thank you, Mr. Chisholm. Mr. Hart. My goodness, it's late in the afternoon.

Mr. Hart: — Just a follow-up question to Mr. Chisholm's question. Taking that \$13 million, that's obviously based on the number of applications or number of anticipated applications and so on. What are you looking at as far as an average cost per application to administer the CAIS program? What are you basing . . . what type of figures are you basing your administration costs on?

Hon. Mr. Wartman: — Right now the estimate is it'll come out to about 800, on average 800 per file. The goal is to get that to about 500 per file, and that's the average.

Mr. Hart: — And that's a shared cost between the province and the feds, on a 60/40 basis? Is that based on the CFIP experience? There should be some hard data on the CFIP applications. And I see the administration . . . or at least the applications and the information that producers are required to submit. You know, they're almost identical to the CFIP program, so you're saying that, you're indicating that it's based on the CFIP experience.

Hon. Mr. Wartman: — Yes.

Mr. Burton: — And I would also say that again they're basing it . . . there's a fair unknown yet because it depends how many applications and supplementary forms that they have to process at the end of the day. Earlier it was mentioned that there's still another 16 . . . a potential 14 to 16,000 that could come in. We don't know for sure how many of those will come in, and that can have a big effect on the cost at the end of the day.

Mr. Hart: — So those producers such as myself who wait till the last minute to submit the supplementary information, that causes some inefficiencies in the administrative process; is that what you're saying? If all 14,000 of us get our information in on November 29, it causes you some problems and therefore increases the administration costs. Is that . . .

Mr. Burton: — Well certainly it's much easier in any process if the workflow is even, more evenly distributed than coming in big jumps, so . . .

Mr. Hart: — I know when the federal people were going out and holding their series of information meetings that the number of \$500 per application was floated at that time, and I know there was a number of people that are very skeptical on that, just based on their experience with the CFIP program. I'm actually surprised that the administration costs averaged out at 800, I thought that they were probably more in the 12 to \$1,500 range. But if that's what the numbers are, that's what the numbers are.

So you feel . . . or the administration feels then that by streamlining and through experience they'll be able to reduce . . . I'm not quick with the percentages here, but that's a pretty significant decrease of percentage, if you're dropping from 800 to \$500 per application. Is there . . . what makes the administration, the CAIS administration think they can accomplish that? Are they looking at streamlining the program

using new methods to administer the program? I mean it's like I said; it's a pretty significant reduction in administration costs. And what would warrant such an optimistic view of reduction in administration costs?

Mr. Matthies: — If I might just sort of answer that sort of in broad brush terms. And the first thing I would just make sure that . . . sort of we emphasize is that the numbers at this time are still . . . I mean there's a projection because obviously with about 40 per cent of the supplementary still to come in, you know, that puts huge uncertainty into the results.

I think just from discussion with CAIS officials and our own knowledge from program administration, the longer or the more often you do things, the more efficient you can become. You get past learning curves and that sort of thing. You get past some start-up costs around . . . you know there's some computer programming that's an aspect of a start-up element. There may be some additional significant costs you do upfront in terms of awareness that you maybe don't have to go to quite the same extent in subsequent years. And now some of that depends on what enhancements or refinements get made to the program as well.

But a big part of it also comes back to the notion where the federal government is looking quite intently at . . . are there significant savings that can be gleaned by directly getting information out of the tax system so that you wouldn't necessarily have to recapture and rekey some of that? You'd just get it electronically passed over, for example.

So those are things that they are working on to try and bring the costs in line, and you know unfortunately at this point, you know there aren't hard numbers that we can give you.

Mr. Hart: — Mr. Chair, that would conclude any questions that I would have.

The Chair: — Thank you very much. The items then before the House are vote no. 1, subvote (AG08), the BSE recovery program, in the amount of \$39,500,000. Is that agreed?

Some Hon. Members: — Agreed.

Subvote (AG08) agreed to.

The Chair: — The next item to be voted is subvote (AG09), financial programs management, in the amount of \$500,000. Is that agreed?

Some Hon. Members: — Agreed.

Subvote (AG09) agreed to.

The Chair: — I would then ask that a committee member move a motion:

Be it resolved that there be granted to Her Majesty for the 12 months ending March 31, 2005, the following sums to the General Revenue Fund executive branch of government for Agriculture, Food and Rural Revitalization the amount of \$40,000,000.

Is that moved? Mr. Yates.

Mr. Yates: — So moved.

The Chair: — I'm sorry. Ms. Hamilton.

Ms. Hamilton: — I . . . (inaudible) . . . being a rural/urban kind of person.

The Chair: — Okay, it's been moved. Is that agreed?

Some Hon. Members: — Agreed.

Vote 1 agreed to.

The Chair: — Thank you. That concludes the work of the committee for the day. Our agenda has been completed. Mr. Minister, if you would like to thank your officials before we adjourn.

Hon. Mr. Wartman: — Thank you very much. I would like to thank my officials. And I would like to take this opportunity not just to thank them for being here today, but they've put a tremendous amount of work into putting these programs together and negotiating across the piece with the industry people and with the federal government and I think have done a very, very good job for the people of Saskatchewan. So I would like to thank the department officials for all their hard work. I would also like to note that I have heard from producers, who are engaged in the programs, an appreciation for the work that these officials have been doing. So with that I thank them and commend them.

The Chair: — Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. On behalf of opposition members, I too would like to join with the minister in thanking the officials for all the information they've provided, not only here today but in our past meetings. And we certainly appreciate all the information and effort they've provided us with.

The Chair: — Thank you, Mr. Hart, and thank you very much committee members and officials. The committee has completed its work for the day, another \$40 million to developing the rural economy. So thank you very much members of this committee. The committee stands adjourned.

The committee adjourned at 16:25.

