



**Investment
Agriculture
Foundation**
of British Columbia

REPORT OF THE DIRECTORS

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EXPANDING HORIZONS

Funding provided by:



Expanding Horizons

The agriculture and agri-food industry in British Columbia is undergoing a period of unprecedented change causing both hardship and opportunities for producers and processors. Now is the time for industry to expand its horizons and take advantage of opportunities as they arise. The Investment Agriculture Foundation of British Columbia can help industry mitigate the risks and reap the rewards.

The industry has some big issues to deal with. The sustainability of farms across the country is at stake as producers' net returns continue to decline. Extraordinary issues like mad cow disease (BSE) and avian influenza have hit the beef, dairy and poultry sectors particularly hard.

But there are also opportunities. Public opinion polls indicate that many BC consumers want to buy food that is grown locally. Innovation can help producers and processors lower costs, increase productivity and profits, and take advantage of export opportunities. The industry is looking forward to the benefits and profile when worldwide attention hones in on BC in less than four years for the 2010 Olympic Games.

Since 1996 the Foundation has played a key role in fostering growth and innovation across the agriculture, food and beverage processing industry. The Foundation's work has evolved and expanded as the BC industry grasps new opportunities, addresses biosecurity and food safety concerns and prepares itself to deal with challenges and urgent issues.

This report, presented on behalf of the board of directors, provides members and the agri-food industry with an update on the Foundation's activities over the last year.

Working with Industry

The Foundation's industry partners help set the organization's priorities and plan the future. Close cooperation with the industry is critical to the Foundation's success. By working with the BC Agriculture Council and the BC Food Processors Association, the Foundation is attuned to industry's needs and continues to provide highly responsive service and programs.

Focus on the Future: In this initiative – a highlight of the year's activities – the Foundation has been working closely with its industry and government funding partners to identify and assess the key issues and opportunities important to the BC industry's lasting success. This strategic issues analysis was a broad, province-wide consultation process that led to a number of specific strategies and actions for industry, government and the Foundation to pursue to help industry improve its competitive position and build a stronger future.

The initiative identified five key issues and opportunities of a pan-agriculture nature to be addressed in the near term: industry organization capacity building; marketing capacity

building; human resource development; innovation technology hub development; and coordination of programs for branding BC products.

The Foundation will commit resources, within its mandate, to partner with industry to advance the priorities identified under this initiative. The provincial government is also using the final report as it begins work on developing a new agriculture plan for British Columbia.

Strategic Planning: For the first time, the Foundation's members and directors initiated a joint planning process to provide guidance in identifying industry funding priorities and in addressing operational issues. These efforts are expected to provide the framework for effectively targeting Foundation resources. The 2006 Corporate Plan is provided separately.

Public Communications: The Foundation's corporate communications activities are monitored by the public relations and communications committee. The Foundation also participates in a Public Communications Working Group – with the BC Agriculture Council, BC Food Processors Association and its funding partners – to find ways to collaborate on delivery of pan-agriculture messages and increase public support for the BC industry.

Our Core Business: Program Delivery

Agriculture and Agri-Food Canada and the BC Ministry of Agriculture and Lands continue to work together to provide new and enhanced program funds to enable the BC industry to seize opportunities and deal with challenges.

The federal-provincial-territorial Agriculture Policy Framework identifies five key elements to sustain sector growth and profitability: food safety and food quality; environment; science and innovation; renewal; and business risk management. The Foundation's strategic priorities, as determined by the board and industry partners, ensure that its initiatives complement the framework's five elements and achieve the outcomes described in the trust agreements with the funding partners.

The number of funding programs for which the Foundation is the trustee has grown quickly over the last few years. At year end, the Foundation administered 11 programs in accordance with criteria spelled out in various agreements.

Advancing Canadian Agriculture and Agri-Food: ACAAF followed the Canadian Adaptation and Rural Development fund in April 2004. It is designed to compliment the Agriculture Policy Framework Agreement. ACAAF focuses on industry-led solutions to emerging issues, as well as capturing market opportunities by advancing research results and sharing information to advance the sector.

As the British Columbia regional ACAAF council, the Foundation oversees the \$1.7 million annual budget of the five-year program and is responsible for program delivery.

The Foundation is also able to leverage additional funding annually for initiatives that are supported through collaboration with other regional ACAAF councils under the collective outcomes process. The Foundation played host to all of the regional ACAAF councils at a meeting in Victoria in March 2005 to discuss issues and opportunities.

Applicants can apply directly to the Foundation for funding under several general program funds. Approved projects are funded under ACAAF or from residual CARD or Safety Net funds. In 2005, the Foundation received 40 applications, of which 29 were approved with a total project dollar value of \$4 million and Foundation funding of \$1.2 million.

Agri-Food Futures Fund: This program is a joint federal/provincial \$22.82 million dedicated trust fund established for the benefit of BC's agri-food industry. To date the board has approved 14 emerging sector initiatives. These funds give industry groups themselves the decision-making authority for establishing funding priorities, approving projects, communicating the results and administering the initiatives. In some cases this has worked well, while in others there have been difficulties moving forward on strategic plans, generating adequate project applications, finding matching industry contributions and getting industry involved. Administration has also proven challenging for some groups, resulting in the Foundation taking over this role for two initiatives in 2005. The Foundation is working with its delivery partners to find ways to resolve these issues and will continue to do so in 2006.

Unallocated funds are available for new initiatives or for existing initiatives to move on to the next phase. Industry groups are encouraged to contact the Foundation to discuss their ideas.

Environment Funds: The Foundation plays a role in two different funds that improve environmental practices on farms in BC.

At one end of the spectrum are the Agriculture Environment Initiative – comprising more than half of the money available under the Agri-Food Futures Fund – and the Agriculture Environmental Stewardship Initiative. The Foundation is the trustee of these BC Agriculture Council delivered initiatives that provide assistance to resolve key environmental and wildlife issues that impact BC's agriculture industry.

The Environmental Farm Planning program – developed and administered by the BC Agriculture Council – flows from the Agriculture Policy Framework's objective to both achieve a comprehensive assessment of actual and potential risks to the environment from agriculture operations, and to work with industry to reduce those risks. The council has engaged 18 industry delivery groups to deliver the program to producers and has certified some 60 environmental planning advisors. By December 2005, more than 2,500 farms and ranches had participated in the program and 500 environmental plans had been completed. For this program, the Foundation's role is that of a banker. It advances funds to the BC Agriculture Council and claims the money back from the federal government.

The success of these environmental programs was acknowledged nationally in November with the awarding of the 2005 Canadian Agri-Food Award of Excellence for Environmental Stewardship to the BC Agriculture Council. The council was recognized for its outstanding leadership in the design and delivery of programs to improve environmental practices in BC's agriculture industry.

Orchard Renovation Program: The Foundation delivers this program to the tree fruit sector through a trust agreement with the BC government. The ministry provided an additional \$4.65 million in March 2005 in support of the objective to replant 75% of tree fruit acreage in the Okanagan to higher density orchards. The program comes to an end March 31, 2007.

Sterile Insect Release: Since 1998, the Foundation has served as escrow agent for this fund to control codling moth damage in apple and pear orchards. In March 2005, the provincial government provided an additional \$1 million as a one-time contribution to help transition the program to full financial and environmental self-sustainability. Late in 2005, the Foundation approved a request for \$1.6 million to complete the clean-up phase of area-wide codling moth control and expand the program into urban sites.

Small Projects: The Foundation is always looking for ways to improve its program delivery, be more responsive and accelerate the movement of funds to industry. One new approach was the launch of a small projects pilot program in 2005. It provides up to \$5,000 in funding to assist small industry groups undertaking short-term projects. Streamlined procedures were developed to provide a quick response on applications. Of the 20 applications received since the program's inception, 14 were approved with a total project dollar value of \$170,286 and Foundation funding of \$47,625.

Single Window Approach: Another way for the Foundation to better serve the needs of its clients is achieved by assigning a designated program manager to work with each client from initial application through to project completion. The program managers also work proactively with industry groups to generate more applications.

Accountability: Administrative processes, such as reporting requirements, internal and external compliance reviews, financial audits and committees, are in place for the various programs the Foundation administers. This ensures all parties – the Foundation, delivery partners and clients – comply with program parameters set by the funding partners.

New Programs Address Issues and Opportunities

New funding programs are designed to mitigate the risks of urgent threats to BC's agri-food sector and help industry capture specific market opportunities.

Biosecurity concerns have heightened consumer interest in the safety and quality of our food and water. New programs, such as poultry biosecurity and livestock waste tissue disposal, further the Agriculture Policy Framework's objective to ensure that food produced in Canada continues to be among the safest and highest-quality in the world.

Livestock Waste Tissue Disposal: The BC government provided a one-time, \$5 million contribution in March 2005 to help beef, dairy, pork, poultry, slaughter and rendering industries dispose of specified risk material and other slaughter plant waste tissue in an efficient, cost-effective manner. (Waste disposal and handling is now a cost rather than revenue.) The program will make BC's meat industry a leader in waste tissue management by helping producers and processors deal with disposal of specified risk material.

Poultry Biosecurity: The Foundation received \$1.5 million from the province in March 2005 to help the BC poultry industry put in place a mandatory and auditable biosecurity and emergency response program by 2007. An advisory management committee will implement the initiative's strategic plan to ensure the BC industry has enhanced biosecurity and is prepared for an infectious disease outbreak.

2010 Industry Opportunities: The Foundation received \$1 million in March 2005 from the province to enable industry groups to develop strategies and programs to identify and capitalize on opportunities leading up to and flowing from the 2010 Winter Olympics.

With a solid track record as a trustee, the Foundation is well positioned to continue to receive program funding from both the federal and provincial governments. The Foundation will continue to deliver programs at the request of its funding partners and develop programs to better target industry needs and take advantage of the Foundation's financial resources.

Leadership and Strategic Direction

A board consisting of 13 directors is responsible for administering the various programs entrusted to the Foundation. In addition to the industry-appointed directors are two ex-officio, non-voting directors, John Berry representing Agriculture and Agri-Food Canada and Harvey Sasaki representing the Ministry of Agriculture and Lands.

With each board member bringing the perspective of a different commodity sector and acting in the best interest of BC's agri-food industry overall, the industry is well represented and board decisions benefit from this diversity. The board views its role as that of a partner in the investment in opportunities that help the BC agri-food industry to adapt, diversify and advance the sector. The board met seven times during 2005 to conduct its business and review funding applications.

Directors use the standing committee approach to efficiently and effectively discharge their accountabilities. Committees include the executive, audit and finance, performance and evaluation, public relations and communications, and Agri-Food Futures Fund management committee. Federal and provincial ex-officios participate alongside industry representatives on each of the Agri-Food Futures Fund initiatives and strategic programs.

Six director positions are up for appointment or reappointment at this year's annual general meeting after no changes to the board line-up in the last two years. The BC Agriculture Council – which also serves as the members group – coordinates the nomination process.

Day-to-Day Operations

Day-to-day operations are managed by an executive director who reports to the board of directors through the executive committee and is responsible for ensuring the Foundation's goals and objectives are achieved. Rob Simon left the position at the end of March 2006 after two and a half years and returned to the BC Ministry of Agriculture and Lands. Veteran staffer Al Helmersen assumed the role effective April 1, 2006 while the board conducts an external executive search for a replacement.

Rounding out the staff are seven individuals dedicated to program delivery and four who fill support roles.

Two program managers – Emily MacNair and Coreen Moroziuk – field enquiries from potential applicants and then work closely to help each client through the approval and reporting processes from project start to completion. Emily deals with plant industries and Coreen is responsible for animal industries and environmental programs.

Program delivery is also provided by Lynn Simon, Debra Gibbard and Linda Rodd, who look after the Orchard Renovation Program, and by Rick Van Kleeck, who administers the Livestock Waste Tissue Initiative on a temporary secondment from the BC ministry.

Increases in the number of funding programs managed by the Foundation also led to internal changes, including the addition of three new staff during the year. Jessica Ng, Alana Wilson and Sandra Tretick were hired to improve program delivery, better serve the industry, meet the accountability requirements of funding partners and achieve communications objectives.

Comptroller Sherry Greening and Elaine Burgess provide on-going financial and administrative services through an agreement with the BC ministry. Both are on permanent secondment and have been with the Foundation since inception.

The Foundation's operations are based in Victoria with one program manager located in the lower mainland. The organization also maintains an office in Summerland for the administration of the Orchard Renovation Program.

The Financial Picture

Prudent, accountable and conservative are three words that describe the Foundation's financial management style. The board is bound by program-specific funding criteria provided by its funding partners for the programs it administers. Program funds received from funding partners are managed according to specific funding agreements and

established investment policies. These funds generate ongoing revenue and provide a solid financial base to enable the Foundation to continue its industry development programs. Earnings derived from the holding of these funds are held by the Foundation for future undertakings that are consistent with its objectives.

The audit and finance committee monitors the monthly financial statements and investment reports and recommends investment policies to the board. The committee also reviews the annual financial statements and the auditors' reports and recommends acceptance to the board.

In 2005, the Foundation received \$22.4 million in new funding (compared to \$4.4 million in 2004) and disbursed \$13.4 million (\$9.5 million in 2004). Fund balances totalled \$61.3 million at year end (\$52.6 million in 2004) of which 47.8% was committed or reserved for specified programs (47.0% in 2004).

The Foundation's general administration costs dropped from \$804,000 in 2004 to \$770,000 in 2005 or 1.41% of average funds under administration (1.48% in 2004). When provincial contributions are removed from the equation, general administration costs drop to \$640,000 (\$697,000 in 2004) or 1.17% of average funds under administration (1.29% in 2004).

The complete 2005 audited financial statements are presented separately.

Looking Ahead

For me personally, it has been exciting and rewarding to lead the Foundation during this period of expansion and I thank the members for giving me this opportunity. As the Foundation approaches its ten-year anniversary this year, I am convinced it is poised and ready to face the challenges awaiting British Columbia's agri-food industry in the future.

The Foundation has ample funding available to invest in eligible projects. It is always on the lookout for new and innovative projects that will bring long-term benefit to British Columbia's agriculture producers. Our two program managers are eager to work with industry to answer questions and help guide applicants through the approval process. The board encourages you to call on them to discuss your project ideas.

On behalf of the board,



Walter R.J. Goerzen, PAg
Chair

In Memorium

The Investment Agriculture Foundation of British Columbia honoured John Schildroth, who passed away earlier this year, by donating \$5,000 to the BC Agriculture in the Classroom Foundation in his memory. The gift was made in recognition of the role John played in the Foundation, both as the alternate BC Ministry of Agriculture ex officio and previously as executive director. John was a leader, a visionary and a true friend of agriculture. His passion for agriculture in British Columbia, love of life and sense of humour will be missed by all who knew him.